



Press Release

30 August 2007

Cyprotex PLC (“Cyprotex” or “the Company” or “the Group”)

Interim results for the six months to 30 June 2007

Cyprotex PLC (LSE:CRX), the drug discovery technology and information company, today reports its Interim results for the half year ended 30 June 2007.

HIGHLIGHTS

- Despite experiencing the disruptive effects of two major and exceptional events during the first six months of 2007, the Group reports a year-on-year revenue improvement, whilst its customer base expanded at a record level;
- Revenues for the period increased approximately 4% to £1.69m (1H 2006: £1.62m);
- Gross Profits rose by 1.6% to £1.44m (1H 2006: £1.41m);
- A Requisition to unseat present management and, for unconnected reasons, internal reorganisation of the Group’s single largest customer, hindered progress during the second quarter. Lost momentum is now being recaptured; and
- Management reiterates its confidence in Cyprotex’ business activity, its global market opportunity and the real value of its unique technologies, whilst retaining adequate cash resources and facilities.

Commenting on the results, Robert Morrisson Atwater, Chairman and Chief Executive Officer of Cyprotex PLC, said: *“The market opportunity for Cyprotex’s unique technologies is clear. We are confident of growing the Company’s revenue in the second half of 2007, regaining some of the momentum lost in the first half of the year”*



For further information:

Cyprotex PLC

Robert Morrisson Atwater,

Chief Executive Officer

Russell Gibbs

Chief Financial Officer

ir@cyprotex.com

Tel: +44 (0) 1625 505 100

www.cyprotex.com

Nomura Code Securities Limited

Charles Walker

cew@nomuracode.com

Tel: +44 (0) 20 7024 2000

www.nomuracode.com

Media enquiries:

WMC Communications Limited

Alex Glover

alex.glover@wmccommunications.com

Tel: +44 (0) 20 7930 9030

www.wmccommunications.com



CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S STATEMENT

Confidence in the Business Plan

I open my half-year review by stating that management have never been more confident of Cyprotex's business activity, its global market opportunity and the real value of its unique technologies. Though being somewhat setback by the experiences of the first half of 2007, the overwhelming endorsement provided by shareholders to the Board of Directors during June's Extraordinary General Meeting provided great encouragement.

Cyprotex is in the process of rebuilding the confidence that it enjoyed in the closing months of last year. By the end of 2007, I expect management to have scaled those heights again. Indeed, Cyprotex's reputation within an industry of 'exceptionally hard taskmasters' has never slipped. The expansion of its customer-base continued at a dramatic pace during the first half, whilst further refinement of the Group's in-vitro facilities continued to justify its claim of setting the international standard in high-throughput ADMET screening.

Cyprotex lost an important client during the first quarter of 2007. This happened to be the Group's largest single revenue generator during the comparable period and was solely the result of its surprise withdrawal from small molecule research, in itself a highly unusual event. Cyprotex does not expect to be affected by similar occurrence in the future and notes that, but for this loss of business, its first half revenue performance would still have been in line with management expectations. This loss has since been completely replaced by the addition of a new major customer whose association is a further strong endorsement of Cyprotex's technologies.

As I mentioned at the Annual General Meeting (AGM), the efforts by a group of 'Requisitionists' intent on unseating the present management resulted in a highly unnecessary and costly diversion for your Company. Total direct costs incurred by the Group amounted to some £80,000. Indirect costs were higher. Recognising that Cyprotex's relationship with international clients is necessarily based on high levels of trust between the two parties, it came as no surprise that important contract work was either lost or deferred while the 'take-over' attempt was being dismissed. In that respect, the actions of the Requisitionists can only be considered to have been a genuine disservice to shareholders.

The second half has started on a positive note. The level of new business enquiries has been buoyant and momentum lost from core customers during the second quarter is now being recaptured. Within a generally fixed cost base, significant capacity remains available while requirements for capital expenditure are presently at a historically low level. In particular, the Group's ability to impress the pharmaceutical industry giants has become apparent. The scale and visibility that strong working relationships with such partners are capable of providing is key to Cyprotex's business plan. Management expects confidence within its core operations to continue to build for the remainder of this year.

Shareholders should be aware that the legal and advisory fees involved in defending your Company against the 'Requisitionists' were significant. Nevertheless, given its policy of extremely tight cash management, and based on anticipated workload, Cyprotex retains sufficient cash resources to service its obligations, whilst continuing to expand its marketing reach and research capabilities. It also has arranged a new banking facility and retains other opportunities for collateralised fund raising.



Financial Highlights

- Despite experiencing the disruptive effects of two major and exceptional event during the first six months of 2007, the Group reports a year-on-year revenue improvement, whilst its customer base expanded at a record level;
- Revenues for the period increased approximately 4% to £1.69m (1H 2006: £1.62m);
- Gross Profits rose by 1.6% to £1.44m (1H 2006: £1.41m); and
- A Requisition to unseat present management and, for unconnected reasons, internal reorganisation of the Group's single largest customer, hindered progress during the second quarter. Lost momentum is now being recaptured.

A Major Market Opportunity for Cyprotex's Unique Technologies

Cyprotex has invested heavily in unique and proprietary technologies. The Group's outsourced laboratory testing services to the global drug development industry provide an independent and high-value in-vitro screening service. From this key 'go' or 'no go' decisions, that may commit the developer to seven or more years of major investment, are made. By eliminating unsuitable compounds on the grounds of safety, stability or toxicity, remaining candidates then become available for further preclinical and clinical trials, after their Investigational New Drug Application (IND) becomes effective. The trend by pharmaceutical companies to outsource their analytical testing, especially in the US, has accelerated in recent years to an estimated market size of over \$2 billion and continues to grow at approximately 10% per year.

In-vitro screening is, of course, a generic process that, until recently, pharmaceutical majors and drug development companies chose to carry out themselves. Even now, it is estimated that over 90% of the world's in-vitro screening is completed internally. Yet the need to outsource such services has never been more evident. The pharmaceutical industry is under extreme pressure to improve productivity within its research and development. As such, the number of drug compounds entering preclinical trials has recently expanded significantly, as pressure heightens to progress new compounds into viable candidates as rapidly as possible. Cyprotex's operations were specifically designed to provide an industry solution to such an anticipated 'bottleneck'.

As a contract research organisation (CRO), Cyprotex distinguishes itself by treating in-vitro ADMET (Absorption, Distribution, Metabolism, Excretion and Toxicity) screening as a core competency. It has uniquely created a wholly automated screening facility, using state-of-the-art laboratory equipment controlled by its own proprietary operating system and algorithms. As a result, Cyprotex claims to have the single largest screening capacity of any such laboratory worldwide; perhaps even more importantly, by eliminating the labour-intensive elements of a manual facility, it can offer unprecedented pricing, turnaround and robustness. The advantages of outsourcing in-vitro screening to Cyprotex's are easily demonstrated.



Although notoriously slow to change attitude and working process, the pharmaceutical world is now recognising the need to identify suitable external contractors. Indeed, early in the second half of 2007, Cyprotex won its biggest single order ever from one of the global 'Top Ten' pharmaceutical majors, whose officers recognised the strategic advantages of such sub-contracting. Quite clearly the potential scale of work from this client alone is huge, whilst also providing a major endorsement of Cyprotex's technologies. Cyprotex expects workload from the industry's 'global giants' to grow significantly over the next twelve months. This should provide improved visibility for investors, as the Group capitalises on its exceptional operational gearing and drives toward profitability.

Customer Development

It is estimated that, globally, there are over 20,000 entities involved in drug discovery to which Cyprotex could potentially provide valued-added ADMET services. Moreover, as market research firm, Business Insights, notes in a recent publication, 'the reliance on service providers and in particular CRO's has rocketed in the past few years...and expected to grow at an annual rate of 14 to 16 per cent'. Thus the market being addressed and the opportunity involved are huge. In that respect, the 150 or so customers that Cyprotex has established 'Master Services Agreements' with can be expected to continue to grow significantly. Indeed, during the first six months of 2007, the Group's customer base expanded by some 20%.

Cyprotex's business plan anticipates both the need and desire of drug developers to increasingly 'externalise' their generic screening. In the first instance, by having a large number of individual customers, the Group attempts to insulate itself from cyclical demand swings. Beyond this, it also recognises that the global pharmaceutical giants have both huge and continuous screening needs but that, historically, outsourcing agents capable of providing an adequate quality of service have not been found. After being pushed through extensive phases of testing by these particular 'taskmasters', however, Cyprotex management now believe that these companies will in the future be an increasingly large proportion of Group turnover. It is anticipated that this will ensure heavier workload and improved visibility. North America is expected to continue to expand as a total proportion of total sales.

Product Development

During the first six months of 2007, in response to customer and regulatory demands, Cyprotex extended its range of metabolic assays to include additional probe substrate in its cytochrome P450 isoform identification screens. This now completes the Group's range of isoforms recommended in the current draft FDA guidelines. In addition, a panel of screens for investigating mechanism-based inhibition was finalised. Understanding the metabolic profile and inhibitory potential of a compound is a key element in drug interaction studies.

More recently, a microsomal in-vitro assay has been added in order to assess a compound's scope for liver binding. When used in conjunction with stability data, prediction of in vivo clearance and potential for drug-drug interactions are improved. An additional cell line has also been introduced to the existing offering of permeability screens that is complemented by an extension of drug efflux products.



Cyprotex is providing *in silico* support to an EU-funded project (EUMAPP), which is designed to investigate how to accelerate from 'lab to clinic' using a combination of human microdosing, improved analytical capabilities and *in silico* approaches. This is a long-term project that will continue into 2008. It is also providing *in silico* Pharmacokinetic prediction for an EU-funded project (OSIRIS) to address REACH (Registration Evaluation and Authorisation of Chemicals) legislation. This work was initiated in April 2007. The overall goal of the consortium is to develop software that identifies whether traditional compound testing methods should be triggered or waived, based on its predicted toxicity.

Amongst the research projects the Group is presently involved in is a novel approach to auto QSAR (automated Quantitative Structure-Activity Relationships) technology, which uses competitive workflow for predicting properties from chemical structure. Potentially the applications of this technology are wide ranging within the drug development industry.

The 'Requisition'

On 12 February 2007, Cyprotex received a requisition from founder, Dr. David Leahy, and Robert Long ('the Requisitionists'). Being shareholders of your Company holding of at least 10% of its paid up share capital they possess the right, pursuant to section 368 of the Companies Act 1985, the right to call an Extraordinary General Meeting. The purpose of this meeting being to propose the removal of each of Cyprotex's existing executive and non-executive directors and then, by separate resolution to appoint themselves along with a Michael McGoun and Dr. David Cavella as directors with immediate effect.

In the event, on 6 March 2007, 76.48% of votes cast voted against the Resolutions. Accordingly, a large majority rejected the Resolutions and no changes to the Board were made.

Robert Morrisson Atwater

Chairman and Chief Executive Officer

30 August 2007

Consolidated interim income statement
for the six months ended 30 June 2007

	Note	Unaudited 6 months ended 30 June 2007 £	Restated Unaudited 6 months ended 30 June 2006 £	Restated Audited year ended 31 December 2006 £
Continuing operations				
Revenue	5	1,685,358	1,623,944	3,504,830
Cost of sales		(247,944)	(209,707)	(533,171)
Gross profit		1,437,414	1,414,237	2,971,659
Investment revenue		10,639	15,413	27,573
Administrative costs		(1,865,189)	(1,771,068)	(3,712,413)
Finance cost		(34,602)	(25,819)	(47,630)
Loss before tax		(451,738)	(367,237)	(760,811)
Income tax		34,210	48,187	100,641
Loss for the period		(417,528)	(319,050)	(660,170)
Loss per share				
Basic and diluted loss per share	6	(0.31)p	(0.23)p	(0.48)p

Consolidated interim balance sheet at 30 June 2007

		Unaudited 6 months ended 30 June 2007 £	Restated Unaudited 6 months ended 30 June 2006 £	Restated Audited year ended 31 December 2006 £
ASSETS	Note			
Non current assets				
Property, plant and equipment	8	1,472,532	1,520,211	1,422,026
		1,472,532	1,520,211	1,422,026
Current assets				
Inventories		101,729	80,387	85,636
Trade receivables		405,511	301,414	561,879
Other receivables		202,152	216,159	196,545
Current tax assets		134,277	47,633	100,067
Cash and cash equivalents		267,468	854,793	455,279
		1,111,137	1,500,386	1,399,406
Total assets		2,583,669	3,020,597	2,821,432
LIABILITIES				
Non current liabilities				
Long term borrowings		623,500	649,500	635,800
Obligations under finance leases		107,435	65,305	35,807
		730,935	714,805	671,607
Current liabilities				
Trade payables		236,157	140,784	128,969
Current portion of long term borrowings		22,500	22,500	22,500
Other payables		162,491	135,895	258,926
Obligations under finance leases		113,500	54,575	56,877
		534,648	353,754	467,272
Total liabilities		1,265,583	1,068,559	1,138,879
EQUITY				
Share capital	7	138,619	138,423	138,573
Share premium account		9,663,385	9,661,368	9,662,913
Other reserve		128,070	128,070	128,070
Share based payment reserve		352,527	230,044	299,984
Retained losses		(8,964,515)	(8,205,867)	(8,546,987)
		1,318,086	1,952,038	1,682,553
Total equity and liabilities		2,583,669	3,020,597	2,821,432

Consolidated interim statement of changes in equity
for the six months ended 30 June 2007

	Share capital	Share premium account	Other reserve	Share based payment reserve	Retained losses	Total equity
	£	£	£	£	£	£
Balance at 31 December 2005	138,325	9,660,362	128,070	163,318	(7,886,817)	2,203,258
Changes in equity for the first half of 2006						
Loss for the period	-	-	-	-	(319,050)	(319,050)
Total recognised income and expense for the period	-	-	-	-	(319,050)	(319,050)
Issue of share capital	98	1,006	-	-	-	1,104
Share based payment charge	-	-	-	66,726	-	66,726
Balance at 30 June 2006	138,423	9,661,368	128,070	230,044	(8,205,867)	1,952,038
Balance at 31 December 2005	138,325	9,660,362	128,070	163,318	(7,886,817)	2,203,258
Changes in equity for 2006						
Loss for the period	-	-	-	-	(660,170)	(660,170)
Total recognised income and expense for the period	-	-	-	-	(660,170)	(660,170)
Issue of share capital	248	2,551	-	-	-	2,799
Share based payment charge	-	-	-	136,666	-	136,666
Balance at 31 December 2006	138,573	9,662,913	128,070	299,984	(8,546,987)	1,682,553
Balance at 31 December 2006	138,573	9,662,913	128,070	299,984	(8,546,987)	1,682,553
Changes in equity for the first half of 2007						
Loss for the period	-	-	-	-	(417,528)	(417,528)
Total recognised income and expense for the period	-	-	-	-	(417,528)	(417,528)
Issue of share capital	46	472	-	-	-	518
Share based payment charge	-	-	-	52,543	-	52,543
Balance at 30 June 2007	138,619	9,663,385	128,070	352,527	(8,964,515)	1,318,086

Consolidated interim cash flow statement
for the six months ended 30 June 2007

	Unaudited 6 months ended 30 June 2007 £	Restated Unaudited 6 months ended 30 June 2006 £	Restated Audited Year ended 31 December 2006 £
Cash flows from operating activities			
Loss after taxation	(417,528)	(319,050)	(660,170)
Adjustments for:			
Depreciation	141,230	182,177	351,528
Share based payment charge	52,543	66,726	136,666
Investment income	(10,639)	(15,413)	(27,573)
Interest expense	34,602	25,819	47,630
Taxation income recognised in income statement	(34,210)	(48,187)	(100,641)
Decrease/(increase) in trade and other receivables	150,761	194,015	(46,836)
(Increase)/decrease in inventories	(16,093)	10,840	5,591
Increase/(decrease) in trade and other payables	10,753	(25,730)	85,486
Cash (consumed)/generated from operations	(88,581)	71,197	(208,319)
Interest paid	(34,602)	(25,819)	(47,630)
Income tax received	-	146,792	146,812
Net cash from operating activities	(123,183)	192,170	(109,137)
Cash flows from investing activities			
Purchase of property, plant and equipment	(17,214)	(6,436)	(77,602)
Interest received	10,639	15,413	27,573
Net cash (used)/generated in investing activities	(6,575)	8,977	(50,029)
Cash flows from financing activities			
Proceeds from issue of share capital	518	1,104	2,799
Repayment of long-term borrowings	(12,300)	(12,000)	(25,700)
Payment of finance lease liabilities	(46,271)	(25,560)	(52,756)
Net cash used in financing activities	(58,053)	(36,456)	(75,657)
Net (decrease)/ increase in cash and cash equivalents	(187,811)	164,691	(234,823)
Cash and cash equivalents at beginning of period	455,279	690,102	690,102
Cash and cash equivalents at end of period	267,468	854,793	455,279

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 interim statements of Cyprotex PLC are presented in Pounds Sterling (£), which is also functional currency of the parent.

These consolidated interim financial statements have been approved for issue by the Board of Directors on 30 August 2007.

The financial information set out in the interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 December 2006, prepared under UK GAAP, have been filed with the Registrar of Companies. 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.

2. Basis of preparation

These interim consolidated financial statements are for the six-month period ended 30 June 2007. They have been prepared in accordance with IAS 34 "Interim Financial Reporting" and the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports, because they are part of the period covered by the Group's first IFRS financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2006.

These financial statements have been prepared under the historical cost convention.

These consolidated interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European union (EU) and are effective at 31 December 2007 or are expected to be adopted and effective at 31 December 2007, our first annual reporting date at which we are required to use IFRS Accounting Standards adopted by the EU.

Cyprotex PLC's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2006. The date of transition to IFRS was 1 January 2006. The comparative figures in respect of 2006 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The Group has taken advantage of exemptions under IFRS and no restatement has been made to the accounting treatment of previous business combinations, including the acquisition of Cyprotex Discovery Limited by Cyprotex PLC on 4 January 2002.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

The Group recorded a loss after taxation of £417,528 in the six months ended 30 June 2007 and cash and deposits fell by £187,811 to £267,468. However, 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. Accordingly, the accounts are prepared on a going concern basis. This assumption is 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 Cyprotex 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, Cyprotex has the option of appealing to shareholders with a view to offering a pre-emptive rights issue, by an open offer or a restricted offer of new shares. Other options for short-

term fund-raising include a sale-and-leaseback of its Macclesfield head office. The interim financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

3. Summary of significant accounting policies

Property, plant and equipment

Property (including property subject to lease terms in excess of 800 years), plant and equipment is stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction or commissioning.

Depreciation

Depreciation is calculated to write down the cost, less any estimated residual value, of all property plant and equipment by equal annual instalments over the estimated useful economic lives as follows:

Long leasehold land and buildings	Over 50 years
Office equipment	Over 10 years
Computer equipment	Over 3 years
Laboratory equipment	Over 5 years

Material residual value estimates are updated at least annually.

Impairment testing of property, plant and equipment

The carrying values of property, plant and equipment are reviewed annually.

Investments

Investments are held at cost less provision for impairment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is reduced for any rebates and other similar allowances.

Revenue on the outright sale of services and software, where no supplier obligations remain, is recognised on delivery to the customer.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rates applicable.

Inventories

Inventories are stated at the lower of cost and net realisable value on a first-in-first out basis.

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised when all the following conditions are satisfied;

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the group intends to complete the intangible asset and use or sell it;
- the group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting this criteria for capitalisation are expensed as incurred.

Amortisation commences upon completion of the asset and is in line with expected future related sales.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the directors.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposit, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

Pensions

The Group operates a defined contribution scheme. Pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of recognised income and expenses to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of recognised income and expenses, otherwise such gains and losses are recognised in the income statement.

The assets and liabilities in the financial statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the "Foreign currency reserve" in equity. On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the income statement as part of the gain or loss on disposal.

The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be nil at the date of transition to IFRS. The gain or loss on disposal of these operations excludes translation differences that arose before the date of transition to IFRS and includes later translation differences.

Taxation and deferred tax

Current tax is the tax currently payable or receivable based on taxable profit or loss for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

Government and other grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement by equal annual instalments over the expected useful lives of the relevant assets.

Government grants of a revenue nature are credited to the income statement in the same period as the related expenditure.

Share based payments

In accordance with IFRS 2 the fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the Group's estimate of when share options will eventually vest. In the case of options granted, fair value is measured by a Black-Scholes pricing model.

All share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements in accordance with IFRS1.

All goods and services received in exchange for the grant of any share based payment are measured at their fair value. Where employees are rewarded using share based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to the share based payment reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate or the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction cost are credited to share capital, and where appropriate share premium.

Financial assets

All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised at fair value plus transaction costs. Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity where it is the intention of the directors to hold them until maturity. Held-to-maturity investments are measured subsequent to initial recognition at amortised cost using the effective interest method. If there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in the income statement.

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity as at fair value through profit or loss upon initial recognition. Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in the income statement. Financial assets originally designated, as financial assets at fair value through profit or loss may not be reclassified subsequently.

Financial assets are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

Loans receivable are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken on each financial asset at least at each balance sheet date

Regular purchases and sales are accounted for on trade date. Where an entity uses settlement date accounting for an asset that is subsequently measured at cost or amortised cost, the asset is recognised initially at its fair value on the trade date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the

group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Equity

Equity comprises the following:

- “Share Capital” represents the nominal value of equity shares
- “Share Premium” represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue
- “Other Reserve” represents the balance arising on merger when Cyprotex Discovery Limited was acquired by the Company on 4 January 2002, as previously reported under UK GAAP
- “Share based payment reserve” represents equity settled share-based employee remuneration until such share options are exercised
- “Retained earnings/ (losses)” represents retained profits and losses.

4. Seasonal fluctuations

Variations during the calendar year are impacted by the budgetary position and vacation trends of the Group’s customer base. The strongest period is historically seen during the final quarter as annual projects move towards completion; the weaker period coincide with summer holidays in the third quarter and to a lesser extent, immediately after the New Year celebrations. During these times the Group allocates surplus resources to internal research and product development.

For the six months ended 30 June 2007, revenue represented 48.1% of the annual total achieved for the year ended 31 December 2006.

For the six months ended 30 June 2006, revenue represented 46.3% of the annual total achieved for the year ended 31 December 2006.

5. Segmental information

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.

Whilst the Directors recognise there is no requirement to disclose within interim financial statements any further secondary segmental analysis the Group gives an additional geographic analysis of revenue by destination. Key markets for the Group are identified as North America, Mainland Europe and the United Kingdom.

	Unaudited 6 months ended 30 June 2007	Restated Unaudited 6 months ended 30 June 2006	Restated Audited year ended 31 December 2006
	£	£	£
Geographical analysis of revenue by destination			
United Kingdom	366,759	162,305	481,656
Rest of Europe	541,812	745,006	1,642,940
USA and Canada	743,005	695,580	1,354,998
Rest of the World	33,782	21,053	25,236
	1,685,358	1,623,944	3,504,830

6. Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The share options in issue are anti-dilutive in respect of the basic loss per share calculation and have therefore not been included.

	Unaudited 6 months ended 30 June 2007	Restated Unaudited 6 months ended 30 June 2006	Restated Audited year ended 31 December 2006
Attributable loss (£)	(417,528)	(319,050)	(660,170)
Average number of ordinary shares in issue for basic and diluted earnings per share	136,603,599	138,367,404	138,420,822
Basic and diluted loss per share (pence)	(0.31)p	(0.23)p	(0.48)p

7. Share issues

During the period to 30 June 2007, 45,828 shares were issued to satisfy share options previously granted under Cypotex PLC's employee share option scheme. Shares issued and authorised for the period to 30 June 2007 may be summarised as follows:

	Number	£
6 months to 30 June 2007		
At 1 January 2007	138,573,016	138,573
Issue of shares	45,828	46
At 30 June 2007	138,618,844	138,619
6 months to 30 June 2006		
At 1 January 2006	138,325,315	138,325
Issue of shares	97,669	98
At 30 June 2006	138,422,984	138,423
Year to 31 December 2006		
At 1 January 2006	138,325,315	138,325
Issue of shares	247,701	248
At 31 December 2006	138,573,016	138,573

The shares issued in the six months ended 30 June 2007 yielded £518 in cash and increased equity also by £518.

The weighted average share price at the date of exercise in the six months ended 30 June 2007 was 5.45 pence.

8. Additions and disposals of 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	-	1,650	5,047	185,039	191,736
Depreciation	(8,692)	(2,305)	(17,901)	(112,332)	(141,230)
Carrying amount at 30 June 2007	826,299	23,373	54,365	568,495	1,472,532

	Long leasehold and buildings	Office equipment	Computer equipment	Laboratory equipment	Total
	£	£	£	£	£
Carrying amount at 1 January 2006	844,754	26,685	35,514	788,999	1,695,952
Additions	7,498	1,717	59,206	9,182	77,603
Depreciation	(17,261)	(4,374)	(27,501)	(302,393)	(351,529)
Carrying amount at 31 December 2006	834,991	24,028	67,219	495,788	1,422,026

	Long leasehold and buildings	Office equipment	Computer equipment	Laboratory equipment	Total
	£	£	£	£	£
Carrying amount at 1 January 2006	844,754	26,685	35,514	788,999	1,695,952
Additions	-	313	2,656	3,467	6,436
Depreciation	(8,617)	(2,159)	(10,057)	(161,344)	(182,177)
Carrying amount at 30 June 2006	836,137	24,839	28,113	631,122	1,520,211

9. Taxation

Income tax represents amounts recoverable in respect of Research and Development tax credits.

At 30 June 2007, the group has tax losses of approximately £6.4 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

10. Explanation of transition to IFRS

As stated in the Basis of Preparation, these are the Group's first consolidated interim financial statements for part of the period covered by the first IFRS annual consolidated financial statements prepared in accordance with IFRS.

An explanation of how the transition from UK GAAP to IFRS has effected the Group's financial position, financial performance and cash flows is set out below.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These interim financial statements have been prepared on the basis of taking the following exemptions:

- cumulative translation differences on foreign operations are deemed to be nil at 1 January 2006. Any gains or losses recognised in the consolidated income statement on subsequent disposal of foreign operations will exclude translation differences arising prior to the transition date.

- only share based payment arrangements granted after 7 November 2002 that had not vested prior to 1 January 2006 are recognised in the financial statements.

- Business combinations prior to 1 January 2006, the Group's date of transition to IFRS have not been restated to comply with IFRS 3 "Business Combinations". Accordingly there has been no adjustment to the accounting treatment adopted by the Group on the acquisition of Cyprotex Discovery Limited by Cyprotex PLC on 4 January 2002 which was accounted for at that date as a merger under UK GAAP.

Explanation of material adjustments to the cash flow statement

Application of IFRS has resulted in reclassification of certain items in the cash flow statement as follows:

- 1) Under UK GAAP, payments to acquire property, plant and equipment were classified as part of 'Capital expenditure and financial investment'. Under IFRS, payments to acquire property, plant and equipment have been classified as part of 'Investing activities'
- 2) Income taxes received by the Group in respect of Research and Development tax credits are now classified as an operating cash flow under IFRS, however these were included in a separate category of tax cash flows under UK GAAP.
- 3) There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.
- 4) The definition of cash is narrower under UK GAAP than under IAS 7 "Cash Flow Statements". Under IFRS highly liquid investments, readily convertible to a known amount of cash with an insignificant risk of changes in value are regarded as cash equivalents. The Group has a number of short-term deposits; however by arrangement with its bank these were available on demand and thus satisfied the narrower definition of cash under UK GAAP and accordingly the definition of cash and cash equivalents under IFRS.

Explanation of reconciliation from UK GAAP to IFRS for the balance sheet and income statement

The adoption of IFRS by the Group has resulted in some reordering of the presentation of certain balances within both the income statement and balance sheet. However there has been no impact on previously reported equity, liabilities or assets at 31 December 2006 or 30 June 2006, or comparative amounts disclosed in the income statement for the year ended 31 December 2006 or the six months