

**Maelor plc**  
interim report 2005



“We research, develop and bring to maturity new and specialist healthcare products, using partnerships, for the benefit of patients and our shareholders.”

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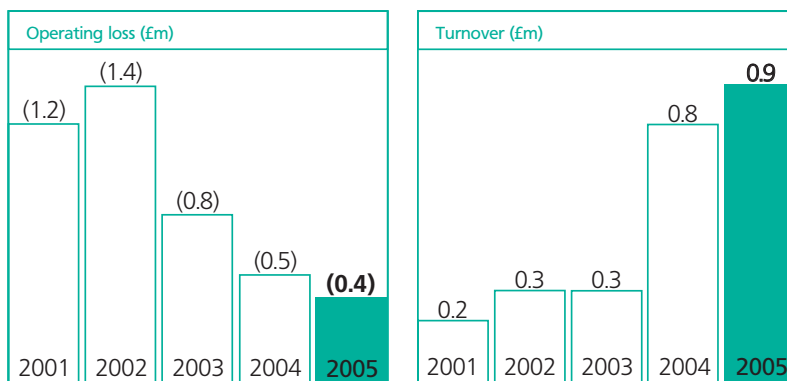
# Highlights

## Operational highlights

- Appointments of Tim Wright as new Chief Executive Officer and Geoff McMillan as Non-executive Director
- OptiFlo™ sales growth of 30% and market share up to 49%
- Re-acquisition of distribution rights for Volplex®
- ContiSol™ launched in Canada

## Financial highlights

- Turnover up 11% to £923,272 (2004: £832,362)
- Pre-tax loss down 12% to £407,266 (2004: £463,228)
- Cash balance of £1.24 million (2004: £1.33 million)
- Loss per share of 1.17 pence (2004: 1.19 pence)



# Chairman and Chief Executive's Statement

We are pleased to report that the Company's interim results for the six months to 30 September 2005 show increased revenues and reduced losses. Maelor has maintained steady progress towards profitability through its continued focus on the commercialisation of our product portfolio and attention to cost containment.

**OptiFlo™**, our range of catheter maintenance solutions distributed in the UK by Bard Ltd, continues to perform well with sales growth of 30% and market share up to 49%, while **ContiSol™**, our international brand of solutions, has been launched in Canada.

Maelor is taking a further significant step towards becoming an integrated healthcare company by re-acquiring the marketing and distribution rights for **Volplex®** in the UK.

We were pleased to welcome Tim Wright as Chief Executive Officer and Geoff McMillan as a Non-executive Director to the Board. These appointments will bring great benefit and experience to Maelor in the development and commercialisation of healthcare brands.

## Financial results

Revenue during the six months to 30 September 2005 amounted to £923,272, an 11% increase over the same period last year. The Company's pre-tax loss for the six months was £407,266, a reduction of 12% over the same period last year. At 30 September 2005 cash balances were £1.2 million (2004: £1.3 million).

In the course of the preparation of the interim accounts for the six months ended 30 September 2005, the Directors became aware that the value of the Company's net assets was less than half that of the Company's called up share capital.

In such circumstances, Section 142 of the Companies Act 1985 obliges the Directors to convene an Extraordinary General Meeting (EGM) of the Company to consider what specific steps, if any, should be taken to address the situation. The EGM will be held on 30 November 2005 to comply with statutory requirements and the Directors will continue to monitor the net asset position closely. The Directors consider that the financial base of the Company is sound and, accordingly, are of the opinion that no further steps are required to address the situation.

## Approved products

### Volplex – for the treatment of hypovolaemia (low blood volume)

During this period significant steps have been taken to improve the profitability of **Volplex** for Maelor. These improvements include a change of manufacturer and the re-acquisition of marketing and distribution rights. This re-acquisition has enabled Maelor to be more actively involved in the hospital tendering process. As a result, two further regional tenders have been successfully awarded.

### OptiFlo and ContiSol – for cleansing urethral catheters

The UK prescription market share of **OptiFlo** continues to grow and now represents 49% (source: IMS September 2005) of its sector. Bard remains committed to this product and the continuing success of its marketing efforts has resulted in sales growth of 30%.

Following the announcement of a North American distribution agreement for **ContiSol**, our international brand of catheter maintenance solutions, with American Australian Inc, we have recently seen the launch in Canada.

## Development products

### Micelle technology – solubilising insoluble active pharmaceuticals and drug delivery

Maelor owns the patents for micelle technology, a process whereby usually insoluble active pharmaceuticals can be solubilised. **Micelle propofol** has been developed using this technology to offer an aqueous solution of the most widely used intravenous general anaesthetic. This formulation offers particular advantages in that it can be mixed with other water-soluble products, is stable over a range of temperatures, and critically has intrinsic bactericidal properties. The future of this product in human applications will be explored within the forthcoming strategic review. However, we are increasingly aware of the potential application in the veterinary sector, which we currently believe offers an attractive commercial opportunity.

## Board appointments

In April 2005, we were pleased to announce the appointment of Geoff McMillan as a Non-executive Director, with effect from 1 May 2005. Geoff has previously held board positions at Roche, Xenova and Elan Pharmaceuticals. He was, until recently, the chief executive officer of BioFocus plc and following the recent successful sale of BioFocus to Galapagos NV, has joined their Board as a non-executive director.

In September 2005, we announced the appointment of Tim Wright as Chief Executive Officer. With over 15 years' experience in the pharmaceutical industry, Tim has held senior commercial positions at Pfizer and Smithkline Beecham, both domestically and internationally. His most recent roles were with Elan Pharmaceuticals where he was general manager for Ireland and vice president, international marketing. During his time at Elan, Tim was instrumental in the establishment, development and subsequent successful divestment of Elan's European business.

## Outlook

Maelor has taken further significant steps towards becoming a profitable specialist healthcare business. The appointments of Tim Wright and Geoff McMillan further underline the Board's commitment to build a strong management team that will further develop the business and deliver enhanced shareholder value.

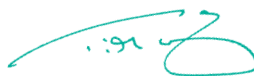
The Company will continue to drive for profitability through the ongoing leverage of the existing product portfolio, establishment of further partnerships and efficient control of costs.

In order to formulate a strategy for additional future growth, a rigorous strategic review is planned that will critically examine the capabilities of the existing business and opportunities for enhancement.



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**Alastair Macpherson**  
Chairman



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**Tim Wright**  
Chief Executive Officer

## Consolidated Profit and Loss Account

for the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 £	Unaudited Six months ended 30 September 2004 £	Audited Year ended 31 March 2005 £
<b>Turnover</b>	<b>923,272</b>	832,362	1,639,294
Cost of sales	<b>(559,172)</b>	(523,722)	(1,035,302)
<b>Gross profit</b>	<b>364,100</b>	308,640	603,992
Research and development	<b>(79,606)</b>	(261,809)	(344,339)
Administration	<b>(713,177)</b>	(534,850)	(1,122,332)
<b>Operating loss</b>	<b>(428,683)</b>	(488,019)	(862,679)
Interest receivable and similar income	<b>28,324</b>	33,904	65,366
Interest payable	<b>(6,907)</b>	(9,113)	(16,931)
<b>Loss on ordinary activities before taxation</b>	<b>(407,266)</b>	(463,228)	(814,244)
Taxation recoverable	<b>9,581</b>	55,696	150,484
<b>Retained loss attributable to the Group</b>	<b>(397,685)</b>	(407,532)	(663,760)
<b>Basic loss per ordinary share</b>	<b>(1.17)p</b>	(1.19)p	(1.95)p
<b>Diluted loss per ordinary share</b>	<b>(1.17)p</b>	(1.19)p	(1.95)p

The Group's activities are classified as continuing.

## Statement of Total Recognised Gains and Losses

for the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 £	Unaudited Six months ended 30 September 2004 £	Audited Year ended 31 March 2005 £
Loss for the period/year	<b>(397,685)</b>	(407,532)	(663,760)
Unrealised surplus on revaluation of properties	—	—	88,250
<b>Total gains and losses recognised since last report</b>	<b>(397,685)</b>	(407,532)	(575,510)

# Consolidated Balance Sheet

at 30 September 2005

	Unaudited 30 September 2005 £	Unaudited 30 September 2004 £	Audited 31 March 2005 £
<b>Fixed assets</b>			
Tangible assets	<b>392,004</b>	305,217	384,593
<b>Current assets</b>			
Stock	<b>125,305</b>	148,134	132,138
Debtors – due within one year	<b>808,915</b>	1,094,000	660,782
– due after more than one year	<b>80,000</b>	–	80,000
Cash at bank and in hand	<b>1,235,727</b>	1,329,977	1,467,692
	<b>2,249,947</b>	2,572,111	2,340,612
<b>Creditors: amounts falling due within one year</b>	<b>(801,674)</b>	(507,527)	(517,847)
<b>Net current assets</b>	<b>1,448,273</b>	2,064,584	1,822,765
<b>Total assets less current liabilities</b>	<b>1,840,277</b>	2,369,801	2,207,358
<b>Creditors: amounts falling due after more than one year</b>	<b>(183,090)</b>	(187,593)	(193,128)
<b>Net assets</b>	<b>1,657,187</b>	2,182,208	2,014,230
<b>Capital and reserves</b>			
Called up share capital	<b>3,428,083</b>	3,410,458	3,410,458
Shares to be issued	<b>23,017</b>	–	–
Share premium account	<b>12,154,094</b>	12,154,094	12,154,094
Revaluation reserve	<b>153,689</b>	65,949	153,689
Profit and loss account	<b>(14,101,696)</b>	(13,448,293)	(13,704,011)
<b>Shareholders' funds – equity</b>	<b>1,657,187</b>	2,182,208	2,014,230

## Consolidated Cash Flow Statement

for the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 £	Unaudited Six months ended 30 September 2004 £	Audited Year ended 31 March 2005 £
Cashflow from operating activities	(244,260)	(669,194)	(854,757)
Returns on investments and servicing of finance	19,326	24,791	48,435
Taxation received	—	71,542	379,378
Capital expenditure	(15,272)	—	(1,787)
<b>Cash outflow before management of liquid resources and financing</b>	<b>(240,206)</b>	<b>(572,861)</b>	<b>(428,731)</b>
Financing	8,241	(10,910)	(17,325)
<b>Decrease in cash in the period/year</b>	<b>(231,965)</b>	<b>(583,771)</b>	<b>(446,056)</b>

## Reconciliation of Net Cash Flow to Movement in Net Funds

for the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 £	Unaudited Six months ended 30 September 2004 £	Audited Year ended 31 March 2005 £
<b>Decrease in cash in the period/year</b>	<b>(231,965)</b>	<b>(583,771)</b>	<b>(446,056)</b>
Cash outflow/(inflow) from decrease in debt and lease financing	9,384	10,910	17,325
<b>Changes in funds resulting from cash flows</b>	<b>(222,581)</b>	<b>(572,861)</b>	<b>(428,731)</b>
<b>Movement in net funds in the period/year</b>	<b>(222,581)</b>	<b>(572,861)</b>	<b>(428,731)</b>
Net funds at the start of the period/year	1,255,721	1,684,452	1,684,452
<b>Net funds at the end of the period/year</b>	<b>1,033,140</b>	<b>1,111,591</b>	<b>1,255,721</b>

## Reconciliation of Operating Loss to Operating Cash Flows

for the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 £	Unaudited Six months ended 30 September 2004 £	Audited Year ended 31 March 2005 £
Operating loss	(428,683)	(488,019)	(862,679)
Depreciation charge	7,861	16,738	27,399
Charge for share options	23,017	—	—
Decrease/(increase) in stocks	6,833	25,441	41,437
Decrease/(increase) in debtors	(136,461)	92,768	232,937
(Decrease)/increase in creditors	283,173	(316,122)	(293,851)
<b>Net cash flow from operating activities</b>	<b>(244,260)</b>	<b>(669,194)</b>	<b>(854,757)</b>

# Notes to the Financial Statements

1. The interim results for the six months ended 30 September 2005 are unaudited. The financial information set out in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 March 2005 are not the statutory accounts for the financial year but are abridged from those accounts which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.
2. The tax credit in the profit and loss account relates to the surrender by the Group of research and development losses.
3. The interim results, which were approved by the Board of Directors on 26 October 2005, are prepared on the basis of the accounting policies set out in the annual financial statements of the Group for the year ended 31 March 2005.
4. Included within administration expenses is a provision for exceptional costs relating to compensation for loss of office for Stephen Appelbee.
5. Whilst further progress has continued to be made by the Group during the period, profitable trading is yet to be established. Cash will continue to be absorbed until at least this point in time, and until further products become income generating. The Board will continue to monitor the progress of the acquisition, development and launch of new products and the financial position in order to ensure that the Group continues to have sufficient funding to continue in business. For this reason, they continue to adopt the going concern basis in preparing the financial statements.
6. Copies of this interim statement will be sent to shareholders on 8 November 2005 and will be available from the Group's registered office at:

*M A Cope*

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**M A Cope**  
Secretary  
26 October 2005

**Registered Office:**  
Riversdale  
Cae Gwilym Road  
Newbridge  
Wrexham LL14 3JG

# Notice of Extraordinary General Meeting

Notice is hereby given that an EGM of the Company will be held at 10 am on Wednesday 30 November 2005 at Riversdale, Cae Gwilym Road, Newbridge, Wrexham LL14 3JG, for the purpose of considering, and if thought fit, passing the following:

## Ordinary resolution

That, notwithstanding the fact that the net assets of the Company are less than half of its called up share capital, no specific steps be taken to deal with the situation save that the Directors should continue to monitor the situation/value of the Company's net assets.

By order of the Board



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**M A Cope**  
Secretary  
26 October 2005

**Registered Office:**  
Riversdale  
Cae Gwilym Road  
Newbridge  
Wrexham LL14 3JG

## Shareholder Information

### Share dealing service

A share dealing service is available to existing shareholders to buy or sell the Company's shares via Capita Share Dealing Services. Online and telephone dealing facilities provide an easy to access and simple to use service.

For further information on this service, or to buy or sell shares, please contact:

#### Online dealing

[www.capitadeal.com](http://www.capitadeal.com)

#### Telephone dealing

0870 458 4577

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell their shares. Shareholders in any doubt as to what action to take are recommended to seek financial advice from an independent financial adviser authorised by the Financial Services and Markets Act 2000.

# Company Information

<b>Directors</b>	M A F Macpherson T Wright S C Applebee A Hardy J H Gregory P Murray H G McMillan	(Non-executive Chairman) (Chief Executive Officer – appointed 17 October 2005) (Chief Executive Officer – resigned 28 September 2005) (Operations Director) (Non-executive Director) (Non-executive Director) (Non-executive Director – appointed 1 May 2005)
<b>Secretary</b>	M A Cope	
<b>Registered office</b>	Riversdale Cae Gwilym Road Newbridge Wrexham LL14 3JG	
<b>Company registration number</b>	3337415	
<b>Brokers</b>	NUMIS Securities Limited Cheapside House 138 Cheapside London EC2V 6LH	
<b>Nominated advisors</b>	NUMIS Securities Limited Cheapside House 138 Cheapside London EC2V 6LH	
<b>Auditors</b>	Baker Tilly Number One Old Hall Street Liverpool L3 9SX	
<b>Solicitors</b>	Brabners Chaffe Street 1 Dale Street Liverpool L2 2ET	
<b>Principal bankers</b>	HSBC 17–19 Regent Street Wrexham LL11 1RY	
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

OptiFlo™ is a trademark of Bard Limited

ContiSol™ is a trademark of Maelor Pharmaceuticals Ltd

Volplex® is a registered trademark of Maelor Pharmaceuticals Ltd

**Maelor plc**

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