



Press Release

29 March 2007

Cyprotex PLC

("Cyprotex" or "the Company")

Preliminary Results for year ended 31 December 2006

Cyprotex, a drug discovery technology and information company, today reports its preliminary results for the year ended 31 December 2006.

Highlights

- Cyprotex recorded its first quarterly net profit and generated cash from operational activities during the final three months of 2006
- Revenue increased by 30% to £3.5 million from £2.7 million
- Gross profits similarly rose by 30% to £3.0 million up from £2.3 million
- Despite continued investment in equipment and services, cash resources remained healthy at £0.46 million (2005: £0.69 million)
- Basic loss per share down to 0.48p (2005: loss 0.78p*)
- The rapid expansion of the Group's customer base accelerated further during the second half as a result of the marketing push to gain greater penetration in the United States.

* Restated following the adoption of FRS20, ('Share based payment')

Commenting on the results, Robert Morrisson Atwater, Chairman and Chief Executive Officer of Cyprotex, said:

"2007 has started with great optimism. In meeting the demands of its exacting customer base, Cyprotex is now able to measure the global opportunity facing it. Management now expects to report a positive outcome for 2007."

For further information, please contact:

Cyprotex PLC

Robert Atwater, Chairman & Chief Executive Officer

ir@cyprotex.com

Tel: +44 (0) 207 930 9030

www.cyprotex.com

Cyprotex PLC

Russell Gibbs, Chief Financial Officer

ir@cyprotex.com

Tel: +44 (0) 207 930 9030

www.cyprotex.com

Media enquiries:

WMC Communications

Charlie Geller or Alex Glover

charlie.geller@wmccommunications.com

Tel: +44 (0) 207 930 9030

www.wmccommunications.com

Chairman and Chief Executive Officer's Statement

Anticipating a Positive Outcome for 2007

2006 proved to be a particularly satisfactory year for Cyprotex.

Not only did the Group match both the market and its management's best expectations for full-year revenues, but also reinforced its position at the forefront of human-discovery ADMET, whilst securing a further dramatic expansion of its core customer base. In so doing, Cyprotex has underlined the scope and opportunity for outsourced highly automated screening services to the international pharmaceutical industry.

Activity levels picked up significantly during the second half. Having invested heavily in proving its unique and proprietary technologies, the Group increased the size of its sales force at the half-year stage with a specific view to 'picking the lower hanging fruit' evident in the United States. As a result, revenue growth accelerated to 45% higher than the corresponding second half year, with the non-European contribution approaching half total sales. Gross margins matched the exceptional level achieved during 2005.

2007 has started with great optimism. Cyprotex's operations achieved a net profit and generated cash from operational activities during the final quarter of 2006. Moreover, it has demonstrated the robustness and capacity of its high-tech facilities, its ability to meet the demands of an exacting customer base and recognised the global opportunity in front of it. Management now expects to report a positive outcome for 2007.

Financial Highlights for Full Year 2006

- Cyprotex recorded its first quarterly net profit and generated cash from operational activities during the final three months of 2006;
- Revenues increased by 29.8% to £3,504,830 (2005: £2,701,256);
- Gross profits similarly rose by 29.5% to £2,971,659, (2005: £2,295,126);
- Despite continued investment in equipment and services, cash resources remained healthy at £455,279 (2005: £690,102);
- Basic loss per share down to 0.48p (2005: loss 0.78p*); and
- The rapid expansion of the Group's customer base accelerated further during the second half as a result of the marketing push to gain greater penetration in the United States.

* Restated following the adoption of FRS20, ('Share based payment')

A Global Customer Opportunity

The international pharmaceutical industry is recognised as being one of the world's hardest taskmasters. Today Cyprotex boasts over 115 customers around the globe, which include half of the world's 'top-ten' pharmaceutical giants and a myriad of mid-sized companies and small biotech/CROs. Whilst continuing to build the customer base rapidly, focus is now moving toward expansion of individual relationships from simple 'fee-for-service' to longer-term collaborations. Such partnerships should enable Cyprotex to secure a much larger share of the available work, as interdependence develops and forward visibility improves.

Evaluation of early stage molecules is possibly the most sensitive part of any prospective drug development. 'Go' or 'No Go' decisions at this time can commit laboratories to seven-plus years of costly phased development and in-vivo testing before a product reaches the market. With poor pharmacokinetics a common reason for project failure, it is perhaps no surprise that even today

some 90% of such ADMET screening is still carried out as an in-house function. Yet, historically, drug development companies have not desired such generic profiling to be part of their core competence. Internal evaluation clearly fails the all-important 'independence test' of such analysis. Even recently, the market has been stunned by both the cost and blow to reputation resulting from high profile, late stage drug failures suffered by industry majors due to inadequate pre-clinical evaluation.

By treating pharmacokinetic profiling as a specialisation, Cyprotex's business plan moved manual and labour intensive laboratory screening services into a fully automated and computerised process. The benefits of such an approach are measured in rapid turnaround, lower cost and, most importantly, exceptionally robust, independent data. In all these counts, Cyprotex now claims the industry standard for highly automated ADMET screening.

The industry's willingness to move toward much greater levels of outsourcing has been widely reported. Various external agencies provide independent estimates for the size of the specific global markets addressed by Cyprotex which, supported by background data and pre-clinical industry statistics, concludes that global spending for in-vitro ADMET screening this year will exceed \$2.0bn. The extent to which this work becomes available to trusted outsourcing partners, such as Cyprotex, depends on their ability to add value in terms of both quality of service and client confidentiality.

Seizing the Opportunity

Four years of investment have seen Cyprotex perfect and validate a unique market leading, industrial-scale high throughput screening laboratory service (*Cloe*[®] *Screen*), supported by integrated predictive software products (*Cloe*[®] *PK*) that offer 'virtual human' simulation. Laboratory services are complemented by modelling tools designed to unbundle the saturation of quality data and thus significantly accelerate hit-to-lead analysis.

This investment phase is now drawing to a close. Capacity now accommodates anticipated expansion beyond 2008. Despite plans for further expansion of its products and services, Cyprotex's capital expenditure requirement for the next two years is small. Given the relatively low cost of consumables and a highly automated facility designed to break even at close to half available capacity, Cyprotex now boasts exceptional operational gearing. Recognising the huge untapped universe of potential customers, and that any initial screening work won from pharmaceutical giants can multiply enormously as Cyprotex proves its ability to deliver to their rigorous standards, management looks forward to 2007 as a landmark year.

Product Development

As a result of a large number of general enquiries, both academic and commercial, regarding Cyprotex's unique screening facilities, its scientists launched an educational guide, entitled 'Everything you needed to know about ADME, but were too afraid to ask'. This guide can be found on Cyprotex's website, along with comprehensive product sheets for each of the Group's experimental assays, in order to share our experience and expertise with customers.

2006 saw Cyprotex further increase its *Cloe*[®] *Screen* portfolio, by extending its parallel artificial membrane permeation assay (PAMPA) across multiple pH values. Similarly, MDR1-MDCK was included to assess P-glycoprotein-mediated drug efflux, whilst adding cytochrome P450 assays offered a more detailed analysis of mechanism-based inhibition. Using industry recommended probe substrates, Cyprotex derives data used to identify early drug-drug interactions and thereby reduce the risk that its customers may have to face of costly late-stage failure.

Cyprotex's scientists and IT-teams continue to develop a range of alternative solutions in order to mimic specific *in vivo* processes. The first of these to be introduced is a predictor of human intestinal absorption, a key determinant in developing a successful oral therapy. The integration of these into *Cloe*[®] *PK* will allow the accuracy of pharmacokinetic prediction to be improved. By way of an endorsement of its research, Cyprotex is providing *in silico* support to an EU-funded project

(EUMAPP). This aims to accelerate the drug discovery process from laboratory to clinic using a combination of human micro dosing, improved analytical capabilities, and computational approaches. In 2006, Cyprotex was also awarded funding to provide *in silico* support for the EU-funded project (OSIRIS). This work began during the first quarter of 2007. The overall goal of the consortium is to develop predictive software to emulate toxicity and *in vivo* exposure.

Directorate Changes

In April 2006, Russell Gibbs was appointed as Group Chief Financial Officer and joined the Board of Directors. Russell brings with him over twenty years of experience in the international capital markets and a wide range of skills, including many customer facing activities, that have seen him advising on initial public offerings, merger and acquisitions and new fund raising in both the quoted equity and bond markets. Being able to call on such skills will be increasingly important for Cyprotex, as it expands its global reach, product offering and enters into increasingly sophisticated joint ventures and collaborative agreements.

Accounting Policies

In line with the requirements of UK standard accounting practice, Cyprotex adopted FRS 20 ('Share based payment') from 1 January 2006. FRS 20 requires the Group to expense shares options granted to employees and directors. Charges are allocated over the vesting period based upon the best available estimate of the number of share options expected to vest. Its adoption has no net effect on the Group's net assets or cash flow.

As a relatively young listed company, management did not consider information regarding the historic volatility of the Cyprotex's share price either sufficiently reliable, or a realistic indicator, on which to base a valid estimate of future performance. Accordingly, the Black-Scholes financial model used price volatility from an appropriate basket of peer group companies as one of a number of inputs used to calculate the valuations.

The Directors having reviewed operational requirements and forecasts for this year and beyond consider that Cyprotex will have sufficient cash resources to continue to offer high quality services to the drug discovery industry. This assumption is underpinned by the readiness of key shareholders to support the Group. In the event of unforeseen circumstances, including any failure by the Group to meet performance expectations, management understands that such resources could rapidly deplete, thereby requiring some external means of fund raising in order to remain a going-concern. Being a publicly quoted company, Cyprotex has the option of approaching shareholders with a view to offering a pre-emptive rights issue, an open offer or a restricted offer of new shares. Other options for short-term fund raising include a sale-and-lease-back of its Macclesfield head office.

Post Balance Sheet Event

On 12 February 2007, Cyprotex received a notice (the "Requisition Notice") from Dr. David Leahy and Robert Long, being shareholders of the Company holding not less than one tenth of the paid up share capital of the Company, pursuant to section 368 of the Companies Act 1985. Under UK company law, Cyprotex is obliged to put these resolutions (the "Resolutions") to an extraordinary general meeting ('EGM'). A circular containing the formal notice of the EGM was sent to shareholders last week, and the EGM has been convened for 10:30am on Monday 2 April 2007 at the offices of Wedlake Bell, 52 Bedford Row, London WC1R 4LR.

The letter to shareholders sets out the Resolutions proposed in the Requisition Notice and the reasons why the Board of Directors of the Company unanimously believes that the Resolutions are **AGAINST** the best interests of Cyprotex and its shareholders as a whole.

Robert Morrisson Atwater
Chairman and Chief Executive Officer
29 March 2007

Cyprotex PLC
Consolidated Profit and Loss Account
for the year ended 31 December 2006

	<i>Notes</i>	2006	restated*
Continuing activities		£	2005 £
TURNOVER	2	3,504,830	2,701,256
Cost of sales		(533,171)	(406,130)
GROSS PROFIT		2,971,659	2,295,126
Administrative expenses - share based payment charge		(136,666)	(107,720)
Administrative expenses - other		(3,575,747)	(3,355,169)
Administrative expenses - total		(3,712,413)	(3,462,889)
OPERATING LOSS		(740,754)	(1,167,763)
Interest receivable		27,573	57,289
Interest payable		(47,630)	(44,425)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(760,811)	(1,154,899)
Taxation	3	100,641	147,472
LOSS FOR THE YEAR		(660,170)	(1,007,427)
Loss per share			
Basic and diluted	6	(0.48)p	(0.78)p*

* Restated following the adoption of FRS20 on 1 January 2006

The accompanying notes are an integral part of this consolidated profit and loss account.

Cyprotex PLC
Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2006

	2006	restated*
	£	2005 £
Loss for the financial year	(660,170)	(1,007,427)
Exchange difference on the re-translation of net assets of subsidiary undertaking	-	(419)
Total recognised gains and losses relating to the year	<u>(660,170)</u>	<u>(1,007,846)</u>

* Restated following the adoption of FRS20 on 1 January 2006

Cyprotex PLC
Consolidated Balance Sheet
at 31 December 2006

	<i>Notes</i>	
	2006	restated*
	£	2005 £
Fixed Assets		
Tangible assets	1,422,026	1,695,952
Current Assets		
Stocks	85,636	91,227
Debtors	858,491	857,826
Cash at bank and in hand	455,279	690,102
	1,399,406	1,639,155
Creditors: amounts falling due within one year	(467,272)	(377,180)
Net current assets	932,134	1,261,975
Total assets less current liabilities	2,354,160	2,957,927
Creditors: amounts falling due after one year	(671,607)	(754,669)
Net assets	1,682,553	2,203,258
Capital and Reserves		
Called up share capital	8 138,573	138,325
Share premium	8 9,662,913	9,660,362
Merger reserve	8 128,070	128,070
Other reserve	8 299,984	163,318
Profit and loss account	8 (8,546,987)	(7,886,817)
Equity shareholders' funds	8 1,682,553	2,203,258

* Restated following the adoption of FRS20 on 1 January 2006

The accompanying notes are an integral part of this balance sheet.

Cyprotex PLC
Consolidated Cash Flow Statement
for the year ended 31 December 2006

	<i>Notes</i>	2006 £	2005 £
Net cash outflow from operating activities	4	(192,043)	(1,093,469)
Returns on investments and servicing of finance			
Interest received		27,573	56,188
Interest paid		(38,233)	(39,153)
Interest element of finance leases and hire purchase contracts		(9,397)	(5,272)
		<hr/> (20,057)	11,763
Taxation			
UK corporation tax received		<hr/> 146,812	166,416
Capital expenditure			
Payments to acquire tangible fixed assets		(77,602)	(965,776)
Receipts from sales of tangible fixed assets		-	-
Net cash outflow from capital expenditure		<hr/> (77,602)	(965,776)
Management of liquid resources		<hr/> 318,700	1,249,555
Financing			
Issue of ordinary share capital		2,799	54,654
Increase in bank loans		-	704,000
Repayment of bank loans		(25,700)	(20,000)
Repayment of finance leases and hire purchase contracts		(52,756)	(15,412)
Net cash (outflow)/inflow from financing		<hr/> (75,657)	723,242
Increase in cash	5	<hr/> 100,153	<hr/> 91,731

The accompanying notes are an integral part of this consolidated cash flow statement.

Consolidated Cash Flow Statement (continued)

Reconciliation of net cash flows to movement in net (debt)/funds

	2006	2005
	£	£
Increase in cash during the year	100,153	91,731
Cash inflow from short term deposits	(318,700)	(1,249,555)
Cash inflow from increase in bank loans	-	(704,000)
Cash outflow from repayment of bank loans	25,700	20,000
Repayment of finance leases and hire purchase contracts	52,756	15,412
	<hr/>	<hr/>
Movement in net debt	(140,091)	(1,826,412)
Exchange movements	(16,276)	8,126
New finance leases	-	(160,852)
	<hr/>	<hr/>
Movement in net debt during the year	(156,367)	(1,979,138)
	<hr/>	<hr/>
Net (debt)/funds at the start of the year	(139,338)	1,839,800
	<hr/>	<hr/>
Net debt at the end of the year	(295,705)	(139,338)

1. Basis of preparation

The preliminary announcement has been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules.

The principal accounting policies of the Company are set out in the Company's 2006 Annual Report and Financial Statements and have remained unchanged from the previous year with the exception of the adoption of Financial Reporting Standard No 20 ('Share based payment'). The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. An effect of this change in policy is that the group records a charge to the profit and loss account relating to share based payments in the year of £136,666 (2005: £107,720). Details of the effect of prior year adjustments are given in note 7.

International Financial Reporting Standards ('IFRS') were set to replace United Kingdom Generally Accepted Accounting Practice ('UK GAAP') for EU regulated markets for consolidated reporting in 2005. However, on 7 October 2004 the London Stock Exchange announced that, following changes to existing AIM rules, AIM Groups can continue until financial periods commencing on or after 1 January 2007 to report in either UK GAAP or IFRS. These preliminary statements have been prepared under UK GAAP. The Company will report under IFRS from 1 January 2007.

The Group recorded a loss after taxation of £660,170 in the year ended 31 December 2006 and cash and deposits fell by £234,823 to £455,279 in the year then ended. However, the directors have reviewed the budget, financial forecasts including cash flow forecasts and other relevant information and believe that the Group has adequate resources to continue in operation for the foreseeable future. Accordingly, the preliminary statements are prepared on a going concern basis. This assumption is further underpinned by the readiness of key shareholders to support the Group. The directors having reviewed operational requirements and forecasts for this year and beyond consider that Cypotex PLC will have sufficient cash resources to continue to operate. In the event of unforeseen circumstances, including any failure by the Group to meet performance expectations, management understands that such resources could rapidly deplete, thereby requiring some external means of fund raising in order to remain a going-concern. Being a publicly quoted company, Cypotex PLC has the option of approaching shareholders with a view to offering a pre-emptive rights issue, an open offer or a restricted offer of new shares. Other options for short-term fund raising include a sale-and-lease-back of its Macclesfield head office. The preliminary statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

The financial information contained in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The balance sheet at 31 December 2006 and the profit and loss account, cash flow statement and associated notes for the year then ended have been extracted from the Company's 2006 statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under section 237 (2) of the Companies Act 1985. Those financial statements have not been delivered to the Registrar of Companies. The figures for the year ended 31 December 2005 have been extracted from the statutory financial statements, as amended by the adoption of FRS 20, which have been filed with the Registrar of Companies.

2. Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities and is stated net of value added tax and trade discounts.

The Group operates in one principal area of activity, that of providing *in vitro* and *in silico* ADMET/PK (Absorption, Distribution, Metabolism, Excretion, Toxicity/ Pharmacokinetic) information to the pharmaceutical industry. The turnover and operating result for the periods are derived from the Group's principal activity.

2. Turnover and segmental analysis (continued)

The geographic analysis of turnover by destination is as follows:

	2006 £	2005 £
United Kingdom	481,656	286,922
Rest of Europe	1,642,940	1,644,041
USA	1,354,998	747,670
Rest of World	25,236	22,623
	3,504,830	2,701,256

The geographical analysis of turnover by source and the geographical analysis of operating loss and loss on ordinary activities before taxation are as follows:

	2006 £	Turnover 2005 £	2006 £	restated Segmental profit/(loss) 2005 £
United Kingdom	3,504,830	2,701,256	(740,754)	(1,167,763)
USA	-	-	-	-
	3,504,830	2,701,256	(740,754)	(1,167,763)
Operating loss			(740,754)	(1,167,763)
Net interest (payable)/ receivable			(20,057)	12,864
Loss on ordinary activities before taxation			(760,811)	(1,154,899)

The geographical analysis of net assets and liabilities is as follows:

	United Kingdom £	USA £	2006 Total £	2005 Total £
Net assets/(liabilities) - 2006	1,878,191	-	1,878,191	
- 2005	2,204,299	(7,941)		2,196,358

The net assets/(liabilities) are reconciled to shareholders' funds as follows:

Cash at bank and in hand	455,279	690,102
Bank Loans	(658,300)	(684,000)
Corporation tax recoverable	100,067	146,238
Obligations due under leases and hire purchase contracts	(92,684)	(145,440)
	1,682,553	2,203,258

3. Taxation on loss on ordinary activities

The current tax credit for the period is lower than the standard rate of corporation tax at 30% due to the differences explained below:

	2006 £	restated 2005 £
Loss on ordinary activities before taxation	(760,811)	(1,154,899)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 30%)	228,243	346,470
Effects of:		
(Income not chargeable)/expenses not allowable for tax purposes	(49,846)	269,659
Differences between capital allowances and depreciation	(37,815)	(33,177)
Short term timing differences	8,736	(7,363)
Tax losses current year	(24,234)	(392,792)
Difference in tax rates on losses surrendered for research & development tax credit	(25,017)	(36,559)
Adjustment to charge in respect of prior periods	574	1,234
Current tax credit for the year	100,641	147,472

The Group has tax losses arising of £6,044,908 (2005 £5,966,432) that are available for offset against future taxable trading profits.

4. Reconciliation of operating loss to net cash flow from operating activities

	2006	restated 2005
	£	£
Operating loss	(740,754)	(1,167,763)
Depreciation of tangible fixed assets	351,528	345,697
Loss on sale of tangible fixed assets	-	103
Decrease/(increase) in stocks	5,591	(5,199)
Increase in operating debtors and prepayments	(46,836)	(104,806)
Increase/(decrease) in operating creditors and accruals	85,486	(260,676)
Share based payments charge	136,666	107,720
Non cash movements including exchange	16,276	(8,545)
Net cash outflow from operating activities	(192,043)	(1,093,469)

5. Analysis of movement in net debt

	At 1 January 2006 £	Cash Flow £	Exchange £	At 31 December 2006 £
Cash at bank and in hand	191,995	100,153	(8,527)	283,621
	191,995	100,153	(8,527)	283,621
Short term deposits	498,107	(318,700)	(7,749)	171,658
Bank loans	(684,000)	25,700	-	(658,300)
Finance leases	(145,440)	52,756	-	(92,684)
	(139,338)	(140,091)	(16,276)	(295,705)

Short term deposits are included within cash at bank and in hand in the balance sheet.

6. Loss per ordinary share

Basic loss per ordinary share is calculated based on the loss for the year of £660,170 (2005 £1,007,427) and on 138,420,822 ordinary shares (2005 128,824,514 ordinary shares), being the weighted average number of ordinary shares in issue during the year.

The loss for the year and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share are the same as for the basic earnings per share calculation. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and would therefore not be dilutive under the terms of Financial Reporting Standard No. 22.

7. Prior year adjustments

The prior year adjustment relates to the implementation of FRS 20, 'Share based payment'.

On 1 January 2006, the Company adopted FRS 20 'Share based payment'. The adoption of this standard constitutes a change in accounting policy. Therefore the impact has been reflected as a prior year adjustment in accordance with Financial Reporting Standard No 3 'Reporting Financial Performance'.

The standard requires that where shares or rights to shares are granted to third parties, including employees, a charge should be recognised in the profit and loss account based on the fair value of the shares at the date of the grant of shares or right to shares is made.

The effect of the adoption of FRS 20 'Share based payment' on the comparatives is as follows:

	As previously reported £	Impact of FRS 20 £	As restated £
Gross profit	2,295,126	-	2,295,126
Administrative expenses	(3,355,169)	(107,720)	(3,462,889)
Operating loss	(1,060,043)	(107,720)	(1,167,763)
Loss for the financial year	(899,707)	(107,720)	(1,007,427)
Net assets	2,203,258	-	2,203,258

8. Reconciliation of shareholders' funds and movement on reserves

	Share Capital £	Share Premium £	Merger Reserve £	Other Reserve £	Profit and Loss Account £	2006 Total £	restated 2005 Total £
At 31 December 2005	138,325	9,660,362	128,070	-	(7,723,499)	2,203,258	3,048,731
Restatement							
- Share based payment							
- At 1 January 2005	-	-	-	55,598	(55,598)	-	
- For the year ended 31 December 2005	-	-	-	107,720	(107,720)	-	
As restated at 1 January 2006	138,325	9,660,362	128,070	163,318	(7,886,817)	2,203,258	3,048,731
Issue of shares	248	2,551	-	-	-	2,799	24,70
Issue costs recovered	-	-	-	-	-	-	29,95
Share based payment charge	-	-	-	136,666	-	136,666	107,72
Loss for the year	-	-	-	-	(660,170)	(660,170)	(1,007,42
Exchange difference on retranslation of net assets	-	-	-	-	-	-	(41
At 31 December 2006	138,573	9,662,913	128,070	299,984	(8,546,987)	1,682,553	2,203,2

- 9.** The annual report will be posted to shareholders on the 9 May 2007. Further copies will be available on request from the Company Secretary, Cyprotex PLC, 15 Beech Lane, Macclesfield, Cheshire, SK10 2DR.
- 10.** The Annual General Meeting will be held at 10:00 am on Wednesday, 6 June 2007 at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED.