



26th November 2007

FULCRUM PHARMA PLC

("the Group" or "the Company")

Preliminary Results for the Year Ended 31 August 2007

Fulcrum Pharma plc (AIM: FUL), the drug development and strategic outsourcing services company, today announces its preliminary results for the year ended 31 August 2007.

Highlights

- *EBITDA* increased by 88% to £613,000 (2006: £325,000)*
- *Fee sales improved by 38% to £11.5m (2006: £8.3m)*
- *Acquisition of Unicus Regulatory Services Ltd which, after some initial integration issues, is now trading profitably*
- *Operating profit from continuing operations is £408,000 (2006: £77,000)*
- *Profit before tax is £42,000 (2006: £94,000)*
- *Healthy order book which has significantly strengthened since last year*

** EBITDA is defined as earnings before interest, taxation, depreciation and amortisation*

Commenting on the results, Chairman Prof. Sir Charles George said:

"The underlying performance of the Group and the continued improvement in operating cash generation are gratifying. We remain committed to growing our services business both organically and by acquisition. I would like to thank the management and staff for their contribution to the business."

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Fulcrum Pharma PLC
Preliminary Results for the Year Ended 31 August 2007

Chairman's Report

Introduction

I am pleased to report that over the past year Fulcrum has continued to grow, generate cash and deliver profits.

Strategic Review

Our strategy to increase the scale of the company both organically and by acquisition has resulted in significant sales growth. The Group's service offering has expanded to include pharmacovigilance, patient information management and regulatory interim management.

In April 2007 Fulcrum completed the acquisition of Unicus Regulatory Services Ltd ("Unicus"), a UK based business. This acquisition, together with organic growth across the Group, enables Fulcrum to offer its clients wide ranging drug development and regulatory services to meet the ever increasing demand for outsourced pharmaceutical services.

Financial Results

The results for the full year have improved in key areas. Fee sales rose by 38% to £11.5m (2006: £8.3m) and earnings before interest, tax and depreciation and amortisation ("EBITDA") increased by 88% to £613,000 (2006: £325,000). Profit before tax was £42,000 (2006: £94,000) and amortisation of goodwill was £261,000 (2006: £51,000).

The retained profit for the year was £32,000 (2006: £82,000) and the basic earnings per share was 0.02p (2006: 0.07p).

The Company has adopted FRS20 "Share based payments" in these results. The adoption of this accounting standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The relocation of the UK office to its new premises in Hemel Hempstead, which was postponed following the explosion at the Buncefield Oil Depot, took place in March 2007. A claim of £390,000 in respect of increased costs of working and business interruption has been registered with the loss adjustor for the oil companies. An amount of £177,000 is included in debtors in respect of this claim as at 31 August 2007 (2006: £40,000) as the Directors have obtained professional advice that this is the minimum that the Company can expect to receive.

The cash position and balance sheet remains strong with a net increase in cash and short term investments to £2.4m (2006: £2.1m). Net funds at 31 August 2007 have decreased from £778,000 to £370,000 partially reflecting the bank loan of £1m to fund the acquisition of Unicus.

The directors do not propose a dividend (2006: nil).

Unicus

Fulcrum completed the acquisition of Unicus for an initial consideration of £2,500,000. As stated in the Trading Update of 15th August 2007, this initial consideration was reduced to £2,300,000. Subsequently the vendor has reimbursed £159,000 in cash as a refund of

consideration pursuant to the sale and purchase agreement and the earnout agreement has been varied to include an extension of the earnout period to 31st July 2008. This variation is not expected to increase the overall cost of the acquisition. In the trading update it was also reported that Unicus sales had been below forecast since the date of the acquisition. Management has subsequently focused on sales growth and cost control and we are pleased to report that in the quarter ended October 2007 Unicus has returned to profitability.

Operating Review

Commercial, Sales and Business Development

Over the past year Fulcrum has scaled up its sales and marketing resources and operational capacity. This increase in scale has enabled the company to broaden the range of development and regulatory services it offers the pharmaceutical industry. Group sales have continued to improve and, as indicated at the interims, performance was strengthened in the second half with fee sales of £6.6m compared to £4.9m in the first half. Overall fee sales increased by 38% for the full year compared to the previous year. As expected net operating costs have increased, reflecting investment in the scale up of the business, recruitment of staff and associated infrastructure.

The US dollar and Japanese yen have weakened considerably compared with the same period last year. Although sales in Japan and the US have increased by 13% and 11% respectively at constant currency, currency movements reduce the reported sales by £439,000 compared to last year. However, currency movements have no significant effect on overall Group operating profit, due to the regional spread of the Group's profits.

The Group has concentrated on strengthening the Fulcrum brand through the launch of a new corporate website and a broad participation at major biotechnology and partnering conferences in the US, Europe and Japan. The Group's approach to fee generation has been integrated to optimise sales between development and regulatory services. In addition to this year's sales growth, the Group's forward order book has strengthened significantly compared to the same time last year.

Europe

We have strengthened our business development capacity to drive future sales performance in Europe. This has included placing dedicated sales resource in the US to sell European services to US based clients. In addition more experienced operational staff have been recruited to our offices in Edinburgh, Strasbourg and in the Group's new head office in Hemel Hempstead to deliver rising sales. Europe has continued its excellent track record of developing relationships with international Non Governmental Organisations (NGOs) e.g. the Medicines for Malaria Venture (MMV) which has generated fee sales for both development and regulatory services. Fulcrum is proud that, for the second year running, one of our senior staff received the MMV Project of the Year Award (see <http://mmv.org>) for work on a project researching a new generation of synthetic peroxides for the treatment of malaria.

The enlargement of the Group through organic growth and the acquisitions of Unicus in April 2007 and Quadramed Ltd in February 2006 have enabled Fulcrum to deliver complete regulatory solutions to clients. Furthermore, Fulcrum has entered into a strategic alliance with the Lorenz Life Sciences Group to broaden the offerings in the expanding areas of e-publishing and submission management.

The next step is to integrate the recent acquisitions and simplify the organisational structure to improve delivery within the Group.

US

The recovery of the US business is now well underway with a return to profitability in the second half of the year. There has been strong sales growth in non-clinical services delivered to domestic US clients and to customers in Europe and Japan. It has been encouraging that a significant proportion of sales growth has come from new clients.

To help meet increasing demand for preclinical services a new office was opened in November 2007 in Ann Arbor, Michigan. Our next step is to continue building up business development capacity plus operational resources in preclinical, technical and regulatory services.

Japan

Domestic sales in Japan have increased by 13% in local currency with profit before tax increasing by over 60% over the last year.

This success has stemmed from the positioning of the business as a specialist oncology clinical research organisation where Fulcrum Japan now enjoys a strong reputation. Business development by the Japanese subsidiary also generated £1.3m of fee sales from Japanese clients for Europe and US development and regulatory services.

Recently our Japanese subsidiary has won a contract to execute a phase III clinical oncology development study in Japan on behalf of a major Pharma company. The project commenced in September 2007 for four years and has a sales value of circa £2.7 million. In conjunction with other contracts already secured this means that, at current capacity, Japan has a full order book for the next two years.

Management Incentives

The long term incentive plan approved at the EGM held in April 2007 has been implemented. The plan aligns senior management with future goals to deliver growth, profits and shareholder value.

Board Changes

We are actively looking to add skill sets and expertise to the Board to enable the Group to achieve its aspirations to become a significant player in the pharmaceutical services sector. The Board expects to announce changes in its composition in early 2008.

Future Strategy and Outlook

The Group has a clear strategy to deliver a sustainable and profitable business and, as stated previously, the steps to achieve this are:

1. Grow the global service business to deliver complete development and regulatory solutions.
2. Increase scale through acquisition and organic growth.
3. Grow the business and its profitability by:
 - Integrating and simplifying business in Europe post M&A
 - Continued improvement of systems and processes
 - Increasing capacity of the sales teams in Europe, US and Japan

- Developing and retaining long term client relationships
- Focusing on broadening Fulcrum's most profitable services

The Group remains committed to growing its global pharmaceutical development and regulatory services. In addition to organic growth the Group is planning further M&A activity to meet its aspirations and build a business with sufficient scale to deliver sustainable profits.

Conclusion

The operating profit from continuing operations of £408,000 (2006: £77,000) is in line with expectations and Unicus, having now recovered from some initial integration issues, is trading profitably. The Board is further encouraged by the strengthened order book since the year end. Finally, I would like to thank the management and staff for their contribution to the business.

Consolidated Profit & Loss Account for the year ended 31 August 2007

		Year Ended 31 August 2007 Unaudited	Year Ended 31 August 2007 Unaudited	Year Ended 31 August 2007 Unaudited	Year Ended 31 August 2006 Audited (Restated)
	Note	Continuing operations £'000	Acquisitions £'000	Total £'000	Total £'000
Turnover	2	18,118	1,119	19,237	15,451
Cost of sales		(13,454)	(1,056)	(14,510)	(11,438)
Gross profit		4,664	63	4,727	4,013
Selling expenses		(452)	(52)	(504)	(563)
Administrative expenses		(3,899)	(342)	(4,241)	(3,438)
Other operating income		95	-	95	65
Operating profit/(loss)		408	(331)	77	77
Interest receivable and similar income		42	-	42	59
Interest payable and similar charges		(73)	(4)	(77)	(42)
Profit/(loss) on ordinary activities before taxation		377	(335)	42	94
Tax on profit/(loss) on ordinary activities	3	(36)	26	(10)	(12)
Profit/(loss) for the financial year		341	(309)	32	82
<i>Earnings per share (pence)</i>	4				
<i>Basic</i>				<i>0.02p</i>	<i>0.07p</i>
<i>Diluted</i>				<i>0.02p</i>	<i>0.07p</i>

Statement of Total Group Recognised Gains and Losses for the year ended 31 August 2007

	2007 Unaudited £'000	2006 Audited (Restated) £'000
Profit on ordinary activities after taxation	32	82
Exchange adjustments offset in reserves	6	(27)
Total recognised gains and losses for the year	38	55
Prior year adjustment	(128)	
Total recognised gains & losses since last annual report	(90)	

Consolidated Balance Sheet as at 31 August 2007

	2007	2006
Note	Unaudited £'000	Audited (Restated) £'000
Fixed assets		
Intangible assets	3,441	1,216
Tangible assets	715	552
Investments	469	469
	4,625	2,237
Current assets		
Debtors	5,923	3,657
Short term investments	500	524
Cash at bank and in hand	1,934	1,571
	8,357	5,752
Creditors: amounts falling due within one year	(6,498)	(3,874)
Net current assets	1,859	1,878
Total assets less current liabilities	6,484	4,115
Creditors: amounts falling due after more than one year	(803)	(545)
Net assets	5,681	3,570
Capital and reserves		
Called up share capital	1,779	1,285
Share premium account	6,082	4,547
Merger reserve	(454)	(454)
Profit and loss account	(1,726)	(1,808)
Equity shareholders' funds	5,681	3,570

Consolidated Cash Flow Statement for the year ended 31 August 2007

	Note	2007 Unaudited £'000	2006 Audited £'000
Net cash inflow from operating activities	6	922	795
Returns on investment and servicing of finance			
Interest received		39	59
Interest paid		(44)	(42)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(5)	17
Taxation			
Corporation tax paid		(78)	(72)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(450)	(310)
Purchase of own shares for employee share options and awards		(20)	(114)
Purchase of equity investments		-	(297)
Net cash outflow from capital expenditure and financial investment		(470)	(721)
Acquisitions & disposals			
Purchase of subsidiary undertakings (including costs)		(2,398)	(123)
Net (overdraft)/cash acquired with subsidiary		(58)	445
Net cash (outflow)/inflow from acquisitions and disposals		(2,456)	322
Net cash (outflow)/inflow before management of liquid resources and financing		(2,087)	341
Management of liquid resources			
Decrease in short term investments		24	669
Financing			
Proceeds of ordinary shares issued		2,029	-
Increase in borrowings		1,043	-
Capital element of finance lease payments		(17)	(30)
Bank loan repayments		(104)	(87)
Loan note repayments		(740)	-
Net cash inflow/(outflow) from financing		2,211	(117)
Increase in cash		148	893

Reconciliation of net cash flow to movement in net funds

	2007	2006
	Unaudited	Audited
	£'000	£'000
Increase in cash	363	893
Increase in overdrafts	(34)	-
(Increase)/decrease in bank loans	(939)	87
Bank loans and overdrafts acquired with subsidiary	(181)	(11)
Decrease/(increase) in loan notes	504	(1,090)
Decrease in short term investments	(24)	(669)
Decrease in finance leases	17	30
Change in net funds from cash flows	(294)	(760)
Net funds at 1 September	778	1,538
Net funds at 31 August	(484)	778

1 Financial Information

The results for the year ended 31 August 2007 are unaudited and do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. They have been drawn up using accounting policies and principles consistent with those applied in the preparation of the audited accounts for the year ended 31 August 2006, other than as explained below. The comparative information contained in the report for the year ended 31 August 2006 does not constitute the statutory accounts for the financial period. Those accounts have been reported on by the Company's Auditors, PricewaterhouseCoopers LLP, and delivered to the Registrar of Companies. The report of the Auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act.

The 2007 financial year is the first year in which the Company has adopted FRS 20 – “Share-based payments”. In accordance with this standard, the cost of share options awarded to employees under the Group’s share option schemes is measured by reference to their fair value at the date of grant. This cost is recognised over the vesting period of the options based on the number of options which, in the opinion of the Directors, will ultimately vest. The impact in the year ended 31 August 2007 is a charge of £64,000 (2006: £60,000). The aggregate charge for prior periods up to 31 August 2007 is £192,000. The prior period financial statements have been restated to reflect this the adaption of this new standard.

2 Turnover

Turnover represents sales to third parties including fee income and pass through costs.

Geographical analysis by origin

	2007 Unaudited £'000	2006 Audited £'000
Europe	8,081	5,162
USA	1,464	1,349
Japan	1,958	1,831
Total fee sales	11,503	8,342
Pass through costs	7,734	7,109
Turnover	19,237	15,451

Geographical analysis by destination

	2007 Unaudited £'000	2006 Unaudited £'000
United Kingdom	4,214	2,184
Rest of Europe	4,674	4,669
North America	5,506	4,136
Japan	3,680	4,044
Rest of the World	1,163	418
Turnover	19,237	15,451

3 Tax on profit on ordinary activities

	2007 Unaudited £'000	2006 Audited (Restated) £'000
UK taxation		
UK corporation tax at 30%	(26)	10
Overseas taxation		
Corporation taxes	36	2
Total current taxation	10	12
Tax on profit on ordinary activities	10	12

The tax charge for the period differs from the standard rate of corporation tax in the UK of 30% (2006: 30%). The differences are explained below:

	2007 Unaudited £'000	2006 Audited (Restated) £'000
Profit on ordinary activities before tax	42	94
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	13	28
Effects of:		
Capital allowances in excess of depreciation	(1)	(7)
Expenses not deductible for tax purposes	114	52
Tax losses for the period not relieved	63	51
Tax losses for the period carried forward	(35)	-
Adjustment regarding foreign taxes	9	-
Research and development tax credits	(153)	(112)
Current tax charge for the year	10	12

4 Earnings per share

	2007	2006
	Unaudited	Audited (Restated)
	£'000	£'000
Profit on ordinary activities after taxation for basic earnings per share	32	82
	Number	Number
Weighted average number of shares	147,499,808	125,478,759
Weighted average number of shares held by the ESOP Trust	(4,093,963)	(2,013,839)
Weighted average number of shares for basic earnings per share	143,405,845	123,464,920
Number of dilutive shares under option	2,888,501	1,640,253
Weighted average number of shares for diluted earnings per share	146,294,346	125,105,173
	pence	pence
Basic earnings per share	0.02	0.07
Diluted earnings per share	0.02	0.7

The basic earnings per ordinary share is based on the Group's profit for the year of £32,000 (2006: £82,000) divided by the weighted average number of ordinary shares in issue, excluding those shares held by the Employee Share Ownership Trust ("ESOT").

5 Movement in shareholders' funds

	2007	2006
	Unaudited	Audited (Restated)
	£'000	£'000
Profit for the period	32	82
FRS 20 Share option charge	64	60
Issue of ordinary shares	2,029	243
Purchase of own shares for ESOT	(20)	(114)
Unrealised exchange profit/(loss) on consolidation	6	(27)
Net increase in shareholders' funds for the period	2,111	244
Opening shareholders' funds	3,570	3,326
Closing shareholders' funds	5,681	3,570

6 Notes to the consolidated cash flow statement

Reconciliation of the operating profit to net cash inflow from operating activities:

	2007	2006
	Unaudited	Audited (Restated)
	£'000	£'000
Operating profit	77	77
Amortisation of intangible fixed assets	261	51
Depreciation of tangible fixed assets	275	197
FRS 20 Share option charge	64	60
Loss on disposal of fixed assets	48	15
Exchange profit/ (loss)	11	(13)
Increase in debtors	(1,293)	(216)
Decrease in creditors	1,479	624
Net cash inflow from operating activities	922	795

Analysis of net funds

	As at 1 September		Non Cash Changes	As at 31 August
	2006	Cash flow	2007	2007
	£'000	£'000	£'000	£'000
	Audited	Unaudited	Unaudited	Unaudited
Cash at bank and in hand	1,571	363	-	1,934
Bank overdraft	-	(215)		(215)
		148		
Bank loans	(194)	(939)	-	(1,133)
Loan notes	(1,090)	740	(236)	(586)
Short term investments	524	(24)	-	500
Finance lease	(33)	17	-	(16)
	778	-	(236)	484

7 Acquisition

On 19 March 2007, the Company acquired the entire issued share capital of Unicus for an initial consideration of £2.3million in cash, of which £159,000 was refunded by the vendor pursuant to the sale and purchase agreement, and further consideration of £200,000 which was paid in employee benefits. Deferred consideration of up to £2.3million, based on the turnover of Unicus during the year ended 31 July 2008, and estimated to be £250,000, will be payable in cash and loan notes by 30 October 2008. The loan notes are repayable in three equal instalments within the period 1 May 2009 to 1 May 2010.

	Book value and provisional fair value of net assets acquired £'000
Fixed assets	41
Debtors	805
Bank overdraft	(58)
Creditors – amounts falling due within one year	(504)
Net assets	284
Consideration	
Initial Cash consideration	2,300
Other consideration – employee benefits	200
Estimated deferred consideration in cash	114
Estimated deferred consideration in convertible loan notes	136
Refund of Consideration	(159)
Acquisition costs	81
Total estimated consideration	2,672
Capitalised goodwill	2,388

8 Copies of Annual Report

Copies of the Annual Report will be sent to shareholders and will also be available at the registered office of Fulcrum Pharma plc, Hemel One, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7YU.