

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

Preliminary results for the year ended 31st December, 2011

29th May, 2012

Highlights:

Commercial

- Strong growth of PS Biomarker Services™ in the first half of 2011 continued with revenue increasing 127% to £1.02m excluding exceptional income from the 2010 warranty settlement
- TMT® revenue grew sharply with reagent sales increasing by 53% in 2011
- By end 2011 c.50 biomarkers were covered by our assays and this is expected to at least double in 2012
- Key new customer contracts and strategic collaborations secured
- Highly encouraging results from 1000 sample Alzheimer's study to quickly lead to development of clinical tests
- 26 patents were granted with a further 26 applications filed taking the total to over 600
- Non-exclusive stroke biomarker license with Randox with seven digit \$ fee and double digit royalties

Financial

- Revenue for 2011 increased 127% to £1.02m (2010: £0.45m excluding the exceptional £9.53m income from the Sanofi-Aventis warranty claim settlement from the £9.98m total)
- Licences/Sales/Services revenue rose 97% to £0.66m (2010: £0.34m)
- Grant Services revenue trebled to £0.36m (2010: £0.11m) and TMT® reagent sales increased 53%
- The loss after tax was reduced to £3.96m, down from £4.97m loss after tax in 2010 (excluding the exceptional warranty settlement). 2010 profit after tax (including exceptional income) was £4.56m
- Cash at the year end was £4.06m

Outlook

- Aiming to optimise revenue from our three core areas: PS Biomarker Services™, Proprietary Biomarkers and TMT® chemical reagents
- Expect to show a considerable increase in revenue growth in 2012
- Enhanced sales and marketing support and infrastructure developed over the last six months is reflected in the level of orders and enquiries in our products and services
- Continued focus on cash generation and being sustainably profitable

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

“We have made clear progress in each of our three main business divisions during 2011. Key new contracts and collaborations have been secured, we have launched new assays covering 50 proprietary biomarkers, seen extremely encouraging results from our 1,000 sample Alzheimer's validation study and made further IP filings to take our portfolio total to over 600. Our revenue saw strong growth during the first half of 2011 and we have seen significant like-for-like growth in 2012 to date, most encouragingly with a much greater contribution expected during the second half of the year as we continue to work towards our goal of becoming a profitable and self-sustaining business”.

ENDS

Attached: summary Chairman's message and operational review, consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cashflow statement and notes to the financial statements.

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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.

Summary Chairman's message and operational review

A year of progress and acceptance

All our business divisions make considerable progress

Considerable progress was made in each of the three main business divisions proprietary biomarkers, biomarker services and reagents. Contracts were announced with Eisai, Takeda and Siena Biotech, collaborations with The Moffitt Cancer Center and The Buck Institute in the US in the fields of cancer pathways and breast cancer respectively and further EU framework 7 grant funding through DENAMIC (Developmental Neurotoxicity Assessment of Mixtures in Children). These will enable us to rapidly produce novel biomarker assays and expand our range of products and sales.

From a standing start in 2010, the proprietary biomarker coverage in Proteome Sciences assays increased to around 50 last year and these numbers are expected to more than double again in 2012 and will reflect in considerably enhanced revenue from products and services.

The strong progress last year has continued into 2012 and has culminated with extremely encouraging results from the 1,000 sample Alzheimer's disease (AD) validation study where we filed further intellectual property (IP) and that delivered three biomarker panels in blood, each containing between 11 and 16 proteins that discriminate between mild cognitive impairment, Alzheimer's and control groups respectively and, working with our collaborators these will quickly lead to the development of clinical tests.

The Alzheimer's news was shortly followed by the licence announced with Randox Laboratories for our stroke biomarkers which will be rapidly delivered to health care providers through their biochip array systems to hospital laboratories in 130 countries globally. The terms, a seven digit \$ fee with double digit royalties for a non-exclusive licence, set a new precedent in the field and were consistent with the strategy and predictions previously set out to our shareholders.

Revenue growth:

Biomarker Services revenue – strong growth in the first half and further growth expected in 2012

The strong growth of PS Biomarker Services™ in the first half of the year continued with full year revenue increasing 127% to £1.02m (2010: £0.45m excluding the exceptional income from the 2010 warranty settlement with Sanofi-Aventis). In the breakdown of revenue, Licences/Sales/Services rose 97% to £0.66m (2010: £0.34m), Grant Services trebled to £0.36m (2010: £0.11m) and TMT® Reagent sales increased 53%. The strong underlying trend is expected to continue in 2012 with increased market penetration supported by industry projections of 26.5% compound growth in the global biomarker market through to 2017. Significant progress has been achieved raising our profile and with the expectation that the benefits will come through in 2012, and with further strong growth in products and services as currently evidenced in the first half of the year.

TMT® revenue – Revenue grows sharply, expected to continue

As predicted, TMT® revenue grew sharply with reagent sales increasing by 53% in 2011. We expect that this rate of growth should continue and accelerate in 2012 and beyond with TMT® 18 plex becoming more widely available, dramatically increasing the value proposition. Comparative performance of different quantitative proteomics methods at the American Society for Mass Spectrometry (ASMS) in 2011 demonstrated that TMT® 6 plex provided the optimum performance. This positive endorsement of key opinion leaders will further accelerate the use of TMT® into mainstream biological and medical research groups and is expected to fuel a significant rise in revenues and a more meaningful group contribution. Two new complementary TMT®s have also been added to the range, Iodo TMT® and Hydrazine TMT® that will contribute to even stronger sales growth.

Dedicated US based business development and marketing team added

A major initiative was implemented in Q4 2011 to increase sales of our products and services, following the appointment of a North American business development/marketing team. After the integration of the existing customer database with their established networks and the launch of the new website at the end of 2011, the impact of these changes is feeding through into a fast expanding range of new customers and orders. This will be increasingly visible in H1 2012 and we are confident of a considerable increase in revenue in 2012.

Major developments:

Increasing our biomarker services offering

We have concentrated on expanding PS Biomarker Services™ and the amount of assays and services that we provide principally using our own proprietary biomarker content. At the end of 2011 we had around 50 biomarkers covered by our assays and this figure is expected to at least double in 2012 as additional mass spectrometry assays are completed. In the year we have announced 6- and 3-plex breast cancer assays, cell signalling pathway assays, assays for brain damage, AD cerebrospinal fluid (CSF), and for CSF QC. Increased commercial and academic interest focusing on Tau protein has necessitated the expansion of our Tau phosphorylation assays in AD to 10 sites including some CK1 specific sites.

Launch of 'game changing' SysQuant™ assay

The most recent major development has been the launch of the SysQuant™ global phosphorylation assay in March 2012 at the AACR meeting in the US. This is a multiplexed quantitative mass spectrometry based assay for the simultaneous measurement of multiple phosphoproteins. SysQuant™ provides comprehensive measurement of signalling pathway activity in cultured cells, tumour tissue and frozen clinical samples. SysQuant™ can be used both as a discovery tool and in clinical applications for drug discovery, clinical research and diagnostics. SysQuant™ is a 'game changing' assay that will give PS Biomarker Services™ a significant USP in the biomarker space and should make a considerable contribution to our assay portfolio and revenues.

Significant breakthrough in the evolution of mass spectrometry

The 2012 ASMS meeting will provide the backcloth to the launch of MS3 TMT® Mass Spectrometry Workflow. This will create a quantum leap in TMT® isobaric mass spectrometry performance that will be exclusive to PS Biomarker Services™ and its customers. We have developed a multiplexed mass spectrometry based assay workflow that virtually eliminates the ratio distortion interface seen with the current two-stage mass spectrometry (MS2) methodologies which use isobaric labelling techniques. This represents a significant breakthrough in the evolution of mass spectrometry for use in multiplexed quantitative proteomics and opens up the door to use of this technology in a far wider range of proteomics applications for basic research, drug discovery and diagnostics. Proteome Sciences will be negotiating licenses for MS3 technology with mass spectrometry equipment manufacturers that will position the licensee and Proteome Sciences with a substantive and exclusive advantage over the competition.

Preliminary 1,000 sample Alzheimer's results show extremely encouraging data

The large 1,000 patient sample study in Alzheimer's disease was slightly delayed into 2012 because of the volume and complexity of the data analysis, however the release of the preliminary results in March delivered highly encouraging results that shows the biomarkers have significant potential diagnostic and prognostic utility and that these can quickly form the basis of a series of simple blood tests for the diagnosis and management of Alzheimer's.

TMT® reagents now sufficient to address increased mass spectrometry market over coming years

In 2011 we completed the synthesis of a large new production batch of the core TMT® molecule with enhanced features to match recent developments in mass spectrometry (MS). Whilst the process is highly complex and involves multiple sequential stages taking around a year, Proteome Sciences now holds sufficient core TMT® reagents to address the increased market requirements for the next few years.

Sens-it-iv makes progress towards animal testing alternative

With results announced from the Sens-it-iv project in November, Proteome Sciences has made significant progress towards the goal of replacing animal testing for key allergens. We have developed a number of novel *in vitro* assays for testing these allergens in products including chemicals, pharmaceuticals, cosmetics and detergents and *in vitro* assays will shortly become mandatory under EU legislation.

Contracts, collaborations and partnerships:

Securing new customer contracts and strategic collaborations

Following the PS Biomarker Services™ contract with Janssen (J&J) at the end of 2010, biomarker services contracts were secured with Eisai Ltd for 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 in 2011. Strategic collaborations were closed 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 provided further validation of Proteome Sciences technology and services and the building blocks for further value generation.

Working in partnership with Kings College London to quickly develop and license content for commercial application

Three biomarker panels in blood, each containing between 11 and 16 proteins have been identified which discriminate between mild cognitive impairment (MCI), AD and control. Further IP has been filed around these panels which include and combine markers covered by existing patents with additional newly validated biomarkers which will all come under the research use only license we provided to Merck Millipore for their Milliplex platform. Together with King's College London, we will move quickly to develop clinical tests based on these biomarker panels and to license that content to the major diagnostic companies. Such tests will address a major unmet need and will have widespread application and commercial value and most importantly will help patients and families suffering from the devastating effects of Alzheimer's disease.

Key role in European study on the effects of environmental contamination in children

The excellent results achieved from the Sens-it-iv EU framework 7 Grant have assisted us in securing a key role in the DENAMIC €6.99m EU Framework 7 Grant over the next two years to study the effects of environmental contamination in health and developmental disorders in children. Proteome Sciences has been selective in joining high quality consortia/proposals that fit our criteria of interest and we are optimistic that further applications will be successful.

IP portfolio:

Our unrivalled asset base

Proteome Sciences has established an unrivalled asset base through our extensive IP portfolio of key biomarkers across a broad range of diseases, applications and technologies. In 2011 we had another 26 patents granted with a further 26 applications filed taking the total to over 600. We are actively engaged in increasing our IP estate for shareholders and its importance and underlying value will be demonstrated by new license fees, milestones and royalties.

Identifying and developing patented biomarkers with speed to create new revenue streams

Using the PS Biomarker Services™ platform we identified and filed patents for over 100 biomarkers from cells in the immune system and more than 100 more from skin cells. Eight of these were selected and were developed into TMT-SRM assays in just four weeks with excellent results. Assays will be made initially for the most important biomarkers and marketed to industrial manufacturers producing a wide range of products to confirm the safety of their products. This will lead to new revenue streams with a range of novel industrial testing products and service contracts for PS Biomarker Services™.

CK1 testing completed leading to additional IP filing

The selected compounds previously identified as potential inhibitors against CK1 completed their testing in cells and showed good activity. Further IP was filed to cover the results which the Directors believe will considerably increase the value of the CK1 programme. Further refinement of the new compounds has been undertaken and we are targeting to move to an 'in vivo' model system to complete lead optimization in mid-2012 and licensing later in the year.

Financial review

Revenue performance

Revenue for the twelve month period ended 31st December 2011 increased 127% to £1.02m (2010: £0.45m excluding the exceptional £9.53m income from the Sanofi-Aventis warranty claim settlement). In the breakdown of revenue, Licences/Sales/Services rose 97% to £0.66m (2010: £0.34m), Grant Services trebled to £0.36m (2010: £0.11m) and TMT® reagent sales increased 53%. The loss before tax was reduced to £4.51m, down from £4.94m loss before tax in 2010 (excluding the exceptional income from the Sanofi-Aventis warranty settlement).

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 £1.01m lower at £3.96m (2010: £4.97m excluding the exceptional income from the Sanofi-Aventis settlement).

Cash at the year end was £4.06m.

Outlook for 2012

The key objectives for 2012 are to focus on optimising revenue from our three core areas: PS Biomarker Services™, Proprietary Biomarkers and TMT® chemical reagents. The sales and marketing support and infrastructure that we have developed over the last six months is fundamental to achieving that goal and this is now being reflected in the level of orders, enquiries and interest in our products and services. As exclusive licensee, ThermoScientific is intent on maximizing the value of the TMT® franchise and is targeting a quantum jump in sales in TMT® reagent over the next few years. We have already made the investment and products to deliver this, and we look forward to disproportionate and sustained growth from the TMT® reagent portfolio.

PS Biomarker Services™ and Proprietary Biomarkers are receiving the main attention and these are expected to deliver considerable revenue growth in 2012 and beyond and for Proteome Sciences to become cash generative and sustainably profitable.

With the rapid build of biomarker services contracts, the growth in TMT® reagents, and the prospect of multiple licenses from our proprietary biomarkers, particularly in Alzheimer's disease and stroke, we will be able to show how close we are to fulfilling that objective.

Unaudited consolidated income statement

For the year ended 31st December 2011

	Year ended 31st December 2011	Re-presented Year ended 31st December 2010* <small>(excluding exceptional items)</small>	Restated Year ended 31st December 2010
	£	£	£
Continuing operations			
Revenue			
Warranty settlement	-	-	9,530,000
Licenses/Sales/Services	663,030	336,628	336,628
Grant services	358,137	113,460	113,460
Revenue	<u>1,021,167</u>	<u>450,088</u>	<u>9,980,088</u>
Cost of sales	(257,274)	(105,144)	(105,144)
Gross profit	<u>763,893</u>	<u>344,944</u>	<u>9,874,944</u>
Administrative expenses	(5,105,213)	(5,001,223)	(5,001,223)
Operating (loss)/profit	<u>(4,341,320)</u>	<u>(4,656,279)</u>	<u>4,873,721</u>
Investment revenues	23,847	14,342	14,342
Finance costs	(192,782)	(299,365)	(299,365)
(Loss)/profit before taxation	<u>(4,510,255)</u>	<u>(4,941,302)</u>	<u>4,588,698</u>
Tax	552,914	(25,535)	(25,535)
(Loss)/profit for the period from continuing operations	<u>(3,957,341)</u>	<u>(4,966,837)</u>	<u>4,563,163</u>
Attributed to shareholders of the company	<u>(3,957,341)</u>	<u>(4,966,837)</u>	<u>4,563,163</u>
(Loss)/earnings per share			
Basic and diluted	<u>(2.06p)</u>	<u>(3.04p)</u>	<u>2.79p</u>

*These figures exclude the exceptional warranty settlement income received in the year as explained in Note 2. Further details of the re-statement of the 2010 figures are also set out in Note 2.

Consolidated statement of comprehensive income

For the year ended 31st December 2011

	Year ended 31st December 2011 £	Year ended 31st December 2010 £
Exchange differences on translation of foreign operations	<u>(141,525)</u>	<u>(21,241)</u>
Other comprehensive expense for the year	<u>(141,525)</u>	<u>(21,241)</u>
(Loss)/profit for the year	<u>(3,957,341)</u>	<u>4,563,163</u>
Total comprehensive (expense)/income for the year attributable to equity holders of the company	<u><u>(4,098,866)</u></u>	<u><u>4,541,922</u></u>

Unaudited consolidated balance sheet

As at 31st December 2011

	2011 £	2010 £
Non-current assets		
Goodwill	4,218,241	4,218,241
Property, plant and equipment	660,682	677,336
Other investments	763,502	763,502
	<u>5,642,425</u>	<u>5,659,079</u>
Current assets		
Inventories	300,521	209,281
Trade and other receivables	902,588	184,779
Cash and cash equivalents	4,064,080	9,543,870
	<u>5,267,189</u>	<u>9,937,930</u>
Total assets	<u>10,909,614</u>	<u>15,597,009</u>
Current liabilities		
Trade and other payables	(673,632)	(1,440,798)
Current tax liabilities	(18,033)	(49,757)
Short-term borrowings	(6,526,260)	(6,333,478)
Short-term provisions	(213,301)	(404,440)
	<u>(7,431,226)</u>	<u>(8,228,473)</u>
Net current (liabilities)/assets	<u>(2,164,037)</u>	<u>1,709,457</u>
Non-current liabilities		
Long-term provisions	(179,580)	(149,788)
Total liabilities	<u>(7,610,806)</u>	<u>(8,378,261)</u>
Net assets	<u>3,298,808</u>	<u>7,218,748</u>
Equity		
Share capital	1,921,724	1,921,724
Share premium account	40,582,138	40,582,138
Equity reserve	2,785,744	2,606,818
Other reserve	10,755,000	10,755,000
Translation reserve	(42,705)	98,820
Retained loss	(52,703,093)	(48,745,752)
Total equity	<u>3,298,808</u>	<u>7,218,748</u>

Unaudited consolidated statement of changes in equity

For the year ended 31st December 2011

	Share capital	Share premium account	Equity reserve	Translation reserve	Other reserve	Retained loss	Total
	£	£	£	£	£	£	£
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
Credit to equity for share-based payment	-	-	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>
At 1st January 2011	1,921,724	40,582,138	2,606,818	98,820	10,755,000	(48,745,752)	7,218,748
Loss 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
At 31st December 2011	<u>1,921,724</u>	<u>40,582,138</u>	<u>2,785,744</u>	<u>(42,705)</u>	<u>10,755,000</u>	<u>(52,703,093)</u>	<u>3,298,808</u>

Unaudited consolidated cash flow statement

For the year ended 31st December 2011

	Group Year ended 31st December 2011 £	Group Year ended 31st December 2010 £
Cash flows from operating activities		
Cash (used in)/generated from operations	(5,143,263)	4,116,861
Interest paid	-	(299,365)
Tax (paid)/refunded	(23,027)	185,373
Net cash inflow/(outflow) from operating activities	<u>(5,166,290)</u>	<u>4,002,869</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(206,235)	(630,775)
Interest received	23,847	14,342
Proceeds on asset disposal	8,353	-
Net cash outflow from investing activities	<u>(174,035)</u>	<u>(616,433)</u>
Financing activities		
Proceeds on issue of shares	-	11,515,489
Loans repaid	-	(5,453,540)
Net cash from financing activities	<u>-</u>	<u>6,061,949</u>
Net (decrease)/increase in cash and cash equivalents	(5,340,325)	9,448,385
Cash and cash equivalents at beginning of year	9,543,870	131,158
Effect of foreign exchange rate changes	(139,465)	(35,673)
Cash and cash equivalents at end of year	<u>4,064,080</u>	<u>9,543,870</u>

Note to the consolidated cash flow statement

	Group 2011 £	Group 2010 £
Operating (loss)/profit	(4,341,320)	4,873,721
Adjustments for:		
Depreciation of property, plant and equipment	205,498	168,141
Share-based payment expense	178,926	399,232
Loss on asset disposal	(7,651)	-
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(3,964,547)	5,441,094
Increase in inventories	(91,240)	(39,335)
(Increase)/decrease in receivables	(163,629)	323,186
(Decrease)/increase in payables	(762,500)	401,995
	<hr/>	<hr/>
	<u>(5,143,263)</u>	<u>4,116,861</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 2011 or 2010. The financial information for the year ended 31st December 2010 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 2011 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 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. *Prior year restatement*

The Group has changed its accounting policy in respect of the treatment of grants received which are now disclosed separately in the income statement within the revenue category, having previously been netted off against administrative costs therein. This change has had no effect on the operating profit for the year to the 31st December 2010, nor on net profit or net assets, and has been made to enable shareholders to receive a fuller description of the Group's sources of revenue. The effect of the restatement on the figures previously disclosed for administrative expenses and for revenue is as shown below:

	31st December 2010	
	As originally stated £	Restated £
Total revenue	9,866,628	9,980,088
Administrative expenses	(4,887,763)	(5,001,223)
	=====	=====

For the year ended 31 December 2010, in order to present a clearer view of the Group's results, an additional column has also been presented in the unaudited consolidated income statement which excludes the proceeds of the warranty settlement received in that year.

3. *Basis of preparation – going concern*

The Group is heavily reliant upon the generation of commercial revenues and intends to achieve this by sub-licensing its discoveries and products to third parties. There can be no assurance that such licensing arrangements will be successful and hence the timings and amounts of such revenue are uncertain. The Directors have concluded that these circumstances represent a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, after making appropriate enquiries and in view of the Group's current cash resources and the operational cash outflows and inflows anticipated over the next twelve months, 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 in preparing the annual report and accounts.

4. (Loss)/profit per share from continuing operations

The calculations of basic and diluted loss per ordinary share are based on the following losses and numbers of shares.

	2011 £	2010* £	2010 £
(Loss)/profit for the financial year	<u>(3,957,341)</u>	<u>(4,966,837)</u>	<u>4,563,163</u>
	2011 Number of shares	2010* Number of shares	2010 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share:	192,172,408	163,633,581	163,633,581
Effect of dilutive potential ordinary shares	<u>-</u>	<u>450</u>	<u>450</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>192,172,408</u>	<u>163,633,131</u>	<u>163,633,131</u>

*These figures exclude the exceptional warranty settlement income received in the year as explained in Note 2.

In 2011 the loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options that are out of the money would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of the International Financial Reporting Standard 33.