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

# Preliminary results for the year ended 31st December, 2012

30th May, 2012

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**Highlights:**

**Commercial**

- Revenue increased 13% to £1.15m
- Licences / Sales / Services showed 22% growth
- TMT® revenue grew sharply with reagent sales increasing 41% in 2012
- By end 2012, 100 biomarkers covered by our assays
- *In vitro* and *in vivo* proof of principle of our 2 lead CK1D compounds
- SysQuant® delivers 'game-changing' capability to map signalling pathways
- TMT® range expanded with TMT® 8-plex and TMT® 10-plex
- Stroke licence concluded with seven digit $ fee and double digit royalties
- 24 patents granted with a further 20 applications filed
- The major PS Biomarker Services™ contract delayed at the end of last year is expected to be completed imminently

**Financial**

- Revenue for 2012 increased 13% to £1.15m (2011: £1.02m)
- Licences / Sales / Services revenue rose 22% to £0.81m (2011: £0.66m)
- Grant Services revenue £0.35m (2011: £0.36m) and TMT® reagent sales increased 41%
- The loss after tax was £4.25m, (2011: £3.96m). The loss after tax (excluding other gains and losses) was £3.49m (2011: £3.96m)
- Decrease of (£2.01m) in the reduction of net cash and cash equivalents (£3.34m) (2011: (£5.34m))
- Cash at the year-end was £0.86m (2011:£4.06m)

**Outlook**

- Rapid progress in SysQuant® development - five-fold increase to >11,000 phosphoproteins in a single run
- SensiDerm® multiplex assay provides means to meet EU requirements for non-animal testing of sensitizers
- New BTSA 3-plex and 6-plex assays to improve breast cancer treatment
- Additions to range with TMT® 20-plex and TMT® 30-plex later in 2013 or early 2014
- Novel panel 16 CSF proteins for diagnosis/monitoring of AD

**Commenting on these results, Christopher Pearce, Chief Executive of Proteome Sciences, said:**
"Protein biomarkers are receiving increasing prominence and attention and we are benefiting from a broad and growing pipeline of contracts as we continue to raise our research and corporate profile.

SysQuant®, our 'game-changing' assay to map cell signalling pathways for drug response and treatment management is a fine example. Doctors for the first time with SysQuant® will have the tools for real time clinical management of patients - truly 'Personalised Medicine' - a breakthrough that will provide measurable benefits to the standards of healthcare that improve quality of life and reduce both the economic and personal cost of some of the most debilitating conditions. SysQuant® significantly differentiates PS Biomarker Services™ in the market and we believe that it will make a considerable contribution to our assay portfolio and revenue.

Against this background we expect a strong performance over the year from licences, products and services that should result in a considerable uplift in 2013 revenue."

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.

ENDS

**Cautionary statement on forward-looking statements**
This document contains certain forward-looking statements relating to the Group. The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking 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.

**Preliminary results for the year ended**
**31st December 2012**

All three main areas of products and services - proprietary biomarkers, biomarker services and reagents - progressed strongly in 2012 and these were reflected in revenue before the impending 'fiscal cliff' in the USA in the fourth quarter affected sentiment and brought a temporary interruption to the level of customer spending that lasted until after the US budget was agreed in 2013. With that resolved, the major PS Biomarker Services™ contract delayed at the end of last year is expected to be completed imminently.

The number of biomarkers covered by our assays doubled and this number is expected to grow significantly in 2013. Our stroke biomarker licence signed with Randox Laboratories set a new precedent in the field with a seven digit US dollar licence fee and development milestones combined with double digit royalties for a non-exclusive licence. Highly encouraging results and IP resulting from the 1,000 sample Alzheimer's validation delivered three biomarker panels in blood that discriminate between mild cognitive impairment, Alzheimer's and control groups, and the award of the EuroHyp EU Framework 7 grant.

After confirmation in the summer that our CK1D inhibitors in Alzheimer's disease (AD) successfully blocked tau phosphorylation in an *in vitro* study, most encouragingly both our two lead compounds went on to demonstrate improved cognitive function and confirm *in vivo* proof of principle at the end of 2012. We announced in stroke the single use of GSTP in blood as a test that confirms stroke within 15 minutes with its potential to increase the most effective thrombolytic treatment 5 fold, a novel panel of 16 CSF proteins for the diagnosis and monitoring of AD and the new BTSA assay to improve breast cancer treatment.

There has been considerable interest and activity after the launch of our SysQuant® global phosphorylation assay. SysQuant® delivers 'game-changing' capability to map cell signalling pathways for drug response and this will help guide clinicians to the best treatment combinations and to provide a better, safer and more effective way of treating individuals. SysQuant® can also save money by shortening the length of hospital stays and by reducing the current high levels of expensive and ineffective treatment. With SysQuant®, 'Personalised Medicine' has really arrived.

**Revenue Growth**

The Group's operations are organised into three geographic regions: United Kingdom, Germany and US. Internal reporting on performance is allocated accordingly and the Group also manages the performance of the business according to its major products and services, as set out below:

***PS Biomarker Services™ revenue –***
***strong performance expected in 2013***

Revenue increased by 13% during the year to £1.15m (2011: £1.02m). In the breakdown, Licenses/Sales/Services rose 22% to £0.81m (2011: £0.66m), Grant Services were stable at £0.35m (2011: £0.36m) and TMT® Reagent sales increased by 41%.

The drive to increase sales of our products and services through the expansion of our business development team started to be reflected in 2012 revenue with 93% and 63% increases respectively in the USA and UK respectively.

The impending 'fiscal cliff' in the USA in the fourth quarter affected sentiment and brought a temporary interruption to the level of customer spending that lasted into the first quarter of 2013 until after the US budget was agreed. With that resolved the major PS Biomarker Services™ contract delayed at the end of last year is expected to be completed imminently. With the broad and growing pipeline of contracts as we continue to raise our corporate and research profile, we expect a strong performance throughout the year from licences, products and services that should result in a considerable uplift in 2013 revenue.

***TMT® revenue –***
***Fast growth rate is expected to continue***

TMT® product sales increased by 41% in 2012. This trend should continue and be extended in 2013 with TMT® 8-plex and TMT® 10-plex reagents now widely available and the prospect of TMT® 20-plex and TMT® 30-plex in late 2013 or early 2014 that will further expand the coverage and size of the market. The American Society of Mass Spectrometry (ASMS) in June 2013 is listing over 50 abstracts with TMT® and the visibility and penetration of TMT® into mainstream biological and medical research groups will be considerably enhanced through the high profile and endorsement of key opinion leaders.

**Major developments**

***Increasing our biomarker services offer***

We have continued to concentrate on expanding PS Biomarker Services™ and the amount of assays and services that we provide principally using our own proprietary biomarker content.

The number of biomarkers covered by our assays increased to over 100 by the end of 2012 and this number is expected to grow significantly in 2013 as we complete additional mass spectrometry assays and workflows, and in particular through the introduction of our 'game-changing' SysQuant® assays in the second half of 2012. In addition to the 3-plex and 6-plex breast cancer assays, we introduced the MS3 TMT® workflow in tissue, plasma and cell lysates and the AD CSF 16-plex assay with universal reference.

The fast expansion of our assays and workflows provides us with a pre-eminent position in Alzheimer's through the comprehensive range of biomarker tools and services to capitalise as the pharmaceutical industry increasingly is switching its research programmes to address tau in conjunction with beta amyloid for the next generation of drugs and patient management in AD.

***Fast development of SysQuant® assays***

There has been rapid progress in the development of our SysQuant® global phosphorylation assay. SysQuant® has 'game-changing' capability to map cell signalling pathways for drug response and can be used for treatment selection and management.

Since 2012, we have been able to increase the number of phospho-proteins analysed in a single experiment 5 fold from 2,200 to over 11,000 to provide comprehensive and flexible global phospho-protein detection. To date, we have mainly concentrated in cancers, but SysQuant® can be applied to any of the major disease types.

Through SysQuant® doctors for the first time will have the tools for real time clinical management of patients – truly 'Personalised Medicine – a breakthrough that will provide measurable benefits to the standard of care, improving quality of life and reducing both the economic and personal cost of some of the most debilitating conditions.

SysQuant® significantly differentiates PS Biomarker Services™ in the market place and will make a considerable contribution to our assay portfolio and revenues.

***SensiDerm®***

Considerable progress has been made with SensiDerm® after completion of the successful Sens-it-iv EU Framework 7 grant programme. The TMT®-SRM assays that we initially developed have been combined into a 10 channel multiplex assay that was used to undertake a competitive blinded evaluation of 10 different sensitizers for Cosmetics Europe (formerly COLIPA) the European trade association that is looking to introduce novel *in vitro* assays for testing key sensitizers/allergens as a replacement for animal testing in cosmetics. The SensiDerm® multiplex assay was selected by Cosmetics Europe in the first set of priority tests for further development and optimisation with funding available to expedite the assay development costs.

Cosmetic Europe's key priority is to introduce fast, accurate and cost effective *in vitro* assays for cosmetics.

The EU ban on animal testing of ingredients in March 2013 is not limited to cosmetics but will also apply to other products manufactured with sensitizers/allergens including chemicals, pharmaceutical and household products. Replacements for animal testing for sensitizers are a global problem, with major implications and costs and there will be considerable economic advantages by providing *in vitro* alternatives. The numbers are considerable with the annual cost of animal testing to US taxpayers alone standing at $12bn.

The SensiDerm® multiplex assays are rapid, easy to use and highly sensitive and provide the means for companies to meet the EU requirements for non-animal testing for sensitizers in their products. Proteome Sciences now has the prospect of substantial additional revenue streams for a broad range of *in vitro* applications in industrial testing and we are actively in discussions with potential industry partners and customers as how to best fulfill their requirements.

**Rapid and compelling progress in CK1D**

After confirmation earlier in the year that our CK1D inhibitors block tau phosphorylation in cell lines in an *in vitro* study in Alzheimer's disease (AD), both our two lead compounds PS110 and PS278-05 then went on to demonstrate improved cognitive function and confirm *in vivo* proof of principle at the end of 2012.

The next phase in CK1D development was to undertake a comprehensive assessment of biological indicators and drug levels in various tissues. Both compounds were orally available and well tolerated in a mouse tauopathy model with significant improvement in spatial memory and reduced tau phosphorylation and successfully achieved therapeutic levels in the brain.

Most encouragingly, our analysis of brain tissue shows a significant decrease in the levels of phosphorylated tau in the treated vs control animals. Reduction in phosphorylation at specific sites measured by Western blot and/or our proprietary phospho-Tau SRM assays indicate that our CK1D inhibitors are acting through several distinct pathways. In particular it seems that loss of CK1D activity is preventing tau phosphorylation mediated by other kinases including GSK3b and CDK5. This clearly endorses the value and importance of CK1D in AD and further work is in progress to extend the biological data analysis and results.

Commercial discussions to outlicense CK1D started in 2013 with significant interest from a number of major pharmaceutical companies. This process will be assisted as further biological and pharmacology data becomes available during the second quarter in time for presentation at the Alzheimer's Association International Congress (AAIC) in the USA in July. The strategy is to shortlist and then select the right pharma partner to license the CK1D programme to bring the compounds rapidly to clinical trials. With the persistent failures of other Alzheimer's drugs, industry benchmarks indicate that the CK1D compounds will command considerable license fees, milestones and royalties.

**Advances in AD Biomarkers**

***In Plasma***

Further analysis of the 1,000 patient study using a modified mass spectrometry approach has revealed a novel set of peptide markers with very encouraging performance in a subset of 90 patients split equally between control, mild cognitive impairment and Alzheimer's disease. A four peptide panel had a positive predictive value for AD of 94% and negative predictive value of 83%. Within the MCI group a six peptide panel had positive and negative predictive values of 88% and 86% respectively. Work is in progress to further improve and optimise this excellent performance.

The results of the six peptide panel for MCI are particularly impressive and will be of significant value to pharmaceutical companies needing to enrich clinical trial populations with individuals having the earliest stages of cognitive decline. Again, the positive predictive value is the most important feature and matched with a sensitivity of over 70% our panel also enables faster and more accurate recruitment of MCI patients into clinical trials populations.

Blood marker panels with high positive predictive value for Alzheimer's disease will be a novel and significant aid to current diagnostic tools and we are working to optimise the sensitivity of our peptide panels.

Intellectual property for these peptides will be filed ahead of the novel data that will be presented at the forthcoming AAIC meeting in July in the USA.

***In CSF***

We have now completed development of a 16 protein panel of Alzheimer's disease markers in CSF. The current use of amyloid beta and tau levels in CSF are far from perfect with large inter-hospital variations. In combination with several key opinion leaders, we have identified and assembled a novel panel of 16 CSF proteins to provide a more robust and suitable assay panel for the diagnosis and prognostic monitoring of Alzheimer's disease. A trial of this panel is being undertaken using CSF samples provided by our collaborators at Sahlgrenska Hospital, Sweden.

Separately and in addition to the new 16 protein panel we have been developing assays for measuring multiple forms of amyloid beta in CSF. Preliminary data show that we can reliably detect 8 different isoforms with further evaluation of the method on-going in larger cohorts.

A more comprehensive analysis of tau protein in CSF using TMT® calibrator is also being developed. Our data to date shows that we attain excellent analytical sensitivity in the low-mid pg/ml range with the added advantage of having a four point calibration curve and four samples measured in each assay. We are currently optimising the sample preparation and mass spectrometry conditions to further enhance assay sensitivity.

The fast pace of expansion of our assays and workflows establishes PS Biomarker Services™ in a pre-eminent position in Alzheimer's to provide a comprehensive range of biomarker tools and services to the pharmaceutical industry as it switches its programmes increasingly to address the importance of the tau pathway in combination with beta amyloid for the next generation of drugs and patient management in AD.

**New assay to improve breast cancer treatment**

Our partnership with the Moffitt Cancer Center in Florida has yielded the first assay capable of measuring the activation status of three key proteins that can drive the growth of breast cancers, namely estrogen receptor, progesterone receptor and HER2. The assay measures multiple phosphorylation sites and total protein content for the three targets to provide clinicians with the most comprehensive picture of what is driving each tumour and which therapeutic options would best suit the individual. The first clinical data in a trial of 10 patients of the Breast Cancer Triplex Stratification Assay was recently presented at the American Association for Cancer Research annual meeting in Washington DC.

The Breast Cancer Triplex Stratification Assay (BTSA)will deliver better treatment choices through biomarker-guided selection of the most appropriate targeted therapies. Together with regular monitoring of resistance markers during treatment, the outcome for breast cancer patients will significantly improve.

***TMT® range expanded***

The strong performance of TMT® is expected to continue. TMT® 8-plex and TMT® 10-plex reagents were show-cased in 2012 and the continued endorsement of key opinion leaders in the field together with the growing range of novel applications and workflows will further accelerate the penetration and use of TMT® into mainstream systems biology. The ASMS meeting in June 2013 is listing over 50 abstracts with TMT® and this will be complemented by the further expansion of the product range with the anticipated launch of TMT® 20-plex and TMT® 30-plex later in 2013 or early 2014. The prospects for TMT® look increasingly attractive.

**IP portfolio**

Our 600 patent IP portfolio of key biomarkers across a broad range of diseases, applications and technologies that supports our extensive asset base has been further extended. Another 24 patents were granted in 2012 with 20 applications filed over the period. Our IP estate underpins the value that has been created through our research and this will be reflected by licence fees, milestones and royalties.

***Contracts, collaborations and partnerships***

From the end of 2012, PS Biomarker Services™ has increasingly benefited from the rising profile of our technology platform, in particular from the publication of abstracts, results and technical details from our workflows. As a result we have picked up a range of new contracts from the rapidly expanding customer base including two contracts from a top ten pharmaceutical company, contracts from several global players and also a large number of quotations/enquiries in the pipeline. This buoyant background that excludes the major PS Biomarker Services™ contract delayed at the end of last year that is expected to be completed imminently, reflects the quality of our technology and services and the substance behind further value generation. A strong revenue pipeline is projected for PS Biomarker Services™ in 2013.

**Financial review**

***Financial performance***

Revenue for the twelve month period ended 31st December, 2012 increased 13% to £1.15m (2011: £1.02m). In the breakdown of revenue, Licenses/Sales/Services rose 22% to £0.81m (2011: £0.66m). Grant services were unchanged at £0.35m (2011: £0.36m) and TMT® reagent sales increased 41%. The loss before tax was £5.20m (2011: £4.51m) including other gains and losses of £0.76m (2012: nil).

***Costs and cash flow***

Operating costs are broadly unchanged over 2012 and are likely to remain relatively constant in 2013. After the increase in R&D tax credit to £0.94m, the loss after taxation for the period including the £0.76m other gains and losses was £4.25m (2011: £3.96m). Excluding other gains and losses, the loss after taxation was £3.49m (2011: £3.96m).

There was a significant reduction (£2.01m) in the level of net decrease in cash and cash equivalents to (£3.34m) (2011: (£5.34m)).

Cash at the year-end was £0.86m (2011:£4.06m).

**Outlook for 2013**

PS Biomarker Services™ is benefiting from the rising profile of our technology platform and the rapid increase in numbers of biomarkers covered by our assays. This has been further extended with the introduction of our SysQuant® assays in 2012 that significantly differentiate PS Biomarker Services™ in the market place and which will make a considerable contribution to our assay portfolio and revenues.

The strong performance of TMT® is expected to continue following the introduction of TMT® 8-plex and TMT® 10-plex reagents. This will be further extended by the endorsement of key opinion leaders and the anticipated launch of TMT® 20-plex and TMT® 30-plex in late 2013 or early 2014. The growing range of applications and workflows will accelerate the penetration and use of TMT® into mainstream systems biology and this will be reflected in revenue.

Rapid progress has been made with our CK1D programme in Alzheimer's. Last year we established *in vitro* and *in vivo* proof of principle for our two lead CK1D compounds which both demonstrated improved cognitive function. Commercial discussions to outlicense CK1D have moved quickly with significant interest from global pharmaceutical companies. The process will be assisted with further biological and pharmacology data becoming available in the second quarter for inclusion in the licensing discussions to select the most suitable pharma partner able to bring the compounds to clinical trials as soon as possible. The persistent failures of other Alzheimer's drugs and the increasing need for a solution indicate that CK1D compounds should command considerable license fees, milestones and royalties.

Following the ban on animal testing of ingredients for cosmetics in March 2013, the key priority is to introduce *in vitro* assays that are fast, accurate and cost-effective to test for sensitizers/allergens.

Our SensiDerm® multiplex assays are rapid, easy to use and highly sensitive and provide the means for companies to meet the EU requirements for non-animal testing for sensitizers in their products. Proteome Sciences now has the prospect of substantial additional revenue streams for a broad range of *in vitro* applications in industrial testing and we are actively in discussions with potential industry partners and customers as how to best fulfill their requirements with contributions commencing in 2013.

We expect a strong performance during the year from licenses, products and services as we continue to raise our corporate and research profile and these should be reflected in a sharp increase in the level of revenue in 2013 with the goal to be cash generative and sustainably profitable.

**Steve Harris**
**Chairman**

# Unaudited consolidated income statement

For the year ended 31st December 2012

| | Year ended 31st December 2012 £ | Year ended 31st December 2011 £ |
|---|---|---|
| **Continuing operations** | | |
| **Revenue** | | |
| Licences/Sales/Services | 808,235 | 663,030 |
| Grant services | 344,732 | 358,137 |
| **Revenue** | 1,152,967 | 1,021,167 |
| Cost of sales | (385,468) | (257,274) |
| **Gross profit** | 767,499 | 763,893 |
| Administrative expenses | (5,008,493) | (5,105,213) |
| **Operating loss** | (4,240,994) | (4,341,320) |
| Other gains and losses | (763,502) | - |
| Investment revenues | 8,633 | 23,847 |
| Finance costs | (199,624) | (192,782) |
| **Loss before taxation** | (5,195,487) | (4,510,255) |
| Tax | 941,893 | 552,914 |
| **Loss for the period from continuing operations** | (4,253,594) | (3,957,341) |
| Attributed to shareholders of the company | (4,253,594) | (3,957,341) |
| **Loss per share** | | |
| Basic and diluted | (2.21p) | (2.06p) |

# Unaudited consolidated statement of comprehensive income

For the year ended 31st December 2012

| | Year ended 31st December 2012 £ | Year ended 31st December 2011 £ |
|---|---|---|
| Exchange differences on translation of foreign operations | (33,074) | (141,525) |
| | (33,074) | (141,525) |
| **Other comprehensive expense for the year** | | |
| Loss for the year | (4,253,594) | (3,957,341) |
| **Total comprehensive for the year attributable to equity holders of the company** | (4,286,668) | (4,098,866) |

# Unaudited consolidated balance sheet

As at 31st December 2012

| | 2012<br>£ | 2011<br>£ |
|---|---|---|
| **Non-current assets** | | |
| Goodwill | 4,218,241 | 4,218,241 |
| Property, plant and equipment | 494,633 | 660,682 |
| Other investments | - | 763,502 |
| | 4,712,874 | 5,642,425 |
| **Current assets** | | |
| Inventories | 331,431 | 300,521 |
| Trade and other receivables | 1,047,347 | 902,588 |
| Cash and cash equivalents | 858,249 | 4,064,080 |
| | 2,237,027 | 5,267,189 |
| **Total assets** | 6,949,901 | 10,909,614 |
| **Current liabilities** | | |
| Trade and other payables | (478,147) | (673,632) |
| Current tax liabilities | (572) | (18,033) |
| Short-term borrowings | (6,725,884) | (6,526,260) |
| Short-term provisions | (209,267) | (213,301) |
| | (7,413,870) | (7,431,226) |
| **Net current liabilities** | (5,176,843) | (2,164,037) |
| **Non-current liabilities** | | |
| Long-term provisions | (302,562) | (179,580) |
| **Total liabilities** | (7,716,432) | (7,610,806) |
| **Net (liabilities)/assets** | (766,531) | 3,298,808 |
| **Equity** | | |
| Share capital | 1,924,985 | 1,921,724 |
| Share premium account | 40,602,808 | 40,582,138 |
| Equity reserve | 2,983,142 | 2,785,744 |
| Other reserve | 10,755,000 | 10,755,000 |
| Translation reserve | (75,779) | (42,705) |
| Retained loss | (56,956,687) | (52,703,093) |
| **Total (deficit)/equity** | (766,531) | 3,298,808 |

# Unaudited consolidated statement of changes in equity

For the year ended 31st December 2012

| | Share capital | Share premium account | Equity reserve | Translation reserve | Other reserve | Retained loss | Total equity/ (deficit) |
|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| 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 expense for the year | - | - | - | - | - | - | (4,098,866) |
| Credit to equity for share-based payment | - | - | 178,926 | - | - | - | 178,926 |
| At 31st December 2011 | 1,921,724 | 40,582,138 | 2,785,744 | (42,705) | 10,755,000 | (52,703,093) | 3,298,808 |
| At 1st January 2012 | 1,921,724 | 40,582,138 | 2,785,744 | (42,705) | 10,755,000 | (52,703,093) | 3,298,808 |
| Loss for the year | - | - | - | - | - | (4,253,594) | (4,253,594) |
| Exchange differences on translation of foreign operations | - | - | - | (33,074) | - | - | (33,074) |
| Total comprehensive expense for the year | - | - | - | - | - | - | (4,286,668) |
| Issue of share capital | 3,261 | 20,670 | - | - | - | - | 23,931 |
| Credit to equity for share-based payment | - | - | 197,398 | - | - | - | 197,398 |
| At 31st December 2012 | 1,924,985 | 40,602,808 | 2,983,142 | (75,779) | 10,755,000 | (56,956,687) | (766,531) |

# Unaudited consolidated cash flow statement

For the year ended 31st December 2012

| | Group Year ended 31st December 2012 £ | Group Year ended 31st December 2011 £ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash (used in)/generated from operations | (4,209,832) | (5,143,263) |
| Interest paid | - | - |
| Tax refunded/(paid) | 856,465 | (23,027) |
| **Net cash outflow from operating activities** | (3,353,367) | (5,166,290) |
| **Cash flows from investing activities** | | |
| Purchases of property, plant and equipment | (14,603) | (206,235) |
| Interest received | 8,633 | 23,847 |
| Proceeds on disposal of tangible fixed assets | - | 8,353 |
| **Net cash outflow from investing activities** | (5,970) | (174,035) |
| **Financing activities** | | |
| Proceeds on issue of shares | 23,930 | - |
| Loans repaid | - | - |
| **Net cash from financing activities** | 23,930 | - |
| **Net decrease in cash and cash equivalents** | (3,335,407) | (5,340,325) |
| Cash and cash equivalents at beginning of year | 4,064,080 | 9,543,870 |
| Effect of foreign exchange rate changes | (129,576) | (139,465) |
| **Cash and cash equivalents at end of year** | 858,249 | 4,064,080 |

# Notes to the unaudited consolidated cash flow statement

| | Group 2012 £ | Group 2011 £ |
|---|---|---|
| Operating loss | (4,240,994) | (4,341,320) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 166,437 | 205,498 |
| Share-based payment expense | 197,398 | 178,926 |
| Loss on fixed asset disposal | - | (7,651) |
| Operating cash flows before movements in working capital | (3,877,159) | (3,964,547) |
| Increase in inventories | (30,910) | (91,240) |
| Increase in receivables | (79,427) | (163,629) |
| Decrease in payables | (341,284) | (762,500) |
| Increase/(decrease) in provisions | 118,948 | (161,347) |
| Cash generated used in operations | (4,209,832) | (5,143,263) |

# Notes to the financial information

1. The financial information set out in the announcement does not constitute the Group's statutory accounts for the years ended 31st December 2012 or 2011. The financial information for the year ended 31st December 2011 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor reported on those accounts; their report was not modified, but contained an Emphasis of Matter – Going Concern statement. It 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 2012 is not yet complete. These accounts will be finalised on the basis of the financial information approved by the directors as set out in this preliminary announcement and will be posted to shareholders next week. After that time, the statutory accounts will 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. ***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 assurances that such licensing arrangements will be successful and hence the timings and amounts of related 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 financial statements.

3. **Loss 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.

| | 2012 £ | 2011 £ |
|---|---|---|
| Loss for the financial year | (4,253,594) | (3,957,341) |

| | 2012 Number of shares | 2011 Number of shares |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share: | 192,452,555 | 192,172,408 |
| Effect of dilutive potential ordinary shares | - | - |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 192,452,555 | 192,172,408 |

In 2012 and 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.