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DermaSalve Sciences PLC News Announcement

DermaSalve Sciences PLC - Half-yearly Report

DermaSalve Sciences plc

('DermaSalve' or 'the Company' or 'the Group')

Interim Results for the period ended 30 June 2007

DermaSalve (AIM: DRM) markets and distributes a range of pharmaceutical, nutraceutical and healthcare products focusing on dry and sensitive skin sufferers operating internationally through a range of sales channels.

Highlights

- * Turnover £742,000 and a loss before tax of £577,000 and a loss per share of 0.73p.
- * SafeCleanse alcohol gel successfully launched in Thailand in June 2007 to help combat the spread of Avian Flu. Distribution gained in Boots and A S Watson.
- * Healthy and Essential Ltd ('H&E') continues to grow sales revenue as well as seeing an improvement in profit margins.
- * Appointment of Erling Refsum and David Stone as non-executive Directors bringing additional sector and public company experience to the Board.
- * International distribution agreement with BioSpan Technologies Inc. for new skin and eco-friendly, heavy duty hand cleansing product range.
- * Further evidence of endorsement of the Group's product range by healthcare professionals as demonstrated by recent agreement with the Bounty Health Network.
- * Major long term exclusive distribution agreement with New Horizons in Africa for SafeCleanse.

CHAIRMAN'S STATEMENT

I am pleased to report the interim results of the Company for the six months ended 30 June 2007.

Operating Review

SafeCleanse

SafeCleanse was launched in Thailand in June 2007 through our joint venture,

DermaSalve Sciences Asia Pacific Limited. The period from June to September 2007 has been focused on building distribution within the retail sector. To date we have the product stocked in Boots and A S Watsons in Thailand as well as other national chains.

The distribution build will be followed by an extensive marketing campaign including TV and outdoor advertising, all designed to drive awareness of the brand and the need for individuals to ensure good hand hygiene practices as part of everyday life.

The launch in Thailand has helped to stimulate international interest in SafeCleanse and we are discussing a number of opportunities in various parts of the world. As a result of one such discussion we were able to appoint New Horizons as our African distributor for SafeCleanse. Headed up by Steven Reeve, New Horizons has established strong commercial and political links in South Africa as well as other parts of the continent. The agreement with New Horizons incorporates a minimum sales target of £5 million for the year ending December 2008 with substantial annual increases through to 2012.

In the UK we undertook a trial in conjunction with Newcastle University to look at the benefits of SafeCleanse in relation to one of the major brands currently in use within UK hospitals. The results (available on www.safecleanse.com) clearly showed that SafeCleanse causes significantly less problems for regular users in terms of dry and painful hands. We believe this is a significant advantage in disease containment situations where regular appropriate use of an alcohol based hand cleanser is key to minimising the spread of disease. This is particularly pertinent in the UK where MRSA remains a major issue in hospitals.

These test results are helping open communication lines within the NHS and we continue to pursue opportunities for SafeCleanse within the sector.

DermaSalve Creams

DermaSalve Creams' focus remains the growth of our core UK business. As part of our strategy for driving awareness and recommendation through healthcare professionals, we attended the annual conference of the British Association of Dermatology in Birmingham in July 2007. Our 'sensitiser free' formulation was welcomed by both dermatologists and dermatology nurses. Indeed, over 100 of these key professionals requested that we send them regular samples to try with their patients. As a result we have noted an increase in prescription levels for the creams.

Healthcare professionals ('HCPs') are important for us as they refer people to products which are most suitable for treating sensitive skin. In addition, HCPs also assist us in retaining customers, as they can provide information on the sensitiser free features of the brand and explain the ongoing benefits this will have in terms of minimising the risks of skin irritation.

One of the major groups seeking the advice of HCPs is new mothers who are keen to ensure any products they use on their young children are effective and safe, with the minimum risk of side effects.

With around 750,000 births per year in the UK, this is a key market for our creams. We have therefore entered into an agreement with the Bounty Health Network, which is well-known for the 'Bounty Bag' given to new mothers in hospital. Bounty also has a team of 16 people, which meet with 11,800 health visitors and practice nurses every four months to update them on products and services which may be of interest to their patients.

DermaSalve creams will feature on the Bounty website (www.bounty.com) during September and October 2007, and the Bounty team will provide literature to their HCP audience. By January 2008 all 11,800 HCPs will have leaflets to give to mothers offering them a 20 per cent. discount on DermaSalve creams when they order directly from our website www.dermasalve.com.

Internationally Orian Healthcare continues to support our creams business in Ireland, Cyprus, Malta and South Africa with regular orders.

TC29

In April 2007 the Group signed a worldwide (excluding the USA and Canada) licence agreement with Biospan Technologies Inc. to market and distribute a range of heavy duty hand cleansing products based on technology which is marketed under the brand name TC29 and which is both environmentally and dermatologically friendly. We have introduced the TC29 technology to a number of multinational corporations. We are currently following up these leads and plan to begin product testing with a number of these companies in the fourth quarter.

Healthy & Essential

H&E continues to deliver both sales and profit growth as the operational efficiency measures undertaken when H&E was integrated into the business begin to take effect. The growth in sales of the MoreEPA product in particular has put us in the position of being able to approach some of the major multiples regarding wider distribution opportunities for the brand within the mainstream grocery sector. We are pleased with the way these discussions are progressing and remain confident of achieving a distribution agreement with one of the major grocers in the last quarter of this year.

Outlook

The first six months of the year has seen some major steps forward for the business. The launch of SafeCleanse in Thailand, as well as the distribution agreement with New Horizons for South Africa, are both key milestones in developing the brand's potential. We anticipate that the second half of the year will see sales growth to reflect this progress.

DermaSalve Creams has now entered into an important relationship with Bounty, helping us to drive brand relevance and trial amongst the vital 'new mother' community. This, supported by increased awareness amongst dermatologists for the creams, will ensure growth in prescription and recommendation levels.

Finally, the potential listing of MoreEPA within one of the major grocery multiples should see continuing sales and profit growth for Healthy & Essential.

Our success in establishing relationships with third parties places us in a strong position and I look forward to updating shareholders later in the year.

Dr Clive Morton OBE

Chairman

19 September 2007

Enquiries:

DermaSalve Sciences plc

0191 260 5070

Dr. Mark Randle, CEO	07765 258973
Neil Wilson	07703 736685
www.dermasalve.com	
Hansard Group	020 7245 1100
Adam Reynolds / Brendan Adams	
Hanson Westhouse Limited	0113 246 2610

Tim Feather / Matthew Johnson

Consolidated Income Statement

(Unaudited)

	6 months to 30 Jun 2007	6 months to 30 Jun 2006	12 months to 31 Dec 2006
	£000	£000	£000
		As restated	
Continuing operations			
Revenue	742	50	654
Cost of sales	(514)	(111)	(754)
Gross profit/(loss)	228	(61)	(100)
Sales and marketing	(197)	(582)	(835)
Administrative expenses	(609)	(553)	(2,007)
Loss from operations	(578)	(1,196)	(2,942)
Interest receivable	1	11	14
Interest payable	-	-	(21)
Loss before taxation	(577)	(1,185)	(2,949)
Income tax	-	-	(18)
Loss for the period from continuing operations	(577)	(1,185)	(2,967)
Attributable to:			
Equity holders	(577)	(1,185)	(2,967)
Basic and diluted (loss) per ordinary share (pence)	(0.73)	(2.63)	(6.2)

Dividends per share (pence)	Nil	Nil	Nil
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Continuing operations

None of the Group's activities were discontinued during the above financial periods. In January 2006 DermaSalve Limited was acquired under a reverse acquisition, in accordance with IFRS3 'Business Combinations'. During August 2006 Healthy & Essential Limited was acquired. Breathe Skincare Limited, a previously dormant subsidiary began trading in May 2007. In June 2007 a joint venture, DermaSalve Asia Pacific Limited, was acquired but did not commence trading until after the period end.

Statement of recognised income and expense

The Group has no recognised income or expense other than the results shown in the income statement for the above financial periods.

Consolidated Balance Sheet

(Unaudited)

	At 30 Jun 2007 £000	At 30 Jun 2006 £000	At 31 Dec 2006 £000
		As restated	
Fixed assets			
Intangible assets	5,854	5,437	5,849
Tangible assets	26	38	36
Investments	93	-	-
	5,973	5,475	5,885
Current assets			
Inventories	394	127	269
Trade and other receivables	276	230	280
Cash and cash equivalents	222	403	191
	892	760	740
Total assets	6,865	6,235	6,625
Liabilities			
Current liabilities	899	281	1,041
Long term liabilities	45	-	60
	944	281	1,101

Equity

Share capital	898	642	714
Share premium	6,832	5,190	6,046
Retained earnings	(4,138)	(1,779)	(3,561)
Reverse Acquisition reserve	1,669	1,669	1,669
Options reserve	240	232	236
Other reserves	420	-	420
Equity shareholders' funds	5,921	5,954	5,524
Total equity and liabilities	6,865	6,235	6,625

Consolidated Cash Flow Statement

(Unaudited)

	6 months to 30 June 2007	6 months to 30 June 2006	12 months to 2 December 2006
	£000	£000	£000
		As restated	
Loss before taxation	(577)	(1,185)	(2,949)
Adjustments for:			
Depreciation	8	6	14
Impairment	-	-	556
Share option valuation	4	139	143
Foreign exchange loss	3	-	4
Interest received	(1)	(11)	-
Interest expense	-	-	7
Decrease/(increase) in trade and other receivables	4	(101)	117
Decrease/(increase) in inventories	(125)	19	160
(Decrease)/increase in trade payables	(157)	(66)	492
Cash generated from operations	(841)	(1,199)	(1,456)
Interest paid	-	-	(21)
Income taxes paid	-	-	-

Net cash from operating activities	(841)	(1,199)	(1,477)
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	-	834	746
Investment in joint venture	(93)	-	-
Purchase of intangible assets	(5)	(40)	(50)
Proceeds from sale of equipment	-	-	1
Interest received	1	11	14
Net cash from investing activities	(97)	805	711
Cash flows from financing activities			
Proceeds from issue of share capital	969	838	925
Net cash from financing activities	969	838	925
Net increase in cash and cash equivalents	31	444	159
Cash and cash equivalents at beginning of period	191	(41)	32
Cash and cash equivalents at end of period	222	403	191

Notes

1. These interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are unaudited. The Board approved the unaudited interim financial statements on 19 September 2007.

2. (Loss)/Earnings per Share

a. Basic

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period.

Per IFRS 3 'Business Combinations' for the purpose of calculating the weighted average number of ordinary shares outstanding (the denominator) during the period in which the reverse acquisition occurs:

- i. The number of ordinary shares outstanding from the beginning of that period to the acquisition date shall be deemed to be the number of ordinary shares issued by the legal parent (DermaSalve Sciences plc) to the owners of the legal subsidiary (DermaSalve Limited);
- ii. The number of ordinary shares outstanding from the acquisition date to the end of that period shall be the actual number of ordinary shares of the legal parent (DermaSalve Sciences plc) outstanding during that period
- iii. The basic earnings per share disclosed for each comparative period before

the acquisition date that is presented in the consolidated financial statements following a reverse acquisition shall be calculated by dividing the profit or loss of the legal subsidiary (DermaSalve Limited) attributable to ordinary shareholders in each of those periods by the number of ordinary shares issued by the legal parent (DermaSalve Sciences plc) to the owners of the legal subsidiary (DermaSalve Limited) in the reverse acquisition.

	6 months ended 30 Jun 2007	6 months ended 30 Jun 2006	12 months ended 31 Dec 2006
Loss attributable to equity holders of the Group (£ 000)	(577)	(1,185)	(2,967)
Weighted average number of ordinary shares in issue (thousands)	78,596	45,073	47,852
Basic (loss) per share (pence per share)	(0.73)	(2.63)	(6.2)

b. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

All share options are non dilutive on the periods reported.

3. Post balance sheet events

On 31 August 2007, 7,800,000 new ordinary shares with a par value of £78,000 were issued for a gross consideration of £390,000.

END



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