

Proteome Sciences plc
(“Proteome Sciences” or the “Company”)

Preliminary results for the year ended 31st December, 2010

27th May, 2011

Highlights

- Commercial
 - €11m receipt from Sanofi-Aventis warranty claim settlement
 - PS Biomarker Services™ contracts including Parexel, ICON, Janssen (J&J) and Eisai
 - Nine protein AD biomarker panel and Tau phosphorylation assays launched
 - Underlying 35 per cent growth in TMT®
 - Launch of cysTMT®

- Financial
 - Pre-tax profit £4.59m (2009: £4.20m pre-tax loss) following Sanofi-Aventis settlement
 - Net proceeds from Placing and Open Offer £6.5m
 - Cash balance £9.54m (2009 : £0.13m)
 - Consistent and predictable cash burn

- Outlook
 - Strong PS Biomarker Services™ pipeline
 - Serial proprietary biomarker license opportunities in AD, stroke and cancer
 - Accelerating rates of growth from TMT®
 - Considerable expansion of products/services in 2011
 - Assays covering c.50 disease markers launched by year end
 - Results of 1,000 AD sample study with King’s College Hospital in Q4
 - Major AD revenue potential
 - High activity in biomarkers/biomarker services
 - Confident about prospects

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

“With the already considerable and growing portfolio of highly developed biomarkers, biomarker assays and the state of the art protein biomarker CRO capability Proteome Sciences now has under its belt, combined with a major increase in marketing and business development, the Board is most confident of achieving significant growth in revenues in the year ahead and beyond.

2010 was a year of transition for Proteome Sciences. We significantly strengthened the balance sheet, installed state of the art mass spectrometry equipment to service our fast-growing pipeline of biomarkers and biomarker services and secured new contracts with bluechip companies. We also concluded the long standing warranty claim with Sanofi-Aventis which will free up a significant amount of executive time to deliver sales and revenue growth from all three parts of the business.

The recognition across the healthcare industry and by the major global regulators of the need for and utility of blood biomarkers for diagnostic, patient monitoring, drug selection and drug development purposes, further underpins our confidence in the business.”

ENDS

Attached: Full text of Chairman’s statement, consolidated profit and loss account, consolidated balance sheet, consolidated cashflow 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.

Chairman's Statement

For the year ended 31st December 2010

Dear Shareholder,

We made considerable progress in 2010, culminating with Proteome Sciences reporting a pre-tax profit for the year of £4.59m following the settlement of the warranty claim against Sanofi-Aventis Deutschland GmbH.

We substantially increased our commercial activity during the year, particularly for PS Biomarker Services™ where we have expanded our marketing campaign and this led to contracts/alliances with CROs Parexel and ICON, Janssen (J&J). We also signed a license with Sigma Aldrich, launched cysTMT® reagents through our licensee Thermo Fisher and saw the launch of two novel biomarker assays for Alzheimer's Disease from our proprietary biomarker portfolio.

Reflecting this activity, the pipeline for PS Biomarker Services™ has continued to grow strongly in 2011 with recent contracts secured with Eisai, the first major pharmaceutical company to test human sample material with our Alzheimer's TMT-SRM assay set that we launched last summer and with Takeda and ICON, both of which have entered into follow-up contracts on the back of successful completion of their initial biomarker services contracts last year. Further contracts are in negotiation and will be announced during the year.

Following a robust 35% rise in underlying sales of TMT® in 2010, the current strong performance indicates that TMT® products are gaining increasing market acceptance/traction and are likely to achieve further increase in the rate of growth in 2011 from existing products and the benefit of new versions of TMT® as they are introduced later in the year. Thermo Fisher Scientific is now engaged in raising the profile and marketing of TMT® reagents and is intent to maximise the value and position of its global franchise in TMT® isobaric mass tagging.

After the €11m (£9.53m) settlement of the warranty claim with Sanofi-Aventis, the completion of the £6.5m placing and open offer and the £5m loan conversion into ordinary shares, the 2010 group balance sheet has been transformed and closed with a healthy £9.5m cash balance at the year end. Whilst these factors have collectively provided considerable financial resources to the business, the processes were highly time consuming and a distraction for the executive management. The management is now able to focus its full attention on the commercial exploitation of our biomarker IP, biomarker services activities and focusing on revenue growth.

In the second half of 2010 we acquired the latest mass spectrometry equipment and installed a dedicated sample preparation facility in Frankfurt, with a further mass spectrometer to be added in London in June 2011. The additional capital investment will satisfy the increased capacity requirements to service the growing pipeline of PS Biomarker Services™ contracts for the foreseeable future. As previously outlined, we have also been allocating additional resource and investment to develop further MS assays for our proprietary biomarkers with an initial focus in Alzheimer's disease, cancer and brain damage. We consider that it is better to develop focused smaller panels for targeted applications rather than to move to develop large panels covering a wide range of therapeutic areas.

This differentiates and positions PS Biomarker Services™ at the forefront globally and we expect to have assays developed and available by the end of 2011 covering approximately 50 important disease biomarkers either as individual MS assays or as panel assays including multiple biomarkers on one test. As a consequence we will be able to more fully monetise and generate revenue from our biomarker portfolio through routine services and from sales of biomarker assays. To add further impetus to this process, we are actively engaged in recruiting two senior level business development/ sales executives, one in the US and the other in Europe. These actions are designed to drive and leverage revenue.

In parallel to the investment in facilities, assays, equipment and business development we are overdue to address our corporate image and branding. It is time for a complete overhaul of the website. We no longer need to justify our science, technology or biomarkers as these are now widely accepted. We recognise the need to simplify the message and concentrate on the services and products that we can provide to existing and potential customers and to ensure that we are best meeting the information needs of investors.

We have appointed Financial Dynamics and Thinker/Doer respectively to handle our IR and branding with the objective of strengthening our image and re-positioning the business for our customers. The process is underway and the website will have a full makeover over the next three months. We view this as a key element to support the expansion of our marketing and sales initiatives.

Patents

We continued to expand our critical and highly valuable IP portfolio in 2010 with 21 new patents granted for the main patent families including TMT[®], cancer, Alzheimer's, stroke, brain damage, TSE and oligonucleotides and new patent applications have been filed for Alzheimer's, TMT[®], cancer, TSE and stroke.

New product development

With the development and launch of the world's first mass spectrometry assays in Alzheimer's disease last year, we have shown the versatility of the method Proteome Sciences has developed for rapid introduction of tests that can be used in basic research and clinical trials. Further assays are being developed and will be launched throughout 2011 and into 2012.

Gaining new insights in cancer

We are developing a range of new tests for key pathways known or suspected of causing cells to become cancerous. The first products will focus on mechanisms of drug resistance in breast cancer and key pathways in liver and colorectal tumours.

Delivering alternatives for Alzheimer's disease

Since launch, both the nine protein plasma AD TMT-SRM panel and the tau phosphorylation assay have been well received, and we will continue to develop them by adding new markers and combinations. In addition we have developed a novel panel of CSF protein markers and are currently developing enrichment methods to allow tau phosphorylation profiling in CSF. This should be available later this year.

Targeting tau phosphorylation

Tau has increasingly been recognised as having a key role in Alzheimer's. We have a strong position in the tau pathway with the phosphorylation assay and following the identification of CK1 δ as a candidate target in Alzheimer's Disease we initiated an in silico drug screening programme yielding over 600 candidate molecules and so far 150 of these have been screened with 14 compounds showing inhibitory activity in laboratory tests. These results are exciting and highly promising and we have accordingly filed IP to cover the position. Further data and results will be forthcoming in the second half of 2011.

Evaluating new brain damage markers

To progress commercialisation of the large panel of c. 200 brain damage markers discovered through our collaboration with University of Geneva, we are developing multiplex immunoassays and mass spectrometry tests against 20 new protein targets.

Building on our partnership with Kings College, London

Through collaborative research with KCL, we have identified new markers for management of arterial thrombosis (a leading cause of heart attack and stroke) and acute liver failure. Assays for these markers are in preparation and should be available later this year.

Biomarkers

On 7th March, 2011, Proteome Sciences hosted an outstanding AD Biomarker Focus Day in London. Global leaders in Alzheimer's including academic, CROs, diagnostics and regulatory perspectives highlighted the importance and fast growing role of biomarkers in drug development and diagnosis. The purpose of the meeting was to familiarise medical and science editors of the national papers, the trade press and a range of customers as to the extensive integration and utility that biomarkers are now playing in all aspects of the management and treatment of Alzheimer's disease and the economic advantages of their incorporation from an early stage.

Following considerable external confirmation in academic and scientific publications of the AD biomarkers found by Proteome Sciences in blood, Professor Simon Lovestone confirmed that a very large 1,000 patient sample study collected over 5 years had just started to be analysed by KCL and Proteome Sciences using our nine protein AD TMT-SRM assay. This should provide strong further support to both the individual MS assays and the biomarker panels developed by Proteome Sciences and to their broad utility and economic value. These will be used for testing new drug compounds, diagnostics and monitoring Alzheimer's patients and treatment. The study should be completed in Q4 2011.

A scientific paper published in April in the Journal of the American Medical Association by the University Medical Centre, Rotterdam shows clusterin as a good prognostic blood biomarker in Alzheimer's. This endorses our previous discovery and disclosures that clusterin correlated strongly with the severity and staging of AD and not as an early pre-symptomatic marker. Prognostic testing of AD patients will require regular repeat tests and monitoring over the long duration of the disease. It is worth recalling that we have already developed an MS assay for clusterin and that unusually we have filed IP both for clusterin as a prognostic biomarker by itself and also as one of the constituents of our nine biomarker assay panels for managing AD. Clusterin has more recently been endorsed in the Journal of Neuroscience by a group at UCLA suggesting that the effects may be seen up to 50 years before people get Alzheimer's. We are delighted to have the benefit of further third party confirmation supporting the utility of clusterin during our licensing discussions.

Benchmarking Proteome Sciences potential revenue in Alzheimer's

In light of the strong advances being made and the increased profile and activity by pharmaceutical companies and academics in Alzheimer's disease, Proteome Sciences commissioned an independent consultants report to provide an assessment of the global market for Alzheimer's disease diagnostics and potential for Proteome Sciences. This has been undertaken as a result of the exceptional early IP position that we have established in Alzheimer's disease from biomarkers in blood that have utility spanning diagnostics, monitoring patients and treatment and as potential targets for drugs. The report indicated that the cumulative value in diagnostics in the 10 years to 2022 was in excess of \$9bn in the segments relevant to Proteome Sciences. With the strong IP position we have in place, we would hope to have a reasonable exposure for those applications.

It is most encouraging that the market opportunity for Proteome Sciences from the AD franchise is so substantial, and we believe that the initiatives we are taking to aggressively develop AD biomarker products and services and strengthen our position will provide strong revenue growth over the long term.

Stroke

An international patent filed for the diagnosis of stroke jointly by Bio-Rad Pasteur and Proteome Sciences was published in August. The biomarker combination demonstrated 93% sensitivity and 100% specificity in detection of all types of stroke. The performance was even better for ischemic stroke where the sensitivity increased to 95% and the specificity remained at 100%.

The panel of blood biomarkers recognise rapid changes in protein expression which are detectable within 15 minutes of the occurrence of a stroke. Other protein biomarkers are linked to the disease process and are useful to predict the long-term outcome of stroke and for the care management of stroke patients.

Over the last twelve months, there has been a resurgence of interest in stroke by the major companies, and based on the performance of our stroke markers and the IP we have covering their utility and applications, we expect to conclude valuable and non-exclusive licenses with a number of these companies.

Cancer

We were disappointed that Oncimmune chose to remove Proteome Sciences annexin 1 autoantibody biomarker from its lung cancer assay following its validation for early lung cancer detection following the re-design of its panel and the inclusion of two additional biomarkers. It must be emphasised that this is in no way reflects on the utility or performance of annexin 1 as a strong validated early diagnostic biomarker for screening lung cancer, nor will it affect our ability to outlicense it in combination with our other biomarkers.

As more companies require panels of cancer biomarkers and antigen, we expect that annexins will be core components of that process and will be part of future panels as these get optimised. Revenues from the Oncimmune CLIA test to date have been very modest and this will have a minimal effect on future revenue. The volume application of the lung cancer test was always intended to be by way of high-throughput screening tests, and not the single CLIA laboratory centre model used by Oncimmune.

To that end, Proteome Sciences is actively developing its own testing platform and assays for cancer and is looking to launch these in 2012. Annexins have also been shown to have novel utility and applications in breast cancer for early diagnosis, for assessing the suitability of chemotherapy as a target for therapy, for oesophagus cancer and as a good early general cancer biomarker, with our patents covering these uses. Good further external progress has been made using annexins in panels for early detection of breast cancer and it is anticipated that this may lead to licensing and introduction of a test in 2011.

By way of access to our full portfolio of patented proprietary biomarkers in cancer, Proteome Sciences is able to offer its biomarker content as multiple licenses to different diagnostics companies and testing platforms.

We will continue vigorously to conclude further licenses, in particular for lung and breast cancer.

Expanding the TMT[®] franchise

In 2010 we launched a new TMT[®] reagent for selective labelling of rarer peptides (cysTMT[®]) which provide benefits in the breadth and depth of proteome coverage. We also initiated synthesis of a new production batch of the core TMT[®] molecule with enhanced design features to match recent developments in mass spectrometry. In addition, several alternate forms of TMT[®] for labelling steroids, sugars and certain protein modifications are being trialled by academic opinion leaders.

The desire for higher plexing rates is being addressed by combining TMT[®] with other labelling strategies with keynote publications, anticipated in H2 2011. Commercial development of the prototype 12-plex and 18-plex TMT[®] reagents is a high priority.

Investments

In 2010, Veri-Q received notification of grant of an oligonucleotide patent and is in discussions with a third party who want to commercialise the Veri-Q technology and IP.

VIRxSYS continues to make strong advances with its VRX HIV therapeutic programmes, including VRX1273 its HIV vaccine as does the SMaRT[™] cholesterol (HDL) studies. SMaRT[™] has been awarded further NIH grant funding and VIRxSYS successfully completed a fund raising in the period. The prospects look encouraging.

Scams/Misinformation

Regrettably, there has been an increasing spate of 'boiler-room scams' and misinformation circulating aimed to exploit shareholders/investors 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 misinformation and if they have any concerns, they should contact the company directly or pass the details to the FSA.

Results

The financial results for the twelve-month period ended 31 December 2010 show a profit before tax of £4.59m compared with a loss before tax of £4.20m in 2009. The 2010 revenue of £9.87m (2009 : £1.31m) includes exceptional income of £9.53m resulting from the settlement of the Sanofi-Aventis warranty claim. The 2009 revenue included license agreement fees of £1.17m not repeated in the current year. Non-license fee income increased to £0.34m (2009 : £0.13m). As previously explained, the nature of the business means that turnover can vary considerably over the year depending on the timing of the receipt of license fees and contracts and little emphasis should be placed on individual half-year contributions. Non-cash costs (depreciation and a charge under IFRS2 for share based payments) totalled £0.56m (2009 : £0.59m). Administrative expenses were £4.89m (2009 : £4.84m).

The profit on ordinary activities after taxation for the twelve-month period ended 31 December 2010 was £4.56m (2009 : £4.01m loss after taxation).

At the year-end cash in hand was a healthy £9.54m (2009 : £0.13m) and the board expects that, subject to unforeseen circumstances, costs in 2011 will remain similar to the levels in 2010.

The balance sheet also reflected the proceeds of the placing and open offer to shareholders in 2010 and was further strengthened following conversion of £5m of the loan from C.D.J. Pearce into ordinary shares of the company. Capital expenditure of £0.63m was incurred through the purchase of laboratory equipment and the major part of deferred salaries due to Directors was paid during the period. As a result, cash used in operations totalled £4.12m.

Current Outlook

The last twelve-months witnessed considerable change for the business. The balance sheet was transformed, state-of-the-art mass spectrometry equipment was installed to service the fast growing pipeline of biomarker services contracts awarded, the long standing warranty claim absorbing significant executive time was resolved and most importantly, the role and value of biomarkers became increasingly visible and tangible across life sciences.

After the significant investment that has been made over the years in developing biomarkers and biomarker services, shareholders can now finally see the long list of assays, products and services that have and are being developed and how these will provide the revenues to sustain and properly reflect the long-term value of our business. The initiatives that we are taking with the recruitment of senior business development/sales executives in the US and Europe and the re-branding and re-positioning of the business focus to customers are the last stage of this process. These will allow us to actively commercialise and leverage increased revenue from the outstanding intellectual property that we have established.

With the high levels of activity and negotiations for our biomarkers and biomarker services, a significant increase in first half sales and the prospect of serial licenses/contracts from an expanding pipeline and the completion of the major 1,000 patient sample study in Alzheimer's disease in Q4, we are excited and confident about our prospects.

Steve Harris
Chairman

27th May, 2011

Unaudited consolidated income statement

For the year ended 31st December 2010

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Continuing operations		
Revenue		
Warranty settlement	9,530,000	-
License agreement fees	-	1,170,000
Other revenue	336,628	135,694
	<u>9,866,628</u>	<u>1,305,694</u>
Revenue	9,866,628	1,305,694
Cost of sales	(105,144)	(329,000)
	<u>9,761,484</u>	<u>976,694</u>
Gross profit	9,761,484	976,694
Administrative expenses	(4,887,763)	(4,842,600)
	<u>4,873,721</u>	<u>(3,865,906)</u>
Operating profit/(loss)	4,873,721	(3,865,906)
Investment revenues	14,342	786
Finance costs	(299,365)	(331,736)
	<u>4,588,698</u>	<u>(4,196,856)</u>
Profit/(loss) before taxation	4,588,698	(4,196,856)
Tax	(25,535)	187,026
	<u>4,563,163</u>	<u>(4,009,830)</u>
Profit/(loss) for the period from continuing operations	4,563,163	(4,009,830)
Attributed to shareholders of the company	<u>4,563,163</u>	<u>(4,009,830)</u>
Earnings/(loss) per share		
Basic and diluted	<u>2.79p</u>	<u>(3.02p)</u>

Unaudited consolidated statement of comprehensive income

For the year ended 31st December 2010

	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Exchange differences on translation of foreign operations	(21,241)	(41,470)
	<u>(21,241)</u>	<u>(41,470)</u>
Other comprehensive income/(expense) for the year		
Profit/(loss) for the year	<u>4,563,163</u>	<u>(4,009,830)</u>
Total comprehensive income/(expense) for the year attributable to equity holders of the company	<u><u>4,541,922</u></u>	<u><u>(4,051,300)</u></u>

Unaudited consolidated balance sheet

As at 31st December 2010

	2010	2009
	£	£
Non-current assets		
Goodwill	4,218,241	4,218,241
Property, plant and equipment	677,336	222,165
Other investments	763,502	763,502
	<u>5,659,079</u>	<u>5,203,908</u>
Current assets		
Inventories	209,281	169,946
Trade and other receivables	184,779	694,752
Cash and cash equivalents	9,543,870	131,158
	<u>9,937,930</u>	<u>995,856</u>
Total assets	<u>15,597,009</u>	<u>6,199,764</u>
Current liabilities		
Trade and other payables	(1,440,798)	(1,058,340)
Current tax liabilities	(49,757)	(27,990)
Short-term borrowings	(6,333,478)	(11,787,021)
Short-term provisions	(404,440)	(2,433,886)
	<u>(8,228,473)</u>	<u>(15,307,237)</u>
Net current assets/(liabilities)	<u>1,709,457</u>	<u>(14,311,381)</u>
Non-current liabilities		
Long-term provisions	(149,788)	(130,421)
Total liabilities	<u>(8,378,261)</u>	<u>(15,437,658)</u>
Net assets/(liabilities)	<u>7,218,748</u>	<u>(9,237,894)</u>
Equity		
Share capital	1,921,724	1,328,036
Share premium account	40,582,138	29,660,338
Equity reserve	2,606,818	2,207,586
Other reserve	10,755,000	10,755,000
Translation reserve	98,820	120,061
Retained loss	(48,745,752)	(53,308,915)
Total equity/(deficit)	<u>7,218,748</u>	<u>(9,237,894)</u>

Unaudited consolidated statement of changes in equity

For the year ended 31st December 2010

	Share Capital	Share Premium Account	Equity reserve	Translation Reserve	Other Reserve	P&L Reserve	Total
	£	£	£	£	£	£	£
At 1st January 2009	1,328,036	29,660,338	1,769,922	161,531	10,755,000	(49,299,085)	(5,624,258)
Loss for the year	-	-	-	-	-	(4,009,830)	(4,009,830)
Exchange differences on translation of foreign operations	-	-	-	(41,470)	-	-	(41,470)
Total comprehensive income/(expense) for the year	1,328,036	29,660,338	1,769,922	120,061	10,755,000	(53,308,915)	(9,675,558)
Share-based payment charge	-	-	437,664	-	-	-	437,664
At 31st December 2009	<u>1,328,036</u>	<u>29,660,338</u>	<u>2,207,586</u>	<u>120,061</u>	<u>10,755,000</u>	<u>(53,308,915)</u>	<u>(9,237,894)</u>
At 1st 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
At 31st December 2010	<u>1,921,724</u>	<u>40,582,138</u>	<u>2,606,818</u>	<u>98,820</u>	<u>10,755,000</u>	<u>(48,745,752)</u>	<u>7,218,748</u>

Unaudited consolidated cash flow statement

For the year ended 31st December 2010

	Group Year ended 31st December 2010 £	Group Year ended 31st December 2009 £
Cash flows from operating activities		
Cash used in operations	4,116,861	(2,831,271)
Interest paid	(299,365)	(331,736)
Tax refunded	185,373	191,072
Net cash outflow from operating activities	<u>4,002,869</u>	<u>(2,971,935)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(630,775)	(10,579)
Interest received	14,342	786
Net cash (outflow)/inflow from investing activities	<u>(616,433)</u>	<u>(9,793)</u>
Financing activities		
Proceeds on issue of shares	11,515,489	-
Loans (repaid)/new loans raised	(5,453,540)	2,699,359
Net cash from financing activities	<u>6,061,949</u>	<u>2,699,359</u>
Net increase/(decrease) in cash and cash equivalents	9,448,385	(282,369)
Cash and cash equivalents at beginning of year	131,158	273,810
Effect of foreign exchange rate changes	(35,673)	139,717
Cash and cash equivalents at end of year	<u>9,543,870</u>	<u>131,158</u>

Notes to the unaudited consolidated cash flow statement

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Operating profit/(loss)	4,873,721	(489,770)	(3,865,906)	(478,437)
Adjustments for:				
Depreciation of property, plant and equipment	168,141	-	155,738	-
Share-based payment expense	399,232	399,232	437,664	437,664
Operating cash flows before movements in working capital	<u>5,441,094</u>	<u>(90,538)</u>	<u>(3,272,504)</u>	<u>(40,773)</u>
(Increase)/decrease in inventories	(39,335)	-	18,134	-
Decrease/(increase) in receivables	323,186	-	(354,999)	(2,471,933)
Increase/(decrease) in payables	401,995	-	313,789	-
(Decrease)/increase in provisions	<u>(2,010,079)</u>	<u>-</u>	<u>464,309</u>	<u>-</u>
Cash used in operations	<u>4,116,861</u>	<u>(90,538)</u>	<u>(2,831,271)</u>	<u>(2,512,706)</u>

Notes to the financial information

1. The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 31st December 2010 or 2009. The financial information for the year ended 31st December 2009 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s498(2) or (3) Companies Act 2006.

The audit of the statutory accounts for the year ended 31st December 2010 is not yet complete. These accounts will be finalised on the basis of the financial information passed by the directors in this preliminary announcement and will be and will be posted to shareholders next week. After that time, they will also be available at the Company's registered office: Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP.

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, this announcement does not itself contain sufficient information to comply with IFRS. The group intends to publish full financial statements that comply with IFRS.

2. The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.
3. The profit for the year was £4,563,163 (2009: loss of £4,009,830) following the €11m (£9.53m) income from the settlement of the Sanofi-Aventis warranty claim in the current year. The Directors do not recommend the payment of a dividend.
4. **Profit/(loss) per share from continuing operations**

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

	Unaudited 2010 £	Year ended 31st December 2009 £
Profit/(loss)		
Profit/(loss) for the purpose of basic and diluted profit/(loss) per share being net profit/(loss) attributable to equity holders of the parent company	<u>4,563,163</u>	<u>(4,009,830)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share	<u>163,633,581</u>	<u>132,803,571</u>
Weighted average number of ordinary shares for the purpose of diluted profit/(loss) per share	<u>163,638,131</u>	<u>132,803,571</u>

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.