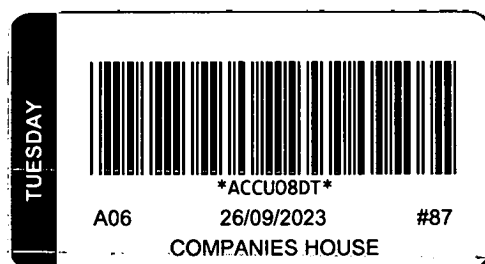


**CYPROTEX DISCOVERY LIMITED**

**Report and Financial Statements**

**For the year ended 31 December 2022**

**Registered number : 04184635**



Cyprotex Discovery Limited

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Registered No. 4184635

**DIRECTORS**

Craig Johnstone  
Stephen Madden

**SECRETARY**

Mary Abdul

**REGISTERED OFFICE**

114 Innovation Drive  
Milton Park  
Abingdon  
Oxfordshire  
OX14 4RZ  
United Kingdom

**AUDITOR**

BDO LLP  
3 Hardman Street  
Spinningfields  
Manchester  
M3 3AT

## STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2022.

### PRINCIPAL ACTIVITY

The principal activity of the company during the financial period has been that of providing *in vitro* and *in silico* ADMET/PK (Absorption, Distribution, Metabolism, Excretion, Toxicity/Pharmacokinetic) information to the Pharmaceutical, Biotechnology, Cosmetics, Personal Care, Agrochemical, Chemical industries and Academia.

### Key Trends

**Increase In Outsourcing** - The trend towards an outsourcing model within the Pharmaceutical Industry has continued to grow in recent years as many companies maintain their focus on core business with activities that are being outsourced covering the full drug discovery and development continuum. Contract Research Organisations such as Cyprotex Discovery Limited ("Cyprotex"), who specialize in *in vitro* ADME and *in vitro* safety assessment have developed highly automated and efficient systems, are benefiting from this growing trend.

**Earlier Screening** - Late stage failure of drugs is a major issue for the Pharmaceutical Industry with many instances of attrition only occurring during clinical trials or even post launch. The level of investment expended at this stage is huge and cannot be recovered. Many companies are still reliant on preclinical toxicity testing to identify safety liability which is too late and may not be able to accurately predict clinical toxicity due to species differences in physiology and drug metabolism. Cyprotex is well placed to address this need, and through a continued dedication to R&D and focus on human cell-based toxicology models, we are now considered to be industry leaders in this rapidly evolving discipline.

**New Regulations** - New guidelines released by the regulatory authorities are a key driver of Cyprotex's business as well as the market in general. Cyprotex are able to support the full *in vitro* FDA and EMA-compliant drug-drug interaction packages for preclinical and clinical stage studies and have the internal expertise to provide advice in the areas of study design and data interpretation. In response to regular updates by the regulatory authorities, Cyprotex rapidly adapt their protocols and analysis techniques to reflect the most up-to-date guidelines so the studies meet the strict criteria required for regulatory acceptance. To further support the scientific community in this rapidly evolving field, Cyprotex has developed popular educational guides 'Everything you need to know about ADME' and 'DDI regulatory guidance – an easy to follow guide' which are freely available via our website.

### Addressing Ethical Issues

Although public acceptance for the need for toxicity testing in animals remains relatively stable, the ethical discussion and challenge is ongoing. Following the lead of the Cosmetics Industry global regulators for the Pharmaceutical Industry are increasingly looking for opportunities to introduce appropriately validated *in vitro* alternatives into animal testing into safety assessment programs to both improve the predictability of the tests and to address the ethical concerns around animal testing.

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STRATEGIC REPORT (CONTINUED)**Predicting the Clinical Situation**

Developing more relevant *in vitro* models and building *in silico* models to better correlate with the clinical outcome continues to be a major challenge and focus for the industry. We are seeing a trend for greater acceptance of PBPK (physiologically based pharmacokinetic) and QSAR (quantitative structure activity relationship) modelling techniques by the regulatory authorities.

Right from its inception, Cyprotex's philosophy has been to develop better ways of predicting the human clinical outcome from the *in vitro* data generated. This has been achieved by a combination of:

- **Building robust efficient methods** – Cyprotex has invested heavily in building a highly automated screening facility which is underpinned by state of the art equipment and an internally developed and sophisticated LIMS (laboratory information management system). A team of software engineers work closely with the scientists to identify opportunities for improving efficiency. By developing these processes, large banks of robust data can be gathered quickly and cost-effectively which is ideal for predictive model building purposes.
- **Research and Development (R&D)** – Cyprotex strives to keep itself at the forefront of the ADME-Tox field by investing in R&D and developing new improved *in vitro* methodologies which produce more reliable and representative data which can be extrapolated to the *in vivo* situation. Several technologies have been developed as a direct result of internal R&D efforts. The success of these commercial services highlights the importance of performing new research in the field and being first to market with these technologies.
- **Developing *in silico* predictive models** – Cyprotex are one of the few contract research organisations to offer both *in vitro* and *in silico* predictive modelling capabilities. We specialise in PBPK modelling approaches which combines the *in vitro* ADME data with anatomical, physiological, biochemical and chemical information to predict the plasma and tissue levels of drugs or chemicals in the body.

**Competitive Environment**

The ADME market is well established with standardised protocols for many of the key tests. Interpretation and understanding of the data is typically more straightforward. For this reason, competition within the ADME screening arena is high, and only companies which offer significant advantages over the competition can survive. As a consequence, there has been a period of consolidation with several instances of contract research organisations being acquired by larger organisations.

The Western CRO companies are experiencing fierce competition from Asian companies predominantly in India and China. Due to the low wages in these regions, the costs associated with screening are significantly lower than can be offered in the West. This has proved attractive to the Pharmaceutical companies who are under pressure to reduce R&D spending. Although still a considerable threat, there remain a number of concerns to this outsourcing approach which include:

- Quality of data and level of experience.
- Protection of intellectual property rights.
- Rising costs as the Asian economy develops.
- Communication issues.
- Time differences.

Apart from some of the regulatory assays for genotoxicity and safety pharmacology testing, the *in vitro* toxicology testing market is less well defined and approaches are still being developed for areas such as hepatotoxicity. As such, there is less competition and Cyprotex has been able to lead the way in terms of R&D in this field.

**STRATEGIC REPORT (CONTINUED)**

**Our Competitive Advantage** - Cyprotex has managed to remain ahead of market expectations due to its ability to differentiate itself over the competition by offering the following advantages:

- **High Throughput Screening Approaches** – Cyprotex has focused heavily on improving efficiency of screening by developing high throughput screening approaches for its main ADME services. Cyprotex can therefore produce very reproducible, robust and cost effective data with a short turnaround.
- **Add Value by Extrapolation of Results** - Cyprotex is one of the few contract research organisations which offers both screening and *in silico* approaches enabling them to provide a more complete added value service where the results can be extrapolated to the human clinical situation. Our 'Beyond the Data' philosophy is supported by our expert scientists who assist our clients in truly understanding the data and how it translates to the clinic.
- **Highly Experienced Team** – Cyprotex has an enthusiastic and committed team of highly qualified and experienced scientists, molecular modellers and software engineers who work well together to address customer needs – excellent customer service is a key focus for the company.
- **Range of Services** – Cyprotex have developed an extensive range of offerings which extend from early stage discovery screening through to late stage studies for drug interactions. Through the acquisition of Cyprotex by Evotec, and subsequent acquisition of Aptuit and Just Biotherapeutics, the Group's portfolio of services has expanded significantly allowing customers to tap into a full range of integrated services and expertise for small and large molecules - spanning from early drug discovery through to Investigational New Drug (IND) stage and beyond.

**Pioneering Technology and Processes** – Cyprotex has a strong focus on R&D and regularly publish our research findings in peer-reviewed journals. We have developed a number of novel technologies and were the first company to introduce a high throughput microelectrode array service for measuring cardiotoxicity using human iPSC (induced pluripotent stem cell) derived cardiomyocytes. More recently, Cyprotex has joined forces with other research teams within the Evotec Group to focus on expanding its -omics capabilities with a specific focus on transcriptomics and its role in the prediction of organ-specific drug toxicity.

**Our Goal**

Our objective is to be the world's foremost ADME-Tox services company. We aim to provide market-leading scientific expertise coupled with a superior service performance in terms of robust data quality, cost efficiency and turnaround times.

**Our Business Model**

Cyprotex capitalises on the increasing trend of pharmaceutical and biotechnology companies outsourcing ADME-Tox. Our expertise and investments in ADME-Tox technologies allow us to provide a breadth, quality, speed, and cost-effectiveness of service superior to what our customers can achieve on their own. In a constantly changing environment, the company continues to build and diversify its offerings to allow us to address our customers' ADME-Tox requirements. Now part of the Evotec Group, Cyprotex's customers benefit from access to a more complete service offering, right the way from early drug discovery through to Investigational New Drug (IND) submission and beyond. In fact, many of Cyprotex's clients work with many different areas of the Evotec Group to tap into additional expertise and knowledge in support of their projects.

## STRATEGIC REPORT (CONTINUED)

## FINANCIAL REVIEW

## Performance

The Company continued to record strong growth, capitalising on previous investments, and further widening and strengthening its customer base. Total revenues for the year were £33.10 million (2021: £29.34 million).

The Company remains cash generative and it has sufficient available liquid resources with cash balances at 31 December 2022 standing at £12.82 million (2021: £5.85 million). The Company is positioned to fund propriety developments to expand and diversify its offerings, and to actively seek opportunities for growth.

## Key Performance Indicators – Financial

The key financial performance indicators used by the Board in 2022 as a measure of the success of the business are as follows:

	2022	2021	Increase/(decrease) over prior year
	£m	£m	£m
Revenue	33.10	29.34	3.76
Operating profit	8.49	10.28	(1.79)
EBITDA	10.55	12.06	(1.51)
Cash	12.82	5.85	6.97

## Principal Risks and Uncertainties

Management has attempted to minimise its exposure to identified external and internal variables that may have an effect on the operations of the Company. Where possible, measures to monitor and mitigate such risks have been enacted, and processes adopted to formally identify and examine such situations. The nature of the Company's operations nevertheless requires the Board and its investors to assess the principal risks facing its operations and these are considered below.

## Subsequent events

On 6 April 2023, the Group, headed by Evotec SE, suffered from a criminal cyber-attack that targeted many of the Group's operations which caused disruptions to many of its IT system in several countries and temporarily stopped or reduced the Research and Production activities. The Group has been working relentlessly and prompt actions were taken to contain the incident, mitigate its impact and to return the operations to normal as soon as possible. Operations quickly recovered within days however it is possible that there may be significant impact on the Group and Company's 2023 financial performance.

## Business Evolution

Trading activity is dependent on continuing global investment in new drug discovery and development. Adoption of new practices for such development, or significant regulatory changes by authorities such as the FDA, or the supplanting of molecular compounds by means of electronic simulation or software emulation or prediction, would have a direct impact on likely revenues achieved by the Company.

## Economic Activity

In a worldwide economic downturn, marketing and pricing strategies would need to be modified to reflect those new conditions. Investment in drug discovery has the benefit of the fact that personal health and longevity has historically followed longer-term patterns and is made substantially by governments. As such, the business is not over reliant on short-term fluctuations in consumer confidence.

## STRATEGIC REPORT (*CONTINUED*)

### **Fixed Overheads**

A large proportion of the Company's overheads are fixed. There is a potential risk that if revenues contract, these fixed costs will not be covered. The operating costs of the core operation have only limited scope for reduction without impacting the breadth and quality of services.

### **Competition**

The market in which the Company operates is competitive, highly fragmented, and subject to in-sourcing. Through technological and process innovation and investment, the Company endeavours to offer a breadth and quality of service unsurpassed by its competitors. The Company competes for market share not only with other contract research organisations, but also potential customers' own in-house ADME-Tox departments.

### **Product Obsolescence**

The Company offers highly technological services. Having developed a high degree of expertise and efficiency in delivering these services, management is confident of the Company's ability to remain competitive.

### **Seasonality**

Variations in seasonal demand are driven by the budgeting, holiday, and project-planning cycles of the Company's customer base. Historically, trade is strongest during the final quarter as annual projects complete. Trade slows in the third quarter due to summer holidays, and briefly in the weeks immediately after the New Year. During the slower periods the Company utilises surplus resources for its internal research and product development programmes.

### **Fluctuations in Commodity Prices**

The completion of our services relies on materials that are specific and specialist by nature. The prices of such products are susceptible to fluctuations dependent upon market conditions. To mitigate the impact of such price movements, management has established a number of regular supply arrangements that provide some forward visibility.

### **Fluctuations in Currency Exchange Rates**

A significant sum of the Company's revenue was derived in US dollars and Euros. With the majority of operating costs incurred in Sterling, the Company could be exposed to foreign currency fluctuations. The entity operates as part of a larger group, which has a Treasury department that manages foreign exchange exposure on an on-going basis. Such currency exposures are reduced through natural hedges and, where appropriate, hedging instruments, such as forward contracts.

### **Regulatory Changes Affecting the Business**

The industry in which the Company operates is strictly regulated. Regulatory changes may increase or decrease revenues and/or expenditures. Management aims to mitigate such risks by keeping aware of potential regulatory changes. Currently, management foresees no such regulatory change likely to adversely affect its operations; rather, management anticipates regulatory guidance toward independent and more thorough verification to work in the Company's favour.

### **Our People**

The success of the Company is highly dependent upon the recruitment and retention of highly qualified and skilled staff. They are the key drivers of profitability and growth. Remuneration schemes are in place to mitigate the risk of losing key individuals and to reduce the risk arising from the absence of suitable resources.

Cyprotex Discovery Limited

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STRATEGIC REPORT (*CONTINUED*)

**Treasury Policies and Financial Risk**

Surplus funds are intended to support the Company's working capital requirements and provide adequate resources to expand its service offerings, both organically and by acquisition. These funds are invested through the use of short-term and period deposits of up to three months. It is not Company policy to use complicated financial derivatives to routinely manage exposure and other financial assets and liabilities. Financial risks are considered on a regular basis by the Board, including future interest rates, liquidity, credit and foreign currency risk. Apart from using short-term and period deposits, interest-rate risks are limited to the fixed element of finance lease/hire purchase agreements that the Company has occasionally used.

**Liquidity Risk**

Surplus funds are invested on a short-term basis at money-market rates making such funds available at short notice.

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. In order to manage risk, the Directors set limits for customers principally based on payment history. The group carries no credit insurance and therefore the maximum exposure to credit risk is the carrying value of trade receivables.

By order of the Board

DocuSigned by:



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Stephen Madden

Director

22 September 2023



Cyprotex Discovery Limited

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## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors present their report and the financial statements for the year ended 31 December 2022.

### RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £6,733,031 (2021: £8,133,520). A dividend of £NIL was paid during the year (2021: £4,314,450).

### DIRECTORS AND THEIR INTERESTS

The directors set out below have held office during the whole of the period from 1 January 2022 to the date of this report.

Enno Spillner (resigned 28 March 2023)  
Robert Riley (resigned 28 March 2023)  
Craig Johnstone  
Stephen Madden (appointed on 28 March 2023)

No director had any interest in the share capital of the company during the year.

### RESEARCH AND DEVELOPMENT

As a contract research organisation, we recognise that continuous innovation is key to our future success.

There are four main drivers for our R&D activities:

#### *Responding to regulatory guidance*

The regulatory guidance is constantly adapting as new science develops. One example is the regulatory guidance for *in vitro* drug-drug interaction studies – a key area of focus and expertise for Cyprotex. It is critical that as a business we respond quickly to any amendments in this guidance so that there is no interruption to our service offering. This may involve developing new or amending existing protocols and/or altering our data processes at short notice to meet the criteria for the regulatory guidelines.

#### *Custom assay development*

Cyprotex often works alongside its clients to develop custom assays for their projects. Many of these projects are large scale high throughput ADME screening projects designed to reflect a client's in-house protocol so any data generated can be compared and ranked against existing databases. Considerable resource is required for these projects including investment in additional instrumentation, set-up and validation of protocols, and changes to information systems infrastructure to analyse, extract and upload data into client-specific databases. We work closely with our clients at all stages of these development projects to ensure our procedures meet their expectations in terms of quality of service and turnaround time. Many of these strategic customers will eventually ship hundreds of compounds per week for testing and so it is essential that the initial set-up and validation of the assay is robust so there is no impact on future screening activities.

#### *Improving efficiency*

Through major advances in liquid handling and analytical technology, the speed of screening has dramatically enhanced over recent years which, in turn, has significantly reduced the overall cost of service. As a business, we are constantly evaluating new techniques which allow us to become more efficient without impacting on quality. Evotec are firm advocates of Continuous Improvement Philosophy and several of our teams within Cyprotex are trained within Lean Six Sigma. This is already reaping rewards in terms of time and cost savings and is freeing up resource for other activities within the business.

Cyprotex Discovery Limited

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**DIRECTORS' REPORT (CONTINUED)*****New innovation***

New innovation is one of the most exciting R&D activities. It allows Cyprotex to be at the very forefront of scientific research and endorses our position as scientific leaders in the field of ADME-Tox. As well as showcasing our research at conferences and within scientific publications, the R&D activities performed at Cyprotex can often be developed into new services which provide our customers with pioneering solutions which cannot always be accessed through other contract research companies. Within the Evotec Group a collaborative project is ongoing in the field of -omics research, joining resource and expertise from multiple fields including cell biology, transcriptomics, bioinformatics, machine learning and artificial intelligence. Cyprotex is heavily involved in this project. It is anticipated that transcriptomics technology will transform the industry's approach to prediction of organ-specific toxicity.

Juggling R&D activities with ongoing commercial demands can be challenging, however through careful planning and management along with a dedicated team of expert scientists and software engineers, R&D has become an integral part of our day-to-day activities.

**GOING CONCERN**

At 31 December 2022, the Company has net assets of £26.13m and net current assets of £22.87m. The Directors consider that it is appropriate to prepare the financial statements on a going concern basis, due to the entity being profitable, possessing sufficient cash reserves and its assets exceeding its liabilities.

The directors have prepared cash flow forecasts for the company from the date of approval of the 2022 financial statements through to 31 December 2024 ("the going concern period"). These forecasts reflect an assessment of current and future market conditions and their impact on the company's future cash flow performance.

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to and including 31 December 2024, which is at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

**INFORMATION PROVIDED IN THE STRATEGIC REPORT**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 5 to 7.

**DISCLOSURE OF INFORMATION TO THE AUDITORS**

Each director in office at the date the Directors' Report is approved has confirmed that:

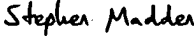
- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Stephen Madden

Director

22 September 2023

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Cyprotex Discovery Limited

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## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Cyprotex Discovery Limited

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYPROTEX DISCOVERY LIMITED

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cyprotex Discovery Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Cyprotex Discovery Limited

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYPROTEX  
DISCOVERY LIMITED (continued)**

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYPROTEX DISCOVERY LIMITED (continued)

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Company and the sector in which it operates we considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Company accounting policies, United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice) and the UK Companies Act 2006; those that relate to the payment of employees; and industry related such as compliance with health and safety legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the recognition of revenue, research and development costs, deferred taxation and the assessment of the discount rate and terms of leases;
- Identifying and testing journal entries, in particular manual journals to cash and manual journals to revenue;
- Testing a sample of revenue recognised either side of the period end to ensure revenue has been recognised in the correct period by reference to the provision of services; and
- Challenge of management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Cyprotex Discovery Limited

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYPROTEX  
DISCOVERY LIMITED (continued)**

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Stuart Wood*

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Stuart Wood (Senior statutory auditor)  
for and on behalf of BDO LLP, Statutory Auditor  
Manchester

22 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Cyprotex Discovery Limited

# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

## Income Statement

Continuing operations	Note	2022	2021
		£	£
<b>Turnover</b>	4	<b>33,101,772</b>	29,339,995
Cost of sales		(20,917,661)	(16,358,579)
<b>Gross profit</b>		<b>12,184,111</b>	12,981,416
Research and development		(190,876)	(283,569)
Administrative expenses		(3,986,146)	(3,141,828)
Other operating income		482,103	721,576
<b>Operating profit</b>	5	<b>8,489,192</b>	10,277,595
Interest receivable	7	8,008	2,071
Interest payable	7	(233,758)	(84,166)
<b>Profit on ordinary activities before taxation</b>		<b>8,263,442</b>	10,195,500
Taxation	8	(1,530,411)	(2,061,980)
<b>Profit for the year</b>		<b>6,733,031</b>	8,133,520

## Statement of Comprehensive Income

	2022	2021
	£	£
Profit for the year	6,733,031	8,133,520
Other comprehensive income that may be reclassified subsequently to profit or loss	-	-
<b>Total comprehensive income for the year</b>	<b>6,733,031</b>	8,133,520

The notes on pages 18 to 36 form part of these financial statements.



## Cyprotex Discovery Limited

**BALANCE SHEET**  
 for the year ended 31 December 2022

	Notes	2022	2021*
		£	£
<b>Non-current assets</b>			
Tangible assets	9	14,937,246	8,318,258
		<u>14,937,246</u>	<u>8,318,258</u>
<b>Current assets</b>			
Stocks	10	1,901,475	2,843,782
Debtors	11	14,683,225	14,095,868
Cash at bank and in hand		12,818,758	5,849,798
		<u>29,403,458</u>	<u>22,789,448</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	12	(6,536,785)	(6,387,037)
		<u>22,866,673</u>	<u>16,402,411</u>
<b>Net current asset</b>			
		<u>37,803,919</u>	<u>24,720,669</u>
<b>Total assets less current liabilities</b>			
<b>Non-current liabilities</b>			
Creditors: amounts falling due after one year	13	(11,126,824)	(5,233,305)
Deferred tax liabilities	14	(542,911)	(107,727)
		<u>26,134,184</u>	<u>19,379,637</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	15	85	85
Share premium account		195,985	195,985
Profit and loss account		25,938,114	19,183,567
		<u>26,134,184</u>	<u>19,379,637</u>
<b>Shareholders' funds</b>			

The financial statements were approved by the Board of Directors and were signed on its behalf by:

Stephen Madden  
 Director  
 22 September 2023  
 Registered number: 04184635

DocuSigned by:  
 Stephen Madden  
 E7DD13DBC24945E...

The notes on pages 18 to 36 form part of these financial statements.

\* As restated – see note 22

## Cyprotex Discovery Limited

**STATEMENT OF CHANGES IN EQUITY**  
 for the year ended 31 December 2022

	Share capital	Share premium	Profit & loss account	Total equity
	£	£	£	£
Balance at 1 January 2022	85	195,985	19,183,567	19,379,637
Profit for the year	-	-	6,733,031	6,733,031
Share based payments transactions	-	-	21,516	21,516
Dividend payment	-	-	-	-
<b>Balance at 31 December 2022</b>	<b>85</b>	<b>195,985</b>	<b>25,938,114</b>	<b>26,134,184</b>

	Share capital	Share premium	Profit & loss account	Total equity
	£	£	£	£
Balance at 1 January 2021	85	195,985	15,337,720	15,533,790
Profit for the year	-	-	8,133,520	8,133,520
Share based payments transactions	-	-	26,777	26,777
Dividend payment	-	-	(4,314,450)	(4,314,450)
<b>Balance at 31 December 2021</b>	<b>85</b>	<b>195,985</b>	<b>19,183,567</b>	<b>19,379,637</b>

The notes on pages 18 to 36 form part of these financial statements.

Cyprotex Discovery Limited

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## NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

### 1. STATEMENT OF COMPLIANCE WITH FRS 101

Cyprotex Discovery Limited, a private company limited by shares, is incorporated and domiciled in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in pound sterling.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. ACCOUNTING POLICIES

#### *Basis of preparation*

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2022. The Company has taken advantage of the following disclosure exemptions under FRS 101 as equivalent disclosures are provided in the group accounts of Evotec SE:

- (a) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2;
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (c) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (d) the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- (e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1; and
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (f) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (g) the requirements of IAS 7 Statement of Cash Flows;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (k) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Cyprotex Discovery Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

### 2. ACCOUNTING POLICIES (continued)

#### *Impact of new accounting standards and recent accounting pronouncements*

#### *First time adoption of new accounting standards in the Financial Year 2022*

Standards/Interpretation	Description	Mandatory application	Expected Effect
Annual improvement Cycle 2018 – 2020:  - IFRS 1 - IFRS 9 - IFRS 16 - IAS 41	IFRS 1: Subsidiary as a first-time adopter  IFRS 9: Clarification with regard to fees in the 10 per cent test for derecognition of financial liabilities  IFRS 16: Amending a lease incentive Illustrative Example  IAS 41: Aligns the fair value measurement requirements with those in other IFRS standards	1 Jan 2022	No effect
Changes of IFRS 3: Reference to the Conceptual Framework	Replacement a reference to the Framework for the Preparation of Financial Statements, without significantly changing its requirements	1 Jan 2022	No effect
Changes of IAS 16: Revenue before an asset is operational	Change in accounting for revenue before an asset is operational	1 Jan 2022	No effect
Changes of IAS 37: Loss-making contracts – cost of contract performance	Clarifying what costs an entity must include to assess whether a contract is unprofitable	1 Jan 2022	No effect

#### *Recent Accounting Pronouncements, not yet adopted*

The following standards and interpretations published by the IASB are not yet mandatory because they have not been endorsed by the EU yet, or the date of their first mandatory application has not yet been reached and they have not been adopted by the Company at an early stage:

## Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**2. ACCOUNTING POLICIES (continued)**

Standards/Interpretation	Description	Mandatory application	Endorsement by European Commission	Expected Effect
Changes of IAS 1: Disclosures on accounting principles	An entity is required to disclose its material accounting policy information instead of its significant accounting policies	1 Jan 2023	Yes	No material effect
Changes of IAS 1: classification of Debt as short or long term	Change in classification of liabilities as current or non-current	1 Jan 2024	No	No effect
Changes of IAS 1: Long-term debt which ancillary conditions (Covenants)	Requirement to provide information on covenants of long-term debt related to prepayment	1 Jan 2024	No	No effect
Changes of IAS 8: Definition of accounting estimates	Clarification of the distinction between accounting policies and accounting estimates	1 Jan 2023	Yes	No material effects
Changes of IAS 12: Recognition of deferred taxes from a single transaction	The initial recognition exemption in IAS 12.15 and IAS 12.24 no longer applies to transactions that, upon initial recognition, give rise to simultaneous deductible and taxable temporary differences of the same amount	1 Jan 2023	Yes	Effect is being analysed
Changes of IFRS 16: Lease liability in a sale and leaseback transaction	Clarification of the valuation of a sale and leaseback transaction	1 Jan 2024	No	Effect is being analysed
IFRS 17: Insurance contracts	New IFRS standard for recognition, measurement, presentation, and disclosure of insurance contracts	1 Jan 2023	Yes	No effect
Changes of IFRS 17: First-time application of IFRS 17 and IFRS 9 comparative information	A company opting for the application of the change (classification overlay) applies them when applying IFRS 17 for the first time	1 Jan 2023	Yes	No effect

Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**2. ACCOUNTING POLICIES (continued)*****Property, plant, and equipment***

Property, plant, and equipment are 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:

Leasehold improvements	-	over lease term
Office equipment	-	3 – 10 years
Computer equipment	-	over 3 years
Laboratory equipment	-	over 5 years

Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term. Material residual value estimates are updated at least annually.

***Impairment testing of property, plant, and equipment***

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

***Disposal of assets***

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

***Impairment of financial assets***

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If no objective evidence exists of impairment on an individual or collective basis then a financial asset will be carried at amortised cost. However, if objective evidence does exist that an impairment has occurred, then the financial asset would be carried at this revised impaired value and the difference would be recognised as an expense in the income statement. An impaired value is calculated as the present value of future cash flows discounted at the original effective interest rate.

Cyprotex Discovery Limited

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## NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

### 2. ACCOUNTING POLICIES (continued)

#### *Revenue recognition*

Revenue is recognised when the control over separable services or research services is transferred to the customer, provided that a contract with enforceable rights and obligations exists and that collectability of consideration is probable.

Revenues generated from service contracts or FTE-based research contracts, or deliverable kind of services are recognised as the services are rendered. The Company applies both input and output based methods to measure the progress of completion. Payments paid in full or in parts in advance are recorded as deferred revenue. Accrued revenue is recognised in case the Company's progress of completion of its performance obligations exceeds the amount of the payments received.

#### *Interest income*

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

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value on a weighted average cost basis, after making allowance for obsolete and slow-moving items. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion.

#### *Research and development expenditure*

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 during the development phase 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 Company intends to complete the intangible asset and use or sell it;
- the Company 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 these criteria for capitalisation are expensed as incurred.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

## Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**2. ACCOUNTING POLICIES (continued)**

Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. 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 year end date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Directors.

***Current versus non-current classification***

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle; or
- it is held primarily for the purpose of trading; or
- it is due to be settled within twelve months after the reporting period; and
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

***Cash at bank and in hand***

Cash at bank and in hand comprises cash on hand and demand deposits, 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 with maturities of three months or less from acquisition.

***Leases***

The Company recognises and measures all leases (excluding short-term leases and leases of low-value assets) using a single model.

***Right-of-use assets***

The company recognises right-of-use assets at the commencement date (i.e. the point in time the underlying leased asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for re-measurement of lease liabilities. The cost of the right-of-use assets include the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Right-of-use assets relating to buildings - 1 - 12 years

If legal ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the leased asset.



Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**2. ACCOUNTING POLICIES (CONTINUED)****Lease Liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses an incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification to the lease, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**Short-term leases and leases of low-value assets**

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised in the profit and loss statement on a straight-line basis over the lease term.

**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 year-end 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 income statement in the period in which they arise. Exchange differences on non-monetary items are recognised in the statement of comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to the statement of comprehensive income, otherwise such gains and losses are recognised in the income statement.

**Taxation and deferred taxation**

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, or 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 Company 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

Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**2. ACCOUNTING POLICIES (continued)*****Taxation and deferred taxation (continued)***

expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the year-end date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except when they relate to items that are charged or credited to other comprehensive income or directly to equity in which case the related deferred tax is also charged or credited to other comprehensive income or directly to equity.

***Pensions***

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

***Government and other grants***

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. Grants of a revenue nature are credited to administrative expenses in the income statement in the same period as the related expenditure.

***Share based payments***

Evotec SE, the ultimate parent of the Company, runs a stock option programme and a share performance plan that allows certain employees of the Company to acquire shares of the parent company. The cost of the equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The costs are recognised in the statement of comprehensive income, together with a corresponding increase in unearned compensation on share options in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

***Provisions***

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that the Company will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Where applicable, expected future cash flows are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, any increase in provision due to unwinding a discount is recognised as a finance cost.

***Financial assets***

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

## Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**2. ACCOUNTING POLICIES (continued)*****Financial assets (continued)***

All financial assets are initially recognised when the Company 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 initially recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables 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 Company 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 using the original effective interest rate.

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 Company 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 Company transfers substantially all the risks and rewards of ownership of the asset, or if the Company neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset. An assessment for impairment is undertaken on each financial asset at least at each year end date.

***Financial liabilities***

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument.

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.
- 'Profit and loss account' represents retained profits and losses.

Cyprotex Discovery Limited

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## NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

### 2. ACCOUNTING POLICIES (continued)

#### *Critical accounting estimates and judgements and key sources of estimation uncertainty*

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from actual results. The assumptions and estimates that have a significant risk of causing a material adjustment within the next financial year are:

#### **Research and development**

Careful judgement is applied when deciding whether the recognition requirements, set out in full above, for development costs have been met.

#### **Assessment of lease terms**

Following the implementation of IFRS 16, the company has made estimates relating to the discount rate and expected lease term. Actual results could differ from the estimates made.

### 3. GOING CONCERN

At 31 December 2022, the Company has net assets of £26.13m and net current assets of £22.87m. The Directors consider that it is appropriate to prepare the financial statements on a going concern basis, due to the entity being profitable, possessing sufficient cash reserves and its assets exceeding its liabilities.

The directors have prepared cash flow forecasts for the company from the date of approval of the 2022 financial statements through to 31 December 2024 ("the going concern period"). These forecasts reflect an assessment of current and future market conditions and their impact on the company's future cash flow performance. These forecasts have been sensitised for a reduction in revenue through to 31 December 2024.

In assessing whether the going concern basis is appropriate the directors have taken account of all available information about the future up to and including 31 December 2024, which is at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

## Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**4. TURNOVER**

Turnover represents amounts invoiced to customers for goods and services recognised in accordance with the accounting policy above.

All turnover, profits/losses and operating assets/liabilities relate to one principal business activity, that of providing *in vitro* and *in silico* ADMET/PK (Absorption, Distribution, Metabolism, Excretion, Toxicity/Pharmacokinetics) information to the Pharmaceutical, Biotechnology, Cosmetics, Personal Care, Agrochemical, Chemical industries and Academia..

An analysis of turnover by destination is as follows:

	2022	2021
	£	£
United Kingdom	8,537,320	6,217,179
Rest of Europe	12,789,513	12,795,606
North America	10,151,467	8,987,228
Rest of the World	1,623,472	1,339,982
	<b>33,101,772</b>	<b>29,339,995</b>

Amounts recognised in relation to the impairment of accrued income was £nil (2021 - £nil). Amounts included in deferred income that were recognised as revenue during the period were £212,080 (2021 - £331,029).

**5. OPERATING PROFIT**

Operating profit is stated after charging/ (crediting):

	2022	2021
	£	£
Auditors' remuneration		
- audit services	60,000	52,000
Depreciation of owned assets	1,258,209	1,337,420
Depreciation of leased assets	803,005	441,914
Inventories recognised as an expense	6,968,574	5,003,821
Research and development expenditure including staff costs	190,876	283,569
(Gain)/loss on foreign currency translation	(87,034)	31,987
Grant income	(70,366)	(293,090)
Share based payment charge	21,516	26,977
Research and development expenditure credit	(324,703)	(240,227)

## Cyprotex Discovery Limited

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

## 6. STAFF COSTS AND DIRECTORS' REMUNERATION

	2022	2021
	£	£
Wages and salaries	7,599,482	6,476,442
Social security costs	783,076	666,781
Other pension costs (see note 17)	713,584	573,538
Share based compensation	20,969	25,859
	<u>9,117,111</u>	<u>7,742,620</u>

The average number of employees, including directors, employed by the company during the year was as follows:

	2022	2021
	No	No
Operations and Development Technical	182	171
Administration	12	11
Selling and Distribution	6	5
	<u>200</u>	<u>187</u>

There were no directors that received remuneration during the year (2021:0). No director (2021:0) accrued benefits under a defined contribution scheme.

## 7. INTEREST RECEIVABLE AND INTEREST PAYABLE

	2022	2021
	£	£
Interest receivable:		
Income from deposits	<u>8,008</u>	<u>2,071</u>
Interest payable:		
Interest on leased assets	233,749	84,166
Bank interest	9	-
Interest payable	<u>233,758</u>	<u>84,166</u>

## Cypotex Discovery Limited

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

## 8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

### (a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2022	2021
	£	£
<i>Current tax</i>		
UK Corporation tax at 19% (2021: 19%)	1,097,761	1,803,516
Adjustment in respect of prior year	(2,534)	17,495
	<u>1,095,227</u>	<u>1,821,011</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	441,894	240,969
Prior year	(6,710)	-
	<u>1,530,411</u>	<u>2,061,980</u>

### (b) Factors affecting tax charge

The tax charge for the period is lower than (2021: higher than) the standard rate of UK corporation tax at 19% (2021: 19%) due to the differences explained below:

## Cyprotex Discovery Limited

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

## 8. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2022	2021
	£	£
Profit on ordinary activities before tax	8,263,442	10,195,500
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2021: 19%)	1,570,054	1,937,145
Effects of:		
Expenses/income not assessable for tax purposes	12,868	6,061
Depreciation (more)/less than capital allowances	(43,267)	101,279
Adjustment to UK corporation tax in respect of prior periods	(9,244)	17,495
Tax charge for the year	1,530,411	2,061,980

### (c) Factors that may affect current and future tax charges

In the March 2022 budget, it was announced that the corporation tax rate would increase from 19% to 25% in April 2023. As the change of tax rate to 25% was substantively enacted during the period deferred tax assets and liabilities have been calculated at the rate they are expected to reverse at.

### (d) Deferred Tax

Deferred tax balance	2022	2021
	£	£
At 1 January	(107,727)	133,242
Movement in the year to profit and loss	(435,184)	(240,969)
At 31 December – (Liability)	(542,911)	(107,727)

The deferred tax balance comprises the following amounts:	2022	2021
	£	£
Decelerated capital allowances	(561,161)	(109,835)
Other timing differences	18,250	2,108
	(542,911)	(107,727)

All amounts are calculated at the tax rates at which the timing differences are expected to reverse. The average of the rates used to calculate the deferred tax asset is 25% (2021: 24%).

The company has unrecognised deferred tax assets of £131,811 (2021: £131,811). These relate to capital losses that can only be offset against future capital gains.



## Cyprotex Discovery Limited

**NOTES TO THE ACCOUNTS**

For the year ended 31 December 2022

**9. TANGIBLE FIXED ASSETS**

	Building & Leasehold improvements	Office equipment	Computer equipment	Laboratory equipment	Total
Cost	£	£	£	£	£
At 1 January 2022	7,115,338	79,682	1,704,125	11,619,101	20,518,246
IFRS 16 additions	5,896,282	-	-	-	5,896,282
Additions	238,442	1,290	299,910	2,244,278	2,783,920
Disposals	-	-	-	-	-
<b>At 31 December 2022</b>	<b>13,250,062</b>	<b>80,972</b>	<b>2,004,035</b>	<b>13,863,379</b>	<b>29,198,448</b>
Depreciation					
At 1 January 2022	1,504,135	66,736	1,442,985	9,186,132	12,199,988
Provided during the year	40,015	13,161	193,119	1,011,914	1,258,209
Provided during the year on right-of-use assets	803,005	-	-	-	803,005
Depreciation on disposals	-	-	-	-	-
<b>At 31 December 2022</b>	<b>2,347,155</b>	<b>79,897</b>	<b>1,636,104</b>	<b>10,198,046</b>	<b>14,261,202</b>
Net book value					
<b>At 31 December 2022</b>	<b>10,902,907</b>	<b>1,075</b>	<b>367,931</b>	<b>3,665,333</b>	<b>14,937,246</b>
At 31 December 2021	5,611,203	12,946	261,140	2,432,969	8,318,258

**10. STOCKS**

	2022	2021
	£	£
Raw materials and consumables	1,901,475	2,843,782

The difference between the replacement cost and the book value of stocks is not material

## Cyprotex Discovery Limited

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

**11. DEBTORS**

	2022	2021 Restated
	£	£
Trade debtors	5,028,789	5,998,746
Amounts owed by group companies	2,445,250	1,536,237
VAT recoverable	268,029	16,447
Prepayments	1,068,191	959,103
Accrued income	1,857,000	2,066,168
Corporation tax repayable	4,014,639	3,478,726
Other debtors	1,327	40,441
	<b>14,683,225</b>	<b>14,095,868</b>

Amounts owed by group undertakings are interest free and due on demand.

**12. CREDITORS: amounts falling due within one year**

	2022	2021 Restated
	£	£
Trade creditors	1,044,036	820,611
Current lease liabilities	87,413	436,617
Other taxes and social security costs	200,609	174,560
Accruals	940,066	836,352
Deferred income	657,896	334,287
Deferred grant income	39,392	39,392
Amounts owed to group undertaking	3,554,016	3,633,081
Other liabilities	13,357	112,137
	<b>6,536,785</b>	<b>6,387,037</b>

Amounts owed to group undertakings are interest free and due on demand.

**13. CREDITORS: amounts falling due after one year**

	2022	2021
	£	£
Non-current lease liabilities	<b>11,126,824</b>	<b>5,233,305</b>

The maturity profile for lease liabilities is included in note 20.

## Cyprotex Discovery Limited

# NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

## 14. DEFERRED TAX LIABILITIES

	2022	2021
	£	£
Deferred tax liability (see note 8 (d))	542,911	107,727

## 15. SHARE CAPITAL

	2022	2021
<i>Authorised</i>	<i>number</i>	<i>number</i>
Ordinary shares of £0.00000125p each	800,000,000	800,000,000
<i>Authorised</i>	<i>£</i>	<i>£</i>
Ordinary shares of £0.00000125p each	1,000	1,000

	2022	2021
<i>Allotted, called up and fully paid</i>	<i>number</i>	<i>number</i>
Ordinary shares of £0.00000125p each	68,000,000	68,000,000
<i>Allotted, called up and fully paid</i>	<i>£</i>	<i>£</i>
Ordinary shares of £0.00000125p each	85	85

## 16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by IAS 24 not to make disclosures concerning transactions with entities wholly owned by Evotec SE Group.

## 17. PENSION COMMITMENTS

The company operates a number of defined contribution schemes for its directors and employees. The assets of the schemes are held separately from those of the company in independently administered schemes. The unpaid contributions at 31 December 2022 are £73,742 (2021: £11,096).

## 18. CAPITAL COMMITMENTS

At 31 December 2022, the Company had outstanding capital commitments of £1,048,940 (2021: £384,761).

## 19. PARENT UNDERTAKING AND CONTROLLING PARTY

Cyprotex Discovery Limited is a direct wholly-owned subsidiary of Cyprotex Limited, a company registered in England and Wales. Cyprotex Limited is a direct wholly-owned subsidiary of Evotec SE, a company registered in Germany. Copies of the accounts of Evotec SE, which is the smallest and largest group to consolidate the results of the company, can be obtained from the Company Secretary, Manfred Eigen Campus, Essener Bogen 7, 22419 Hamburg, Germany. The ultimate parent company of the company is Evotec SE, a company registered in Germany.

## Cyprotex Discovery Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

### 20. LEASES

The Company has lease contract for building recognized within property, plant and equipment. The amounts recognised in the financial statements in relation to the lease are as follows.

*Amounts recognised in the statement of financial position:*

	2022	2021
	£	£
<b>Right-of-use assets</b>		
Building and leasehold improvements	10,544,063	5,450,786
<b>Lease Liabilities</b>		
Short term	87,413	436,617
Long-term	11,126,824	5,233,305

*Amounts recognised in the income statement:*

In the reporting period, the following amounts were recognised as expenses:

	2022
	£
Depreciation expense of right-of-use assets	803,005
Interest expense on lease liabilities	233,749
Total amount recognised in income statement	<u>1,036,754</u>

The total cash outflow for leases for the year ended 31 December 2022 was £585,704 (2021: £510,136). There are no leases which the Company has committed to but not yet commenced.

#### Obligations under leases

The total future minimum leases payments under lease agreements are as follows:

	2022	2021
	£	£
Not later than 1 year	586,408	436,617
Later than 1 year and not later than 5 years	5,794,148	2,192,802
Later than 5 years	8,243,038	3,040,503
Total value of minimum lease payments	<u>14,623,594</u>	<u>5,669,922</u>

Cyprotex Discovery Limited

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## NOTES TO THE ACCOUNTS

For the year ended 31 December 2022

### 21. SUBSEQUENT EVENTS

On 6 April 2023, the Group, headed by Evotec SE, suffered from a criminal cyber-attack that targeted many of the Group's operations which caused disruptions to many of its IT system in several countries and temporarily stopped or reduced the Research and Production activities. The Group has been working relentlessly and prompt actions were taken to contain the incident, mitigate its impact and to return the operations to normal as soon as possible. Operations quickly recovered within days however it is possible that there may be significant impact on the Group and Company's 2023 financial performance.

### 22. PRIOR YEAR RESTATEMENT

The Balance Sheet for the year ended 31 December 2021 has been restated due to an error in the recognition of accrued income in note 11 which should have been treated as a deduction against deferred income in note 12. As a result, accrued income has decreased and deferred income has decreased by £813,364. There is no impact to the Income Statement or Statement of Comprehensive Income, net current assets or net assets as a result of the restatement.

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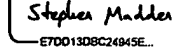
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