



Maelor plc

25 May 2005

Maelor PLC – Preliminary Results

Maelor plc, the specialist healthcare products company, announces preliminary results for the year ended 31 March 2005.

Financial highlights

- Turnover up 22% to £1.64 million (2004: £1.34 million)
- Loss down 41% to £0.66 million (2004: £1.12 million)
- Loss per share of 1.95p (2004: 3.28p)
- Cash balance of £1.47 million (2004: £1.91 million)
- Cash generative in H2

Operational highlights

- OptiFlo™ annual sales increase 24% and reach 46% UK market share
- Volplex® sales increase 30%
- ContiSol™ approved in Canada
- AAM appointed distributor of ContiSol™ in Canada and US
- Bard launch OptiFlo™ in Ireland

Commenting on the results Chairman, Alastair Macpherson, said:

“These results, with strong revenue growth and sharply reduced losses, show that Maelor is on track for profitability. With our two lead products continuing to take market share and our products entering new territories, we expect to continue to build on the substantial growth which we have achieved over the past three years.”

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Chairman's Statement

“...our cash resources have increased, thus underlining the future viability of our business.”

The past financial year has seen another twelve months of steady progress for your Company, with a 22% increase in turnover and a substantial reduction in losses. A year ago we stated that we believed that we had sufficient funds to see the Company through to profitability. Since the Interim Statement in November 2004 our cash resources have increased, thus underlining the future viability of our business, and indicating progress towards profitability.

Financial Summary

Maelor's turnover of £1,639,294 (2004: £1,340,005) represents an increase of 22% over last year. This increase comes from across-the-board improvements in sales of our existing range of products.

The Group's post-tax loss for the year was reduced by 41% to £663,760 (2004: £1,118,016) following recognition of a research and development tax credit and a deferred tax asset. This arose despite a major investment in improving the manufacturing process for Volplex®, our blood plasma volume replacement product, which should result in its greater profitability in the longer term.

Group cash balances at 31 March 2005 were £1,467,692 (2004: £1,913,748) but, importantly, showed a significant rise from our Interim Statement figure of £1,329,977. This demonstrates that, during the second half of the financial year, Maelor achieved positive cash generation.

Business Summary

One of the most significant achievements of the past year was securing marketing approval for ContiSol™, our range of urethral catheter cleansing products, in Canada. Maelor's management team persuaded Health Canada to reverse their earlier opinion and approve ContiSol™ as a medical device, rather than a pharmaceutical product, thus greatly shortening the long and expensive regulatory process associated with drug authorisations. If this success can be duplicated in the United States, the world's biggest market for medical devices will open up for ContiSol™. To this end, we have recently appointed American Australian Medical, Inc, as our partner for Canada and the United States, and we will be working with them on the necessary submissions that need to be made to the US Food and Drug Administration.

OptiFlo™, the brand name of our urethral catheter cleansing products sold by Bard Limited, has again made good progress, and its share of the UK community prescriptions market stands at a new high of 46% compared with 42% in 2004. During the course of the year Bard also launched OptiFlo™ in the Republic of Ireland, and we will be looking to repeat our UK success in this new territory.

Significant improvements in the manufacturing process will increase Maelor's gross profits from Volplex® in the future. Sales in the UK are highly price-sensitive and dominated by NHS contracts. We have recently appointed a Marketing Manager who is working closely with our distribution partner, Cambridge Laboratories, to bring us greater success in the NHS tender process, where to date we have secured a 30% share of tenders awarded.

We have put further development work with micelle propofol on hold as we continue to search for a partner for this product. We are now targeting those areas where the advantages of micelle propofol are most obvious, in particular in veterinary medicine.

Now that our three major products are all manufactured in the Euro-zone, it is an important objective to extend the geographical spread of our sales, and therefore reduce our exposure to exchange rate losses. Your management team is working hard towards making this happen.

Board Changes

The past year has seen some changes in your Board of Directors. Ann Hardy, who has served Maelor in several senior roles since joining us in 2000, was appointed Operations Director in July 2004. Before joining Maelor, Ann had held operational management positions at Glaxo and Medeva. We were pleased to make this internal appointment, and continue to encourage management development at Maelor.

More recently, the Board welcomed Geoff McMillan as a Non-Executive Director in May 2005. Geoff is currently the Chief Executive Officer of BioFocus plc, and has led the transition of that company into an integrated and profitable provider of drug discovery products, services and programmes. He has previously held Board positions at Roche, Xenova and Elan, and significantly strengthens your Board at a very important stage in the Company's development.

In December 2004 we announced that Paul Williams, Finance Director and Company Secretary, had left the Company to pursue his other business interests. We wish him every success with his future career, and I would like to place on record our thanks to Paul for the substantial contribution he made to the growth of Maelor's business over the seven years he spent with the Company since the time of its flotation. Our Chief Financial Officer, Marie Greenwood, ACA, who joined the Company in November 2004, is now carrying out his duties.

Outlook

Maelor has almost completed its transformation into a focused, profitable company, ready to make the step up to the next level in the competitive medical device and pharmaceuticals sectors. In order for the Company to mature, we must attract new and innovative products to build on the substantial growth that we have achieved over the past three years, during which time we have almost trebled sales. We remain committed to further revenue growth.

Your Board sees as a major priority the need to enhance value for all our shareholders, many of whom have remained loyal to the Company despite the fall in our share price. Our strategy of developing the geographical spread of our business, fully exploiting the potential of micelle propofol and acquiring new products and businesses gives us the strength to approach Maelor's 2005/6 financial year with confidence, as we continue our drive to bring the Company to profitability.

Alastair Macpherson

Chairman

Chief Executive's Review

“Maelor's prospects are for sustained profitability.”

Operationally, the past year has been one of continuing our strategy, established three years ago, of concentrating on commercialisation and minimising costs. As a result, we are moving closer to profitability. A major technical achievement for the year was validating the change in manufacturing process for Volplex®, which not only makes the product more profitable, but also enabled us to overcome a technical issue that was preventing us from launching the product in Argentina. We can now move forward there, and in other markets, with a more robust and competitive product.

The approval of ContiSol™ in Canada showed that Maelor can form a compelling case for the product to be considered a medical device, and we have carefully selected a distributor in North America, which should help us to capitalise on this achievement in the United States.

Approved Products

OptiFlo™

Our range of catheter cleansing products sold by Bard Limited in the UK and the Republic of Ireland is distributed under their trademark, OptiFlo™. The launch of OptiFlo™ in the Republic of Ireland towards the end of the financial year was a significant step for Bard, and we would expect sales in that market to start to contribute in 2005/6.

Meanwhile, OptiFlo's™ share of the UK community prescriptions market (our customary measure of success) has now reached a new high of 46% (source: IMS; 2004: 42%). This represents a 23% increase in sales value over the period, which shows that there is considerable growth in market value in this therapeutic area, which is currently worth over £5 million per annum.

The switch to a quarterly manufacturing schedule has been successfully achieved, thereby reducing the seasonal variation in Maelor's sales to Bard.

Volplex®

This year's key achievement with Volplex®, our blood plasma volume replacement product, has been to implement significant manufacturing improvements, which have resulted in the product being more profitable for Maelor. This major task, which has involved complex project management including development and regulatory issues, has been achieved without threat to continuity of supply.

Volplex® was quick to establish itself in the UK market, but its success means that it is now coming under increasing price pressure from competitors. This makes expansion into other markets a top priority but, as with all pharmaceutical products, the timing of approvals is in the hands of the various regulatory authorities around the world.

We have overcome the technical regulatory problem which was preventing the launch of Volplex® in Argentina, and expect the product to be available from the summer of 2005. We continue to supply our distributor in Bangladesh with further information whilst they lobby on our behalf in that populous, and potentially significant, market. In Australia, China, South Africa and South Korea the regulatory process is under way, and we are having discussions with potential partners in the United States and mainland Europe.

ContiSol™

Our own brand of urethral catheter cleansing solutions, ContiSol™, was approved as a medical device in Canada in May 2004. This followed successful lobbying by Maelor to reverse Health Canada's earlier opinion that ContiSol™ was a pharmaceutical product, and has given us encouragement to adopt similar tactics in the United States. To help us in this objective, we have appointed American Australian Medical, Inc, as our North American distributor, as they have the local resources both to launch in Canada, and to assist us in our negotiations with the Food and Drug Administration in the US.

It has taken time for ContiSol™ to establish itself in Cyprus, Greece and Spain, where it was launched last year. Our distributors are aware that local healthcare professionals need to be educated to maintain catheters *in situ*, rather than replace them, which is the current general practice, and they are confident that they are winning over an increasing proportion of customers. In Spain, there is a reimbursement hurdle to be overcome, which we hope will be achieved in the summer of 2005.

TendaGel

This innovative anaesthetic lubricant product, which was preferred to competitive products in clinical trials, has become the victim of the increasingly competitive market for gel products. We reported in our Interim Statement that TendaGel is unlikely to become a major contributor to Maelor's turnover in the near future, and that continues to be our belief.

Development Products

Micelle propofol

Our aqueous formulation of the world's best-selling general anaesthetic continues to be of interest to several international pharmaceutical companies, but we have not yet been able to secure a development deal that is satisfactory to us. We still believe that micelle propofol is superior to other potential entrants into this market, and has the greater potential to provide a full range of indications worldwide when an appropriate partner can be found. To conclude a deal which accurately reflects the true value of micelle propofol remains our highest priority project.

Micelle propofol's benefits are particularly apparent when considering its potential in veterinary medicine, and we are discussing this market with potential partners in the United States and Europe.

Micelle Technology

Further to our announcement last year of the acquisition of intellectual property regarding inhaled anaesthetics, we are currently developing a strategy to commercialise a lead candidate.

The collaborative study agreement signed last year with a US-based pharmaceutical company led to Maelor successfully solubilising their new chemical entity. Having considered the study report, however, our partner company decided not to progress with this project and has paid Maelor a fee.

Prospects

Today, almost all of our sales are still generated in the UK, but within two years we would expect over 20% of our turnover to come from overseas, subject to local approvals coming from the regulatory authorities.

We will continue to seek complementary products and businesses to supplement the Company's current growth. To this end, we have contracted UTEK-pax Limited to source innovative products and technology, which would add value to Maelor's product portfolio.

Concluding a mutually satisfactory deal with a development partner for micelle propofol could lift this Company to the next level, which is why it is our highest priority project. In addition, we need to reinvigorate our product pipeline by acquiring new and innovative products or businesses.

Maelor's cash reserves have increased in the past six months, demonstrating that we are heading towards trading profitably on an annual basis. Over the past three years, your management team has almost trebled sales, and Maelor's prospects are for sustained profitability by maximising the return from our existing products. With revenues up 22% in the full year, losses reducing and our cash position increasing, we are progressing towards profitability.

Stephen Appelbee

Chief Executive Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2005

	Year ended 31 March 2005		Year ended 31 March 2004	
	£	£	£	£
Turnover		1,639,294		1,340,005
Cost of sales		(1,035,302)		(805,080)
Gross profit		603,992		534,925
Research and development	(344,339)		(680,349)	
Administration	(1,122,332)		(1,123,665)	
		(1,466,671)		(1,804,014)
Operating loss		(862,679)		(1,269,089)
Interest receivable and similar income		65,366		75,404
Interest payable		(16,931)		(6,733)
Loss on ordinary activities before taxation		(814,244)		(1,200,418)
Taxation recoverable		150,484		82,402
Retained loss attributable to the Group		(663,760)		(1,118,016)
Basic loss per ordinary share		(1.95)p		(3.28)p
Diluted loss per ordinary share		(1.95)p		(3.28)p

All operations are continuing.

There are no recognised gains or losses for the period other than the results for the year, as set out above.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2005	2004
	£	£
Reported loss on ordinary activities before taxation	(814,244)	(1,200,418)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	1,020	1,020
Historical cost loss on ordinary activities before taxation	(813,224)	(1,199,398)
Historical cost loss for the year sustained after taxation	(662,740)	(1,116,996)

CONSOLIDATED BALANCE SHEET

At 31 March 2005

	31 March 2005		31 March 2004	
	£	£	£	£
Fixed assets				
Tangible assets		384,593		321,955
Current assets				
Stocks	132,138		173,575	
Debtors: due within one year	660,782		1,202,613	
due after more than one year	80,000		-	
Cash at bank and in hand	1,467,692		1,913,748	
	2,340,612		3,289,936	
Creditors: amounts falling due within one year	(517,847)		(807,353)	
Net current assets		1,822,765		2,482,583
Total assets less current liabilities		2,207,358		2,804,538
Creditors: amounts falling due after more than one year		(193,128)		(214,798)
Net assets		2,014,230		2,589,740
Capital and reserves				
Called up share capital		3,410,458		3,410,458
Share premium account		12,154,094		12,154,094
Revaluation reserve		153,689		66,459
Profit and loss account		(13,704,011)		(13,041,271)
Shareholders' funds – equity		2,014,230		2,589,740

These financial statements were approved by the Board of Directors on 24 May 2005 and were signed on its behalf by:

A Hardy

Director

S C Appelbee

Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2005

	Note	31 March 2005 £	31 March 2004 £
Cash flow from operating activities	25	(854,757)	(1,659,890)
Returns on investments and servicing of finance	26	48,435	68,671
Taxation received	26	379,378	—
Capital expenditure	26	(1,787)	(11,781)
Cash outflow before management of liquid resources and financing		(428,731)	(1,603,000)
Financing	26	(17,325)	222,092
Decrease in cash in the year		(446,056)	(1,380,908)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

for the year ended 31 March 2005

		Year ended 31 March 2005	Year ended 31 March 2004
	Note	£	£
Decrease in cash in the year	27	(446,056)	(1,380,908)
Cash outflow/(inflow) from decrease in debt and lease financing	27	17,325	(222,092)
Changes in funds resulting from cash flows	27	(428,731)	(1,603,000)
Movement in net funds in the year		(428,731)	(1,603,000)
Net funds at the start of the year	27	1,684,452	3,287,452
Net funds at the end of the year	27	1,255,721	1,684,452

Notes to the preliminary results for the year ended 31 March 2005

1. The financial information set out in this report, which was approved by the directors on 24TH May 2005, does not constitute the Company's statutory accounts for the year ended 31 March 2005 or 31 March 2004 but is derived from those accounts. Statutory accounts for 2004 have been delivered to the Registrar of Companies and those for 2005 will be delivered following the Company's Annual General Meeting. The auditors have still to report on the 2005 accounts but have indicated that they will be issuing an unqualified report in all respects. The 2004 audit report was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.
2. The preliminary results have been prepared on the basis of the accounting policies as set out in the financial statements for the year ended 31 March 2004. Key elements of the Company's principal accounting policies are noted below.

Basis of preparation and consolidation

The financial statements of the Group consolidate the financial statements of the Company and its subsidiary undertakings whose financial statements were also made up to 31 March 2005.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of freehold property.

3. Loss per ordinary share

The calculation for basic loss per ordinary share uses the numerators and denominators noted below:

	2005	2004
	£	£
Loss attributable to the Group	(663,760)	(1,118,016)
Weighted average number of shares in issue during the year – basic	34,104,583	34,104,583

Basic and diluted losses per share are the same as there is no dilution at (1.95p) (2004: (3.28p))

4. The directors do not propose the payment of a dividend.
5. The Report and Accounts of the Company for the year ended 31 March 2005 will be sent to shareholders shortly. The Annual General Meeting will be held in Wrexham on Wednesday 27 July 2005.

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