PRESS RELEASE

28th September, 2012

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

RESULTS FOR THE SIX MONTHS ENDED 30th JUNE 2012

HIGHLIGHTS

- **Commercial**
  - Strong 44% growth in H1 revenue
  - TMT® sales revenue increased 171%
  - Biomarkers assays to double to over 100 in 2012
  - Stroke license setting new precedents with seven digits $ fees / double digit royalties
  - SysQuant® launched - 'Game changing' phosphorylation assay
  - New EU/grant awards, customer contracts and strategic collaborations
  - MS3 workflow launched and in license negotiations

- **Financial**
  - Revenue to 30th June increased 44% to £0.89m (2011: £0.62m)
  - Licenses/Sales/Services revenue rose 38% to £0.50m (2011: £0.36m)
  - Grant Services increased 53% to £0.39m (2011: £0.26m)
  - Loss after tax reduced 36% to £1.19m (2011: £1.86m)
  - Cash at 30th June was £2.41m

- **Outlook**
  - Continued focus on sales of services, assays and licenses
  - Considerable revenue increase projected in H2
  - Major licenses/revenue opportunities from stroke, AD, MS3 and SysQuant®
  - Stroke blood test could revolutionise stroke management by expanding the number of patients using the most effective drug five-fold
  - In Q4 in AD, *in-vivo* results for CK1D and further analysis of 1,000 patient sample set by KCL
  - On track with the goal to become a profitable and self-sustaining business

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

"The excellent first half performance has continued with strong news flow, product launches and activity. The number of biomarker tests available from PS Biomarker Services™ is set to double in 2012, with major licenses and contracts from our proprietary biomarkers and services expected to add significantly to revenues in the second half of the year.

The benefits of the investment we have made are being reflected in strong commercial and revenue growth across all divisions of the business as we close in on our goal of becoming a profitable and cash generative business."

Ends

Attached: Chairman's operational and financial update, unaudited consolidated income statement, unaudited consolidated balance sheet, unaudited consolidated statement of changes in equity, unaudited consolidated cash flow statement and unaudited notes to the financial statements.

For further information please contact:

Proteome Sciences plc
Christopher Pearce, Chief Executive Officer — Tel: +44 (0)1932 865065
James Malthouse, Finance Director — Tel: +44 (0)1932 865065
Ian Pike, Chief Operating Officer — Tel: +44 (0)7714 751764

Nominated Advisor
Cenkos Securities
Stephen Keys / Camilla Hume — Tel: +44 (0)20 7397 8900

Public Relations
IKON Associates
Adrian Shaw
Tel: +44 (0)1483 271291
Mob: +44 (0)797 9900733

FTI Consulting
Simon Conway / Mo Noonan
Tel: +44 (0)20 7269 7116

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 message:

All our business divisions make considerable progress

The three main business divisions have delivered a strong performance in the first-half of 2012 with a number of major highlights. The license for our stroke biomarkers set a new precedent in the field with a seven digit US dollar license fee and development milestones combined with double digit royalties for a non-exclusive license, the highly encouraging results and IP resulting from the 1,000 sample Alzheimer's validation study that delivered three biomarker panels in blood that discriminate between mild cognitive impairment, Alzheimer's and control groups respectively, the launch of the 'game changing' SysQuant® assay and the award of the EuroHyp EU Framework 7 grant.

The excellent progress made in the first-half has continued into the second half of the year with strong news flow, product launches and activity over the summer. The MS3 TMT Mass Spectrometry Workflow that was introduced at the 2012 American Society of Mass Spectrometry (ASMS) meeting will position us with a substantive and exclusive advantage over the competition and where we are engaged in license negotiations, the update on CK1D where there has been significant improvement in activity and selectivity and where in-vivo studies should be completed in Q4 and the most recent news following the PLOS journal publication, where a simple blood test using a single protein GSTP could increase the use of the most effective drug treatment for ischaemic stroke five-fold.

The number of biomarker tests available from PS Biomarker Services™ is on track to double to over 100 in 2012 and our services and proprietary biomarkers continue to expand rapidly which should be recognised with a greater contribution to revenues in the second half of the year. The time and effort invested in sales and marketing in the US and Europe has started to reap its benefits and we anticipate strong commercial growth and success reflected in revenue from our three main business divisions.

Revenue Growth

Strong growth in the first-half, accelerating in the second half

First-half revenue from three main areas increased 44% to £0.89m (2011: 0.62m). The comparison is particularly impressive as it was set against the very strong 138% increase recorded in the first-half of 2011. Licenses/Sales/Services rose 38% to £0.50m (2011: £0.36m), Grant Services grew 53% to £0.39m (2011: £0.26m) and TMT® Reagent sales increased 171% over the period. Following strong growth in the first-half a more significant contribution is expected in the second half in particular from licenses, products and services that should result in a considerable improvement in revenue for the full year.

TMT® revenue

Revenue grows sharply, expected to continue

TMT® revenue growth accelerated sharply as anticipated in the first-half with sales increasing by 171% as the range of TMT® products has been expanded. Further strong rates of growth are expected to continue in 2012 and beyond with the review of new products (TMT8 plex, TMT10 plex and TMT18 plex) that will expand the coverage and size of the market by TMT®. The continued independent endorsement of key opinion leaders will further accelerate the penetration and use of TMT® into mainstream biological and medical research groups.

Stroke License with Randox

In April, Proteome Sciences announced a non-exclusive license to Randox Laboratories (Randox) for a number of its stroke biomarkers. Randox will develop tests for early diagnosis of stroke and subsequent monitoring of treatment outcomes. These markers are rapidly elevated in blood of patients undergoing both haemorrhagic and ischaemic strokes and indicate those patients that would most benefit from thrombolytic

treatment within the first three hours after onset of symptoms. A panel of five blood proteins can accurately rule out 90% of patients who have not had a stroke but may be misdiagnosed in primary care and that allows 90% of genuine strokes to be confirmed within minutes of the onset of symptoms.

This stroke panel can transform the management of acute stroke and ensure that more patients receive thrombolytic treatment in a timely way. This should considerably reduce the levels of patient death and disability following a stroke.

Financial terms for the non-exclusive license established a new precedent in the field with a seven digit (US dollar) license fee and development milestones combined with double digit royalties on sales. With market estimates as to the value of a stroke blood test of $500m-$1bn per annum and with Proteome Sciences' ability to sign multiple licenses with major global diagnostics companies, we envisage significant returns being generated for shareholders.

Stroke blood testing using GSTP

Results of a patent retrospective study of 1,721 patients admitted in 2006/7 with a suspected stroke at the Geneva Hospital indicated that testing for the protein biomarker GSTP at admission or during initial assessment using a simple blood test could result in as many as five times more people being eligible for the highly effective rt-PA treatment for ischaemic stroke. One protein, GSTP described in a paper in the journal PLoS One showed an almost instantaneous increase in the blood of stroke patients, peaking at three hours after onset and returning to normal levels within approximately six hours. This was separately confirmed in a further study of 100 ischaemic stroke patients at the Vall d'Hebron Hospital in Barcelona, Spain.

Ischaemic stroke (that accounts for c.85% of strokes) can only be treated effectively with the 'clot busting drug' rt-PA if administered within a window of up to 4.5 hours after symptoms in the UK (three hours in the US). A simple blood test for stroke that matches the therapeutic window of rt-TPA is a major advance that will allow stroke patients to promptly undergo a brain scan, the current gold standard to rule out haemorrhagic stroke ("a burst") in order to be in the position to administer a "clot buster" drug rt-TPA to remove the blockage. This will make the recovery time shorter, reduce the level of disability and significantly lower the cost of long-term care.

Following the non-exclusive license with Randox in April, we expect to complete multiple licenses with other major diagnostics and pharmaceutical companies for early diagnosis of stroke and for early effective thrombolytic treatment.

SensiDerm™

Since the completion of the Sens-it-iv project at the end of 2011, Proteome Sciences has continued and made good progress with the development of novel *in-vitro* assays for testing key allergens and these will be branded under the name SensiDerm™. To transform the SRM skin sensitizer assays into end products COLIPA (the European trade association for the cosmetic, toiletry and perfumery industry) are evaluating the assays as a precursor to their involvement in extensive assay validation/development. This process is underway and is due for completion in Q4 2012 ahead of the 2013 deadline when *in-vitro* assays for key allergens will become mandatory under EU legislation as a replacement for animal testing products including chemicals, pharmaceuticals, cosmetics and detergents.

Alzheimer's Update

Two important sets of results in our Alzheimer's programmes are expected in the final quarter of 2012.

CK1D

A seven-fold improvement has been achieved in the activity and selectivity of two of Proteome Sciences' compounds for CK1D. Significantly, the compounds knocked down levels of Tau Phosphorylation in neuronal cell lines. These results increase our confidence further moving from the successful *in-vitro* studies that have already been completed into the *in-vivo* studies to complete proof of principle and that should be concluded in Q4.

Major Alzheimer's Study at King's College, London

Preliminary results from the large 1,000 Alzheimer's patient sample set announced in March demonstrated significant diagnostic and prognostic utility of three biomarker panels in blood which can discriminate between mild cognitive impairment, Alzheimer's and control groups respectively. These are expected to form the basis of a series of simple blood tests for the diagnosis and management of Alzheimer's disease. Further samples and data analysis have been undertaken since March by King's College, London and we look forward to more detailed data and results being released in the fourth quarter.

Proteome Sciences will use the results/data from both programmes to provide further support and value to expedite licensing negotiations of two key aspects of our Alzheimer's research. These address major areas of unmet need and contain significant commercial value.

9th Siena Meeting

The 9th Siena meeting from Genome to Proteome - Open Innovations 26-30th August 2012 sponsored by Proteome Sciences is the leading global forum to discuss and present the latest techniques, developments and applications in proteomics. Two of our key new technology developments SysQuant® and PanelomiX™ were presented for the first time and were enthusiastically received, endorsing our position as a global leader in the field with no disruptive technologies apparent. There was increasing evidence that TMT® and MS3 quantitation are being adopted by the key opinion leaders. Proteome Sciences is perceived as a robust and innovative player at the cutting edge of biomarker workflows and applications, interacting closely with industry and academia with a strong record and reputation in EU Framework 7 Grant Programmes.

PanelomiX™

PanelomiX™ has been developed for Proteome Sciences by the Biomedical Proteomics Research Group at the University of Geneva. The PanelomiX™ platform is a software tool that assembles the optimal classification and threshold performance for individual biomarkers that are then configured to deliver the best performing assay panel. When compared to existing performance criteria from the current most commonly used alternatives, PanelomiX™ on average increased the performance of the eight biomarker panel in aneurysmal subarachnoid haemorrhage to 89%, a 10% improvement over other methods. This provides a considerable performance advantage over competing technologies.

With the extensive portfolio of biomarkers covered by our proprietary IP, PanelomiX™ will be an invaluable tool to accelerate and optimise panels of biomarkers for testing across multiple diseases and will also be available to customers through PS Biomarker Services™.

SysQuant® - 'Game changing assay'

Following the launch earlier in the year in the US, at the American Association for Cancer Research meeting, the SysQuant® global phosphorylation assay was presented for the first time in Europe at the 9th Siena Meeting. The workflows and applications provide simultaneous and comprehensive measurement of multiple phosphoproteins and signalling pathway activity in cultured cells, tumour tissue and frozen clinical samples and this will provide a fast growing list of case studies across a wide range of applications. SysQuant® is a 'game changing' assay with multiple applications as a discovery tool, in clinical applications for drug discovery, clinical research and diagnostics that will give PS Biomarker Services™ a unique position in the drug development and biomarker space and will make a considerable contribution to our assay portfolio and revenues.

Collaboration with CHDI Foundation in Huntington's disease

PS Biomarker Services™ has entered into a collaboration with CHDI Foundation, Inc. in the USA, on a Huntington's disease research programme in which our comprehensive protein profiling capabilities will be made available to the CHDI research programmes.

Our Tandem Mass Tag workflows will be applied to provide high density protein expression maps in cell lines to increase the current poor level of understanding of the links between Huntington's disease genotype and phenotype.

Proteome Sciences has previously performed proprietary studies to identify biomarkers of Huntington's disease progression in blood and several of these are being evaluated as potential biomarkers in an independent research programme.

US biomarker patent portfolio

By way of 'misinformation' Proteome Sciences have been made aware of certain speculative and inappropriate comments regarding its US biomarker patent portfolio in light of two recent US court rulings on patent eligibility. We have reviewed the outcomes of the recent US Supreme Court decision on *Mayo v. Prometheus* and US Court of Appeals for the Federal Circuit decision on *Associated Molecular Pathology v. United States Patent and Trademark Office* with our US patent attorneys and we conclude that these decisions do not change the status of our issued and pending US applications or impacted our granted US patents which will continue to remain in good standing. The Company continues to fully prosecute and enforce its extensive biomarker patent estate of over 600 patents in all territories, including the US to derive maximum value for our shareholders.

We continue to expand our IP estate for shareholders and its importance and value will be reflected through new license fees, milestones and royalties.

Scams/Misinformation

The spate of 'boiler-room scams' and misinformation aimed to exploit shareholder/investors has recently increased and this has been exacerbated by unregulated commentary posted on bulletin boards across a broad range of listed companies in London. These actions enable the perpetrators to make profit by preying on and abusing genuine investors. Typically shareholders are being contacted by telephone with the lure of high bids/offers for blocks of their shares etc. The FSA has been notified through our nominated advisers, and other authorities are investigating.

Shareholders are advised to ignore any such approaches and to ignore information not formally released by the Company and should contact the Company directly or pass the details to the FSA.

Financial review

Revenue performance

Revenue for the six-month period ended 30th June 2012 increased 44% to £0.89m (2011: £0.62m). This compared against the very strong 138% increase recorded in the first-half of 2011. In the breakdown of revenue, Licenses/Sales/Services rose 38% to £0.50m (2011: £0.36m), Grant Services grew 53% to £0.39m (2011: £0.26m) and TMT® reagent sales increased 171% over the period. The loss before tax in the six months reduced to £1.66m (2011: £2.06m loss before tax in 2011).

Costs and available cash

Costs are broadly unchanged over 2011 and are likely to remain relatively constant in 2012. After the R&D tax credit, the loss after taxation for the period was £1.19m (2011: £1.86m). This figure includes £0.34m of additional R&D tax credit resulting from a successful appeal to H.M. Revenue & Customs.

Cash at 30th June was £2.41m.

Outlook

Our main focus is to optimise revenue from our three core areas: PS Biomarker Services™, Proprietary Biomarkers and TMT® chemical reagents. Following the strong first half growth, a more significant contribution is expected from all core areas in the second half that should result in a considerable increase in revenue for the full year.

The rapid extension of the number of assays/products that we carry will become increasingly apparent in revenues at PS Biomarker Services™ in 2012.

In Proprietary Biomarkers, there has been substantial recent trade and media attention around our GSTP biomarker in stroke following the publication of a large retrospective study of patients that indicates that its early use could result in as many as five times more people being eligible for a highly effective drug treatment for ischaemic stroke. A simple blood test using GSTP would revolutionise the future treatment of stroke patients. Following the license signed earlier this year, we expect to complete multiple licenses with other major diagnostics and pharmaceutical companies for our protein biomarker panel for the early diagnosis and management of stroke. In Q4, there will be further results and news flow in Alzheimer's disease from the 1,000 patient study with King's College London and from the *in-vivo* data for and we intend to outlicense the results of both these programmes.

The sharp increase in TMT® reagents sales in the first-half of 2012 underlines the growing use and acceptance of TMT® products. It also reflects ThermoScientific's support and intent to target a quantum jump in sales over the next few years and we hope that this trend will continue over the long-term.

The investment to develop our products and services which is now supported by our sales and marketing team is generating high volumes of activity for our proprietary biomarkers and biomarker services. We are on track to deliver considerable revenue growth in 2012 and beyond and to become cash generative and sustainably profitable.

R.S. Harris
Chairman **28th September, 2012**

Unaudited consolidated income statement
For the six months ended 30th June, 2012

	Note	Six months ended 30th June 2012 £	Six months ended 30th June 2011 £	Year ended 31st December 2011 £
Continuing operations				
Revenue				
Licences/sales/services		502,025	363,882	663,030
Grant services		390,802	255,100	358,137
Revenue		892,827	618,982	1,021,167
Cost of sales		(231,595)	(130,086)	(257,274)
Gross profit		661,232	488,896	763,893
Administrative expenses		(2,232,054)	(2,466,995)	(5,105,213)
Operating (loss)/profit		(1,570,822)	(1,978,099)	(4,341,320)
Investment revenues		5,659	14,201	23,847
Finance costs		(98,233)	(94,807)	(192,782)
(Loss)/profit before taxation		(1,663,396)	(2,058,705)	(4,510,255)
Tax		470,728	195,000	552,914
(Loss)/profit for the period from continuing operations		(1,192,668)	(1,863,705)	(3,957,341)
Attributed to shareholders of the company		(1,192,668)	(1,863,705)	(3,957,341)
Loss per share				
Basic and diluted	2	(0.62p)	(0.97p)	(2.06p)

Unaudited consolidated statement of comprehensive income
For the six months ended 30th June, 2012

	Six months ended 30th June 2012 £	Six months ended 30th June 2011 £	Year ended 31st December 2011 £
Exchange differences on translation of foreign operations	(28,752)	11,386	(141,525)
Other comprehensive expense for the year	(28,752)	11,386	(141,525)
(Loss)/profit for the period	(1,193,678)	(1,863,705)	(3,957,341)
Total comprehensive (expense)/income for the period attributable to equity holders of the company	(1,222,430)	(1,852,319)	(4,098,866)

Unaudited consolidated statement of changes in equity
For the six months ended 30th June, 2012

	Share capital £	Share Premium account £	Equity reserve £	Translation reserve £	Other reserve £	Retained loss £	Total £
At 1st January 2012	1,921,724	40,582,138	(42,705)	2,785,744	10,755,000	(52,703,093)	3,298,808
Loss for the period	-	-	-	-	-	(1,192,668)	(1,192,668
Exchange differences on translation of foreign operations	-	-	(28,752)	-	-	-	(28,752
Total comprehensive expense for the period	1,921,724	40,582,138	(71,457)	2,785,744	10,755,000	(53,895,761)	2,077,388
Issue of share capital	3,261	20,670	-	-	-	-	23,931
Credit to equity for share-based payment	-	-	-	77,448	-	-	77,448
Balance at 30th June 2012 (unaudited)	1,924,985	40,602,808	(71,457)	2,863,192	10,755,000	(53,895,761)	2,178,767

Unaudited consolidated statement of changes in equity
For the year ended 31st December, 2011

	Share Capital £	Share Premium a/c £	Equity reserve £	Translation reserve £	Other Reserve £	Retained loss £	Total £
At 1st January 2011	1,921,724	40,582,138	2,606,818	98,820	10,755,000	(48,745,752)	7,218,748
Profit for the year	-	-	-	-	-	(3,957,341)	(3,957,341)
Exchange differences on translation of foreign operations	-	-	-	(141,525)	-	-	(141,525)
Total comprehensive income/(expense) for the year	1,921,724	40,582,138	2,606,818	(42,705)	10,755,000	(52,703,093)	3,119,882
Credit to equity for share-based payment	-	-	178,926	-	-	-	178,926
Balance at 31st December 2011	1,921,724	40,582,138	2,785,744	(42,705)	10,755,000	(52,703,093)	3,298,808

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 1st 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 year	-	-	-	-	-	(1,863,705)	(1,863,705)
Exchange differences on translation of foreign operations	-	-	-	-	11,386	-	11,386
Total comprehensive income/(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 30th 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 balance sheet
As at 30th June, 2012

	30th June 2012 £	30th June 2011 £	31st December 2011 £
Non-current assets			
Goodwill	4,218,241	4,218,241	4,218,241
Property, plant and equipment	567,517	679,906	660,682
Other investments	763,502	763,502	763,502
	5,549,260	5,661,649	5,642,425
Current assets			
Inventories	479,794	250,889	300,521
Trade and other receivables	1,395,131	577,394	902,588
Cash and cash equivalents	2,406,554	6,499,608	4,064,080
	4,281,479	7,327,891	5,267,189
Total assets	9,830,739	12,989,540	10,909,614
Current liabilities			
Trade and other payables	(772,324)	(833,114)	(673,632)
Current tax liabilities	(6,604)	(15,000)	(18,033)
Short-term borrowings	(6,624,493)	(6,428,285)	(6,526,260)
Short-term provisions	(91,421)	(50,000)	(213,301)
	(7,494,842)	(7,326,399)	(7,431,226)
Net current assets/(liabilities)	(3,213,363)	1,492	(2,164,037)
Non-current liabilities			
Long-term provisions	(157,130)	(168,714)	(179,580)
Total liabilities	(7,651,972)	(7,495,113)	(7,610,806)
Net assets	2,178,767	5,494,427	3,298,808
Equity			
Share capital	1,924,985	1,921,724	1,921,724
Share premium account	40,602,808	40,582,138	40,582,138
Equity reserve	2,863,192	2,734,816	2,785,744
Other reserve	10,755,000	10,755,000	10,755,000
Translation reserve	(71,457)	110,206	(42,705)
Retained loss	(53,895,761)	(50,609,457)	(52,703,093)
Total equity	2,178,767	5,494,427	3,298,808

Unaudited consolidated cash flow statement
For the six months to 30th June, 2012

	Note	Six months ended 30th June 2012 £	Six months ended 30th June 2011 £	Year ended 31st December 2011 £
Cash flows from operating activities	**3**			
Cash used in operations		(1,612,228)	(2,878,315)	(5,143,263)
Interest paid		-	(94,807)	-
Tax (paid)/refunded		(36,946)	-	(23,027)
Net cash (outflow)/inflow from operating activities		(1,649,174)	(2,973,122)	(5,166,290)
Cash flows from investing activities				
Purchases of property, plant and equipment		(8,037)	(92,134)	(206,235)
Interest received		5,659	14,201	23,847
Proceeds on asset disposal		-	-	8,353
Net cash outflow from investing activities		(2,378)	(77,933)	(174,035)
Financing activities				
Proceeds on issue of shares		23,931	-	-
Loans (repaid)/new loans raised		-	-	-
Net cash from financing activities		23,931	-	-
Net increase/(decrease) in cash and cash equivalents		(1,627,621)	(3,051,055)	(5,340,325)
Cash and cash equivalents at beginning of period		4,064,080	9,543,870	9,543,870
Effect of foreign exchange rate changes		(29,905)	6,793	(139,465)
Cash and cash equivalents at end of period		2,406,554	6,499,608	4,064,080

Notes to the unaudited interim results
For the six months to 30th June, 2012

1. The information for the period ended 30th June, 2012 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. 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, 2011. These statutory accounts, upon which the auditors issued an unmodified opinion, but which contained an emphasis of matter statement regarding the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern, 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.

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 2012 £	Unaudited first-half 2011 £	Year ended 31st December 2011 £
Loss per share			
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent	(1,192,668)	(1,863,705)	(3,957,341)
Number of shares			
Weighted average number of ordinary shares for the purpose of basic loss per share	192,402,278	192,172,408	192,172,408
Weighted average number of ordinary Shares for the purpose of diluted loss per share	192,402,278	192,172,408	192,172,408

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.

3. Tax credit for the period

The tax credit for the period includes an R&D tax credit of £337,728 which was received in August and which related to the year ended 31st December, 2010.

Notes to the unaudited interim results (continued)
For the six months to 30th June, 2012

4 Note to the consolidated cash flow statement

	Unaudited first-half 2012 £	Unaudited first-half 2011 £	Year ended 31st December 2011 £
Operating loss	(1,570,822)	(1,978,099)	(4,341,320)
Adjustments for:			
Depreciation of property, plant and equipment	85,831	125,416	205,498
Share-based payment expense	77,448	127,998	178,926
Finance costs	-	94,807	-
Profit on asset disposal	-	-	(7,651)
Operating cash flows before movements in working capital	(1,407,543)	(1,629,878)	(3,964,547)
(Increase)/decrease in inventories	(179,273)	(41,608)	(91,240)
(Increase)/decrease in receivables	(7,846)	(178,997)	(163,629)
(Decrease)/increase in payables	(17,566)	(692,318)	(762,500)
(Decrease)/increase in provisions	-	(335,514)	(161,347)
Cash (used in)/generated by operations	(1,612,228)	(2,878,315)	(5,143,263)