

2148607

corporate objectives

To become a major European based pharmaceutical company principally focused on the research and development of treatments of serious diseases where therapy is initiated in hospital and continued in the home care environment.



contents

1998 at a glance	1
chairman's statement	2
our pharmaceutical products	6
chief executive's operational review	8
financial review	15
directors, secretary and advisers	16
senior management team	18
management team	19
directors' report	22
report of the board on remuneration matters	25
corporate governance	28
statement of directors' responsibilities	30
auditors' report	31
auditors' report on corporate governance	32
consolidated profit and loss account	34
consolidated balance sheet	35
parent company balance sheet	36
consolidated cash flow statement	37
statement of accounting policies	38
notes to the financial statements	40

A20 *AU4Z1E5R* 893
COMPANIES HOUSE 25/02/99

1998 at a glance

SUMMARY FINANCIAL PERFORMANCE

	1998 £M	1997 £M
Licensing and option fees	1.2	4.1
Royalties	1.2	0.3
Product sales to licensees	2.0	0.9
Other activities	1.0	1.6
Turnover	5.4	6.9
R & D	7.7	6.7
Net loss	8.4	4.5
Year End Cash	12.5	23.2

YEAR'S HIGHLIGHTS

TWO PRODUCT LICENCES GRANTED
- Asmabec Clickhaler
- Dexemel

THIRD PRODUCT LAUNCHED
- Asmabec Clickhaler

RESPIRATORY
- Dedicated division formed

ICODEXTRIN MANUFACTURE
- Long term supply agreement with Baxter
- Capacity further expanded

BOARD APPOINTMENTS
- Professor Anthony Dayan
- Dr Till Medinger

EXTRANEAL
- Now on sale in 19 countries
- One of Baxter's fastest growing products
- Royalties topped £1M this year

ADEPT
- Excellent pre-clinical results
- Market launch expected early 2000

VIRALDON
- New Phase II/III study to commence spring 1999
- Licence of US rights in negotiation

EMMELLE
- Phase II trial commenced
- MRC leading product candidate

DRY POWDER INHALERS
- Currently being evaluated by large pharmas
- Announcements expected

PULMOCAPS
- Evaluation ongoing with NCE of large pharma

DEVACADE/COLYKADE
- Phase II studies with morphine ongoing
- Initial evidence indicates improved pain relief and
- reduced side effects

PROLOG
- Phase II study in final phase
- No adverse events

RESEARCH
- Additional research project

chairman's statement



When I last reported to you in June at the interim stage I was able to inform you that we had made progress on all fronts. Since that date we have continued to make good progress and I am pleased to report that we achieved several milestones in the intervening period.

First, our applications to the regulators for marketing authorisations for our breath activated dry powder inhaler, Clickhaler, containing the asthma medication Beclomethasone and for our intraperitoneal drug delivery system Dexemel, were both approved, taking the number of marketing authorisations granted to us to date to four and maintaining our 100% track record. I would like to congratulate our clinical and regulatory teams on their excellent performance.

Secondly, immediately following the grant of marketing authorisation for Beclomethasone Clickhaler, Medeva, our European licensee of that product, launched it in the UK market under the trade name Asmabec Clickhaler, alongside its sister product Asmasal Clickhaler, our dry powder inhaler containing Salbutamol, which is similarly licensed to Medeva. Consequently, with some satisfaction, we saw our third product enter the pharmaceutical market.

Thirdly, as a result of the increasing significance of our portfolio of respiratory products, we have created a dedicated Respiratory Division within the Group. The Respiratory Division is headed up by Paul Ballington, our Marketing Director, whose principal task is to ensure that we maximise the rapidly increasing range of respiratory opportunities currently available to us.

We consider Clickhaler has become the benchmark for the international development of dry powder inhalers and that our breadth of technology is unequalled by any other independent inhalation device developer as it enables us to offer a drug delivery solution to both respiratory and biotechnology



companies for both patented and off-patent drugs.

During the year a number of large pharmaceutical companies have worked with the ML inhaler team to evaluate the essential suitability of our technology with the output of their Research and Development laboratories. We hope to be able to confirm the successful outcome of one or more of these evaluations with the announcement of the signing of significant development agreements in the coming year.

The global asthma market was valued in June 1998 at $8.75 billion by IMS; in the view of Morgan Stanley Dean Witter analysts the market is set to grow to over $14 billion in the next 5 years. We believe ML is uniquely poised to bring our dry powder inhaler technology to the world stage as we increase coverage of the European market and, eventually, the lucrative US markets, through our relationships with current and future licensees.

Consequently we continue to believe that our inhaler franchise has significant commercial potential.

In addition, during the period, Extraneal, our renal dialysis product, continued to rapidly penetrate the market and I am pleased to report that royalties received relating to this product broke through the £1 million barrier. As the 'in market' performance of Extraneal continues to be at the higher end of expectations, Baxter Healthcare, our world-wide licensee, commissioned us to further increase our manufacturing capacity to enable us to supply them with quantities of Icodextrin, the active ingredient of Extraneal, over and above that which we are contracted to supply under the terms of our long term supply contract with them. This increased requirement is temporary only until such time as Baxter's own volume supply chain comes on stream in the second half of 1999. The capacity scale-up is currently ongoing and will be completed in April. Our contribution to the capital cost of the scale-up is modest and will be recovered out of the margin generated by the additional product supplied. At the end of the temporary supply period we will be left with a manufacturing plant dedicated to supplying Baxter's requirement, that has surplus capacity available for our own use which is sufficient to meet our anticipated near term supply requirement for our other Icodextrin based products, at economical cost.

The early success achieved by Extraneal confirms both the superiority of the product and the marketing expertise of Baxter, leading us to conclude that the royalty income generated therefrom will be considerable, augmented by the margin on the supply of raw material.

We are excited by the prospects of two of our products in development which are becoming increasingly significant. Adept, our solution for the prevention of post-operative adhesions, has produced excellent results in pre-clinical studies where it demonstrated a performance at least equivalent to other products used for the purpose. The principal advantages of Adept are that it can be employed easily both during and after the surgical procedure and in both standard and 'keyhole' operations and it does not require a change in operative procedure.



There are few products available for adhesion prevention. Although there are several products under development, there are no currently available products ideally suited for use in laparoscopy and those which are available for use in abdominal laparotomy surgery fall short of the ideal anti-adhesion product.

We have been informed that the product will be regulated as a device by both European and US authorities and therefore we anticipate expedited marketing as, after CE marking by one European agency, the product will be able to be sold throughout Europe. Consequently we anticipate that the first launch of the product could take place as early as the first quarter of next year.

Adept will compete in a global anti-adhesions market which has been estimated to be worth £1.5 billion per annum.

Emmelle, our intra-vaginal gel for use in the prevention of AIDS, currently undergoing Phase II studies at the Clinical Trials Centre at St. Mary's, jointly funded by the MRC and conducted under the auspices of the MRC, is a leading candidate for Phase III studies supported by the MRC and other public health organisations.

Substantial interest has recently been generated in this product area by research commissioned by the EC Commission which shows that there is a potentially lucrative market for microbicides in the prevention of HIV disease. The survey was conducted in various developed and developing countries around the world and found that the market for microbicides could be worth, for example, up to $1 billion a year in Brazil alone and $115 million in France. The attraction of microbicides is that they can be used by women without the knowledge of men. The survey found that many women would be prepared to pay up to five times the price of a condom for a microbicide.

We have previously informed you of our approach to the management of the principal risk inherent in pharmaceutical product development, namely, the failure to obtain marketing authorisations from the regulators. I referred earlier to the fact that we were granted two further marketing authorisations in the period which we see as further confirmation of our ability to discover, develop, manufacture and register innovative pharmaceutical products. Furthermore, as all of the products in our development portfolio have been selected on the basis of the same rigorously applied criteria, which are designed to ensure that we have a high probability of obtaining regulatory approval, we consider it is also a further validation of our claim that our product development risk profile is acceptable.

Each regulatory approval granted will contribute towards profit either through the milestone and royalty income generated or through product sales, depending on the route of commercialisation taken. As a result the Board continues to remain of the opinion that the Company should not need to approach shareholders for further funds before it achieves sustainable profitability and we continue to monitor our requirements carefully.

The financial results for the year ended 30th September 1998 show a loss for the year of £8.4M



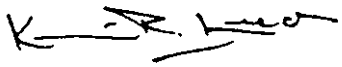
after research and development expenditure of £7.7M and we ended the year with net cash balances of £12.5 million.

In my last report I informed you that, following our policy of recruiting personnel of only the highest calibre at all levels throughout the Company, I was pleased to report that Professor Anthony Dayan had been appointed to the Board as a Non-Executive Director. A leading Toxicologist and Registered Medical Practitioner, Professor Dayan formerly held the post of Professor of Toxicology, University of London and Director of Department of Toxicology, St. Bartholomew's and the Royal London School of Medicine and Dentistry. Prior to taking up his academic Chair, he was with the Wellcome Foundation for 11 years, latterly holding the position of Group Adviser in Toxicology. Professor Dayan has been a member of a number of UK Government Advisory Committees including the Medicines Commission and a consultant on drug development to a number of pharmaceutical companies.

Again, following that policy, we were pleased to announce recently that Dr. Till Medinger has similarly agreed to join the Board in a non-executive capacity from 1st March 1999. Dr. Medinger has spent all of his working life in the pharmaceutical industry rising to his current post of Senior Vice President Corporate Strategy at Zeneca. An influential figure on the UK pharmaceutical scene for many years through his involvement in UK and international industry affairs, he brings a wealth of experience to our board room.

We now have three Non-Executive Directors that have the blend of experience that is both highly relevant and extremely valuable for any pharmaceutical company.

Our employees have continued to make an outstanding contribution to our progress and development and I would like to thank them for their performance. In addition I would like to thank our medical and scientific colleagues, participating patients and nurses for their valuable contribution and to shareholders for their continued support.



Kevin R. Leech

Chairman

14th January 1999

our pharmaceutical products

TRADENAME PORTFOLIO

ADEPT™	- A solution of Icodextrin to prevent adhesions
AEROFILTER™	- Dry powder inhaler spacing device
CLICKHALER®	- Multidose dry powder reservoir inhaler
COLYKADE™	- CCK B antagonist to enhance pain relief
DEVACADE®	- CCK A antagonist to enhance pain relief
DEXEMEL®	- A solution of Icodextrin as an intra-peritoneal delivery system
EMMELLE®	- Dextrin sulphate for AIDS prevention
ICODIAL®/EXTRANEAL™	- A solution of Icodextrin for the treatment of renal failure
ISOMORPH™	- A metabolite of morphine for pain relief
OMNIHALER®	- Vacuum driven dry powder inhaler
PROLOG™	- GnRH vaccine for the treatment of prostate cancer
PULMOCAPS®	- Sustained release inhalation technology
TECHNOHALER®	- Multidose dry powder unit dose inhaler
VIRALDON®	- Dextrin sulphate for AIDS treatment

THE PHARMACEUTICAL PRODUCT DEVELOPMENT PROCESS

product origination	product selection criteria
Product candidates sourced from - In-house projects - Funded research projects at Centres of Excellence including Universities and Teaching Hospitals - Licence or development agreements with third parties - Joint ventures with innovators/inventors	Products which can be rapidly progressed into human clinical studies and which have a high probability of obtaining regulatory approval as well as market potential so as to result in acceptable risk profile

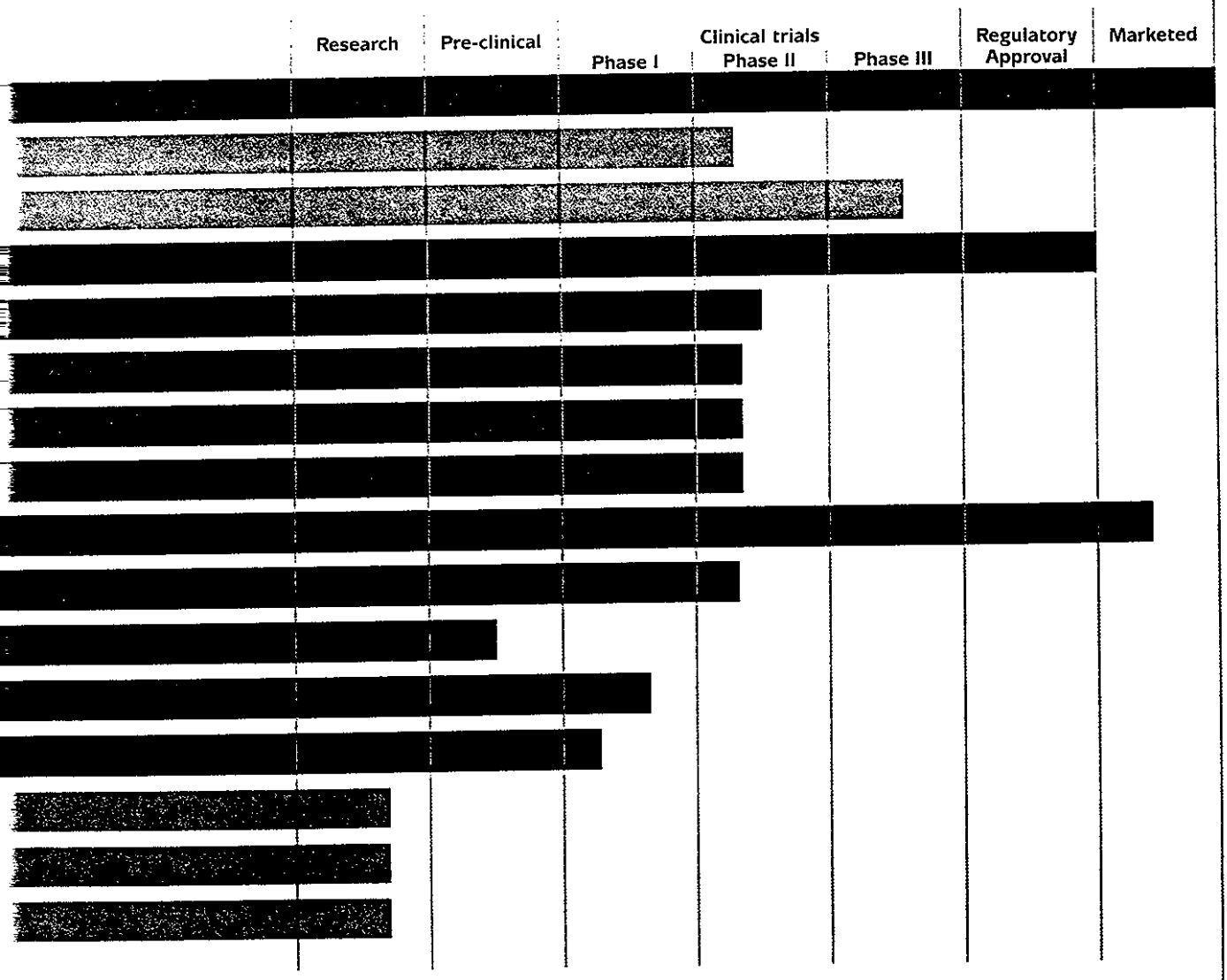
PRODUCTS IN DEVELOPMENT

Therapeutic Areas	Products
RENAL	ICODIAL® EXTRANEAL*
VIROLOGY†	EMMELLE® VIRALDON®
ONCOLOGY	DEXEMEL® PROLOG™
PAIN MANAGEMENT	COLYKADE™ DEVACADE® ISOMORPH™
RESPIRATORY	ASMASAL' ASMABEC' CLICKHALER' OTHER CLICKHALER TECHNOHALER'/OMNIHALER' PULMOCAPS'
ADHESIONS	ADEPT™
THERAPEUTICS	gene therapeutics polymer chemotherapeutics xenograft immunotherapeutics

* Trademark of Baxter Healthcare † Trademark of Medeva PLC



pre-clinical development	clinical development	regulatory approval	commercialisation
Programmes designed in-house and contracted out to specialist organisations	Clinical trial programmes designed in-house by experienced team of clinical trials specialists, contracted out to Centres of Excellence and project managed by our team of clinical scientists	Product licence applications compiled in-house by our expert team of highly experienced regulatory affairs personnel	Europe - In-house for products not requiring large sales and marketing infrastructures - Licensee appointment for other products Rest of World - Licensee appointment In-house manufacture or supply chain management where appropriate



ICODEXTRIN BASED PRODUCTS

Extraneal - an innovative solution for use in Peritoneal Dialysis (PD)

This is the original product of ML which has now been granted licences throughout Europe for prescribing as a dialysis solution for use in continuous ambulatory peritoneal dialysis for the treatment of renal failure patients. The active ingredient of the solution, Icodextrin, over which ML holds exclusive patents, is a unique polymer of the natural constituent, glucose. The product has demonstrated an acceptable safety profile over more than 1000 patient years of use and is the only dialysis solution to exhibit a prolonged duration of action.

The use of this solution in renal failure has been licensed to Baxter Healthcare who have launched the product as Extraneal in 19 countries to date. Extraneal has performed exceptionally during the year in the hands of our licensee, who announced in July 1998 that they anticipated that 20% of their European patient base would be converted to using Extraneal by the end of the year and that appears to have been achieved. This rapid penetration of the market is a significant endorsement by the medical community of the benefits of using Icodextrin. In their promotional literature Baxter state that evidence is constantly accumulating on the therapy advantages which could lead to the inclusion of Extraneal in all PD patients' prescription. Baxter also state that Extraneal is one of their fastest growing products.

The licence to Baxter is both exclusive and world-wide and under which they have an obligation to obtain marketing authorisations in all territories outside Europe, at their expense. In that regard, good progress is being made with their pivotal clinical trial programme in both the US, where they anticipate filing an NDA application in early 2000, and Japan where short term clinical studies will start in the spring of 1999 and where the filing process should parallel the US. Marketing applications are in the process of being filed by Baxter in many other important world markets. Product launches are anticipated in South America and the Far East in 1999 and the US and Japan in 2 to 3 years time. We continue to collaborate with Baxter in considering how the market for the product might be further expanded.

Other Icodextrin based products

Extensive clinical experience with Icodextrin solution has led to the identification of a number of significant additional medical applications for line extensions of the product.

Dexemel - an intra-peritoneal drug delivery system

This modified Icodextrin solution has been demonstrated in clinical studies to maintain a constant volume of fluid in the abdomen for at least two days which, when coupled with our long experience of intra-peritoneal fluid infusions in treating renal patients, leads us to conclude that it could be an ideal means of delivering drugs into the abdomen.

Marketing authorisation allowing the use of Dexemel for the administration of suitable drugs via the peritoneum has recently been granted by the UK regulatory authorities.

Dexemel enables drugs to be administered via the peritoneal cavity, allowing both the local delivery of drugs in the abdomen and the targeting of drugs to the lymphatic system and liver.

It has been established that for certain intra-abdominal cancers, namely ovarian and colorectal,



delivery of the chemotherapeutic agent into the peritoneal cavity offers advantages over standard intravenous administration. Two previous studies using Icodextrin, the active agent of Dexemel, which have been published, demonstrated that it is possible to attain levels of drug in the peritoneal cavity that are 1000 - fold the systemic level, thus exposing cancer cells or seedling tumours to higher concentrations of chemotherapeutic agent than would be possible by the traditional route of administration and with reduced systemic concentrations.

Three Phase II clinical studies using Dexemel with the off-patent anti-cancer drugs 5-FU and Cisplatin for the treatment of colorectal cancer, intestinal malignancies and ovarian cancer are ongoing to demonstrate the advantages of Dexemel for the administration of cancer chemotherapy drugs.

ML is also utilising Dexemel's properties to target the delivery of its anti-AIDS agent, Viraldon, to the lymphatic system, where most of the HIV virus in the body resides.

At a recent gene therapy meeting in California there was clear evidence of a number of clinical investigations proceeding with intra-peritoneal delivery and strong suggestion that the efficacy of DNA vaccines was substantially enhanced by intra-peritoneal administration. A US multinational company has recently initiated a feasibility study to evaluate the use of Dexemel as a more effective means of delivering gene therapy.

Adept - a solution for the prevention of post-operative adhesions

Post-operative adhesions occur as a result of tissue damage during surgery and lead to the inappropriate binding together of tissue surfaces. Such adhesions can result from virtually any type of surgery but are particularly troublesome following gynaecological procedures and can significantly interfere with fertility in females. Substantial continuing post-operative pain and even bowel obstruction can occur in both male and female patients. These conditions are extremely disconcerting for patients and furthermore there is no evidence that additional surgery to relieve the adhesions is of any practical benefit.

In collaboration with colleagues in California we have conducted a broad range of pre-clinical studies using a modified solution of Icodextrin to prevent the formation of tissue adhesion post-operatively in which Adept has been shown to reduce the incidence of post-surgical adhesions to a degree at least equivalent to other products used for this purpose.

An initial clinical study has been agreed with the FDA in the US and will be completed in the third quarter of 1999.

VIROLOGY

Viraldon - an intra-peritoneal treatment for AIDS

The active ingredient of Viraldon is dextrin sulphate which is a chemical derivative of Icodextrin. Extensive research conducted at the Royal Postgraduate Medical School in London has demonstrated that Viraldon blocks the uptake of HIV into human cells and thereby blocks the ability of the virus to multiply.

An initial clinical study conducted in late stage AIDS patients indicated that a short course of Viraldon treatment resulted in a prolonged fall in viral load in this small group of AIDS patients. The proposed mode of action for the product would suggest that the development of resistance to Viraldon therapy would be minimal.

Viraldon is currently being administered intra-peritoneally to patients as a means of targeting the specific cells in the body where HIV predominantly replicates. In view of the nature of this means of administration, Viraldon is currently being reserved for late stage, so called 'salvage' therapy, in AIDS patients who have not responded to or cannot tolerate other treatments.

We previously reported that entry to our multicentre clinical study TITAN was hampered by the introduction of the protease inhibitor tablet treatments and the understandable switching of patients between various treatment regimens. It was our belief that this situation would eventually settle and that patients would become available because of the lack of continued efficacy of these other treatments and often unacceptable side effects. This prediction is proving true and more patients have been identified for Viraldon treatment, however this has not happened as quickly as we would like.

In the intervening period we have had further discussions with the Data Safety Monitoring Committee and we have determined that we should initiate a new study, ATLAS, with Viraldon as a salvage therapy in late stage AIDS patients under circumstances where it can be compared to the new tablet based regimes.

We are currently at an advanced stage of negotiation with a US company who wish to licence the US rights to Viraldon, full details of which we hope will be announced shortly. The proposed licensee will be responsible, inter-alia, for conducting clinical trials and any other studies necessary to obtain regulatory approval in the US at their expense. During the course of the negotiation we have had extensive discussions with their clinical experts during which we agreed the outline protocol for the ATLAS study.

It is our belief and that of our advisers and our proposed US licensee that this new study combined with data from a comparable study to be conducted by our proposed licensee in the US, will provide the most relevant salvage therapy information in the current clinical climate.

The protocol for the new ATLAS study has now been finalised and is scheduled to start in the spring. This is an 80 patient study involving 2 months of treatment and 4 to 10 months of follow-up. Sufficient data should be available from this study and the US studies to support a product licence application in the fourth quarter of next year [2000].

At the same time we are continuing to make the drug available on a compassionate use basis and the data therefrom will be supportive to the ATLAS data.

We remain firmly of the opinion that the unique mechanism of action of our patented anti-viral agent D_2S is significant and that our regulatory strategy for obtaining marketing authorisation for the use of Viraldon as a rescue therapy is increasingly valid.

Emmelle - an intra-vaginal gel to prevent AIDS

The unique mechanism of action of D_2S in blocking the uptake of HIV into human cells and its safety profile has led to considerable interest on the part of public health organisations such as the Medical Research Council [MRC] and the European Community in supporting the development of a product in gel form which would suppress the sexual transmission of the virus.

We are collaborating with groups supported by the MRC and the EU in order to develop such a product and to date several initial clinical investigations have been conducted in the UK where the product was found to be safe and well tolerated.



Patient recruitment has commenced for a Phase II clinical trial of Emmelle in 200 healthy sexually active female volunteers who will be randomised to use either Emmelle or matched placebo daily over a total of 28 days. It is also hoped to recruit 50 male sexual partners in order to examine the effect of Emmelle on men.

The principal aims of the study are to evaluate the safety and acceptability of Emmelle in a sexually active population at low risk of HIV infection. If the findings prove promising the research will be transferred to the developing world with a high incidence of sexual HIV transmission in order to evaluate Emmelle's effectiveness in preventing heterosexual infection.

RESPIRATORY PRODUCT TECHNOLOGY

Clickhaler - a breath activated multidose dry powder inhaler

Clickhaler is particularly useful for the administration of various asthma drugs. The device accurately meters individual doses of powder from a reservoir and in many respects operates in a fashion similar to a standard pressurised inhaler without the need for environmentally harmful propellant solvents. Clickhaler is easier for patients to use than the pressurised inhaler and unique features such as a dose counter give it a high patient acceptability rating. To date we have obtained regulatory approval for marketing two of the largest prescribed asthma drugs in the Clickhaler and these products were both launched during the period as Asmasal and Asmabec Clickhaler by our European licensee, Medeva PLC.

This first step into the asthma market represents the culmination of significant efforts by our device design technology group in Tewkesbury and our in-house clinical trials and regulatory teams, who worked diligently to secure approvals from the European regulatory authorities. To date Asmasal Clickhaler has received marketing authorisations in 10 European countries and has been granted approval for clinical trials in the important North American market. The regulatory authority in Canada has indicated that our existing salbutamol data may be sufficient to enable them to grant us a licence and our Phase II salbutamol study NOVA in the US is now complete with the data currently being analysed. The application for the EC mutual recognition procedure for Asmabec Clickhaler will be submitted to the MCA shortly.

Sales in the first market, the UK, are in line with the expectations of both ML and our licensee. We anticipate that strong growth will be seen in the UK market following the recent launch of Asmabec Clickhaler.

To meet this anticipated growth, plans were completed during 1998 to expand the current device manufacturing process by installing an automated, high volume dedicated manufacturing plant for Clickhaler at Bespak PLC. This is anticipated to come on line in late 1999 in time to meet the expected upturn in forecasted sales.

In parallel, our Inhaler Research and Development team have completed a number of pre-clinical and clinical studies during the year to increase our database of respiratory compounds suitable for delivery through the ML range of inhalers. Significant progress has been made to develop versions of Astra's Pulmicort and Novartis' Foradil in our Clickhaler device with early studies clearly showing the benefits of the ML technology.

Other dry powder inhalers

Our other patented inhaler device technologies, Technohaler, Omnihaler and Aerofilter have all progressed well through the rigorous designing and testing procedures necessary to ensure the quality, reliability and safety essential for a pharmaceutical product.

Pulmocaps - a sustained release inhalation technology

Our microencapsulation drug delivery system is designed to allow drugs administered to the lung to have a longer duration of action. In pre-clinical studies we have demonstrated that the level of salbutamol in the blood can be prolonged when administered to the lungs in a Pulmocaps formulation.

Pulmocaps continues in Phase II clinical testing with salbutamol and, in addition, we have recently commenced on an extensive feasibility programme to evaluate the Pulmocaps technology with a new chemical entity on behalf of a major pharmaceutical company.

IMMUNOTHERAPEUTICS

Prolog - an immunotherapeutic approach to the treatment of cancer

Prolog is a treatment for cancers whose growth is stimulated by the normal sex hormones in the body. When injected as a vaccine Prolog causes the production of antibodies which block the body's ability to produce testosterone and oestrogen, the male and female hormones. Prolog is currently being evaluated as a treatment for late stage prostatic cancer in men. Currently available therapy requires either surgical castration or regular implantation of drugs which, whilst able to reduce testosterone, first causes an increase in that hormone, the opposite effect required, which can fuel the cancer and cause significant pain.

Following the previously reported delay associated with obtaining adequate supply of vaccine, the clinical evaluation of Prolog is now back on schedule with the Phase II dose escalation study having entered the final phase with the first patients having commenced treatment. We anticipate being able to fully evaluate all of the data from the trial during the second quarter of this year. We are able to report that there have been no concerning adverse events in the more than 40 patients treated to date.

The process of planning the Phase III studies has commenced.

ANALGESIA

In 1990 The World Health Organisation Expert Committee on Cancer Relief and Palliative Care reported that there are 4 million people suffering from cancer pain every day, most of whom may not obtain adequate relief.

The market for our products could be very significant, with the pain indications alone representing a major opportunity in the billion US dollar sector for opiates and related compounds.

Devacade and Colykade

These products are new chemical entity drugs which were originally synthesised and patented by Merck Inc. They are specific antagonists of the A & B type, respectively, of the natural body neuropeptide cholecystokinin (CCK). CCK is involved in various regulatory processes in the gastrointestinal tract and has been implicated in controlling transmission within certain nerve fibres. Data from pre-clinical studies indicates that CCK is involved in suppressing the pain relieving activity of opioid drugs such as morphine.



Studies with Devacade and Colykade indicate that these compounds will enhance morphine analgesia and will reverse the tolerance that can develop to morphine when used chronically for the relief of cancer pain. We have initiated Phase II clinical studies with each of these compounds to determine their individual place in the management of serious pain conditions. The first studies are designed to evaluate the interaction of each of these compounds with morphine, the standard treatment for chronic cancer pain.

These compounds have the potential to significantly improve the pain relieving activity of morphine whilst at the same time reducing the unpleasant side-effects and the initial evidence from the studies suggests this to be the case.

The initial phase of these two clinical studies will be completed in the first quarter of this year and will be immediately followed by a more detailed comparative evaluation of the pain relief enhancing activity of both products.

Isomorph

Isomorph is a uniquely synthesised known metabolite of morphine which is formed in the body each time morphine is administered as a drug. Pre-clinical and some early human volunteer studies have demonstrated that Isomorph has greater pain relieving activity than morphine and that the serious side-effects of morphine, such as respiratory depression and sedation, are reduced. The chemical characteristics of Isomorph mean that it can not be administered in tablet form but we believe that this novel substance may be suitable for administration by one of our inhaler devices and formulations of the drug for administration by inhalation are currently being optimised.

There could also be specific advantages to using Isomorph as a treatment for post-operative pain and in intensive care situations, such as after a heart attack. We are currently in the process of planning a post-operative pain study of Isomorph administered intravenously

The Phase II dose escalation study of nebulised Isomorph, the object of which is to evaluate the use of Isomorph to alleviate breathlessness in cancer patients, remains ongoing.

PRE-CLINICAL RESEARCH

To ensure a long term flow of new products we are collaborating with a number of academic and commercial organisations on the early evaluation of some novel therapeutic ideas. Each of these projects is at a very early stage of development but all fit with our product selection criteria that proof of principle and ultimate clinical proof of benefit can be achieved with clear cut end points and minimum investment. In each of these projects the patents licensed to the company have recently been filed.

Polymer Therapeutics

Our partnership continues with the Centre for Polymer Therapeutics with Professor Duncan of the University of London and Professor Cassidy of the University of Aberdeen, for the development of novel chemotherapeutic agents utilising Icodextrin as a polymer backbone to enable cancer cells to be preferentially targeted and, as a consequence, reduce side effects.

Professors Duncan and Cassidy have considerable experience of this type of development and believe that the properties of the Icodextrin polymer may be uniquely suited to these products.

Gene Therapy

The research being conducted at the Imperial College School of Medicine into the activation of a readily accessible and generally safe drug with the object of rendering it selectively toxic to particular cancer cells shows great promise. Early data suggests that doses of the drug which would normally be harmless to humans can be made to kill specific tumour cells.

Immunotherapeutics

Professor Lechler's group at the Imperial College School of Medicine continues its research into an immunotherapeutic solution to the acute rejection of animal to human organ transplants. The rejection response, which is controlled by specific proteins on the cell surface, may be neutralised by targeting certain peptide regions of these proteins with immunotherapeutic products. A series of those peptides has now been produced.

We recently entered into a collaborative partnership with the University of York, one of the country's leading research Universities, which has special strengths in the biological sciences, by forming Bioincubator York Ltd to provide a mechanism for the identification, appraisal and selection of innovative biotechnology projects which appear commercially viable.

This relationship enables us to access new product opportunities at the earliest possible stage of development and our involvement thus far has resulted in a collaborative agreement to investigate innovative therapeutics for cancer and other diseases through a new subsidiary company, Bioinnovation Limited, formed for that purpose.

All of the products in our early stage research programme continue to be progressed and remain capable of producing a product of significant value.

New Product Candidates

We continue to search for new product candidates through both our industry and academic networks. We are of the opinion that the current adverse sentiment that exists in the stockmarket towards small companies generally, and Biotech companies in particular, may prove to be a source of new product opportunities.



S. W. Sim

Chief Executive

14th January 1999



Turnover for the year was £5.4M compared with £6.9M for the previous year. This reduction reflected the fact that income from licensing and option fees amounted to £1.2M, compared with £4.1M. Such income is triggered by regulatory or commercial 'milestone' events under the terms of agreements with third parties and is therefore irregular in its timing and subject to significant variations from one period to another. The milestone income for the year was in line with our expectations. Turnover from royalties, which reflects the 'in-market' performance of products rather than 'milestone' events, grew significantly from £0.3M to £1.2M and within this figure Baxter royalties from sales of Extraneal topped £1M. Sales of pharmaceutical products to licensees, which included sales of Icodextrin to Baxter and Clickhalers to Medeva, also increased substantially from £0.9M to £2.0M.

We recorded a loss for the year of £8.4M, increased from last year by £3.9M, resulting principally from a combination of the £2.9M reduction in milestone income referred to above, an increase in research and development expenditure of £1.0M, an increase in administration costs of £0.4M and a reduction in investment income of £0.5M as a result of lower cash balances.

The results also reflect the change in our accounting policy relating to the treatment of research and development expenditure which was announced at our AGM on 18th February 1998. Such expenditure is now charged to profit and loss account as incurred, rather than being first capitalised and subsequently amortised over the commercial life of the products to which they relate.

Net cash balances reduced over the year by £10.7M from £23.2M to £12.5M. However, £3.8M of this reduction arose from the settlement of the Group's purchase of part of the minority interests in Innovata Biomed Ltd, which was reported last year. After adjusting for this, the net reduction in cash balances due to operations was £6.9M. Taking into account our present expectations in relation to commercialisation receipts from our products 'in market' and in late stage development and our projected expenditure, we remain of the opinion that we have sufficient cash for our anticipated requirements. However we will keep this closely under review.

As a result of the loss for the year and the write off of previously unamortised research and development expenditure following the change in accounting policy referred to above, our net assets have been reduced to £12.9M and are represented by issued share capital of £1.4M and share premium account of £47.2M less an accumulated deficit on profit and loss account of £35.8M. The notice of AGM enclosed with this Annual Report includes a resolution to approve an application to the court to enable us to utilise our share premium account to write off part of this accumulated deficit which will in turn bring forward the time at which we are able to pay dividends out of future profits. Further details relating to this resolution are included in an explanatory letter containing the notice.

P. J. Shennan

P. J. Shennan
Finance Director
14th January 1999

directors, secretary and advisers

DIRECTORS

K.R. Leech (Chairman)
S.W. Sim (Chief Executive)
Dr. R.N. Boyes
Dr. C.B. Brown
Prof. D.S. Davies (Non-Executive)
Prof. A.D Dayan (Non-Executive)
G.P. Fothergill
P.J.Shennan

SECRETARY AND REGISTERED OFFICE

David Smith, Stringer Saul,
17 Hanover Square, London, W1R 9AJ

PRINCIPAL BANKERS

Midland Bank PLC, Library Place, St Helier, Jersey,
Channel Islands

REGISTRARS AND TRANSFER OFFICE

IRG PLC, Balfour House, 390/398 High Road, Ilford,
Essex, IG1 1NQ

REGISTERED AUDITORS

PricewaterhouseCoopers, Chartered Accountants,
8 Princes Parade, St. Nicholas Place, Liverpool, L3 1QJ

STOCKBROKER

WestLB Panmure Ltd, New Broad Street House,
35 New Broad Street, London, EC2M 1SQ
Member of S.F.A

ML Laboratories PLC Registered in England & Wales No. 2148607



K.R. Leech
Chairman (Age 55)

Kevin Leech is the co-founder of the Company and controls 53% of the equity. He held the position of Chairman and Chief Executive until June 1997 when he split the role to enable him to concentrate solely on his responsibilities as Executive Chairman. He is also Chairman of Queensborough Holdings PLC, a UK listed company, where he owns 29.7% of the equity. In addition he is a director of a large number of unquoted companies by virtue of his controlling interest in those companies resulting from his role as provider of private venture capital. Mr. Leech holds an Honorary Doctorate of Laws degree from the University of Manchester.



Dr. R.N. Boyes, PhD
Group Director of R&D (Age 58)

Nick Boyes joined the Group in 1990 when it acquired 75% of the equity of his company, Innovata Biomed Ltd, and he became a Director of the Company in 1993. He has over thirty years experience of the pharmaceutical industry, much of which was gained with the Astra Pharmaceutical Group in the USA, Sweden and the UK, during which time he carried out a number of senior functions at director level. He is an expert in respiratory diseases and is the inventor of several of the Group's respiratory products. Nick is responsible for co-ordinating research and regulatory policy and strategy on a group-wide basis, providing scientific evaluation of new product opportunities and seeking and evaluating new research initiatives. Dr. Boyes holds a number of other non-executive directorships.



Professor A.D. Dayan, MD, FRCP, FRCPath
Non-Executive Director (Age 63)

Anthony Dayan joined the Board in March 1998. He is a leading toxicologist and has published 150 research papers and edited or contributed to almost 50 books on toxicology, drug development, pathology, neuropathology and the risk sciences. He has been a member of a number of UK and other government advisory committees including the Medicines Commission, an adviser to the World Health Organisation and a consultant on toxicology biotechnology and drug development to UK, European, US and Japanese pharmaceutical companies.Professor Dayan was Professor of Toxicology at St Bartholomew's and the Royal London School of Medicine and Dentistry, London until 1st October 1998. Prior to that he was with the Wellcome Foundation for eleven years where, latterly, he held the position of Group Adviser in Toxicology and Project Co-ordinator for the Group R & D Director.





S.W. Sim, FCA
Chief Executive (Age 47)

Stuart Sim qualified as a Chartered Accountant in 1975 following which he held a number of senior financial and general management positions in a variety of industries. He joined the Company as Finance Director in 1988 and he was appointed Chief Executive in June 1997. He is also Deputy Chairman of Queensborough Holdings PLC and acts as an adviser to Kevin Leech in his private venture capital investment activities.



Dr. C.B. Brown, BSc, MD, FRCP
Medical Director (Age 56)

Colin Brown joined the Group from Sheffield Kidney Institute in January 1997 and became a Director of the Company on 15th December 1997. He is a leading renal specialist and retains the position of Consultant Physician at the Institute. In addition he brings to the Group in his role as Medical Director considerable expertise in the field of fluid and drug administration through the peritoneum and extensive experience of hospital medicine. Dr Brown was the independent medical expert who provided the written opinion in the Company's prospectus in 1987



Professor D.S. Davies, BSc, PhD, FRSC, FRCPath, Hon MRCP
Non-Executive Director (Age 58)

Donald Davies is Professor of Biochemical Pharmacology and Director of Clinical Pharmacology at Imperial College School of Medicine at Hammersmith Hospital, London. He is a member of the Committee on Safety of Medicines of the Medicines Control Agency, Department of Health and has served on other expert committees in the UK, Europe and the USA. His research interests are in drug and chemical toxicity, drug development, drug safety, diet and cancer. He has had more than 200 papers published on mechanisms of drug action and toxicity and drug safety evaluations. He advised Kevin Leech on his original investment in the Company in 1983 and is the inventor of several of the Group's products He was appointed to the Board in 1987 because of his expertise and knowledge of the principal areas of development being undertaken by the Group



G.P. Fothergill, BA, FCIM
Director (Age 53)

Peter Fothergill became a Director of the Company in January 1997, having previously acted as adviser to the Board for several years, assisting them to determine the Group's commercialisation strategy and in negotiating commercial agreements. He has almost thirty years experience of the pharmaceutical industry gained mostly with Fisons PLC where he was Chairman of the Pharmaceutical Division and a Main Board director. He is a non-executive director of Proteus International PLC, Chairman of I. Holland Limited and holds several other non-executive directorships.



P.J. Shennan, BA, FCA, MSI
Finance Director (Age 48)

Peter Shennan became Finance Director in November 1997. He qualified as a Chartered Accountant in 1977 and is a Member of the Securities Institute. He joined the Group in June 1997 from Coopers and Lybrand where he held a senior position in the corporate finance advisory team.

senior management team



P. Ballington BSc (Hons)
Director of Marketing and Head of Respiratory Division
(Age 44)

Paul gained his degree in Biochemistry from the University of Manchester Institute of Science and Technology. He held sales and marketing positions at Baxter prior to joining Scherer AG as Group Product Manager. He moved to Abbott Laboratories where he held positions in sales and marketing prior to heading up the UK hospital and nutritional divisions. Latterly with Abbott he worked in the European area in business development before joining M L in 1994



P. Braithwaite
Design Development Director
(Age 49)

Following completion of a five year apprenticeship in mechanical and production engineering, Philip remained with the same company and was responsible for developing special purpose machinery and engineering products covering a diverse range of industries In 1981 he formed his own design and development business and in 1989 he invented the Clickhaler and joined M L, becoming responsible for the development of all of our respiratory devices and associated products.



L. Clisby
BPharm, MSc, MRPharmS
Director of Regulatory Affairs
(Age 51)

Lorna received her BPharm and MSc degrees from Chelsea College School of Pharmacy of the University of London. She is a registered pharmacist and held positions with the Royal Pharmaceutical Society and Sandoz and Weddel Pharmaceuticals before joining Astra Pharmaceuticals in 1982 as Head of Regulatory Affairs where she was responsible for filing product licence applications for Bricanyl and Pulmicort Turbohalers and Losec, amongst others Lorna joined M L in 1988 and is responsible for all our regulatory activities



D. Manning BSc, CChem
Head of Manufacturing
(Age 47)

Following his graduation from the University of London with a degree in Chemistry in 1972, David has worked in the pharmaceutical industry for twenty six years, initially as a research and development chemist at G D Searle, where he was primarily involved with the synthesis of new chemical entities, which was followed by twelve years at Fisons Pharmaceutical Division where he was involved in both the manufacture of bulk pharmaceutical chemicals and finished products Over the years he has gained considerable experience in the design, commissioning and validation of both chemical and pharmaceutical plants.



Dr. M. Parry-Billings BSc DPhil
Director of R & D Respiratory
(Age 34)

Mark received a first class degree in Human Biology from Loughborough University, followed by a DPhil from Oxford in Biochemistry. He then spent three years as Post Doctoral Research Scientist in the Department of Biochemistry at Oxford He entered the pharmaceutical industry with Schering Healthcare where he worked on clinical studies in multiple sclerosis, anxiety, angioplasty and pulmonary hypertension. He joined M L in 1994 and has managed the clinical development of our respiratory products



Dr. E. Peers MA PhD
Research and Projects Manager
(Age 41)

Elizabeth gained a first class degree from Cambridge in Natural Sciences, specialising in Pharmacology before completing her PhD in Biochemistry at Imperial College She joined Astra Pharmaceuticals in 1983 where she was responsible for clinical studies with Bricanyl and Pulmicort Turbohaler, as well as the gastric secretion inhibitor, Losec She joined M L in 1990 and was responsible for initiating and managing the clinical trial programmes which resulted in the granting of product licences for Icodextrin, for both renal and DDS.



management team



S.Bailey
Group Accountant
(Age 43)

On completion of his articles with a national firm of Chartered Accountants, Stephen gained thirteen years experience auditing a diverse range of businesses prior to starting his own business providing accounting and taxation services to a variety of clients. In 1985 he took up the position of Group Accountant with one of his clients on a full time basis and in 1989 joined ML where he designed and implemented the Group's financial accounting and reporting systems. He currently has responsibility for managing the administration and accounting function for the Group.



Dr. H. Buck, BSc (Hons), PhD
Clinical Projects Manager
(Respiratory) (Age 31)

Helen completed her degree in Biological Sciences at Portsmouth Polytechnic before spending two years at Hatfield Polytechnic studying for a PhD in Neurotoxicology which was awarded to her in 1994 by the now University of Hertfordshire. She was employed by the Institute of Psychiatry (University of London) developing in vitro screens for neurotoxins. After completing one year's post-doctoral research into pain at the Sandoz Institute for Medical Research (London) Helen joined Akos, a small CRO, where she gained experience in four therapeutic areas, including respiratory, before joining M L in 1996.



Dr. A. Chapman, PhD
Project Leader (Virology)
(Age 37)

Alan gained a degree in Microbiology and a PhD in Microbial Biochemistry at University College, Cardiff. Following two years post doctorate research in biochemistry at King's College, London, Alan joined Wellcome, first in pre-clinical antimicrobial research and then managing clinical studies in the medical department. He then spent two years in the clinical research group at Glaxo-Wellcome before joining M L in 1997

management team continued



P. Coleman, ACMA
Management Accountant
(Age 32)

Peter joined ML in 1994 as the Financial Accountant. He subsequently qualified as a Chartered Management Accountant in 1996 and was appointed to the position of Management Accountant in March 1997. His current responsibilities include the preparation of cashflow forecasts, budgets and variance reports for the Group, the monitoring of manufacturing costs and related issues and ad-hoc investigations. Peter is currently studying for his MBA.



Dr. P. Copper, BSc, PhD
Quality Assurance Manager
(Age 54)

Peter gained a degree in Applied Chemistry at Hatfield Polytechnic and a PhD in Chemistry at the University of Salford. He began his career in the pharmaceutical industry with ICI, as a laboratory technician prior to becoming involved with process development and bulk manufacturing. Subsequently he worked in the teaching laboratory at the University of Salford for seven years before joining LKB Bichrom, where he spent ten years as Production/ Quality Manager for chromotography and peptide synthesis consumables. Peter then became Development Chemist with Fisons before joining M L in 1993.



J. Gilbert, RGN
Project Leader (Oncology)
(Age 40)

Jenny, a registered nurse, gained extensive experience in her position as CAPD sister at Leeds General Infirmary prior to working for Baxter Healthcare for ten years, first in their Renal Division as a Clinical Research Coordinator and then as European Clinical Affairs Manager for Intraperitoneal Chemotherapy. She joined M L in 1995, taking responsibility for Dexemet and Prolog.



A. Harper, BSc (Hons), MSc
Information Manager
(Age 44)

Alexis joined M L in 1997 following a career of twenty years in the pharmaceutical industry in the areas of information provision and medical communications, mainly with Fisons and latterly with Rhone-Poulenc Rorer. Alexis is a member of the Association of Information Officers in the Pharmaceutical Industry and the European Medical Writers Association.



C. Mitchell,
BSc, C Eng, MIMechE
Device Development Manager
(Respiratory) (Age 37)

Colin gained a degree in Engineering from Oxford Polytechnic. He was employed by Bespak PLC as a Development Engineer involved in the design and development of drug delivery systems. Subsequently he joined Whatman International Ltd as a Senior Engineer responsible for the design and manufacture of novel laboratory filtration products before joining Betraine Ltd as Project Manager in charge of the development and scale-up production of all new products. Colin joined M L in 1998, and has specific responsibility for respiratory device development.



Dr. L. Oldham, BSc, PhD
Project Leader (Pain Control)
(Age 37)

Louise gained a degree in Bacteriology at the University of Newcastle-upon-Tyne and completed her PhD at Nottingham University. She then spent 18 months at the Central Public Health Laboratory Services, working on HIV, before going on to work for several international companies, including Fisons PLC, where she spent six years and was involved with a number of asthma products and their multidose dry powder inhaler, Ultrahaler. She joined M L in 1996, initially taking responsibility for completing work on the Salbutamol DPI and initiating clinical evaluation of Pulmocaps.





L. Rawcliffe, BSc (Hons)
Regulatory Compliance Adviser
(Age 34)

Louise received a degree in Toxicology and Pharmacology from the University of London School of Pharmacy. She was employed by Schering Agrochemicals coordinating both in-house and contract toxicology studies. She then joined the Worldwide Regulatory Compliance Group with Smithkline Beecham Pharmaceuticals which was responsible for both GLP and GCP issues within the company prior to joining M L in 1994



M. Sanders, BSc
Director of Business Development (Respiratory)
(Age 41)

Mark graduated from London in Human Biology in 1978 and entered the pharmaceutical industry, where he has enjoyed a successful career in sales, training and marketing followed by a series of overseas marketing management appointments. Mark joined M L in 1998 from Clement Clarke where he was Director of Sales and Marketing.



A. Scrimgeour, BSc, MSc
Statistician (Age 36)

Alison received a first class degree in Mathematics and Theoretical Physics from Exeter University, then an MSc in Applied Statistics from Oxford. She worked as a Scientific Officer at the Atomic Weapons Research Establishment and as a Research Assistant at the Clinical Trials Unit at the Radcliffe Infirmary. From 1987 to 1991 she was responsible for statistical analysis of clinical studies at Astra Pharmaceuticals, joining M L in 1992, where she is responsible for managing the data analysis and statistical reporting of all our clinical trials.



Dr. M. Shott, BPharm, PhD
Pharmaceutical Development Manager (Respiratory)
(Age 47)

Martin received his BPharm from the University of Bath before gaining his PhD in Pharmaceutics at the University of Nottingham. He is a registered pharmacist and held positions with Nicholas Research Laboratories, E R Squibb and Lers-Synthelabs in formulation development. In the latter company he headed up and created the Formulation and Clinical Supplies facility in Paris. From 1985 he worked for Novartis, becoming Head of Pharmaceutical and Analytical Development with world-wide responsibility for inhaled products. He joined M L in 1998.



Dr. S. Verco, BSc (Hons), PhD
Project Leader (Adhesions)
(Age 35)

Shelagh gained a degree in Biological Sciences from the University of Aston and a PhD in Science from Knightsbridge University, Copenhagen for her contribution to science over years worked in research. She worked as Senior Technician and Principal Technician in the Department of Surgery (Research) at the University of Witwatersrand, Johannesburg. On her return to England she became first a Clinical Research Associate, then Clinical Project Manager with PPD Pharmaco before joining M L in 1997.



G. Wenham, BSc (Hons), CChem
Development Manager
(Age 37)

Gina achieved her degree by studying part time at Manchester Polytechnic (HNC) and later at Liverpool Polytechnic. She gained industrial experience in the development of fine and oilfield chemicals and later moved into the pharmaceutical industry, joining M L in 1990. She has held the position of Development Manager since 1994 and recently has taken over the management of the Quality Control Department. She is currently carrying out a research programme on dextrin sulphate characterisation which will be submitted as a thesis for her PhD

The Directors present their Annual Report and the audited Group financial statements for the year ended 30th September 1998.

PRINCIPAL ACTIVITIES

To date, the Group has successfully commercialised a small number of its ethical pharmaceutical products. It continues to increase and develop its portfolio of such products and its other products and patented technologies with a view to commercialising them on a world wide basis.

The Group also provides regulatory affairs consultancy and educational training for the pharmaceutical and biotechnology industries.

BUSINESS REVIEW

The Chairman's Statement, the Operational Review and the Financial Review on pages 2 to 15 should be read in conjunction with this Directors' Report as they include a review of the development of the business of the Group including its principal activities in research and development and likely future developments.

RESULTS AND DIVIDENDS

The Group loss on ordinary activities before taxation amounted to £8,442,697 (1997 Loss as restated £4,549,858). The Group loss for the year after taxation and minority interests of £8,442,672 has been added to the deficit brought forward on reserves as shown in note 17 on page 48. The Directors do not recommend the payment of a dividend.

RESEARCH AND DEVELOPMENT

The Group is engaged in the research into, and the development of, a diverse portfolio of pharmaceutical, medical and other novel products.

During the year the Group has changed its accounting policy for research and development expenditure from a policy of capitalisation and subsequent amortisation to one of immediate write-off. Full details of this change are included in notes 1 and 17 on pages 40 and 48 respectively.

The loss for the year is stated after charging research and development expenditure of £7,719,642 (1997 As restated £6,752,716).

DIRECTORS

The Directors who held office during the year were:

K.R. Leech (Chairman)
S.W. Sim (Chief Executive)
Dr. R.N. Boyes
Dr. C.B. Brown (Appointed 15th December 1997)
Prof. D.S. Davies (Non-Executive)
Prof. A.D. Dayan (Non-Executive) (Appointed 1st March 1998)
G.P. Fothergill
P.J.Shennan (Appointed 30th November 1997)

Under the Articles of Association S.W. Sim, Dr. R.N. Boyes and Professor A.D. Dayan retire from office, and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Details of the Directors' service contracts are shown in the Report of the Board on Remuneration Matters on pages 25 to 27.

DIRECTORS' SHARE OPTIONS

Details of the Directors' Share Options are shown in the Report of the Board on Remuneration Matters on pages 25 to 27.



DIRECTORS' INTERESTS

The interests (beneficial unless otherwise stated) in the shares of the Company of the Directors who held office at 30th September 1998, were as follows:

	1998 Number of Ordinary Shares	1997 Number of Ordinary Shares	1998 Percentage of Ordinary Share Capital	1997 Percentage of Ordinary Share Capital
K.R. Leech	76,461,950*	76,474,000*	52.75%	52.76%
S.W. Sim	50,625**	31,375**	0.03%	0.02%
Dr. R.N. Boyes	38,500	-	0.03%	-
Dr. C.B. Brown	352,415	352,415***	0.24%	0.24%
Prof. D.S. Davies	288,180	288,180	0.20%	0.20%
Prof. A.D. Dayan	3,000	- ***	-	-
G.P. Fothergill	5,450	3,000	-	-

*Milner Laboratories Limited, a company registered in Jersey, C.I., owns 76,450,950 Ordinary Shares of the Company, representing approximately 53% of its issued share capital. Mr. Leech is a Director of Milner Laboratories Limited and owns 68% of its issued share capital. The remaining 32% is owned by the estate of the late Mr. J. Milner.

The remainder of Mr. Leech's interest in the Company's Ordinary Shares comprises 11,000 shares (1997 11,000 shares) owned by Glen Investments Limited, a private company registered in Jersey, C.I., of which Mr. Leech is the controlling shareholder. The reduction in Mr. Leech's interest during the year is in respect of 12,050 Ordinary Shares owned by his daughter who became 18 on 5th February 1998 and in respect of which Mr. Leech therefore no longer has a beneficial interest.

**Includes 1,375 shares held non-beneficially

***At date of appointment

At 30th September 1998, Dr. R.N. Boyes owned 7,500 shares in Innovata Biomed Limited (1997 7,500 shares) representing 18.75% of that company's issued share capital. Innovata Biomed Limited is a subsidiary of the Company.

At 14th January 1999, there had been no change to the Directors' interests in the Ordinary Shares of the Company from that shown above.

There were no contracts of significance subsisting during the period under review between the Company, or any of its subsidiary undertakings and a controlling shareholder.

Details of any contracts of significance subsisting during the period under review, to which the Company, or any of its subsidiary undertakings, is or was a party and in which a Director of the Company is or was materially interested, are included in note 29 on page 51.

SUBSTANTIAL INTERESTS

In addition to those disclosed above, as at 14th January 1999, the Company has been notified of the following interests in 3% or more, or in the case of fund managers, 10% or more, of its share capital. The holdings shown are as notified under the Companies Act 1985:

Shareholder	No of ordinary shares	% of share capital
Legal & General Investment Management Ltd	5,781,398	3.99

CREDITOR PAYMENT POLICY

The Group's policy in relation to the payment of its creditors is to make payments in accordance with relevant payment terms for each business transaction.

At 30th September 1998 trade creditors for the Group represented 74 days of amounts invoiced by suppliers (1997 66 days) and for the Company represented 94 days (1997 75 days).

ANNUAL GENERAL MEETING

At the Annual General Meeting to be held on 24th February 1999, the Company proposes to adopt a new Executive Share Option Scheme, to seek the usual limited disapplication of the statutory pre-emption rights on the issue of new shares, and to reduce the Company's Share Premium Account. A separate letter from the Chairman is enclosed which explains the reasons for these resolutions, and also contains the Notice of Annual General Meeting itself.

CHARITABLE AND POLITICAL DONATIONS

During the year the Group made no charitable donations (1997 £25,000) and no contributions were made to political organisations (1997 £NIL).

ENVIRONMENTAL, HEALTH AND SAFETY POLICIES

The Group's objective is to bring quality to life through the commercialisation of its products. In doing so it seeks to apply working practices designed to minimise the impact of its operations on the environment. It also seeks to maintain high standards of health and safety for the Group's employees by meeting or exceeding the requirements of relevant regulations.

YEAR 2000

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of the century, producing a wide range of consequences.

The Group has conducted a review of its computer systems and computer controlled processes to identify those which could be affected and has developed plans to test and remedy those that may be non-compliant.

The Group's operations are also exposed, to an unquantifiable degree, to the failure of third parties to deal with their Year 2000 exposures. To mitigate this risk, we have an evaluation process designed to monitor the Year 2000 status of key suppliers and customers. However, as we are dependent on their co-operation and in view of the complexity of the problem it is not possible to guarantee that no Year 2000 problems will arise.

The incremental cost to the Group of implementing these plans and programmes is not expected to exceed £100,000.

EURO

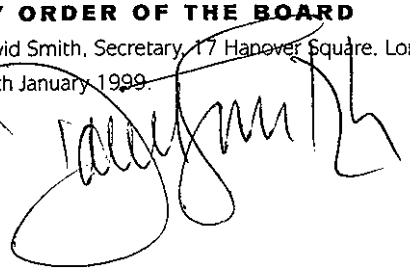
The introduction of the Euro is not expected to have a material impact on the Group's current operations.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1st July 1998 following which Coopers & Lybrand resigned and the Directors appointed the new firm, PricewaterhouseCoopers as auditors. A resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the Company will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

David Smith, Secretary, 17 Hanover Square, London, W1R 9AJ.
14th January 1999.





report of the board on remuneration matters

Following the publication of a Report by a study group on Directors' Remuneration, chaired by Sir Richard Greenbury, the Stock Exchange issued requirements regarding reports to Shareholders on Remuneration matters.

As explained in the review of Corporate Governance on pages 28 to 29, due to the fact that we had an insufficient number of Non-Executive Directors, the Company was not able to operate a Remuneration Committee in accordance with Annex Section A of the best practice provisions annexed to the London Stock Exchange Listing Rules. Therefore, the following report is presented by the Board of Directors with due consideration of Annex Section B.

DIRECTORS' REMUNERATION

The information on Directors' remuneration should be read in conjunction with the Directors' Report and note 7 on page 42 which also constitute part of this Report of the Board on Remuneration Matters.

	Basic Salary £000	Bonus £000	Taxable Benefits £000	Pension Contributions £000	Fees £000	Total 1998 £000	Total 1997 £000
Executive Directors							
K.R. Leech	179	-	9	27	-	215	169
S.W. Sim	184	30	12	28	-	254	203
Dr. R. N. Boyes	131	-	9	20	-	160	131
Dr. C.B. Brown	104	-	11	16	-	131	-
G.P. Fothergill	155	60	16*	23	-	254	130
P.J. Shennan	86	-	8	13	-	107	-
Non-Executive Directors							
Prof. D. S. Davies	-	-	9	-	75	84	85
Prof. A.D. Dayan	-	-	-	-	16	16	-

*The cost of the provision of these items for Mr. Fothergill is charged to the Group through a limited company controlled by him.

The remuneration of Directors comprises the following four elements:

Basic Salary

A salary, which reflects the Board's assessment of the market rate for each position and the individual Director's experience and value to the business and takes into consideration levels of remuneration and increases awarded to employees.

Taxable Benefits

Taxable benefits represent the provision of a car, including fuel benefit, private medical insurance and mobile phone, where applicable.

Share Options

Executive share options are granted to Directors and other Senior Management within the Group and are exercisable between 3 and 10 years from the date of the grant. The share options granted to individual Directors, which are fully disclosed below, are not included in the remuneration given above.

Bonus

The bonuses paid to Mr. Sim and Mr. Fothergill were performance based and specifically in relation to the progress made in the commercialisation of the Company's products.

PENSION ARRANGEMENTS

The Company currently makes pension contributions of 15% of salary for Executive Directors, all of whom, with the exception of Mr. Fothergill, are members of the Company's defined contribution scheme, details of which are given in note 25 on page 50.

SERVICE CONTRACTS

Each of Mr. Leech, Mr. Sim, Dr. Boyes and Mr. Fothergill has a service contract which is terminable by the Company on two year's notice. Each of Mr. Shennan and Dr. Brown has a service contract with the Company which is terminable by the Company on not less than one and not more than two year's notice. The Company is obliged to compensate a Director if his contract is terminated on less than the specified notice periods. Where possible, the Company would mitigate the cost of termination by negotiation.

The service contracts of Mr. Leech, Mr. Sim, Dr. Boyes and Mr. Fothergill each contain a term which entitles the relevant individual, within six months after a change of control of the Company, to serve three months' notice of termination of his service contract and, on the expiry of that notice, to receive a termination payment equal to twice his annual salary at the time of termination.

The Company has awarded certain Directors service contracts in excess of one year where it has been necessary to do so in order to attract and retain those executives, in competition with larger and more established companies.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors receive fees which are determined by the Board. Professor Davies has had a consultancy agreement since 1992 which operates on three months notice. Professor Dayan's appointment as a Non-Executive Director is subject to a notice period of one month.

DIRECTORS' SHARE OPTIONS

The Directors have been granted options over the ordinary shares of 1p each of the Company under the M.L. Laboratories PLC Executive Share Option Scheme as follows:-

	Date of grant	Subscription price	Number of options	Exercise date	Expiry date
K.R. Leech	05/08/92	£1.36	146,410	05/08/95	05/08/02
	24/08/93	£2.02	19,801	24/08/96	24/08/03
	26/08/94	£2.03	49,261	26/08/97	26/08/04
	04/09/95	£1.70	35,294	04/09/98	04/09/05
	23/07/96	£3.73	3,753	23/07/99	23/07/06
	09/02/98	£1.25	228,800	09/02/01	09/02/08
	06/07/98	£0.89	39,548	06/07/01	06/07/08
			522,867		
S.W. Sim	22/12/89	£0.74	168,775	22/12/92	22/12/99
	19/12/90	£0.41	615,965	19/12/93	19/12/00
	23/08/91	£0.90	44,245	23/08/94	23/08/01
	05/08/92	£1.36	29,280	05/08/95	05/08/02
	24/08/93	£2.02	19,801	24/08/96	24/08/03
	26/08/94	£2.03	39,408	26/08/97	26/08/04
	04/09/95	£1.70	23,529	04/09/98	04/09/05
	23/07/96	£3.73	36,676	23/07/99	23/07/06
	09/02/98	£1.25	412,560	09/02/01	09/02/08
	06/07/98	£0.89	39,548	06/07/01	06/07/08
			1,429,787		

DIRECTORS' SHARE OPTIONS (continued)

	Date of grant	Subscription price	Number of options	Exercise date	Expiry date
Dr. R.N. Boyes	05/08/92	£1.36	131,770	05/08/95	05/08/02
	24/08/93	£2.02	39,603	24/08/96	24/08/03
	26/08/94	£2.03	19,704	26/08/97	26/08/04
	04/09/95	£1.70	23,529	04/09/98	04/09/05
	23/07/96	£3.73	3,190	23/07/99	23/07/06
	09/02/98	£1.25	118,480	09/02/01	09/02/08
	06/07/98	£0.89	51,977	06/07/01	06/07/08
			388,253		
Dr. C.B. Brown	06/01/97	£2.29	209,606	06/01/00	06/01/07
	09/02/98	£1.25	2,880	09/02/01	09/02/08
	06/07/98	£0.89	27,571	06/07/01	06/07/08
			240,057		
Prof. D.S. Davies	22/12/89	£0.74	161,265	22/12/92	22/12/99
	19/12/90	£0.41	96,045	19/12/93	19/12/00
	23/08/91	£0.90	11,060	23/08/94	23/08/01
	05/08/92	£1.36	14,640	05/08/95	05/08/02
	24/08/93	£2.02	9,900	24/08/96	24/08/03
	04/09/95	£1.70	11,765	04/09/98	04/09/05
	23/07/96	£3.73	2,159	23/07/99	23/07/06
	09/02/98	£1.25	43,094	09/02/01	09/02/08
	06/07/98	£0.89	15,911	06/07/01	06/07/08
			365,839		
G.P. Fothergill	06/01/97	£2.29	262,008	06/01/00	06/01/07
	09/02/98	£1.25	153,600	09/02/01	09/02/08
	06/07/98	£0.89	304,520	06/07/01	06/07/08
			720,128		
P.J. Shennan	09/02/98	£1.25	320,000	09/02/01	09/02/08
	06/07/98	£0.89	22,599	06/07/01	06/07/08
			342,599		

No options lapsed or were exercised during the year. The market price of the shares at 30th September 1998 was £0.63 and the range during the financial year was £0.57 to £1.80.

The M.L. Laboratories PLC Executive Share Option Scheme is administered by the Board of Directors and governed by the Scheme rules. The Scheme, which was adopted in 1989, has a fixed life of 10 years and no further options may be granted under it after 8th March 1999. The maximum number of ordinary shares which may be issued on the exercise of options granted under the Scheme is 5% of the issued ordinary share capital of the Company. The Scheme is available to such Directors and full-time employees of the Company and its subsidiaries as may be invited to participate by the Board of Directors. Options may not be granted to an individual (other than a Director of the Company or one of its subsidiaries) if the total subscription price exceeds four times his/her annual emoluments. The price at which a participant may acquire ordinary shares will be the market value at the date of grant and shall not be less than the nominal value. Options may be exercised after the expiry of three years but before the expiry of ten years from the date of grant.

The Cadbury Committee Report on the financial aspects of Corporate Governance, together with its Code of Best Practice (the "Code"), has been carefully considered by the Directors.

The Directors believe that good corporate governance depends primarily on the Executive Directors and the existence of proper management and financial controls. To enable the Non-Executive Directors to operate effectively the Company does not draw a distinction between Non-Executive and Executive Directors in terms of information available. All Directors are therefore provided with all information necessary for them to understand every aspect of the operation of the Group and so to fulfil their duties.

The Board is able to confirm compliance, throughout the year, with all of the provisions of the Code, save that the Board did not include the requisite number of independent Non-Executive Directors. During the year one additional Non-Executive Director, Professor A. D. Dayan, was appointed and since the year end it has been announced that a third Non-Executive Director, Dr. T. Medinger, is to be appointed from 1st March 1999. These appointments will enable the Company to form Audit and Remuneration Committees constituted in accordance with corporate governance best practice. The Directors consider that, given the size of the Group, the absence of the full complement of Non-Executive Directors during the year has not been detrimental to the stewardship of the Company and that in these circumstances the Board's procedures for dealing with Directors' remuneration and audit matters have continued to be effective in the absence of a Remuneration Committee and an Audit Committee.

Regarding the matter raised in the Cadbury Report in respect of the going concern status of the business, after making appropriate enquiries, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

The Company's compliance with the Code has been reviewed by the Auditors and their report is given on page 32.

REPORT ON INTERNAL FINANCIAL CONTROL

The Board of Directors has overall responsibility for internal financial control, which it maintains through a management structure with clearly defined levels of responsibility and authority and appropriate reporting procedures. The Board, as a whole, has reviewed the effectiveness of the internal financial control environment of the Group. The Board meets regularly and considers, inter alia, reports from the external auditors. The Board has reviewed the effectiveness of the system of internal financial control for the year ended 30th September 1998 and the period from 30th September 1998 to the date of approval of the financial statements. An internal control framework can only provide reasonable, not absolute, assurance against material misstatement or loss. The Directors are not aware of any significant weakness or deficiencies in the Group's system of internal financial controls. The main features of the internal control framework implemented are:

Financial Reporting

There is a detailed budgeting system with a two year rolling budget of trading results, cash flow and balance sheet positions on a monthly basis, approved by the Board and updated regularly during the year. Monthly trading results and working capital requirements are reported against the corresponding figures for the budget and the previous year with corrective action taken by the Board as appropriate. Further detailed financial information is also provided on a monthly basis. In addition, a rolling ten year strategic projection of income anticipated from product commercialisation is reviewed and approved by the Board.



Treasury Management

The treasury function is operated within Board-approved guidelines. Facilities are approved by the Board and all transactions are controlled and monitored. Cash balances are monitored on a daily basis and monthly summaries are prepared for the Board. Speculative transactions are not undertaken.

Risk Management

The identification of major business risks is carried out in conjunction with operating management and is reviewed by the Board. Steps are taken to mitigate or eliminate these where possible. In addition, the Group has insurance cover where it is considered appropriate.

Control Environment

Each operating company maintains financial controls and procedures appropriate to its own business environment.

Capital Expenditure and Project Appraisal

The Group has clearly defined guidelines for the review and approval of capital expenditure and other major projects. These include annual budgets and designated levels of authority.

statement of directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and the profit or loss of the Group for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30th September 1998. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Kevin R. Leech
Chairman
14th January 1999

report of the auditors to the members of ML Laboratories PLC

We have audited the financial statements on pages 34 to 51 which have been prepared under the historical cost convention and the accounting policies set out on pages 38 to 39.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 30 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th September 1998 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers Pricewaterhouse Coopers

Chartered Accountants and Registered Auditors, Liverpool.

14th January 1999.

report by the auditors to ML Laboratories PLC on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the Directors' statements on pages 28 to 29 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

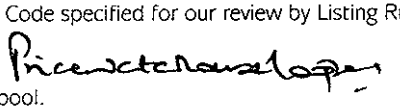
BASIS OF OPINION

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group and Company to continue in operational existence.

OPINION

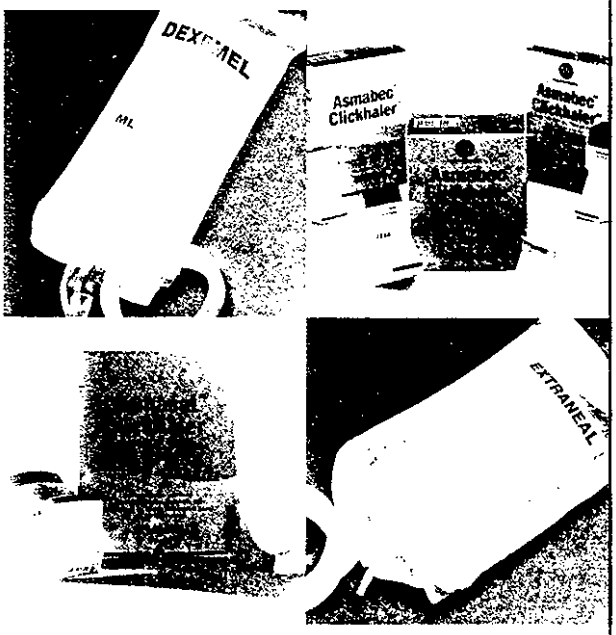
With respect to the Directors' statements on internal financial control and going concern on pages 28 to 29, in our opinion the Directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statements on pages 28 to 29 appropriately reflect the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

PricewaterhouseCoopers 
Chartered Accountants, Liverpool.
14th January 1999.

1998
annual
report

1998 financial statements



bringing quality to life

consolidated profit & loss account for the year ended 30th September 1998

	NOTES	1998 £	1997 (As restated - note 1) £
Turnover	2	5,356,475	6,855,129
Cost of sales		(2,160,234)	(1,550,945)
Gross profit		3,196,241	5,304,184
Research and development expenditure		(7,719,642)	(6,752,716)
Administrative expenses		(4,888,628)	(4,535,596)
Operating loss		(9,412,029)	(5,984,128)
Investment income	3	1,200,088	1,693,730
Interest payable	4	(230,756)	(259,460)
Loss on ordinary activities before taxation	2, 5	(8,442,697)	(4,549,858)
Taxation	6	-	-
Loss on ordinary activities after taxation		(8,442,697)	(4,549,858)
Minority interests		25	-
Retained loss for year	17(a)	(8,442,672)	(4,549,858)
Loss per ordinary share	21	(5.82)p	(3.14)p
Statement of Total Recognised Gains and Losses			
Loss for year		(8,442,672)	(4,549,858)
Prior year adjustment	1, 17	(21,941,040)	
Total losses recognised since last Annual Report		(30,383,712)	

As permitted by section 230 (3) of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The retained loss of the parent is shown in note 20 on page 49.

All group operations for the financial year are continuing.

The notes on pages 40 to 51 form part of these financial statements.

consolidated balance sheet at 30th September 1998

	NOTES	1998 £	1997 (As restated - note 1) £
Fixed Assets			
Tangible assets	8	3,221,723	3,081,963
Investments	9	100	-
		3,221,823	3,081,963
Current Assets			
Stocks	10	564,142	384,610
Debtors	11	2,662,090	3,872,079
Investments	12	3,560	3,560
Cash at bank and in hand	13	12,618,114	23,655,401
		15,847,906	27,915,650
Current Liabilities			
Creditors: amounts falling due within one year	14(a)	(4,545,894)	(7,744,925)
Net Current Assets		11,302,012	20,170,725
Total Assets less Current Liabilities		14,523,835	23,252,688
Creditors: amounts falling due after more than one year	14(b)	(1,627,248)	(1,901,728)
Net Assets		12,896,588	21,350,960
Capital and Reserves			
Called-up share capital	16	1,449,573	1,449,573
Share premium account		47,217,134	47,217,134
Reserves	17(a)	(35,770,119)	(27,315,747)
Equity Shareholders' Funds	18	12,896,588	21,350,960
Minority interests		-	-
		12,896,588	21,350,960

The financial statements on pages 34 to 51 were approved by the Board of Directors on 14th January 1999 and were signed on its behalf by:

K. R. Leech
S. W. Sim } Directors

The notes on pages 40 to 51 form part of these financial statements.

parent company balance sheet at 30th September 1998

	NOTES	1998 £	1997 (As restated - note 1) £
Fixed Assets			
Tangible assets	8	2,152,567	2,108,233
Investments	9	4,199,003	4,187,228
		6,351,570	6,295,461
Current Assets			
Stocks	10	155,181	284,156
Debtors	11	5,469,962	4,365,017
Investments	12	3,560	3,560
Cash at bank and in hand	13	20,820,828	29,556,693
		26,449,531	34,209,426
Current Liabilities			
Creditors: amounts falling due within one year	14(a)	(3,139,023)	(5,983,984)
Net Current Assets		23,310,508	28,225,442
Total Assets less Current Liabilities		29,662,078	34,520,903
Creditors: amounts falling due after more than one year	14(b)	(1,689,465)	(1,940,846)
Net Assets		27,972,613	32,580,057
Capital and Reserves			
Called-up share capital	16	1,449,573	1,449,573
Share premium account		47,217,134	47,217,134
Reserves	17(b)	(20,694,094)	(16,086,650)
Equity Shareholders' Funds		27,972,613	32,580,057

The financial statements on pages 34 to 51 were approved by the Board of Directors on 14th January 1999 and were signed on its behalf by:

K. R. Leech
S. W. Sim } Directors

The notes on pages 40 to 51 form part of these financial statements.

consolidated cash flow statement for the year ended 30th September 1998

	NOTES	1998 £	1997 (As restated - note 1) £
Net Cash Outflow from Operating Activities	26	(11,009,416)	(2,145,855)
Returns on Investments and Servicing of Finance			
Interest received		1,718,246	1,622,217
Interest paid		(5,992)	(8,797)
Investment income		55	60
Interest paid on finance leases		(225,004)	(250,711)
Net Cash Inflow from Returns on Investments and Servicing of Finance		1,487,305	1,362,769
Taxation			
UK Corporation tax		-	-
Capital Expenditure			
Purchase of tangible fixed assets		(695,630)	(791,545)
Purchase of fixed asset investment		(100)	-
Receipts from sale of tangible fixed assets		64,275	86,370
Net Cash Outflow for Capital Expenditure		(631,455)	(705,175)
Acquisitions			
Purchase of part of minority interests		(11,700)	(3,771,784)
Net Cash Outflow for Acquisitions		(11,700)	(3,771,784)
Net Cash Outflow before Management of Liquid Resources and Financing		(10,165,266)	(5,260,045)
Management of Liquid Resources			
Decrease in cash placed on short term deposit		11,035,159	5,535,860
Net Cash Inflow from Management of Liquid Resources		11,035,159	5,535,860
Financing			
Capital element of finance lease rental payments		(1,126,648)	(885,431)
Loan finance acquired		601,908	556,878
Net Cash Outflow from Financing		(524,740)	(328,553)
Increase/(Decrease) in Cash in Period		345,153	(52,738)

The notes on pages 40 to 51 form part of these financial statements.

statement of accounting policies

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Accounting and Financial Reporting Standards applicable in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, except for the change in accounting explained in note 1 on page 40, is set out below

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost basis of accounting.

BASIS OF CONSOLIDATION

The consolidated profit and loss account and balance sheet include the financial statements of the Company and all its subsidiary undertakings made up to 30th September in each year. The results of any subsidiaries acquired are included in the consolidated profit and loss account from the date control passed. Intra-group sales and profits are eliminated fully on consolidation.

MINORITY INTERESTS

Minority interests represent the share of the net assets, liabilities and results attributable to the interests of the minority shareholders in subsidiaries which are not wholly owned by the Company or its subsidiaries.

GOODWILL

Goodwill arising on consolidation, which represents the excess of consideration over the fair value of the net assets acquired, is written off on acquisition against reserves.

RESEARCH & DEVELOPMENT

Research and development expenditure is written off in the period in which it is incurred and includes, inter alia, all internal and external costs incurred in patenting, developing manufacturing processes, manufacturing materials to be used in clinical trials, the cost of conducting those trials, external studies, analysis and consultants, the cost of obtaining regulatory approvals and the cost of third party licence fees.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at their purchase cost to the Group less depreciation.

Depreciation is provided on a straight line basis to write off the cost of the tangible fixed assets over their estimated useful lives at the following rates:

Plant and machinery	8½-33⅓% per annum
Computer and office equipment	20% per annum
Motor vehicles	33⅓% per annum
Short leasehold buildings	Over the remaining period of the lease.

FINANCE LEASES

Tangible fixed assets include assets held under finance leases which are capitalised at their fair value with a corresponding amount treated as a liability. Interest is charged to the profit and loss account over the period of the lease agreements.

OPERATING LEASES

Rentals payable in respect of operating leases are charged to the profit and loss account as incurred.

FIXED ASSET INVESTMENTS

Investments are stated at cost, but are written down to their net realisable value if the Directors consider that there has been a permanent diminution in their value.

STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in, first out basis.

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

PENSION COSTS

The Company operates a defined contribution pension scheme covering certain of its employees. Contributions are charged to the profit and loss account on an accruals basis.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into sterling at the rate prevailing at the date of the transaction. Assets held at the year end are translated into sterling at the rate prevailing at the balance sheet date. The resulting exchange differences are dealt with in the profit and loss account.

TURNOVER

Turnover, which excludes value added tax, represents amounts receivable in respect of the sale of goods and services and the commercialisation of products via third parties during the year, once it can be determined with reasonable certainty that such income will be received.

1. CHANGE IN ACCOUNTING POLICY

The Group's accounting policy in respect of research and development expenditure has been changed from a policy of capitalisation of such expenditure as intangible fixed assets and subsequent amortisation thereof, to a policy of immediate write off in the period in which such expenditure is incurred. This change has been made in order to bring the Group's accounting policy for such expenditure in line with that more commonly adopted by the UK pharmaceutical sector.

The comparative figures for the year to 30th September 1997 have been restated on the basis of the new accounting policy. The effect of the change in accounting policy is that intangible assets previously reported at 30th September 1997 for the Group of £22,135,293 and for the Company of £13,077,814 have been written off, with a consequent restatement of minority interests.

The comparative results for the year to 30th September 1997 have been adjusted as follows:	£
Profit for year as originally reported	683,810
(i) Change in treatment of research and development expenditure	(5,671,095)
(ii) Consequent restatement of minority interests	437,427
Loss as restated	(4,549,858)

The effect of the change in accounting policy on the year to 30th September 1998 was to write off additional research and development expenditure of £6,435,651.

The effect of the change in accounting policy on reserves is set out in note 17 on page 48.

2. SEGMENTAL ANALYSIS BY CLASS OF BUSINESS

The analysis by class of business of the Group's turnover, loss before taxation and net assets is set out below:

Segmental Reporting

1998	Turnover £	Research & Development £	Other Expenses £	Loss Before Taxation £	Net Assets/ (Liabilities) £
Licensing and Option fees	1,171,817	-	-	-	-
Royalties	1,170,448	-	-	-	-
Product sales to licensees	2,033,324	-	-	-	-
Total pharmaceutical activities	4,375,589	(7,385,421)	(5,095,297)	(7,093,117)	18,560,069
Other activities	980,886	(334,221)	(1,953,565)	(1,349,580)	(5,663,481)
Total	5,356,475	(7,719,642)	(7,048,862)	(8,442,697)	12,896,588

1997	Turnover £	Research & Development (As restated - note 1) £	Other Expenses £	Loss Before Taxation (As restated - note 1) £	Net Assets/ (Liabilities) (As restated - note 1) £
Licensing and Option fees	4,147,442	-	-	-	-
Royalties	319,781	-	-	-	-
Product sales to licensees	890,122	-	-	-	-
Total pharmaceutical activities	5,357,345	(6,319,231)	(4,447,565)	(3,923,325)	25,665,761
Other activities	1,497,784	(433,485)	(1,638,976)	(626,533)	(4,314,801)
Total	6,855,129	(6,752,716)	(6,086,541)	(4,549,858)	21,350,960

2. SEGMENTAL ANALYSIS BY CLASS OF BUSINESS (continued)

Geographical Segments

	United Kingdom		North America		Europe*		Group	
	1998	1997 (As restated - note 1)	1998	1997	1998	1997	1998	1997 (As restated - note 1)
	£	£	£	£	£	£	£	£
Turnover by destination	1,188,190	5,402,901	1,184,656	716,860	2,983,629	735,368	5,356,475	6,855,129
Turnover by origin	5,356,475	6,855,129	-	-	-	-	5,356,475	6,855,129
Loss before taxation	(8,442,697)	(4,549,858)	-	-	-	-	(8,442,697)	(4,549,858)
Net assets	12,896,588	21,350,960	-	-	-	-	12,896,588	21,350,960

*Includes sales to countries outside Europe and North America of £9,801 (1997 £13,851)

3. INVESTMENT INCOME

	1998 £	1997 £
Bank interest receivable	1,195,495	1,689,946
Other interest receivable	4,538	3,724
Income from current asset investments	55	60
	1,200,088	1,693,730

4. INTEREST PAYABLE

	1998 £	1997 £
On bank overdraft - repayable within 5 years, not by installments	5,752	8,659
On finance leases	225,004	250,711
Other	-	90
	230,756	259,460

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation - tangible owned fixed assets	125,209	241,582
- tangible fixed assets held under finance leases	703,018	816,800
Auditors' remuneration for:		
- Audit (Company £21,628) (1997 £17,272)	39,358	36,931
Hire of other assets - operating leases	44,665	15,060
Loss on disposal of tangible fixed assets	2,393	2,734
And after crediting:		
Profit on disposal of tangible fixed assets	56,778	54,988

Amounts charged to revenue in respect of sums payable for the hire of plant and machinery under finance leases are shown above separately under the headings of depreciation £703,018 and finance charges £225,004 (see Note 4) - total £928,022 (1997 £1,067,511).

Remuneration of the Company's Auditors for provision of non-audit services to the Company and its subsidiary undertakings was £31,681 (1997 £64,019). This consists principally of fees in respect of taxation compliance and advisory work and management consultancy fees.

6. TAXATION

	1998 £	1997 £
UK Corporation tax at 31% (1997 32%)	-	-

Taxation has not been provided in the financial statements due to the availability of current year and brought forward tax losses. As at 30th September 1998, tax losses available for offset against future trading profits in the relevant Group company, subject to agreement with the Inland Revenue, are estimated to be approximately £23M.

7. DIRECTORS AND EMPLOYEES

	1998 Number	1997 Number
Employees		
The average weekly number of persons (including Directors) employed by the Group during the year was:		
Research and development	55	46
Administration and marketing	29	30
Production	37	28
	121	104

	1998 £	1997 £
Staff costs (for the above persons)		
Wages and salaries	3,590,363	2,913,439
Social security costs	201,101	270,930
Other pension costs (see note 25)	234,366	143,658
	4,025,830	3,328,027

Directors' Remuneration		
Remuneration paid to the Directors of the holding company was:	£	£
Aggregate emoluments	1,076,470	642,657
Amounts invoiced from third parties	16,014	13,632
Company pension contributions to money purchase schemes	125,842	74,760
	1,218,326	731,049

Emoluments payable to the highest paid Director were as follows:	£	£
Aggregate emoluments	226,447	181,600
Company pension contributions to money purchase schemes	27,656	20,940
	254,103	202,540

No Director waived emoluments in respect of the year ended 30th September 1998 (1997 None)

Further details of the remuneration and Share Options of Directors is given in the Report of the Board on Remuneration Matters on pages 25 to 27.

8. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Computer & Office Equipment £	Motor Vehicles £	Short Leasehold Buildings £	Total £
Group					
COST					
At 1st October 1997	4,759,022	688,499	728,637	42,354	6,218,512
Additions	473,905	200,229	303,744	-	977,878
Disposals	(751)	(2,202)	(149,924)	-	(152,877)
At 30th September 1998	5,232,176	886,526	882,457	42,354	7,043,513
DEPRECIATION					
At 1st October 1997	2,364,664	435,777	320,838	15,270	3,136,549
Charge for year	489,566	108,406	228,490	1,765	828,227
Disposals	(413)	(147)	(142,426)	-	(142,986)
At 30th September 1998	2,853,817	544,036	406,902	17,035	3,821,790
NET BOOK VALUE					
At 30th September 1998	2,378,359	342,490	474,555	25,319	3,221,723
At 30th September 1997	2,394,358	252,722	407,799	27,084	3,081,963

The net book value of tangible fixed assets includes £2,627,019 (1997 £2,462,851) in respect of assets held under finance leases.

Company					
COST					
At 1st October 1997	3,703,794	391,212	333,902	42,354	4,471,262
Additions	217,093	126,314	152,418	-	495,825
Transfer from subsidiary	-	-	13,544	-	13,544
Disposals	(751)	(2,202)	(76,441)	-	(79,394)
At 30th September 1998	3,920,136	515,324	423,423	42,354	4,901,237
DEPRECIATION					
At 1st October 1997	1,946,908	248,060	152,791	15,270	2,363,029
Charge for year	281,901	63,785	111,056	1,765	458,507
Transfer from subsidiary	-	-	3,762	-	3,762
Disposals	(413)	(147)	(76,068)	-	(76,628)
At 30th September 1998	2,228,396	311,698	191,541	17,035	2,748,670
NET BOOK VALUE					
At 30th September 1998	1,691,740	203,626	231,882	25,319	2,152,567
At 30th September 1997	1,756,886	143,152	181,111	27,084	2,108,233

The net book value of tangible fixed assets includes £1,736,701 (1997 £1,635,647) in respect of assets held under finance leases.

9. FIXED ASSET INVESTMENTS

Group	**Joint Venture**
COST	£
At 1st October 1997	-
Additions	100
At 30th September 1998	100

Company	**Subsidiaries**	**Joint Venture**	**Total**
COST	£	£	£
At 1st October 1997	4,187,228	-	4,187,228
Additions	11,675	100	11,775
At 30th September 1998	4,198,903	100	4,199,003

Principal Subsidiary Companies	**Country of Incorporation**	**Description of Holding**	**Proportion Held %**	**Nature of Business**
Benest Engineering Ltd	England	Ordinary Shares	75	Research, development and commercialisation of agronomic chemical delivery systems
Biofil Ltd	England	Ordinary Shares	90	Research, development and commercialisation of microbiological water purification systems
Bioinnovation Ltd	England	Ordinary Shares	75	Research and development of novel cancer treatments
Healthcare Education Services Ltd	Scotland	Ordinary Shares	81*	Educational training for the pharmaceutical and biotechnology industries
Innovata Biomed Ltd	Scotland	Ordinary Shares Preference Shares	81 100	Research, development and commercialisation of respiratory drug delivery technologies
M.A.T.S. (UK) Ltd	England	Ordinary Shares	51	Applied surface science
Movement Control Systems Ltd	England	Ordinary Shares	90	Development and commercialisation of infant monitoring systems
Traversall Ltd	England	Ordinary Shares	100	Research and development of patient transfer systems

*Holding through a subsidiary

9. FIXED ASSET INVESTMENTS (continued)

Joint Venture	Country of Incorporation	Description of Holding	Proportion Held %	Nature of Business
Bioincubator York Ltd (Accounting date 31st July)	England	Ordinary Shares	50	Mentoring of innovative biotechnology projects

On 8th June 1998 the Company entered into a joint venture agreement with the University of York under which the Company subscribed £100 for 50% of the share capital in Bioincubator York Ltd and, in addition, agreed to subscribe in the future for up to 309,900 preference shares of £1 each in that company. In the period from 8th June 1998 to 30th September 1998 the trading activities of Bioincubator York Ltd have not been significant to the Group's results and accordingly its results have not been consolidated.

10. STOCKS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Raw materials & consumables	245,345	143,467	42,412	50,207
Finished goods	318,797	241,143	112,769	233,949
	564,142	384,610	155,181	284,156

11. DEBTORS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
(a) Amounts falling due within one year:				
Trade debtors	1,043,712	737,525	600,668	249,338
Other debtors	549,769	1,524,077	448,858	868,168
Prepayments and accrued income	1,068,609	1,054,214	838,462	389,690
	2,662,090	3,315,816	1,887,988	1,507,196
(b) Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	3,581,974	2,301,558
Prepayments and accrued income	-	556,263	-	556,263
	-	556,263	3,581,974	2,857,821
	2,662,090	3,872,079	5,469,962	4,365,017

12. CURRENT ASSET INVESTMENTS

Group & Company	1998 £	1997 £
Investments quoted on a recognised stock exchange, at cost	39,260	39,260
Provision for permanent diminution in value	(35,700)	(35,700)
At 30th September 1998	3,560	3,560
Aggregate market value of quoted investments	1,183	2,455

13. CASH AT BANK

Included in cash at bank is an amount of £129,446 (1997 £327,120) being security for assets held under finance leases by the Company. These monies are to be released over the lease period.

14. CREDITORS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
(a) Amounts falling due within one year:				
Bank overdraft	151,671	498,954	49,532	15,561
Obligations under finance leases	1,064,279	1,019,814	933,368	905,579
Trade creditors	2,350,949	1,639,043	1,778,005	1,011,032
Other taxation and social security payable	140,893	214,713	66,692	113,028
Other creditors	105,680	46,993	19,913	20,013
Accruals and deferred income	732,422	4,325,408	291,513	3,918,771
	4,545,894	7,744,925	3,139,023	5,983,984
(b) Amounts falling due after more than one year:				
Obligations under finance leases	1,627,248	1,901,728	1,488,465	1,739,846
Amounts owed to subsidiary undertakings	-	-	201,000	201,000
	1,627,248	1,901,728	1,689,465	1,940,846

The Company has entered into arrangements to provide unlimited multilateral guarantees in respect of the bank overdrafts of its subsidiaries. No loss is expected to result from these arrangements.

15. DEFERRED TAXATION

Group & Company

No provision for deferred taxation is required. The potential liability for deferred taxation, which has not been provided for in the financial statements, amounted to £NIL (1997 As restated £NIL)

16. CALLED-UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
150,000,000 Ordinary Shares of 1p each	1,500,000	1,500,000
Allotted, called-up and fully paid		
144,957,310 Ordinary Shares of 1p each	1,449,573	1,449,573

Contingent rights to the allotment of shares:

Under the M.L. Laboratories PLC Executive Share Option Scheme, options which have been granted to executives and Directors to subscribe for Ordinary Shares and remain unexercised are as follows:

Date of grant	Subscription price	Number of options	Exercise date	Expiry date
22/12/89	£0.74	330,100	22/12/92	22/12/99
19/12/90	£0.41	752,025	19/12/93	19/12/00
23/08/91	£0.90	77,425	23/08/94	23/08/01
05/08/92	£1.36	339,955	05/08/95	05/08/02
13/01/93	£2.12	78,750	13/01/96	13/01/03
24/08/93	£2.02	103,179	24/08/96	24/08/03
26/08/94	£2.03	153,323	26/08/97	26/08/04
04/09/95	£1.70	165,830	04/09/98	04/09/05
23/07/96	£3.73	74,074	23/07/99	23/07/06
06/01/97	£2.29	471,614	06/01/00	06/01/07
09/02/98	£1.25	2,157,036	09/02/01	09/02/08
18/03/98	£1.20	67,846	18/03/01	18/03/08
06/07/98	£0.89	680,249	06/07/01	06/07/08
		5,451,406		

Details of Directors' interests in Ordinary Shares of the Company are shown in the Directors' Report on pages 22 to 24.

Details of Directors' Share Options are shown in the Report of the Board on Remuneration Matters on pages 25 to 27.

17. RESERVES

(a) Group	1998 £	1997 £
Opening reserves as originally reported	(5,374,707)	(2,529,960)
Effect of change in accounting policy:		
(i) Write off of intangible fixed assets	(22,135,293)	(16,464,198)
(ii) Consequent restatement of minority interests	194,253	53
Net effect	(21,941,040)	(16,464,145)
Opening reserves as restated	(27,315,747)	(18,994,105)
Loss for year	(8,442,672)	(4,549,858)
Goodwill written off in the year	(11,700)	(3,771,784)
Closing reserves	(35,770,119)	(27,315,747)

The goodwill arising on acquisition of part of the minority interests in the year to 30th September 1997 has been restated from the original figure of £3,528,556 to take account of the restatement of minority interests consequent upon the change in accounting policy.

(b) Company	1998 £	1997 £
Opening reserves as originally reported	(3,008,836)	(1,351,854)
Effect of change in accounting policy to write off intangible fixed assets	(13,077,814)	(10,489,510)
Opening reserves as restated	(16,086,650)	(11,841,364)
Loss for year	(4,607,444)	(4,245,286)
Closing reserves	(20,694,094)	(16,086,650)

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £	1997 (As restated - note 1) £
Loss for the year attributable to shareholders of M. L. Laboratories PLC	(8,442,672)	(4,549,858)
Goodwill arising on purchase of part of minority interests	(11,700)	(3,771,784)
Net decrease in shareholders' funds for the year	(8,454,372)	(8,321,642)
Opening equity shareholders' funds	21,350,960	29,672,602
Closing equity shareholders' funds	12,896,588	21,350,960

19. FINANCE LEASE OBLIGATIONS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
At 30th September 1998 the Group and Company had obligations under finance leases as follows:				
Payable within one year	1,064,279	1,019,814	933,368	905,579
Payable between one and two years	928,554	878,026	835,203	786,736
Payable between two and five years	698,694	1,023,702	653,262	953,110
	2,691,527	2,921,542	2,421,833	2,645,425

20. LOSS FOR THE FINANCIAL YEAR

	1998 £	1997 (As restated - note 1) £
Dealt with in the accounts of:		
Parent company	(4,607,444)	(4,245,286)
Subsidiaries	(3,835,228)	(304,572)
	(8,442,672)	(4,549,858)

21. LOSS PER ORDINARY SHARE

The calculation of basic earnings per share is based on the loss on ordinary activities after taxation and minority interests of £8,442,672 (1997 Loss as restated £4,549,858) and on 144,957,310 ordinary shares (1997 144,957,310), being the average number of ordinary shares in issue and ranking for dividend during the year, weighted on a time basis.

22. OTHER FINANCIAL COMMITMENTS

At 30th September 1998 the Group had annual commitments under non-cancellable operating leases as follows:

	1998		1997	
	Land & Buildings	Other	Land & Buildings	Other
Expiring within one year	54,000	3,522	44,250	714
Expiring between two and five years	91,378*	3,572	102,628*	2,541
Expiring in over five years	207,482**	-	207,482**	-
	352,860	7,094	354,360	3,255

* Subject to a three year rent review

** Subject to a five year rent review

23. CAPITAL COMMITMENTS

	Group		Company	
	1998 £	1997 £	1998 £	1997 £
Capital expenditure on tangible fixed assets that has been contracted for but has not been provided for in the financial statements	211,853	51,000	-	49,000

24. CONTINGENT LIABILITIES

Group & Company

At 30th September 1998 there were no contingent liabilities other than those arising from the ordinary course of business in respect of which no material losses are expected to arise.

25. PENSIONS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £234,366 (1997 £143,658). Contributions totalling £9,292 (1997 £NIL) were payable to the fund at the year end and are included in creditors.

26. RECONCILIATION OF OPERATING LOSS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1998 £	1997 (As restated - note 1) £
Operating loss	(9,412,029)	(5,984,128)
Depreciation of tangible fixed assets	828,227	1,058,382
Profit on disposal of tangible fixed assets	(54,385)	(52,254)
Increase in stocks	(179,532)	(7,429)
Decrease/(increase) in debtors	691,723	(1,149,135)
(Decrease)/increase in creditors	(2,883,420)	3,988,709
Net cash outflow from operating activities	(11,009,416)	(2,145,855)

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

	1998 £	1997 £
Increase/(decrease) in Cash in Period	345,154	(52,738)
Cash inflow from decrease in Liquid Resources	(11,035,159)	(5,535,860)
Cash outflow from decrease in Debt and Lease Financing	524,740	328,553
Change in Net Debt Resulting from Cash Flows	(10,165,265)	(5,260,045)
Other Non Cash Items		
New Finance Leases	(294,725)	(338,919)
Movement in Net Debt	(10,459,990)	(5,598,964)
Opening Net Debt	20,234,905	25,833,869
Closing Net Debt	9,774,915	20,234,905

28. ANALYSIS OF NET DEBT

	1997 £	Cash Flow £	Other Non Cash Changes £	1998 £
Cash in Hand and at Bank	5,045	(2,129)	-	2,916
Short Term Deposit	23,650,356	(11,035,159)	-	12,615,197
	23,655,401	(11,037,288)	-	12,618,113
Bank Overdraft	(498,954)	347,283	-	(151,671)
Finance Leases due within 1 Year	(1,019,814)	(44,465)	-	(1,064,279)
Finance Leases due in more than 1 Year	(1,901,728)	1,171,112	(896,632)	(1,627,248)
	20,234,905	(9,563,358)	(896,632)	9,774,915

29. RELATED PARTY TRANSACTIONS

Pursuant to an agreement dated 15th September 1997, under which the Company acquired 1,450 shares in its subsidiary, Innovata Biomed Ltd, from Dr. R. N. Boyes, a Director of M. L. Laboratories PLC, at a price of £1,500 per share, the Company has an option, expiring on 31st December 1999, to acquire a further 2,450 shares from Dr. Boyes at the same price per share. WestLB Panmure Ltd, financial advisers, have reported to the London Stock Exchange that the terms of this transaction were fair and reasonable as far as the shareholders of M. L. Laboratories PLC were concerned.

During the year, in the ordinary course of the Group's business, RPMS Technology Ltd, a technology transfer company wholly owned by Imperial College School of Medicine and of which Professor D. S. Davies is a Director, undertook research contracts for the Group, on an arms length basis, with a contracted value of £489,718. At 30th September 1998 the amount owing to RPMS Technology Ltd in respect of this work was £364,520

30. ULTIMATE CONTROLLING PARTY

The Company's ultimate holding company is Milner Laboratories Ltd incorporated in Jersey, C. I. and its ultimate controlling party is Mr. K. R. Leech, by virtue of his ownership of 68% of the issued share capital in that company.

Designed and produced by Centrix Communications, Manchester

1998
annual
report

