



**Press Release**

**5 April 2006**

**Cyprotex PLC**

("Cyprotex" or "the Company")

**Preliminary Results for year ended 31 December 2005**

Cyprotex PLC, a drug discovery technology and information company, today reports its preliminary results for the year ended 31 December 2005.

**Highlights**

- Revenue increased over 27% to £2.70 million from £2.12 million
- Gross profits up more than 36% to £2.3 million up from £1.7 million
- Gross margins rose to 85%, compared with 80%
- Cash resources were carefully guarded. Year end free cash amounted to £0.7m, despite significant capital investment in process automation, capability and capacity
- The loss on ordinary activities after taxation was £0.9m down from £1.3m in 2004, a 30% reduction
- A rapidly expanding customer base has ensured the Group does not have a high dependence on any single client; the largest of which contributed less than 20 % of total revenues in 2005

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

"Anticipating a continued high-level of "repeat business" and further enlargement of the customer base and contract type amid continued market expansion, Cyprotex sees an excellent opportunity for further significant growth in 2006."

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## **Chairman and Chief Executive Officer's Statement**

### **Meeting Key Objectives**

The Chairman's statement in the 2004 Annual Report and Accounts detailed Cyprotex's Key Objectives for the past year. I am delighted to say that all six of these objectives were achieved.

Business expansion, both in terms of numbers of clients and scale of collaborations met with the Board's expectations. The Group now has key customer relationships in the three global territories where opportunities for high-throughput pharmacokinetic profiling are centred. Anticipating a continued high-level of 'repeat-business' and further enlargement of the customer base and contract type amid continued market expansion, Cyprotex sees an excellent opportunity for further significant growth in 2006.

### **At the Forefront of Discovery ADMET**

During the past year, Cyprotex underlined its commitment to remain at the forefront of human-discovery ADMET (Absorption, Distribution, Metabolism, Excretion and Toxicity). By the end of the third quarter, the planned expansion of its "wet" facilities was largely complete. Having specified 'state-of-the-art' instrumentation to be operational within the Group's highly automated environment and wholly supported by its proprietary operating systems, Cyprotex ensures it remains unequalled in its field. Capacity now accommodates anticipated expansion beyond end-2007. In the current year, Cloe® Screen is also expected to benefit from a further step improvement in the sophistication of its offering: a newly integrated predictive modelling tool, designed to unbundle the saturation of high-quality data and provide an opportunity to significantly accelerate analyses through the 'hit-to-lead' process will be incorporated. Effectively, this product will showcase the scope and depth of Cloe® PK services, whilst adding an additional dimension to industry standard screening services.

The Group's product offering was also enhanced through the addition of new high-throughput assays and further refinement of Cloe® PK. This builds upon Cyprotex's reputation for innovation and 'best-in-class' quality of service. Tangible results from these endeavours were adequately demonstrated through the signing of new long-term contracts with major international pharmaceutical groups, such as Sepracor. Working relationships, such as these, improve forward visibility and confirm the Group's ability to add value in one of the world's most prestigious technological arenas.

### **2006 - Starting from a Strong Base**

2006 has seen a strong start. Having built upon its principal customer relationships, Cyprotex is presently benefiting from the overflow of work that was evident toward the end of the fourth quarter 2005. By setting standards in quality of service, turnaround and reproducibility, exceptional customer retention has always been a feature of the Group. By further driving into the enormous and still largely untapped global ADMET marketplace, Cyprotex remains confident of significantly outpacing the underlying growth of its sector once again in the current year.

Despite continued high investment during the period, Cyprotex ended 2005 with a net cash position (after excluding lease-finance obligations). Whilst anticipating further optimisation of improved facilities this year, with a view to a significant further expansion of the Group's automated capability and capacity within the existing structure, the Board of Directors now foresee a period of lower capital expenditure. Cyprotex will employ such advantages in building market position and customer development. Meanwhile, its management's promise, to continue to jealously guard the Group's cash resources, remains unchanged.

## Product Development

Meeting both customer demand and increasingly stringent regulatory guidelines, Cyprotex extended its range of high throughput assays by expanding the number of Cytochrome P450 inhibition assays, introducing a parallel artificial membrane assay (PAMPA) and expanding Caco-2 permeability assays, using multiple pH's in order to closely mimic *in-vivo* situations. Modelling applied to Caco-2 data, for example, is crucial to the understanding of absorption at the blood-brain barrier. Regular forums helped gain valuable insights into customer needs, as a result of which, 2005 saw features being added to our interactive website, backed by education programmes and in-depth guidance to simplify interpretation.

The new year will see Cyprotex providing *in-silico* support for an EU-funded EUMAPP (European Union Microdose AMS Partnership Programme) project, designed to accelerate molecules through 'lab-to-clinic'. Within a European consortium, the Group is also contracted as part of a team investigating whether *in-vivo* toxicity can be predicted using a combination of *in-vitro* ADME data and cytotoxicity. The urgent goal here, of course, being to establish a credible alternative to animal toxicity testing.

Further refinement and improved presentation of the existing offering, is designed to add greater flexibility to the Group's predictive modelling tools and satisfy demand for increasingly customised solutions. Newly integrated Cloe® Screen and Cloe® PK packages are also being developed to showcase the unique solutions offered by the Cloe® range of products and add value to existing services.

External partnerships are now being sought in order to broaden current studies in human absorption. Meanwhile, the on-going programme of expanding the product range, depth and sophistication continues with the ambition to eliminate the need to outsource elements of the 'wet' activities in a drive towards offering 'one-stop-shopping'.

## Customer Development

The total number of active customers serviced by Cyprotex during 2005 expanded by some 60%, whilst doubling the actual number of individual studies undertaken. Revenue generating contracts were secured from a range of global names, such as Solvay, Sepracor, Novo Nordisk, Johnson and Johnson, Takeda, etc. Quite clearly, the market opportunity for sophisticated ADMET services is large and expanding. Cyprotex sees increased regulatory pressures, a desire to prove/economise in-house discovery operations within 'big pharma' and the biotechnology industry's increasing domination of early discovery, continuing to heighten the need for such outsourcing.

Having recognised the global potential for the Group's services over the past two years, Cyprotex is now able to concentrate on securing higher-value, collaborative agreements. Alternative higher-added revenue streams have also been identified through partnership and consortium agreements (Peakdale) and within associated, but complementary, product areas (Unilever). Cyprotex also sees opportunities to participate in longer-term co-operations with specialist chemistry providers looking for opportunities to embed ADMET services within their offering.

## **Laboratory Expansion**

The relatively high level of capital expenditure seen in 2005 is not expected to be a feature of the current year.

The successful integration of the Group's fourth Quadropole Mass Spectrometer, its hERG channel inhibition, robotised liquid handling for cell culture facility, adoption of automated quality control and order processing procedures, significantly enlarged capacity, guaranteed reproducibility, accelerated turnaround and multiplied flexibility for customers. Moreover, as these relationships develop, the opportunity to further embed Group services is available offering direct custom feeds that enable real-time interaction and data interrogation.

Without anticipating any deterioration of the exceptional gross margin enjoyed by the Group's *in-vitro* facilities, Cyprotex remains confident of its ability to service the requirements, and to outpace the expansion, of its competitive market place.

## **Directorate Changes in 2005**

In October there were two directorate changes. Nikolas Sofronis joined the Board as a Non-executive director. He is a lawyer and has fifteen years experience in biopharmaceutical asset management organisations and will add considerable knowledge and expertise which will be of great value to the Group in the future. Dr. David Leahy stepped down from the Board in order to concentrate on research and the further development of the Group's predictive technology capabilities.

## **Key Objectives for 2006**

- Target achieving a break-even situation
- Significantly outpace sector growth as recognised standard-setter industry-wide
- Broaden Cyprotex's range of products, services and technologies, both organically and through acquisition
- Add further downstream value and visibility through integrated drug discovery collaborations
- Build rapidly upon contribution from the US
- Expand foothold in Japanese market

**Robert Morrisson Atwater**  
**Chairman and Chief Executive Officer**  
**5 April 2006**

**Cyprotex PLC**  
**Consolidated Profit and Loss Account**  
**for the year ended 31 December 2005**

	<i>Notes</i>	2005	2004
		£	£
Continuing activities			
<b>TURNOVER</b>	<b>2</b>	<b>2,701,256</b>	2,117,321
Cost of sales		<b>(406,130)</b>	(432,441)
<b>GROSS PROFIT</b>		<b>2,295,126</b>	1,684,880
Administrative expenses		<b>(3,355,169)</b>	(3,255,104)
<b>OPERATING LOSS</b>		<b>(1,060,043)</b>	(1,570,224)
Interest receivable		<b>57,289</b>	107,697
Interest payable		<b>(44,425)</b>	(1,762)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(1,047,179)</b>	(1,464,289)
Taxation	<b>3</b>	<b>147,472</b>	165,182
<b>LOSS FOR THE PERIOD</b>		<b>(899,707)</b>	(1,299,107)
<b>Loss per share</b>			
Basic and diluted	<b>6</b>	<b>(0.70)p</b>	(1.04)p

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 2005**

	<b>2005</b>	2004
	£	£
Loss for the financial period	<b>(899,707)</b>	(1,299,107)
Exchange difference on the re-translation of net assets of subsidiary undertaking	<b>(419)</b>	20,266
Total recognised gains and losses relating to the period	<b><u>(900,126)</u></b>	<b><u>(1,278,841)</u></b>

**Cyprotex PLC**  
**Consolidated Balance Sheet**  
**at 31 December 2005**

*Notes*

	2005	2004
	£	£
<b>Fixed Assets</b>		
Tangible Assets	1,695,952	915,124
<b>Current Assets</b>		
Stocks	91,227	86,028
Debtors	857,826	770,863
Cash at bank and in hand	690,102	1,839,800
	<hr/> 1,639,155	<hr/> 2,696,691
<b>Creditors: amounts falling due within one year</b>	<b>(377,180)</b>	<b>(563,085)</b>
<b>Net current assets</b>	<hr/> <b>1,261,975</b>	<hr/> 2,133,606
<b>Total assets less current liabilities</b>	<b>2,957,927</b>	3,048,730
<b>Creditors: amounts falling due after one year</b>	<b>(754,669)</b>	-
<b>Net assets</b>	<hr/> <b>2,203,258</b>	<hr/> 3,048,730
<b>Capital and Reserves</b>		
Called up share capital	7 138,325	127,312
Share premium	7 9,660,362	9,616,721
Merger reserve	7 128,070	128,070
Profit and loss account	7 (7,723,499)	(6,823,373)
<b>Equity shareholders' funds</b>	<hr/> 7 <b>2,203,258</b>	<hr/> 3,048,730

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

**Cyprotex PLC**  
**Consolidated Cash Flow Statement**  
**for the year ended 31 December 2005**

	<i>Notes</i>	2005 £	2004 £
<b>Net cash outflow from operating activities</b>	<b>4</b>	<b>(1,093,469)</b>	(1,487,748)
<b>Returns on investments and servicing of finance</b>			
Interest received		56,188	107,697
Interest paid		(39,153)	(75)
Interest element of finance leases and hire purchase contracts		(5,272)	(1,687)
		<hr/> <b>11,763</b>	105,935 <hr/>
<b>Taxation</b>			
UK corporation tax received		166,416	163,141
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(965,776)	(545,432)
Receipts from sales of tangible fixed assets		-	16,702
<b>Net cash outflow from capital expenditure</b>		<hr/> <b>(965,776)</b>	(528,730) <hr/>
<b>Management of liquid resources</b>		<b>1,249,555</b>	(1,742,580)
<b>Financing</b>			
Issue of ordinary share capital		54,654	3,104,332
Increase in bank loans		704,000	-
Repayment of bank loans		(20,000)	-
Repayment of finance leases and hire purchase contracts		(15,412)	(8,360)
<b>Net cash inflow from financing</b>		<hr/> <b>723,242</b>	3,095,972 <hr/>
<b>Increase/(decrease) in cash</b>	<b>5</b>	<hr/> <b>91,731</b>	(394,010) <hr/>

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

	2005	2004
	£	£
Increase/(decrease) in cash during the year	<b>91,731</b>	(394,010)
Cash (inflow)/outflow (from)/to short term deposits	<b>(1,249,555)</b>	1,742,580
Cash inflow from increase in bank loans	<b>(704,000)</b>	-
Cash outflow from repayment of bank loans	<b>20,000</b>	-
Repayment of finance leases and hire purchase contracts	<b>15,412</b>	8,360
	<hr/>	<hr/>
Movement in net (debt)/funds	<b>(1,826,412)</b>	1,356,930
Exchange movements	<b>8,126</b>	-
New finance leases	<b>(160,852)</b>	-
	<hr/>	<hr/>
Movement in net (debt)/funds during the period	<b>(1,979,138)</b>	1,356,930
	<hr/>	<hr/>
Net funds at the start of the period	<b>1,839,800</b>	482,870
	<hr/>	<hr/>
Net (debt)/funds at period end	<b>(139,338)</b>	1,839,800
	<hr/> <hr/>	<hr/> <hr/>

## **1. Basis of preparation**

The preliminary statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the group have remained unchanged from the previous year with the exception of the adoption of Financial Reporting Standard No 21 (Events after the balance sheet date), Financial Reporting Standard No 22 (Earnings per share) and the presentation requirements under Financial Reporting Standard No 25 (Financial Instruments: disclosure and presentation). There has been no impact on the Group on the adoption of these new standards.

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 International Accounting Standards 'IAS'. These preliminary statements have been prepared under UK GAAP. The Board will review further the impact of adopting IFRS in the current year and will report under IFRS from 1 January 2007.

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 being supported by the continued improvement in monthly cash flow, in line with management projections, and the continued readiness of key shareholders to support the financial ambitions of the Group.

## **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:

	2005 £	2004 £
United Kingdom	286,922	808,820
Rest of Europe	1,644,041	1,183,168
USA	747,670	125,333
Rest of World	22,623	-
	<b>2,701,256</b>	<b>2,117,321</b>

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

	2005 £	Turnover 2004 £	2005 £	Segmental profit/(loss) 2004 £
United Kingdom	2,701,256	2,117,321	(1,060,043)	(1,570,224)
USA	-	-	-	-
	<b>2,701,256</b>	<b>2,117,321</b>	<b>(1,060,043)</b>	<b>(1,570,224)</b>
Operating loss			(1,060,043)	(1,570,224)
Net interest receivable			12,864	105,935
Loss on ordinary activities before taxation			<b>(1,047,179)</b>	<b>(1,464,289)</b>

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

	United Kingdom £	USA £	2005 Total £	2004 Total £
Net assets/(liabilities) - 2005	<b>2,204,299</b>	<b>(7,941)</b>	<b>2,196,358</b>	
- 2004	1,049,485	(5,737)		1,043,748

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

Cash at bank and in hand	690,102	1,839,800
Bank loans	(684,000)	-
Corporation tax recoverable	146,238	165,182
Obligations due under leases and hire purchase contracts	(145,440)	-
	<b>2,203,258</b>	<b>3,048,730</b>

### 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:

	2005 £	2004 £
Loss on ordinary activities before taxation	<u>(1,047,179)</u>	<u>(1,464,289)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 30%)	<u>314,154</u>	<u>439,287</u>
Effects of:		
Expenses not allowable/(income not chargeable) for tax purposes	301,975	(4,680)
Differences between capital allowances and depreciation	(33,177)	42,874
Short term timing differences	(7,363)	(1,460)
Tax losses current period	(392,792)	(269,544)
Difference in tax rates on losses surrendered for research & development tax credit	(36,559)	(41,295)
Adjustment to charge in respect of prior periods	1,234	-
Current tax credit for the period	<u>147,472</u>	<u>165,182</u>

The Group has tax losses of £5,966,432 (2004 £4,653,857) that are available for offset against future taxable trading profits.

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

	2005	2004
	£	£
Operating loss	(1,060,043)	(1,570,224)
Depreciation of tangible fixed assets	345,697	272,641
Loss on sale of tangible fixed assets	103	2,522
Increase in stocks	(5,199)	(18,262)
Increase in operating debtors and prepayments	(104,806)	(360,985)
(Decrease)/increase in operating creditors and accruals	(260,676)	166,294
Non cash movements including exchange	(8,545)	20,266
Net cash outflow from operating activities	<u>(1,093,469)</u>	<u>(1,487,748)</u>

#### 5. Analysis of movement in net (debt)/funds

	At 1 January 2005 £	Cash Flow £	Exchange £	Non cash £	At 31 December 2005 £
Cash at bank and in hand	97,220	91,731	3,044	-	<b>191,995</b>
	97,220	91,731	3,044	-	<b>191,995</b>
Short term deposits	1,742,580	(1,249,555)	5,082	-	<b>498,107</b>
Bank loans	-	(684,000)	-	-	<b>(684,000)</b>
Finance leases	-	15,412	-	(160,852)	<b>(145,440)</b>
	<u>1,839,800</u>	<u>(1,826,412)</u>	<u>8,126</u>	<u>(160,852)</u>	<u><b>(139,338)</b></u>

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 period of £899,707 (2004 £1,299,107) and on 128,824,514 ordinary shares (2004 125,338,821 ordinary shares), being the weighted average number of ordinary shares in issue during the period.

The loss for the period 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 (FRS 22).

**7. Reconciliation of shareholders' funds and movement on reserves**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Merger Reserve</b>	<b>Profit and Loss Account</b>	<b>2005 Total</b>	2004 Total
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2005	127,312	9,616,721	128,070	(6,823,373)	<b>3,048,730</b>	1,223,239
Issue of shares	11,013	13,688	-	-	<b>24,701</b>	3,162,256
Issue costs recovered/(expensed)	-	29,953	-	-	<b>29,953</b>	(57,924)
Loss for the year	-	-	-	(899,707)	<b>(899,707)</b>	(1,299,107)
Exchange difference on retranslation of net assets	-	-	-	(419)	<b>(419)</b>	20,266
<b>At 31 December 2005</b>	<b>138,325</b>	<b>9,660,362</b>	<b>128,070</b>	<b>(7,723,499)</b>	<b>2,203,258</b>	<b>3,048,730</b>

8. The annual report will be posted to shareholders on the 5 May 2006. Further copies will be available on request from the Company Secretary, Cyprotex PLC, 15 Beech Lane, Macclesfield, Cheshire, SK10 2DR.
9. The Annual General Meeting will be held at 10:00 am on Thursday, 1 June 2006 at The Institute of Directors, 116 Pall Mall, London SW1Y 5ED.
10. The financial information set out in this preliminary announcement does not constitute full accounts within the meaning of section 240 of the Companies Act 1985.

The balance sheet at 31 December 2005 and the consolidated profit and loss account, consolidated cash flow statement and associated notes for the year then ended have been extracted from the Group's 2005 statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985.

The financial statements for the year ended 31 December 2004 have been delivered to the Registrar of Companies and those for the year ended 31 December 2005 will be delivered to the Registrar of Companies following the Annual General Meeting of the Company.