

**VASTox plc****Interim Results**

Oxford, UK: 12 October 2005 – **VASTox plc** (AIM: VOX), the drug discovery and services business specialising in chemical genomics, today announces its interim results for the six months ended 31 July 2005.

**Highlights**

- Turnover increased to £201,000 (H1 2005: £42,000)
- Progress in the Duchenne Muscular Dystrophy and Tuberculosis programmes
- Initiation of a third proprietary programme in Spinal Muscular Atrophy
- Loss after tax £122,000 (H1 2005: loss of £44,000)
- Relocation of all staff into a state-of-the-art 15,000 square foot facility in Milton Park, Oxfordshire

**Commenting on the Group's interim results, Steven Lee, Chief Executive Officer of VASTox plc, said:**

"VASTox became a public company in October 2004 to accelerate both our chemical genomics services business and our proprietary drug discovery programmes. With sales up nearly five-fold, and compounds in our lead DMD programme entering efficacy studies, we have delivered a step-change in operations. All this was achieved whilst maintaining good financial discipline and consolidating all of the company in one excellent facility. We have now built a base from which our shareholders will see continued business successes and accelerated value growth."

**For more information please contact:****VASTox plc ([www.vastox.com](http://www.vastox.com))**

Dr Steven Lee, Chief Executive Officer

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## Chairman and Chief Executive's statement

### Introduction

During the past six months we have made significant advances in all areas of the business. With a strong sales pipeline, progress on in-house proprietary programmes and a new dedicated £3m chemical genomics facility, the company is entering its next stage of development and value growth.

### Services

Sales for the half year have increased to £201,000 compared with £42,000 for the period to 31 July 2004 (£113,000 for the year to 31 January 2005). The increase in sales reflects the pharmaceutical and agrochemical industries beginning to value our genomics platform for both gene target identification and predictive toxicity testing of potential drugs.

Since January we have signed six deals with five new customers for chemical genomics and chemistry services. These deals range from fee-for-service to a full R&D collaboration with a top-tier agrochemical company where VASTox retains all rights to intellectual property generated relating to drug discovery.

### Product development

We have responded to the challenges facing the pharmaceutical industry by leveraging our expertise in compound screening and high-throughput *in-vivo* toxicology to produce a comprehensive range of value-added services. We now offer services in:

- Cardiotoxicity
- Acute toxicity
- Hepatotoxicity
- Genotoxicity
- Carbohydrate synthesis
- Medicinal chemistry

These offerings have created real industry excitement. Cardiotoxicity for example causes one in three drug candidates to fail; an effect that is often not seen until the late stages of clinical trials or even when the drug is in the marketplace. By using zebrafish we can provide rapid and highly predictive *in-vivo* data on the toxicity of our clients' compounds, saving cost and time.

### Programmes

VASTox does not fund in-house research to derive proprietary drug discovery programmes. Instead, the company leverages its relationships within the global academic community to initiate innovative programmes with minimal up-front investment.

Our first two programmes, in Duchenne Muscular Dystrophy (DMD) and Tuberculosis (TB) are based on the work of founding scientists Professors Kay Davies and Edith Sim respectively. Both academics are world-leading experts in their fields having

spent many years developing an understanding of these diseases to a point where commercial drug discovery can take place.

In July we announced that Spinal Muscular Atrophy (SMA) would be the focus for our third proprietary drug discovery programme, after DMD and TB. SMA is a fatal genetic condition that affects approximately 50,000 patients worldwide. The disease usually appears in young children and patients usually die before their teens. There is currently no adequate treatment for this disease.

Most drugs fail through toxic or unwanted side effects, rather than lack of efficacy. We believe that our in-house drug programmes will stand a greater chance of success because we will use our screening and toxicology technologies before starting clinical trials.

### **Scientific Advisory Board**

Since January we have strengthened our scientific advisory board through the recruitment of Professor Francesco Muntoni, a paediatric neurologist working at Imperial College London; Professor Roger Patient, an expert in zebrafish and cardiovascular diseases currently research professor at the Weatherall Institute of Molecular Medicine at the University of Oxford; Professor David Paterson, an expert in cardiovascular diseases at the University of Oxford; and Dr Marcel van den Heuvel, a group leader at the Medical Research Council Genetics Unit at the University of Oxford and an expert in SMA and Drosophila. We will continue to make selective appointments where we find talented and like-minded scientists.

As our Scientific Advisory Board strengthens and our network of academic collaborators grows we are building a pipeline of potential drug discovery programmes. We will continue to select and fund those programmes that combine innovative science, accomplished academics and well-developed assays.

### **Operations**

Since January 2005 we have completed the move from university incubation laboratories to a state-of-the-art, 15,000 square foot facility in Milton Park, Oxfordshire. For the first time since our inception, all the company's biologists, chemists and managers are working in the same facility. We believe that our customers are already benefiting from this synergy. We have recruited drug discoverers from industry to turn innovative academic science into promising drug discovery programmes.

We now have the people and facilities to grow both our services business and drive our existing programmes.

### **Board changes**

As we approach our first anniversary as a public company we have reviewed the composition of the Board as we begin our next phase of growth.

We recently announced the appointment of Sir Brian Richards CBE as Non-Executive Director. Sir Brian was a pioneer of the European biotechnology industry in the late 1980s, and continues to be a driving force within the sector. His tremendous industry experience and track record of success in growing biotech companies will be invaluable to VASTox.

Andrew Mulvaney, Chief Operations Officer and founding scientist, will be stepping down from the Board to focus on a full-time role in sales and business development. We thank Andy for his hard work and contribution to the growth of the company from its start-up stages in an all round operational capacity.

### **Outlook**

We have achieved a great deal in the past twelve months since our listing on AIM in October 2004, and have set aggressive growth targets over the next five years.

For the remainder of the financial year we see increased activity in our services business, advances in our drug discovery programmes and the initiation of a further proprietary programme.

From the strong business base built over the past year, we now have an opportunity to further accelerate the growth of our services division, our existing proprietary programmes and the engine for starting more new innovative programmes.

Prof. Stephen Davies  
Chairman

Steven Lee, PhD  
Chief Executive Officer

12 October 2005

**Consolidated profit and loss account**  
for the six months ended 31 July 2005

	<b>Unaudited Six months ended 31 July 2005 £</b>	Unaudited Six months ended 31 July 2004 £	Restated Year ended 31 January 2005 £
Turnover	<b>201,156</b>	41,950	112,718
Cost of sales	<b>( 75,894 )</b>	( 21,570 )	( 90,200 )
Gross profit	<b>125,262</b>	20,380	22,518
Administrative expenses			
Research and development	<b>( 159,069 )</b>	-	( 267,533 )
Other	<b>( 393,235 )</b>	( 64,979 )	( 40,348 )
	<b>( 552,304 )</b>	( 64,979 )	( 307,881 )
Operating loss	<b>( 427,042 )</b>	( 44,599 )	( 285,363 )
Interest receivable	<b>305,322</b>	582	215,368
Loss on ordinary activities before taxation	<b>( 121,720 )</b>	( 44,017 )	( 69,995 )
Tax on loss on ordinary activities	-	-	24,321
Loss on ordinary activities after taxation	<b>( 121,720 )</b>	( 44,017 )	( 45,674 )
Basic loss per ordinary share	<b>0.39p</b>	0.22p	0.19p

**Consolidated balance sheet**  
at 31 July 2005

	<b>Unaudited</b> <b>31 July</b> <b>2005</b> <b>£</b>	Unaudited 31 July 2004 £	Restated 31 January 2005 £
<b>Fixed assets</b>			
Tangible assets	<b>1,139,645</b>	-	1,353
Intangible assets	<b>35,000</b>	-	20,000
	<b>1,174,645</b>	-	21,353
<b>Current assets</b>			
Debtors	<b>429,687</b>	1,950	93,140
Cash on short term deposits	<b>12,900,000</b>	-	13,800,000
Cash at bank	<b>19,730</b>	97,320	361,252
	<b>13,349,417</b>	99,270	14,254,392
<b>Creditors:</b> amounts falling due within one year	<b>( 555,886 )</b>	( 117,053 )	( 185,849 )
<b>Net current assets</b>	<b>12,793,531</b>	( 17,783 )	14,068,543
<b>Net assets</b>	<b>13,968,176</b>	( 17,783 )	14,089,896
<b>Capital and reserves</b>			
Called up share capital	<b>3,131,311</b>	1,000	3,131,311
Share premium account	<b>12,946,848</b>	99,000	12,946,848
Other reserves	<b>( 1,942,589 )</b>	-	( 1,942,589 )
Profit and loss account	<b>( 167,394 )</b>	( 117,783 )	( 45,674 )
<b>Equity shareholders' funds</b>	<b>13,968,176</b>	( 17,783 )	14,089,896

**Consolidated cash flow statement**  
for the six months ended 31 July 2005

	<b>Unaudited Six months ended 31 July 2005 £</b>	Unaudited Six months ended 31 July 2004 £	Restated Year ended 31 January 2005 £
Net cash flow from operating activities	<u>( 371,110 )</u>	<u>( 16,629 )</u>	<u>( 184,863 )</u>
Returns on investment and servicing of finance	<b>305,322</b>	582	215,368
Capital expenditure	<u>( 1,175,734 )</u>	<u>-</u>	<u>( 6,803 )</u>
<b>Cash (outflow) inflow before management of liquid resources and financing</b>	<b>( 1,241,522 )</b>	<b>( 16,047 )</b>	<b>23,702</b>
Management of liquid resources	<b>900,000</b>	-	( 13,800,000 )
Financing	-	33,776	14,057,959
Increase (decrease) in cash in the period	<u>( 341,522 )</u>	<u>17,729</u>	<u>281,661</u>

**Reconciliation of operating loss to net cash outflow from operating activities**

	<b>Unaudited Six months ended 31 July 2005 £</b>	Unaudited Six months ended 31 July 2004 £	Restated Year ended 31 January 2005 £
Operating loss	<u>( 427,042 )</u>	<u>( 44,599 )</u>	<u>( 285,363 )</u>
Depreciation charge	<b>18,645</b>	-	450
Amortisation of intangible fixed assets	<b>3,797</b>	-	5,000
Increase in debtors	<b>( 336,547 )</b>	<b>( 1,748 )</b>	<b>( 68,615 )</b>
Increase in creditors	<b>370,037</b>	<b>29,718</b>	<b>163,665</b>
<b>Net cash outflow from operating activities</b>	<u>( 371,110 )</u>	<u>( 16,629 )</u>	<u>( 184,863 )</u>

## Notes to the interim results

### 1. Basis of preparation

The results for the half-year are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. They have been prepared on the same basis as the accounts for the year ended 31 January 2005.

The comparatives for the full year ended 31 January 2005 are not the company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report (signed by the company's previous auditors) on those accounts was unqualified and did not contain a statement under section 237 (2) – (3) of the Companies Act 1985.

### Restatement

The directors have reviewed the accounting treatment of share options in the accounts for the year to 31 January 2005 in relation to UITF 17. The directors have concurred that the share options were priced at the market value at the date of grant. These accounts have therefore been restated to exclude the non-cash charge of £453,351 for expensing of share options. This restatement has had no effect on net assets or equity shareholders' funds.

### 2. Loss per share calculation

The loss per share has been calculated by dividing the loss for the period of £121,720 (for the period ended 31 July 2004: loss of £44,017; for the year ended 31 January 2005: loss of £45,674) by the weighted average number of 31,313,111 shares in issue during the six month period to 31 July 2005 (for the six month period ended 31 July 2004: 20,202,000; for the year ended 31 January 2005: 23,442,741).

Since the group has reported a net loss, diluted loss per share is equal to basic loss per share.

### 3. Analysis of changes in net funds

	<b>Unaudited Six months ended 31 July 2005 £</b>	<b>Unaudited Six months ended 31 July 2004 £</b>	<b>Year ended 31 January 2005 £</b>
Movement in cash in the year	<b>( 341,522 )</b>	17,729	281,661
Cash (inflow) outflow from movement in liquid resources	<b>( 900,000 )</b>	-	13,800,000
Opening net funds	<b>14,161,252</b>	79,591	79,591
Closing net funds	<b>12,919,730</b>	97,320	14,161,252

4. Copies of this interim report are being sent to all shareholders. Copies are also available at the Registered Office of the Company: VASTox plc, 91 Milton Park, Abingdon, Oxfordshire, OX14 4RY.

The interim results were approved by the Board of Directors on 11 October 2005.