PRESS RELEASE

30th September, 2011

Proteome Sciences plc
("Proteome Sciences" or the "Company")

RESULTS FOR THE SIX MONTHS ENDED 30th JUNE 2011

HIGHLIGHTS

30th September, 2011 Proteome Sciences today announces its half yearly statement for the six months to 30th June 2011.

- **Commercial**
  - PS Biomarker Services™ contracts signed with Eisai, Takeda and Siena Biotech
  - Rapid expansion of proprietary biomarker assays/products
  - New tests for breast cancer, cancer pathways, liver failure and thrombosis
  - Patents filed for novel biomarkers to detect allergies from chemical sensitizers
  - Business Development/Marketing team established in US

- **Financial**
  - Revenue increased by 138% to £0.62m (2010 : £0.26m) inclusive of grant income
  - Pretax loss reduced by 9% to £2.06m (2010 : £2.26m)
  - TMT® royalties increased over 50%
  - Capital investment in mass spectrometry/sample preparation
  - Participants in successful DENAMIC EU Framework 7 Grant
  - Tight control on expenditure/cash resources

- **Outlook**
  - Strong contract pipeline at PS Biomarker Services
  - Advanced license negotiations in stroke
  - New biomarker licenses expected in Alzheimer's Disease, cancer and stroke
  - Proprietary biomarker assay coverage set for 50 in 2011 and for over 100 in 2012
  - New revenue stream with assays for cosmetics, detergents, pharmaceutical products to reduce animal testing expected in Q4
  - Results from Alzheimer's 1000 sample study due Q4
  - Monetisation of IP through expansion of products, services and licenses

Commenting on these results, Christopher Pearce, Chief Executive of Proteome Sciences, said:

"We have made significant progress towards raising our profile and further increase sales of products with the expectation that the financial benefits will come through in 2012. The strong growth of PS Biomarker Services™ in the first half of the year is expected to continue with increased market penetration, supported by industry projections of 26.5% compound growth in the global biomarker market through to 2017.

We have passed through the inflection point when our biomarker products and services have gained acceptance and we believe that we are positioned to leverage the considerable share of value embedded in our IP. The prospects in the biomarker space look highly promising and we expect to see that reflected in future licenses and revenues."

- ENDS -

Attached: Full text of Chairman's statement, consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and notes to the financial information.

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Notes to Editors:

About Proteome Sciences
Proteome Sciences is a global leader in applied proteomics and peptidomics offering high sensitivity, proprietary technologies for protein and peptide biomarker discovery, validation and assay development.

Its PS Biomarker Services™ uses isobaric and isotopic Tandem Mass Tag® (TMT®) workflows developed on the latest Orbitrap Velos and TSQ Vantage mass spectrometers to deliver rapid, robust and reproducible biomarker assay development for customers in the pharmaceutical, diagnostic and biotechnology sectors. Services are provided from its ISO 9001: 2008 accredited facilities in Frankfurt, Germany. By combining Selected Reaction Monitoring (SRM) and TMT workflows highly multiplexed assays can be developed rapidly and are suitable for screening hundreds of candidate biomarkers in larger validation studies and can be transferred for immunoassay development. The Company's own research has discovered a large number of novel protein biomarkers in key human diseases and is focused mainly in neurological/neurodegenerative conditions and in cancer. It has discovered and patented blood biomarkers, including Alzheimer's disease, stroke, brain damage and lung cancer for diagnostic and treatment applications that are available for license or are already outlicensed. Proteome Sciences, based in Cobham, UK, with facilities in London and Frankfurt, delivers outsourced proteomics services and proprietary biomarkers/biomarker assays to pharmaceutical, biotechnology and diagnostics companies.

Visit: http://www.proteomics.com.

Chairman's Statement:

Over the last six months, Proteome Sciences has taken significant steps to invest in the expansion and development of biomarker services and products. This has led to a 138% increase in first half revenue to £618,982, inclusive of grant income.

We have experienced strong growth at PS Biomarker Services™ with contracts signed with key industry players. Shortly after the contract with Janssen (J&J) at the end of last year we secured biomarker contracts with Eisai Ltd using our AD TMT-SRM assay, a follow-on CNS contract with Takeda, a master services agreement with Siena Biotech S.p.A and a contract with Siena Biotech in a neurological disease. We secured strategic collaborations with Moffitt Cancer Center and Buck Institute in the US in the fields of cancer pathways and breast cancer respectively allowing us to rapidly produce novel biomarker assays and expand our range of products and sales. These not only serve as validation of Proteome Sciences' technology and services, but are also the building blocks for future value generation.

Following the appointment of our new VP Business Development and a senior marketing executive in the US earlier this year, a major initiative has been implemented to increase sales of our products and services. Excluding the exceptional income from the warranty claim received last year, further strong underlying year-on-year revenue growth is anticipated for 2011.

Products

Biomarkers

Overall, the global economic downturn did not have any detrimental effect on the biomarkers market. According to the recent Global Industry Analyst's report, clinical development should emerge as the fastest growing segment of the global biomarkers market which is expected to reach US $34bn by 2017, with a compound annual growth rate of 26.5%. This is a considerable increase over previous projections.

Biomarkers are important tools for detecting the possibility of failure at an early stage and preventing 'substantial losses' in drug development. Historically biomarker discovery has been the largest segment of the global market, but as nearly 90% of candidate drugs fail in clinical trials, biomarker applications are rapidly gaining momentum in clinical development and can play a key role with applications ranging from early detection and prognosis to analysing the characteristics of the disease and delivering effective therapies.

PS Biomarker Services™ provides the key drivers to improve sample throughput, enhance detection levels and generate multiple biomarker panels and assays with increased utility in diagnostics, preclinical research, clinical trials and product commercialisation.

Through outlicensing, pharmaceutical and diagnostics companies will be able to exploit considerable revenue from our substantial IP portfolio of proprietary biomarkers that address many of the major disease areas. In return for these licenses, Proteome Sciences will receive sizeable royalty payments and license fees that will constitute a main part of our revenue.

Rapid Expansion of Assays

At the AGM we said that the number of biomarkers and assays would increase from the initial two announced in June 2010 to cover around 50 biomarkers by the end of 2011. We are on course to achieve this target and expect these numbers to more than double again in 2012 as we complete additional mass spectrometry (MS) assays in neurodegenerative diseases, neurology and cancer. The two most recent collaborations with The Moffitt and The Buck Institutes in the USA will further extend the number of assays in cancer and we are developing assays with Kings College London (KCL) for arterial thrombosis and acute liver failure that should be available later this year. In addition, the Sens-it-iv programme will generate novel ranges of industrial testing products for allergens opening up further market opportunities. This increased range of assays can only be accessed through PS Biomarker Services™, broadening our revenue stream.

Sens-it-iv
The goal of the Sens-it-iv Framework 6 EU grant programme in which Proteome Sciences is a key partner was to develop '*in vitro*' tests for chemical compounds and substances that induce allergies (chemicals, pharmaceuticals, cosmetics, detergents etc.) that come into contact with skin or the respiratory system. The purpose was also to improve safety for the consumer and environment and, importantly to achieve a reduction in the levels of animal testing. The Sens-it-iv programme will be concluded with a Scientific Congress at the end of November 2011 in Brussels.

Sens-it-iv has yielded outstanding results with important implications for Proteome Sciences. Over 200 novel biomarkers have been identified, over 100 from cells forming part of the immune system and a further 100 from skin cells. Patents have been filed to cover their utility for testing allergies. The first assays will be available before the end of 2011 and to be showcased in Brussels.

The creation of a range of novel industrial testing products using TMT-SRM assays accessible through PS Biomarker Services™ contracts are expected to establish new revenue streams from industrial applications and routine testing.

TMT®
With our licensing partner Thermo Scientific, we will expand and leverage the scope of the TMT® franchise. TMT® has continued to grow well in the first half of 2011 with royalties increased over 50% and a further strong performance is expected in the second half. In the coming months we plan to introduce a set of TMT® reagents capable of increasing delivery from 6-plex to 18-plex, dramatically increasing the value proposition of TMT®. Comparative performance of different quantitative proteomics methods published at the recent annual meeting of the American Society for Mass Spectrometry demonstrated that TMT 6-plex provided the optimum performance. We anticipate this positive endorsement by key opinion leaders will accelerate the use of TMT® into the mainstream biological and medical research groups. This is expected to fuel a significant rise in revenues and provide a more meaningful group contribution.

In 2010 we initiated synthesis of a new production batch of the core TMT® molecule with enhanced features to match recent developments in MS. The process is highly complex and involves multiple sequential stages and typically takes around a year. We are pleased to confirm that the synthesis has been successfully concluded and that we now hold a substantial supply of core TMT® reagents that will address the TMT® market requirements for the next few years.

Disease Focus

AD Diagnostics Market

In the consultant's report that we commissioned earlier this year to provide a global assessment of the global market for Alzheimer's Disease diagnostics, the cumulative value for the ten years to 2022 is $42.8bn. Of this total, the segments relevant to Proteome Sciences and where we have IP coverage for 36 key protein biomarkers in blood, is in excess of $9bn. Any commercial use of these requires a license. Even a modest percentage market share of the $9bn would provide considerable long term revenue to Proteome Sciences through licenses and royalties.

Independent to the diagnostics applications, the global Alzheimer's drug market was valued at $8.3bn in 2010, dominated by five major products from Eisai, Forest, Novartis, Pfizer and J&J. The largest of these, Aricept, had a 63% market share with $3.65bn of sales in 2009. Industry expectations project that the Alzheimer's drug market is set to more than triple. Again, Proteome Sciences has IP covering the use of its biomarkers in this context which will generate revenue from licenses and royalties from drugs companies for their use.

Alzheimer's Disease Study
The analysis by Proteome Sciences and KCL of the large 1,000 patient sample study collected over 5 years using our nine protein AD TMT-SRM assay is due to be completed in December 2011. The assay uses 9 of the 36 biomarkers originally discovered by Proteome Sciences in blood, nearly all of which have subsequently received persistent external confirmation of utility in academic and scientific publications on AD.

The results are expected to provide considerable additional validation to our biomarker portfolio and allow the development of further panels in the staging of AD and methods that will differentiate between fast rate decliners and slow progressive decliners and means of measuring the effectiveness of drug treatments. The additional opportunities arising from the study will be marketed to major pharmaceutical and diagnostics companies.

In parallel to the large patient sample study, Proteome Sciences with our partners at KCL, is also engaging with the European Medicines Agency (EMA), the European body that regulates pharmaceutical products to facilitate fast track access for the biomarkers to be used in clinical trials. Any entity using our blood biomarkers for commercial purposes will require a license from Proteome Sciences.

CK1δ

Through our work in the tau phosphorylation pathway, we identified a candidate target CK1δ in Alzheimer's Disease. We instigated a project to screen for CK1δ inhibitors and this is advancing rapidly.

Selected compounds have been screened, with over 20 demonstrating high selectivity and good activity against the CK1δ target. These results are most promising and significantly increase the value of our IP around CK1δ both as a target itself and around the main compound families that target CK1δ. We expect to test these in cells before the end of 2011 and to complete lead optimisation by the middle of 2012. CK1δ, with such supporting data, should be quickly adopted and licensed to a pharmaceutical company as a drug development programme. Proteome Sciences would receive significant fees, milestones and a healthy royalty interest.

The rapid and high value proof of principle established reflects why customers can place considerable confidence that the proteomic and peptidomic workflows we use are not only 'fit for purpose' but also provide fast, novel and cost effective solutions to their drug development programmes and requirements and open up major new revenue opportunities.

Stroke

There has been a growing consensus that it is necessary to manage stroke more effectively in primary care and hospital settings. We have developed a three biomarker panel that can rule out 9/10 non-strokes in a primary care setting and a different three biomarker panel that can rule in 9/10 in a hospital setting. Using these, the outcome for stroke victims should significantly improve.

The two recently assembled Proteome Sciences' biomarker panels perform exceptionally well for these indications with the data showing that our biomarkers are highest in the clinically relevant timescale (0-6 hours).

The level of commercial interest in stroke has been considerably raised and we are in advanced negotiations to conclude licenses, hopefully before the year end.

Grants

The €6.99m EU Framework 7 Grant programme DENAMIC secured earlier this year, where Proteome Sciences is a participant, is an extension to the Sens-it-iv programme. It will study the effects of environmental contamination in health and developmental disorders in children (autism, attention deficit, hyperactivity and anxiety disorders). Our aim is to validate and develop assays to the biomarkers discovered.

Proteome Sciences has been requested to participate in a number of other EU Framework 7 grant applications to bring our biomarker expertise to the programmes. We have been selective in joining high quality consortia/proposals that fit our criteria of interest and we are hopeful that further applications will be successful.

IP

Our company has established an unrivalled asset base through our extensive intellectual property portfolio covering key biomarkers across a broad range of diseases and applications. With over 400 patents, the value of our IP asset base and assay portfolio is growing sharply. The rapid growth in demand for biomarkers will

allow us to leverage our IP estate and reflect the importance and underlying value to shareholders through license fees, milestones and royalties.

VP Business Development
Glenn Barney, VP Business Development in North America, has already made a major impact to our business since his appointment at the end of July. He brings considerable experience from the life sciences industry and prior to joining Proteome Sciences he was responsible for the commercialisation of services for biomarker discovery and development of multiplexed quantitative assays. Glenn has revised the sales process, recruited a US based marketing executive and integrated our existing customer database with their established networks. He has already been able to secure a number of high level customer meetings in the US and these are expected to convert into contracts from the fourth quarter of 2011.

Glenn is also driving the corporate rebranding project including the preparation of new marketing literature and the design of the website, which will provide the main support to our product focus and services for customers and we expect to launch the new company brand and website in Q4 2011.

Financial results
The unaudited financial results for the six months to the 30th June, 2011 show a loss before taxation for the period of £2.059m compared with a loss of £2.264m in the corresponding period of 2010. Total revenue in the first half increased by 138% to £0.619m (2010: £0.260m) inclusive of grant income in the period of £0.255m (2010: £0.044m). This reflects the continuing growth in revenue from sales in PS Biomarker Services, TMT® and other income.

The consolidated balance sheet shows cash balances of £6.500m at the 30th June 2011 and a further reduction in short term provisions, which fell from £0.404m at the 31st December 2010 to £0.050m at the 30th June 2011. During the period additional investment took place in new equipment, bringing total expenditure since July 2010 to £0.715m and thus reflects the Board's intention to help to maintain the group's competitiveness by continuing to keep its laboratories equipped with the latest technology. The company continues to maintain careful control over expenditure and to closely monitor its cash resources.

Current outlook
The investment that we have made to expand the development of biomarker products and services has started to come through to revenue.

The number of biomarkers covered by our assays will rise from nil in 2010 to 50 by the end of 2011 and is set to more than double in 2012 with these assays exclusively available through PS Biomarker Services. The new business/marketing team have already put much of the groundwork in place to leverage our products and services in the US and are confident that they will deliver challenging targets in 2012.

Like us, our customers are eagerly awaiting the output of the 1000 sample AD study. The data and results should trigger a series of licenses and customer contracts and the development of further biomarker panels using different combinations of markers in the staging of Alzheimer's and for more effective monitoring and treatment. The gatekeeper that will control all these applications is the strong IP that we have established to cover the commercial use of our blood biomarkers. This will protect and facilitate multiple revenue opportunities over the long term.

We have passed through the inflection point when our biomarker products and services have gained acceptance and that we are positioned to leverage the considerable store of value embedded in our IP assets. The prospects in the biomarker space look highly promising and we expect to see that reflected in future licenses and revenues.

R.S. Harris
Chairman **30th September, 2011**

Unaudited consolidated income statement
For the six months ended 30th June, 2011

	Note	Six months ended 30th June 2011 £	(re-stated) (Note 4) Six months ended 30th June 2010 £	(re-stated) (Note 4) Year ended 31st December 2010 £
Continuing operations				
Revenue				
Warranty settlement		-	-	9,530,000
License agreement fees		-	-	-
Other revenue		363,882	216,366	336,628
Grant income		255,100	44,032	113,460
Total revenue		618,982	260,398	9,980,088
Cost of sales		(130,086)	(74,285)	(105,144)
Gross profit		488,896	186,113	9,874,944
Administrative expenses		(2,466,995)	(2,285,734)	(5,001,223)
Operating (loss)/profit		(1,978,099)	(2,099,621)	4,873,721
Investment revenues		14,201	1,059	14,342
Finance costs		(94,807)	(165,641)	(299,365)
(Loss)/profit before taxation		(2,058,705)	(2,264,203)	4,588,698
Tax		195,000	102,000	(25,535)
(Loss)/profit for the period from continuing operations		(1,863,705)	(2,162,203)	4,563,163
Attributed to shareholders of the company		(1,863,705)	(2,162,203)	4,563,163
(Loss)/earnings per share				
Basic and diluted	2	(0.97p)	(1.60p)	2.79p

Unaudited consolidated statement of comprehensive income
For the six months ended 30th June, 2011

	Six months ended 30th June 2011 £	Six months ended 30th June 2010 £	Year ended 31st December 2010 £
Exchange differences on translation of foreign operations	11,386	(85,547)	(21,241)
Net (expense)/income recognised directly in equity	11,386	(85,547)	(21,241)
(Loss)/profit for the period	(1,863,705)	(2,162,203)	4,563,163
Total comprehensive (expense)/income for the period	(1,852,319)	(2,247,750)	4,541,922

Unaudited consolidated statement of changes in equity
For the six months ended 30th June, 2011

	Share capital £	Share Premium account £	Other reserve £	Equity reserve £	Translation reserve £	Retained loss £	Total £
At 1 January 2011	1,921,724	40,582,138	10,755,000	2,606,818	98,820	(48,745,752)	7,218,748
Loss for the period	-	-	-	-	-	(1,863,705)	(1,863,705)
Exchange differences on translation of foreign operations	-	-	-	-	11,386	-	11,386
Total comprehensive expense for the period	1,921,724	40,582,138	10,755,000	2,606,818	110,206	(50,609,457)	5,366,429
Share-based payment charge	-	-	-	127,998	-	-	127,998
Balance at 30 June 2011 (unaudited)	1,921,724	40,582,138	10,755,000	2,734,816	110,206	(50,609,457)	5,494,427

Unaudited consolidated statement of changes in equity
For the year ended 31st December, 2010

	Share Capital £	Share Premium a/c £	Equity reserve £	Translation reserve £	Other Reserve £	Retained loss £	Total £
At 1 January 2010	1,328,036	29,660,338	2,207,586	120,061	10,755,000	(53,308,915)	(9,237,894)
Profit for the year	-	-	-	-	-	4,563,163	4,563,163
Exchange differences on translation of foreign operations	-	-	-	(21,241)	-	-	(21,241)
Total comprehensive income/(expense) for the year	1,328,036	29,660,338	2,207,586	98,820	10,755,000	(48,745,752)	(4,695,972)
Issue of share capital	593,688	10,921,800	-	-	-	-	11,515,488
Share-based payment charge	-	-	399,232	-	-	-	399,232
Balance at 31 December 2010	1,921,724	40,582,138	2,606,818	98,820	10,755,000	(48,745,752)	7,218,748

Unaudited consolidated statement of changes in equity
For the six months ended 30th June, 2010

	Share capital £	Share Premium account £	Other reserve £	Equity reserve £	Translation reserve £	P&L account £	Total £
At 1 January 2010	1,328,036	29,660,338	10,755,000	2,207,586	120,061	(53,308,915)	(9,237,894)
Loss for the year						(2,162,203)	(2,162,203)
Exchange differences on translation of foreign operations	-	-	-	-	(85,547)	-	(85,547)
	1,328,036	29,660,338	10,755,000	2,207,586	34,514	(55,471,118)	(11,485,644)
Issue of share capital	593,688	11,280,079	-	-	-	-	11,873,767
Share issue expenses	-	(317,698)	-	-	-	-	(317,698)
Share-based payment charge	-	-	-	180,000	-	-	180,000
Balance at 30 June 2010 (unaudited)	1,921,724	40,622,719	10,755,000	2,387,586	34,514	(55,471,118)	250,425

Unaudited consolidated balance sheet
As at 30th June, 2011

	Six months ended 30th June 2011 £	Six months ended 30th June 2010 £	Year ended 31st December 2010 £
Non-current assets			
Goodwill	4,218,241	4,218,241	4,218,241
Property, plant and equipment	679,906	154,138	677,336
Other investments	763,502	763,502	763,502
	5,661,649	5,135,881	5,659,079
Current assets			
Inventories	250,889	219,835	209,281
Trade and other receivables	577,394	845,082	184,779
Cash and cash equivalents	6,499,608	5,457,414	9,543,870
	7,327,891	6,522,331	9,937,930
Total assets	12,989,540	11,658,212	15,597,009
Current liabilities			
Trade and other payables	(833,114)	(821,910)	(1,440,798)
Current tax liabilities	(15,000)	(25,030)	(49,757)
Short-term borrowings	(6,428,285)	(7,753,493)	(6,333,478)
Short-term provisions	(50,000)	(2,678,452)	(404,440)
	(7,326,399)	(11,278,885)	(8,228,473)
Net current assets/(liabilities)	1,492	(4,756,554)	1,709,457
Non-current liabilities			
Long-term provisions	(168,714)	(128,902)	(149,788)
Total liabilities	(7,495,113)	(11,407,787)	(8,378,261)
Net assets	5,494,427	250,425	7,218,748
Equity			
Share capital	1,921,724	1,921,724	1,921,724
Share premium account	40,582,138	40,622,719	40,582,138
Equity reserve	2,734,816	2,387,586	2,606,818
Other reserve	10,755,000	10,755,000	10,755,000
Translation reserve	110,206	34,514	98,820
Retained loss	(50,609,457)	(55,471,118)	(48,745,752)
Total equity	5,494,427	250,425	7,218,748

Unaudited consolidated cash flow statement
For the six months to 30th June, 2011

	Note	Six months ended 30th June 2011 £	Six months ended 30th June 2010 £	Year ended 31st December 2010 £
Cash flows from operating activities	**3**			
Cash (used in)/generated by operations		(2,878,315)	(1,906,724)	4,116,861
Interest paid		(94,807)	(165,641)	(299,365)
Tax (paid)/refunded		-	(76)	185,373
Net cash (outflow)/inflow from operating activities		(2,973,122)	(2,072,441)	4,002,869
Cash flows from investing activities				
Purchases of property, plant and equipment		(92,134)	(7,777)	(630,775)
Interest received		14,201	1,059	14,342
Net cash outflow from investing activities		(77,933)	(6,718)	(616,433)
Financing activities				
Proceeds on issue of shares		-	6,527,687	11,515,489
Loans (repaid)/new loans raised		-	885,664	(5,453,540)
Net cash from financing activities		-	7,413,351	6,061,949
Net increase/(decrease) in cash and cash equivalents		(3,051,055)	5,334,192	9,448,385
Cash and cash equivalents at beginning of period		9,543,870	131,158	131,158
Effect of foreign exchange rate changes		6,793	(7,936)	(35,673)
Cash and cash equivalents at end of period		6,499,608	5,457,414	9,543,870

Notes to the unaudited interim results
For the six months to 30th June, 2011

1. The information for the period ended 30th June, 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Except for the change in accounting policy regarding revenue described in Note 4 below, it has been prepared in accordance with the accounting policies set out in, and is consistent with, the audited financial statements for the year to 31st December, 2010. These statutory accounts, upon which the auditors issued an unqualified opinion, and which did not contain any statement under Section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The interim financial report has been prepared with accounting policies consistent with International Financial Reporting Standards. The financial statements have been prepared under the historical cost basis.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis in preparing these accounts.

2. Loss per share from continuing operations

The calculation of the basic and diluted loss per share is based on the following data:

	Unaudited first half 2011 £	Unaudited first half 2010 £	Year ended 31st December 2010 £
Loss			
(Loss)/profit for the purpose of basic (loss)/ earnings per share being net loss attributable to equity holders of the parent	(1,863,705)	(2,162,203)	(4,563,163)
Number of shares			**No.**
Weighted average number of ordinary shares for the purpose of basic loss per share	192,172,408	134,783,061	163,633,581
Effect of dilutive potential ordinary shares	-	-	450
Weighted average number of ordinary shares for the purpose of diluted loss per share	192,172,408	134,783,061	163,633,131

IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that the option holders would act irrationally, no adjustment has been made to diluted EPS for out-of-the-money share options.

Notes to the unaudited interim results (continued)
For the six months to 30th June, 2011

3 Note to the consolidated cash flow statement

	Unaudited first half 2011 £	Unaudited first half 2010 £	Year ended 31st December 2010 £
Operating (loss)/profit	(1,978,099)	(2,099,621)	4,873,721
Adjustments for:			
Depreciation of property, plant and equipment	125,416	59,366	168,141
Share-based payment expense	127,998	180,000	399,232
Finance costs	94,807	-	-
Operating cash flows before movements in working capital	(1,629,878)	(1,860,255)	5,441,094
(Increase)/decrease in inventories	(41,608)	(49,889)	(39,335)
(Increase)/decrease in receivables	(178,997)	(53,881)	323,186
(Decrease)/increase in payables	(692,318)	(185,746)	401,995
(Decrease)/increase in provisions	(335,514)	243,047	(2,010,079)
Cash (used in)/generated by operations	(2,878,315)	(1,906,724)	4,116,861

4. Change of accounting policy

The company has changed its accounting policy in respect of the treatment of grants received which are now disclosed separately in the income statement, having previously been netted off against administrative costs therein. This change has had no effect on the operating loss previously reported for the six months to the 30th June, 2010 nor on the operating profit for the year to the 31st December, 2010 and has been made to enable shareholders to receive a fuller description of the company's sources of revenue. The effect of the restatement on the figures previously disclosed for administrative expenses and for revenue is as shown in the unaudited consolidated income statement.