

# CYPROTEX PLC

## Interim Report and Accounts for the eight months ended 30 June 2002

### Chairman and Chief Executive's Statement

Cyprotex was floated on the Alternative Investment Market (AIM) of the London Stock Exchange plc in February 2002. Founded in 1999, Cyprotex is focused on becoming a leading drug discovery technology and information company.

Following a change in our financial year-end to 31 December, these results cover the eight-month period to 30 June 2002. They represent the first interim results for Cyprotex as a public company, and are compared against the seven-month period to 31 October 2001.

- Revenue during the period to 30 June 2002 was £381,608 compared to £98,614 to 31 October 2001.
- Operating losses in the period to 30 June 2002 were £1,719,305 compared to £382,428 to 31 October 2001. The increased expenditure levels reflect investments made to develop the business as described below.

At the time of our flotation on AIM, we raised £6.5 million (£5.8 million net of expenses) to develop our technology platform and launch our commercial activities. In line with our business plan, we are pleased to report that excellent progress has been made in establishing the Company, developing the science and technology platform, and building a commercial presence. Specifically, we have:

- Signed two new significant contracts with Astex Technology and Roche
- Recruited an experienced Commercial Development team and developed business discussions with over 30 prospective partners
- Established a high throughput screening facility for testing compounds
- Integrated our *in-silico* predictive software into a commercial product
- Established an experimental facility in the United States, the major global market for our products and services
- Moved into a redesigned and customised facility in the UK, investing in the region of £1 million so far in automation and *in-silico* technology

With these achievements in place, we are now well positioned for the next phase of growth, whilst maintaining an ongoing commitment to cost control.

The Company has also been strengthened by the recruitment of a number of key scientists and other managers. We have increased our overall number of employees from 17 to 38 during the first 6 months of 2002. In May 2002, Mark Egerton became Chief Executive Officer, bringing a commercial emphasis to the business. Mark's arrival completes a strong and experienced Executive team along with David Leahy (Chief Scientific Officer) and John Nicholson (Chief Operating Officer).

We would like to take this opportunity to thank all Cyprotex employees for their contributions throughout the year to date. The progress we have made in our development efforts so far, and the feedback we have received from the marketplace, have engendered a real sense of enthusiasm and excitement. The relationships that we recently announced with Astex Technology and Roche further validate the business we are building. We look forward to the future with confidence.

**Jeremy Scudamore**  
Non-Executive Chairman  
26 July 2002

**Dr Mark Egerton**  
Chief Executive Officer  
26 July 2002

## SUMMARISED GROUP PROFIT AND LOSS ACCOUNT

For the eight months ended 30 June 2002

	<i>8 months ended 30 June 2002 £</i>	<i>7 months ended 31 October 2001 £</i>
<b>TURNOVER</b>	<b>381,608</b>	98,614
Cost of sales	<b>(19,789)</b>	(4,029)
<b>GROSS PROFIT</b>	<b>361,819</b>	94,585
Administrative expenses	<b>(2,081,124)</b>	(477,013)
<b>OPERATING LOSS</b>	<b>(1,719,305)</b>	(382,428)
Net interest receivable	<b>62,595</b>	146
Net interest payable	<b>(38,103)</b>	(4,470)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(1,694,813)</b>	(386,752)
Taxation	<b>22,363</b>	-
<b>LOSS FOR THE PERIOD</b>	<b>(1,672,450)</b>	(386,752)
Loss per ordinary share		
- basic	<b>(2.08)p</b>	(0.83)p
- diluted	<b>(2.08)p</b>	(0.83)p

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than as shown above.

## SUMMARISED GROUP BALANCE SHEET

At 30 June 2002

	<i>At</i> <b>30 June</b> <b>2002</b> <b>£</b>	<i>At</i> <b>31 October</b> <b>2001</b> <b>£</b>
<b>FIXED ASSETS</b>		
Tangible assets	1,283,026	326,889
Intangible assets	7	7
	<hr/> 1,283,033	<hr/> 326,896
<b>CURRENT ASSETS</b>		
Stock	28,412	21,250
Debtors	420,421	91,082
Cash at bank and in hand	3,153,901	-
	<hr/> 3,602,734	<hr/> 112,332
<b>CREDITORS: due within one year</b>	<b>(932,801)</b>	<b>(542,956)</b>
	<hr/> 2,669,933	<hr/> (430,624)
<b>NET CURRENT ASSETS</b>		
	<hr/> 3,952,966	<hr/> (103,728)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		
<b>CREDITORS: due after more than one year</b>	<b>(13,897)</b>	<b>(86,954)</b>
	<hr/> 3,939,069	<hr/> (190,682)
<b>NET ASSETS</b>		
	<hr/> <hr/> 3,939,069	<hr/> <hr/> (190,682)
<b>CAPITAL AND RESERVES</b>		
Called up share capital	90,414	68,000
Share premium account	5,779,787	-
Merger reserve	128,070	128,070
Profit and loss account	(2,059,202)	(386,752)
	<hr/> 3,939,069	<hr/> (190,682)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		
	<hr/> <hr/> 3,939,069	<hr/> <hr/> (190,682)

## SUMMARISED GROUP STATEMENT OF CASHFLOWS

For the eight months ended 30 June 2002

	<i>8 months ended 30 June 2002 £</i>	<i>7 months ended 31 October 2001 £</i>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(1,270,669)</b>	<b>(124,752)</b>
<b>RETURNS ON INVESTMENT AND SERVICING OF FINANCE</b>		
Interest received	62,595	146
Interest paid	(5,508)	-
Interest element of finance lease and hire purchase payments	(32,595)	(4,470)
	<b>24,492</b>	<b>(4,324)</b>
<b>TAXATION</b>		
Corporation tax payable	-	-
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		
Payments to acquire tangible fixed assets	(1,088,841)	(12,087)
	<b>(1,088,841)</b>	<b>(12,087)</b>
<b>ACQUISITIONS AND DISPOSALS</b>		
Purchase of Cyprotex division	-	(21,250)
	-	(21,250)
<b>NET CASH OUTFLOW BEFORE FINANCING</b>	<b>(2,335,018)</b>	<b>(162,413)</b>
<b>FINANCING</b>		
Issue of ordinary share capital	5,802,201	70
Net movement in short term borrowings	(150,030)	150,030
Repayment of capital element of finance lease and hire purchase contracts	(131,265)	(19,674)
	<b>5,520,906</b>	<b>130,426</b>
<b>INCREASE/(DECREASE) IN CASH</b>	<b>3,185,888</b>	<b>(31,987)</b>

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	<i>8 months ended 30 June 2002 £</i>	<i>7 months ended 31 October 2001 £</i>
Increase/(decrease) in cash during the period	<b>3,185,888</b>	(31,987)
Cash outflow/(inflow) from increase in short term loans	<b>150,030</b>	(150,030)
Repayment of capital element of finance lease and hire purchase contracts	<b>131,265</b>	19,674
Other non cash movements	-	(150,939)
<b>Movement in net funds during the period</b>	<b>3,467,183</b>	(313,282)
Net funds at start of the period	<b>(313,282)</b>	-
Net funds at period end	<b>3,153,901</b>	(313,282)

## NOTES TO THE UNAUDITED INTERIM RESULTS

### 1. BASIS OF CONSOLIDATION

The Group interim results consolidate the results of the company and its subsidiaries made up to 30 June 2002. Cyprotex PLC was incorporated as a private company on 4 December 2001 and it was re-registered as a public company on 7 January 2002 prior to it being admitted to trading on the Alternative Investment Market of the London Stock Exchange plc on 15 February 2002.

Under a Group reconstruction, the company acquired the whole of the issued share capital of Cyprotex Discovery Limited in exchange for shares. The reconstruction has been accounted for in accordance with the principals of merger accounting as set out in the Financial Reporting Standard No. 6 (FRS 6) and in accordance with Schedule 4A of the Companies Act 1985. The interim results have been presented as if Cyprotex PLC and its subsidiaries had been owned and controlled by the company throughout the periods ended 30 June 2002 and 31 October 2001.

### 2. BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

The financial information contained in this statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

### 3. TAXATION

The tax credit represents a claim for payable R&D tax credit.

### 4. SEGMENTAL ANALYSIS

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

The geographical analysis of turnover by destination is as follows:

	<i><b>8 months ended 30 June 2002 £</b></i>	<i><b>7 months ended 31 October 2001 £</b></i>
United Kingdom	<b>184,200</b>	94,058
Rest of Europe	-	4,556
USA	<b>197,408</b>	-
	<hr/> <b>381,608</b> <hr/>	<hr/> 98,614 <hr/>

5. LOSS PER SHARE

The loss per share is calculated by reference to the weighted average of 46,496,000 ordinary shares for the 7 months to 31 October 2001, and 80,596,181 for the 8 months to 30 June 2002.

	<i>8 months ended 30 June 2002</i>		<i>7 months ended 31 October 2001</i>	
	<i>Loss £</i>	<i>Loss per share (pence)</i>	<i>Loss £</i>	<i>Loss per share (pence)</i>
Loss and basic loss per share	<b>(1,672,450)</b>	<b>(2.08)p</b>	(386,752)	(0.83)p

Basic and diluted earnings per ordinary share have been calculated based upon the result after tax attributable to ordinary shareholders. The weighted average number of ordinary shares in issue reflects the effect of the Group reconstruction on 4 January 2002, which resulted in the issue of one Cyprotex PLC share for every one Cyprotex Discovery Limited share in issue.

The loss for the period and the weighted average number of ordinary shares for calculating the diluted earnings per share for the period to 30 June 2002 and 31 October 2001 are identical to those used for the basic earnings per share. 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. 14 (FRS 14).

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

	<i>8 months ended 30 June 2002 £</i>	<i>7 months ended 31 October 2001 £</i>
Operating loss	<b>(1,719,305)</b>	(382,428)
Depreciation of tangible fixed assets	<b>132,704</b>	32,130
Increase in stocks	<b>(7,162)</b>	-
Increase in debtors and prepayments	<b>(284,613)</b>	(91,082)
Increase in creditors and accruals	<b>607,707</b>	316,628
	<b>(1,270,669)</b>	(124,752)

7. ANALYSIS OF THE PERIOD

	<i>8 months ended 30 June 2002 £</i>	<i>6 months ended 30 June 2002 £</i>	<i>2 months ended 31 December 2001 £</i>
<b>TURNOVER</b>	<b>381,608</b>	329,085	52,523
Cost of sales	<b>(19,789)</b>	(18,742)	(1,047)
<b>GROSS PROFIT</b>	<b>361,819</b>	310,343	51,476
Administrative expenses	<b>(2,081,124)</b>	(1,775,168)	(305,956)
<b>OPERATING LOSS</b>	<b>(1,719,305)</b>	(1,464,825)	(254,480)
Net interest receivable	<b>62,595</b>	62,595	-
Net interest payable	<b>(38,103)</b>	(34,845)	(3,258)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(1,694,813)</b>	(1,437,075)	(257,738)
Taxation	<b>22,363</b>	10,983	11,380
<b>LOSS FOR THE PERIOD</b>	<b>(1,672,450)</b>	(1,426,092)	(246,358)
Loss per ordinary share			
- basic	<b>(2.08)p</b>	(1.72)p	(0.36)p
- diluted	<b>(2.08)p</b>	(1.72)p	(0.36)p

The loss per share is calculated by reference to the weighted average of 68,000,000 ordinary shares for the 2 months to 31 December 2002, and 83,150,000 for the 6 months to 30 June 2002.

8. CONTINGENT LIABILITIES

Cyprotex Discovery Limited is involved in litigation with The University of Sheffield (“the University”), claiming that it owns the copyright in various computer programs developed by an employee of Cyprotex Discovery Limited as a result of a development project entered into by Cyprotex Discovery Limited with the University. The University contends that it owns copyright in any software written by the employee in the course of the project, Cyprotex Discovery Limited contends that all such rights belong to it under the provision of the Copyright Designs and Patents

Act 1988 and under the terms of the research agreement and that even if they are unsuccessful in this argument they are entitled to a licence.

The company has obtained Counsel's advice on the litigation. Attempts at mediation have failed and a court date has been set for 16 September 2002.

The company has made appropriate provision for the total cost of pursuing the claim to trial at 30 June 2002.

9. A copy of the interim report will be posted to shareholders. Further copies will be available on request from the Company Secretary, Cyprotex PLC, 13 Beech Lane, Macclesfield, Cheshire, SK10 2DR.
10. The interim report was approved by the board of directors on July 18 2002.

## **INDEPENDENT REVIEW REPORT TO CYPROTEX PLC**

### **Introduction**

We have been instructed by the company to review the financial information for the eight months ended 30 June 2002 which comprises the Summarised Group Profit and Loss Account, Summarised Group Balance Sheet, Summarised Group Cash Flow Statement, Statement of Total Recognised Gains and Losses, and the related notes 1 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the eight months ended 30 June 2002.

Ernst & Young LLP

JULY 2002