

Tuesday 17 March 2009

Cyprotex PLC
("Cyprotex" or the "Company" or the "Group")

Final results for the year ended 31 December 2008

Delivers maiden operating profit

Cyprotex (AIM:CRX), the drug discovery technology and information company, today reports its final results for the year ended 31 December 2008. Cyprotex enables its customers to access secure, high quality Absorption, Distribution, Metabolism, Excretion / Toxicity (ADMET) data without incurring significant overheads. Its highly automated platform guarantees high throughput, reproducibility and rapid turnaround of ADMET data, setting new industry standards for this sector of the market.

HIGHLIGHTS

- Revenues increased by 43% to £5.18 million (2007: £3.63 million)
- Gross profit rose by 49% to £4.48 million (2007: £3.00 million)
- Maiden operating profit of £567,000 (2007: loss of £496,000)
- Earnings per share of 0.36 pence (2007: loss per share of 0.35 pence)
- Successful fully subscribed Placing and Open Offer raised £1.00 million (£0.97 million net of costs) in August 2008
- Year end cash position improved significantly to £1.58 million notwithstanding continued investment (2007: £0.3 million)

Steve Harris, Chairman of Cyprotex, said:

"We are pleased to announce a significant increase in revenues and our maiden profit in 2008. Going forward we plan to expand the business both organically through strengthening relationships with our customers and selective collaborations, and through M&A activity."

For further information:

Cyprotex PLC

Dr Anthony Baxter, Chief Executive Officer
John Dootson, Chief Financial Officer
ir@cyprotex.com

Tel: +44 (0) 1625 505 100

www.cyprotex.com

Noble & Company

John Llewellyn-Lloyd
john.llewellyn-lloyd@noblegp.com
Sam Reynolds
sam.reynolds@noblegp.com

Tel: +44 (0) 20 7763 2200

Tel: +44 (0) 20 7763 2200

www.noblegp.com

Financial Dynamics

Ben Brewerton / John Dineen
cyprotex@fd.com

Tel: +44 (0) 20 7831 3113

www.fd.com

Chairman's and Chief Executive Officer's Report

2008 was a year of significant **change, challenge** and ultimately **success** for Cyprotex.

Change

In terms of Board structure and Management team composition at Cyprotex there has been a considerable transformation. In June this year, Robert Morrisson Atwater resigned as Chief Executive Officer (CEO) and was replaced with Dr Anthony D Baxter. Dr Baxter is an experienced executive in the small/medium

biotechnology and medicinal chemistry sector businesses having been CEO of deltaDOT, founding CEO of Argenta Discovery Ltd and Chief Scientific Officer (CSO) of Oxford Asymmetry International (now Evotec AG) in recent years.

Dr Baxter, with his wealth of knowledge in providing customer focussed, high quality service offerings to this market, is leading an overhaul of the Company's sales and marketing operation – to positive effect.

In August 2008, Steve Harris joined the Board as Chairman. Mr Harris has considerable experience in non-executive roles, of both private and public companies, and is currently Chairman of Proteome Sciences plc and Aquapharm Biodiscovery Limited, and Non-executive Director of Advanced Medical Solutions Group plc and Phynova group plc.

We have recently announced the recruitment of a new Chief Financial Officer (CFO), John Dootson, FCA. Mr Dootson has assisted Cyprotex for several years in a management consultative role that included all aspects of finance and reporting.

During the year, Dr Martial Lacroix and Mr Minhaz Manji resigned their positions as Non-executive Directors. Nikolas Sofronis who stepped down as Chairman in August left the Board in December, when Mr Russell Gibbs also resigned as CFO. On 25 February 2009, Mr David Evans resigned as a Non-executive Director. We are very grateful to each of them for their efforts in managing Cyprotex over the past few years, stabilising the business and affording a platform for future growth. We wish them all well in their future endeavours.

Mr Mark Warburton, Legal Counsel and Company Secretary, took responsibility for all Sales and Marketing activities during 2008 and effectively steered the business during the period of the Board changes. We are grateful to Mr Warburton for his considerable efforts in managing the transformation of the business during the year.

Subsequent to the above changes, the Cyprotex Board is as follows:

Mr Steve Harris	Non-executive Chairman
Dr Anthony D Baxter	Chief Executive Officer
Mr John Dootson	Chief Financial Officer

Mr Mark Warburton attends board meetings in his capacity as Company Secretary.

We are actively looking to further strengthen the Board with sector experienced Non -executive Directors and are seeking to recruit a high calibre Chief Commercial Officer.

We have, during 2008, completely restructured our sales team and have three new business development managers in the USA and two in Europe. We have also created an Executive Management Team that regularly meets to define the strategy for the business and our three key managers, Dr Helen Gill, Dr Clive Dilworth and Dr John Cartmell, have all increased their operational responsibilities.

Challenge

Cyprotex continues to offer the highest quality, premium pre-clinical ADMET services to our customers in the pharmaceutical, biotechnology and agrochemical markets. A recent customer satisfaction survey revealed that 95% of Cyprotex's customers were wholly satisfied with the services on offer, particularly commending the quality and quick turnaround of data.

Our automated platform is a unique selling point for the business as it affords exceptional reproducibility of data, miniaturisation of processes and sizable cost savings in operations. We must continue to invest in the platform such that our key differentiators are maintained and secured against competition. The Company's oft stated view that our services are highly operationally geared has been proven for the first time. With an increasing number of customers and larger contracts we have processed more samples and generated more data for roughly the same operational cost. The result has been not only a pleasingly increased turnover but a substantial increase in operating profitability.

The great challenge for Cyprotex is to maintain operational growth and further increase profit margins whilst controlling fixed costs. In order to achieve this, we must change the fundamental nature of our business development strategy and develop 'strategic relationships' with customers rather than rely on 'overflow' business as it has done in the past. Such 'strategic relationships' afford larger contracts with fewer major

customers, more visibility of earnings, operational and scheduling efficiencies in the laboratory and the ability to grow our technical service offerings to meet the scientific challenges our customers face in ADMET.

This year we signed and completed the first such strategic contract with a major European customer. We are pleased to report that this contract has been subsequently renewed. The volumes of samples processed and the range of assay types required was a challenge to our laboratory team but we have now proven that we can handle such large and complex contracts and deliver exactly what the customer expects. These 'strategic relationships' mean that we are ever more entwined with the customers' decision making process in drug discovery and this will help us to secure long term revenues.

The challenge in 2009 and beyond is to secure more of these 'strategic relationships'. Our business development activities are aimed at further deepening our relationships with existing customers and approaching new customers who may benefit from a proposition which enables them to secure high quality ADME data without expensive internal overhead.

The Chief Commercial Officer we are seeking to recruit will lead the drive to secure such strategic contracts.

Success

Although, for reasons described above, the numbers of customers we service is not a primary indicator of success, it is pleasing to note that during 2008 we have increased our Master Service Agreements by 27 and now have over 200 customers registered. We have added several significant major pharmaceutical companies who are working with Cyprotex for the first time. Two of these new relationships have yielded significant revenue.

Financial Highlights

Notwithstanding the significant management changes that took place during the year, the Company has recorded a very progressive financial performance.

- Revenue for the period increased by 43% to £5.18 million
- Gross profits rose by 49% to £4.48 million from £3.00 million in 2007
- Operating profit was positive for the first time in the Company's history at £567,000 against a loss of £496,000 in 2007
- Earnings per share of 0.36 pence (2007: loss per share of 0.35 pence)
- Successful fully subscribed Placing and Open Offer raised £1.00 million (£0.97 million net of costs)
- Notwithstanding continuing investment, the year end cash position improved significantly to £1.58 million from the low point recorded at the half year to 30 June 2008 of £0.28 million

New Product and Facilities Development

During the year, the Company undertook a full review of the products and services it offers with several of its largest customers. As a result of that feedback, we have invested in Research and Development programmes and in capital investments to improve both our range of assays and our equipment base. Such investment has been moribund in recent years. The following represents some of the new assays and facilities that have been implemented in 2008 / early 2009.

- Two new laboratories (720 sq ft in total) have been built and fitted out at our Beech Lane facilities at a total cost of £125,000. These new facilities provide room for a potential further 15 staff and were officially opened in February 2009 by Sir Nicholas Winterton MP DL
- Early in 2009 a new ABI Sciex QTRAP mass spectrometer was installed at a cost of £250,000. This instrument offers up to 10,000 times greater sensitivity in detection of samples
- In April 2008, we launched a new product line, Cloe® Select, which enables the Company to offer more bespoke, customised assays for our clients. Revenues from this service have steadily risen during the year
- A new product catalogue was launched in April 2008
- We have enhanced our range of drug-drug interaction screens. These include introducing our Cloe® Select P-gp inhibition assay and extending the number of isoforms in our panel of CYP inhibition screens

These new facilities and assays have been well received by our customers and are already generating new revenue for the business.

We are currently working on development programmes to more fully commercially exploit our software services. We intend to launch an innovative and novel pay-per-use service through a new web based portal called Cloe® Gateway. Further investments are planned during 2009.

Communication

We have improved our communications with shareholders and as promised have held quarterly investor meetings in addition to providing detailed presentations at our AGMs. This regular updating of investors will continue in 2009.

Summary and Outlook

2008 was something of a watershed year for Cyprotex. A new management team and board has been created and the Company has proved its business model resulting in increased turnover and two successive half yearly operating profit figures. We have engaged with our customer base at a new commercial level and have delivered the first 'strategic' contract successfully. With new belief in a cash generative business, we can now also consider approaches to grow the business by acquisition as well as organically.

We look forward to 2009 with confidence, despite the current economic climate, and we would like to thank our staff for their excellent work in delivering results on time, our customers for their support and our investors for their encouragement and patience.

Steve Harris
Non-executive Chairman

Dr Anthony D Baxter
Chief Executive Officer

17 March 2009

Consolidated income statement for the year ended 31 December 2008

	Note	2008 £	2007 £
Continuing operations			
Revenue	4	5,181,396	3,626,118
Cost of sales		(703,473)	(621,717)
Gross profit		4,477,923	3,004,401
Administrative costs		(3,910,900)	(3,500,028)
Operating profit/(loss)		567,023	(495,627)
Finance income		16,234	8,591
Finance cost		(40,995)	(56,066)
Profit/(loss) before tax		542,262	(543,102)
Income tax		-	64,367
Profit/(loss) for the year		542,262	(478,735)
Profit/(loss) per share from continuing operations			
Basic	5	0.36p	(0.35)p
Diluted	5	0.35p	(0.35)p

Consolidated balance sheet at 31 December 2008

	Note	2008 £	2007 £
ASSETS			
Non current assets			
Property, plant and equipment	7	1,181,662	1,365,661
		1,181,662	1,365,661

Current assets		
Inventories	118,557	113,694
Trade receivables	989,205	467,105
Other receivables	232,208	192,911
Current tax assets	-	68,986
Cash and cash equivalents	1,584,882	300,854
	2,924,852	1,143,550
Total assets	4,106,514	2,509,211
LIABILITIES		
Non current liabilities		
Long term borrowings	580,500	611,500
Obligations under finance leases	10,729	72,399
	591,229	683,899
Current liabilities		
Trade payables	153,330	166,334
Current portion of long term borrowings	25,000	22,500
Other payables	478,575	275,768
Obligations under finance leases	61,670	92,556
	718,575	557,158
Total liabilities	1,309,804	1,241,057
EQUITY		
Share capital	6	178,698
Share premium account		10,594,200
Other reserve		128,070
Share based payment reserve		379,202
Retained losses		(8,483,460)
Shareholders' equity		2,796,710
Total equity and liabilities		4,106,514

Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2008

	Share capital	Share premium account	Other reserve
	£	£	£
Balance at 31 December 2006	138,573	9,662,913	128,070
Changes in equity for 2007			
Loss for the year	-	-	-
Total recognised income and expense for the period	-	-	-
Issue of share capital	75	772	-
Share based payment charge	-	-	-
Balance at 31 December 2007	138,648	9,663,685	128,070
Balance at 31 December 2007	138,648	9,663,685	128,070
Changes in equity for 2008			
Profit for the year	-	-	-
Total recognised income and expense for the period	-	-	-
Issue of share capital	40,050	930,515	-
Share based payment charge	-	-	-
Balance at 31 December 2008	178,698	10,594,200	128,070
	Share based payment reserve	Retained losses	Total equity
	£	£	£
Balance at 31 December 2006	299,984	(8,546,987)	1,682,553
Changes in equity for 2007			
Loss for the year	-	(478,735)	(478,735)

Total recognised income and expense for the period	-	(478,735)	(478,735)
Issue of share capital	-	-	847
Share based payment charge	63,489	-	63,489
Balance at 31 December 2007	363,473	(9,025,722)	1,268,154
Balance at 31 December 2007	363,473	(9,025,722)	1,268,154
Changes in equity for 2008			
Profit for the year	-	542,262	542,262
Total recognised income and expense for the period	-	542,262	542,262
Issue of share capital	-	-	970,565
Share based payment charge	15,729	-	15,729
Balance at 31 December 2008	379,202	(8,483,460)	2,796,710

The other reserve arose on the acquisition of Cyprotex Discovery Limited by the Company on 4 January 2002, which was accounted for as a merger.

Consolidated statement of cash flows for the year ended 31 December 2008

	2008	2007
	£	£
Cash flows from operating activities		
Profit/(loss) after taxation	542,262	(478,735)
Adjustments for:		
Depreciation	243,392	264,225
Share based payment charge	15,729	63,489
Investment income	(16,234)	(8,591)
Interest expense	40,995	56,066
Taxation income recognised in income statement	-	(64,367)
(Increase)/decrease in trade and other receivables	(473,277)	98,408
Increase in inventories	(4,863)	(28,058)
Increase in trade and other payables	189,803	54,207
Cash inflow/(outflow) from operations	537,807	(43,356)
Interest paid	(40,995)	(56,066)
Income tax received	68,986	95,448
Net cash inflow/(outflow) from operating activities	565,798	(3,974)
Cash flows from investing activities		
Purchase of property, plant and equipment	(147,630)	(33,338)
Sale of property, plant and equipment	117	-
Interest received	16,234	8,591
Net cash used in investing activities	(131,279)	(24,747)
Cash flows from financing activities		
Proceeds from issue of share capital (net)	970,565	847
Repayment of long-term borrowings	(28,500)	(24,300)
Payment of finance lease liabilities	(92,556)	(102,251)
Net cash generated/(used) in financing activities	849,509	(125,704)
Net increase/(decrease) in cash and cash equivalents	1,284,028	(154,425)
Cash and cash equivalents at beginning of period	300,854	455,279
Cash and cash equivalents at end of period	1,584,882	300,854

Notes to the final results for the year ended 31 December 2008

1. Nature of operations and general information

Cyprotex PLC and its subsidiaries' ('the Group') principal activity is the provision of *in vitro* and *in silico* ADMET/PK (Absorption, Distribution, Metabolism, Excretion, Toxicity/Pharmacokinetic) information to the pharmaceutical industry.

Cyprotex PLC is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of the registered office of Cyprotex PLC is 100 Barbirolli Square, Manchester, M2 3AB. It trades through a wholly owned subsidiary, Cyprotex Discovery Limited whose place of business is 15 Beech Lane, Macclesfield, Cheshire, SK10 2DR. Cyprotex PLC's shares are listed on the Alternative Investment Market of the London Stock Exchange.

The consolidated financial information of Cyprotex PLC set out in this announcement are presented in Pounds Sterling (£), which is also the functional currency of the parent. The consolidated financial information has been approved for issue by the Board of Directors on 17 March 2009.

The financial information set out in the final results announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 of the group for the year ended 31 December 2008. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985. The statutory financial statements for the year ended 31 December 2008 will be delivered to the registrar of Companies following the Company's Annual General Meeting.

The Group's statutory financial statements for the year ended 31 December 2007, prepared under IFRS, have been filed with the Registrar of Companies.

Whilst the financial information included in this final results announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement in itself does not contain sufficient information to comply with IFRS

2. Basis of preparation

The consolidated final results are for the year ended 31 December 2008. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated final results have been prepared in accordance with the accounting policies set out in the Group's statutory financial statements for the year ended 31 December 2007.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of this consolidated financial information

3. Going concern

The Group recorded a profit after taxation of £542,262 in the year ended 31 December 2008 and cash and deposits rose by £1,284,028 to £1,584,882. The Directors have reviewed the budget, financial forecast including cash flow forecasts and other relevant information and believe that the Group has adequate resources to continue in operation for the foreseeable future.

4. Revenue and segmental analysis

The Group's principal activity (and its primary business segment) is the provision of *in vitro* and *in silico* ADMET/PK (Absorption, Distribution, Metabolism, Excretion, Toxicity/Pharmacokinetic) information to the pharmaceutical industry. As such, its primary segmental information is the income statement.

	2008	2007
	£	£
Geographical analysis of revenue by destination		
United Kingdom	1,245,124	753,468
Rest of Europe	2,368,687	1,072,586
USA and Canada	1,519,488	1,730,468
Rest of the World	48,097	69,596
	5,181,396	3,626,118

5. Profit/(loss) per share

Basic profit/(loss) per share is calculated based on the profit/(loss) attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	2008	2007
Attributable profit/(loss) (£)	542,262	(478,735)
Average number of ordinary shares in issue for basic earnings per share	152,554,545	138,604,307
Basic (pence)	0.36p	(0.35)p
Average number of ordinary shares in issue for diluted earnings per share	153,486,023	138,604,307
Diluted (pence)	0.35p	(0.35)p

6. Share issues

During the year ended 31 December 2008, 40,050,000 ordinary shares were issued, 50,000 to satisfy share options previously granted under Cyprotex PLC's employee share option scheme and 40,000,000 by way of a Placing and Open Offer.

Shares issued and authorised for the year ended 31 December 2008 may be summarised as follows:

	Number	£
Year to 31 December 2007		
At 1 January 2007	138,573,016	138,573
Issue of shares - in satisfaction of share options	74,972	75
At 31 December 2007	138,647,988	138,648
Year to 31 December 2008		
At 1 January 2008	138,647,988	138,648
Issue of shares - in satisfaction of share options	50,000	50
Issue of shares - placing and open offer	40,000,000	40,000
At 31 December 2008	178,697,988	178,698

The shares issued in the year ended 31 December 2008 yielded £1,000,515 in cash (2007: £518) and increased equity by £970,515 (2007: £518).

The weighted average share price at the date of exercise and issue in the year ended 31 December 2008 was 2.50 pence (2007: 5.17 pence).

7. Property, plant and equipment

	Long leasehold and buildings £	Office equipment £	Computer equipment £	Laboratory equipment £	Total £
Carrying amount at 1 January 2007	834,991	24,028	67,219	495,788	1,422,026
Additions	-	1,945	19,876	186,039	207,860
Depreciation	(17,385)	(4,630)	(34,603)	(207,607)	(264,225)
Carrying amount at 31 December 2007	817,606	21,343	52,492	474,220	1,365,661
	£	£	£	£	£
Carrying amount at 1 January 2008	817,606	21,343	52,492	474,220	1,365,661
Additions	9,500	6,089	20,927	22,994	59,510
Disposals	-	-	(117)	-	(117)
Depreciation	(17,401)	(4,921)	(31,345)	(189,725)	(243,392)
Carrying amount at 31 December 2008	809,705	22,511	41,957	307,489	1,181,662
	£	£	£	£	£
At 31 December 2008					
Cost or valuation	878,809	52,774	373,276	1,882,459	3,187,318
Accumulated depreciation	(69,104)	(30,263)	(331,319)	(1,574,970)	(2,005,656)

Carrying amount at 31 December 2008	809,705	22,511	41,957	307,489	1,181,662
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8. Taxation

At 31 December 2008, the Group has tax losses of approximately £5.3 million (2007: £6.1 million) that are available for offset against future profits arising from the same trade. No provision has been made for deferred tax on losses carried forward in the Group. These losses will only be available for offset when the Group makes taxable profits. As the timing of these profits is not certain it has been assumed the losses will not be recoverable in the foreseeable future

9. The Annual Report

The 2008 Annual Report & Accounts of the Group will be posted to shareholders on the 17 April 2009. Further copies will be available on request from the Company Secretary, Cyprotex PLC, 15 Beech Lane, Macclesfield, Cheshire, SK10 2DR.

10. Annual General Meeting

The Annual General meeting will be held at 10:00am on Tuesday, 14 July 2009 at The Royal Society of Medicine, 1 Wimpole Street, London, W10 0AE.