Mapping the future for personalised medicine

proteome sciences

Annual report and accounts 2014

Proteome Sciences in brief

Proteome Sciences is a leading protein biomarker company specialising in proteomics and peptidomics services and applications, and a best-in-class mass spectrometry protein analysis capability.

We have developed a broad portfolio of novel, high value protein biomarker content addressing numerous disease areas where there is unmet need, or where the range of existing diagnostic or therapeutics available have severe limitations. These include neurodegenerative diseases, stroke and cancer and where biomarker product candidates have the potential to transform disease management and treatment.

Through our novel biomarker discovery both internally and with collaborative partners, our goal is to improve the quality of life for patients with debilitating and life-threatening diseases.

Mission and vision

Proteome Sciences is a life sciences company delivering content for personalised medicine through its services, biomarkers and reagents. We have a strong track record in discovery and innovation supported by intellectual property.

We use high sensitivity proprietary technologies to detect biomarkers (differentially expressed proteins from body fluids or tissue in diseases) and to make rapid assays for testing. These are developed and commercialised as diagnostic, monitoring or therapeutic products through strategic alliances and out-licensing.

Our strategy

Our strategy is to discover, develop and implement measurably better biomarker tools for a range of major human diseases and to provide rapid cost effective outsourcing services and assays which enable our partners to deliver more effective healthcare.

Our breakthrough science and trusted proprietary technologies for protein biomarker discovery, validation and assay development puts us in a position of great privilege, leading the way in one of the most exciting areas of personalised medicine.

We are pioneering a field that is opening up the possibility of not just preventing some of the most pernicious and debilitating diseases, but being able to treat them before they get to the terminal stage.

In a world with an ageing population and an increasing social care burden as we look for ways to reduce both financial and personal costs, our pathfinding contribution to the advancement of medical science has a significant role to play. The satisfaction we take from the progress we make is driving us further forward all the time.

The accelerating drive for better drugs and diagnostics for personalised medicine has provided a buoyant background for our biomarker services and prospects.

Our service and main business activities made considerable progress in 2014 even though this was not fully reflected in revenues because of unavoidable delays of several contracts that will fall into the current year. We have experienced high levels of interest in our SysQuant® and TMTcalibrator™ and TMT®-MS3 biomarker workflows which increase the quality and number of biomarkers found in body fluids. This has been reflected by a strong underlying growth in biomarker services.

$2m biomarker services contract
PS Biomarker Services was awarded a $2m contract in September by Genting Tau RX Diagnostic Centre to profile blood samples from 1000 patients in a phase 3 trial of LMTX, a drug targeting the tau pathway in Alzheimer's disease (AD) and to develop a protein panel for diagnosis and monitoring treatment efficacy. Work on the contract starts in 2015 and Proteome Sciences will be joint owner of any companion diagnostic developed.

Excellent toxicity results for CK1d in Alzheimer's disease
Further biological data during the year highlighted the power of SysQuant® to identify multiple beneficial effects of our AD compounds in tau and amyloid related pathology. Two external toxicity tests demonstrated excellent safety characteristics for our two compounds PS110 and PS 278-05 for CK1d. These are important milestones in the pre-clinical development of potent and selective inhibitors of tau, a key protein involved AD progression and the last elements required to move the CK1d programme to the final stages of securing a license for the programme with a major pharmaceutical company.

Blood test for Alzheimer's moves closer
In July we announced a major breakthrough in Alzheimer's disease (AD) with a panel of 10 proteins in blood that can predict whether a person with early symptoms of memory loss or mild cognitive impairment will go on to develop AD within 12 to 18 months with a very high accuracy rate of 87%.

The study published in Alzheimer's and Dementia Journal with our calibrators at King's College, London which analysed over 1000 individuals, is the largest of its kind to date and marks a significant step towards developing and outlicensing a simple blood test for AD.

TMT® receives HUPO award
Our TMT® mass tags received the prestigious Science and Technology Award at the HUPO World Congress in October. TMT® 10-plex provides the highest multiplexing capability currently available and is the global market leader. We will continue to deliver new reagents to expand the range and that should create further new applications and demand for TMT® tags.

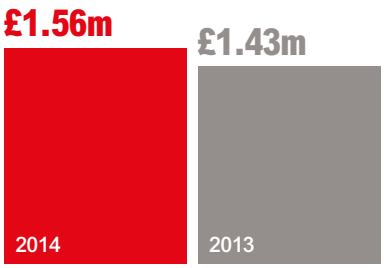
In conclusion
Personalised medicine is making a massive leap forward, changing the way that drugs are developed, disease is diagnosed and patients are treated. The publication in Nature in May 2014 of the Protein Atlas was a major landmark. It provides an A to Z of proteins which for the first time allows genomics researchers to complement their research with information on changes in protein and peptide expressions that cannot be obtained through genomics that are central to personalised medicine. Since the initial sequence of the human genome, genomics has driven the growth and value of the pharmaceutical industry over the last 10-15 years. Proteins and proteomics should now play a much larger and more long-lasting role and will be key value drivers for next generation drug development, diagnosis and transforming patient care.

Through our workflows, our biomarker services, our content and IP, Proteome Sciences is exceptionally placed to provide many of the main components in personalised medicine. Our core activities are all performing well against a buoyant background. We expect to see this reflected in revenue growth and news flow in 2015 with the prospect of this complemented by some high profile licenses in Alzheimer's disease and stroke.

On a final note, the Board of Proteome Sciences would like to recognize and thank James Malthouse for the considerable contribution that he made as Finance Director over the last 20 years, a period in which the Company's pioneering research has been converted into products, services and revenue. We wish him a long and enjoyable retirement.

Christopher Pearce
Chairman

Revenue growth (£m)
(exclusive of equipment on loan)



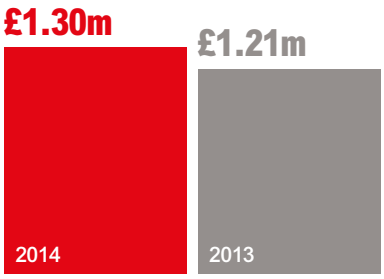
+9%

Revenue (exclusive of equipment on loan) increased 9% to £1.56m
(2013: £1.43m)

£3.57m

Loss after taxation was £3.57m
(2013: £3.15m)

Revenue growth by type (£m)
Licences/Sales/Services



Revenue growth by type (£m)
Grant Services

+65%

Revenue from Biomarker Services £0.53m
(2013: £0.32m)

£1.87m

Cash balance £1.87m
(2013: £0.60m)

Revenue breakdown
Licences/Sales/Services

+31%

TMT® Reagent sales increased 31% in 2014

+13

IP portfolio strengthened
Another 13 patents granted and a further 20 applications were filed in 2014

Proteome Sciences is a leading protein biomarker discovery services company specialising in proteomics and peptidomics applications and boasts a best-in-class mass spectrometry protein analysis and assay development capability.

— We have developed a broad portfolio of novel, high value protein biomarker content addressing numerous disease areas which are available for licensing

— We are heavily invested in conducting novel Biomarker discovery, assay development and workflows in cell signalling pathways both internally and with key collaborative partners

— In addition to our comprehensive biomarker services and validated protein biomarkers for discovery and diagnostics applications, we offer an array of high performance protein tags and assays for mass spectrometry analysis

PS Biomarker Services™

Our state-of-the-art biomarker discovery services use the very latest in sample preparation and separation techniques, isobarically labelled and label-free sample analysis platforms and data analysis tools at our ISO 9001:2008 accredited facility.

Our biomarker discovery consulting services provide access to extensive custom assay development options for a wide range of disease model and human sample types.

The number of biomarkers covered by our assays and workflows increased again in 2014 and this number is expected to continue to grow as we complete additional mass spectrometry assays and workflows, particularly through the introduction of our 'game-changing' SysQuant® and TMTcalibrator™ workflows.

Customers have included major pharmaceutical companies including Johnson & Johnson, Takeda, Eisai etc., CROs (Icon, Parexel) biotechnology companies and academia.

CASE STUDY

Personalised medicine: Diagnosing disease earlier with TMTcalibrator™

The biggest cause of poor treatment outcome is late diagnosis where treatment is delayed until the disease is well established. To improve this situation we need to identify proteins released by cells early in disease and which are detectable in blood or other body fluids. However, these are very hard to find as they are produced in low amounts and diluted to extremely low concentrations in the blood.

Using the power of TMT® 10plex reagents we have developed TMTcalibrator™ to overcome the problems of measuring very low abundant proteins in body fluids by using diseased tissue to amplify the signal. In prototype experiments we have measured over 100 brain proteins that are either increased or decreased in the cerebrospinal fluid of patients with Alzheimer's disease and these may ultimately allow earlier diagnosis. TMTcalibrator™ can be used for any disease and we will shortly be testing it further in blood for both Alzheimer's and various types of cancer.

ps biomarker services

Biomarkers

Proteome Sciences conducts its own novel research and discovery for new protein biomarkers in many human diseases.

We have numerous collaborations and partnerships with leading laboratories in industry and academia to drive discovery, validation and implementation of novel protein biomarkers for drug discovery and diagnostic uses. From these, we have discovered a broad portfolio of validated biomarkers across a variety of disease biology and therapeutic indications and where we have established comprehensive intellectual property coverage.

The main areas include CNS disorders, (Alzheimer's, Huntington's, stroke, traumatic brain injury), Oncology (lung, breast, esophageal, colorectal cancers and neuroblastoma).

Anyone wanting to use any of our biomarkers for a commercial application will have to obtain a licence, from which Proteome Sciences will obtain fees and royalties on any products sold.

TMT® Reagents

TMT® works like a car tracker system to uniquely tag proteins and peptides, radically reducing the variability of biomarker discovery and speeding up the transition to biomarker validation.

Through issued US and EU patents, Proteome Sciences dominates the global isobaric mass tag space. We have developed and are rapidly expanding a range of novel isobaric and isotopic reagents under the Tandem Mass Tag® (TMT®) brand which are exclusively licensed and distributed worldwide by Thermo Scientific.

TMT® considerably enhances the performance of mass spectrometers and delivers the ability to measure with absolute quantitation.

CASE STUDY

Personalised medicine: Tailoring drug selection

Everybody's disease is unique to them and many drugs are ineffective or lose activity after prolonged use. This is particularly common in cancer when drug resistance occurs. By profiling individual disease better we can select the most appropriate drug at the outset and, where necessary, pick optimal treatment combinations to reduce the chances of resistance.

With our proprietary SysQuant® next-generation proteomics workflow, we are able to identify the key processes driving an individual's disease and select the optimum drug targets for making a tailored drug selection. We have recently extended our pilot study in pancreatic cancer and more than doubled the number of proteins we measure. We now have personal disease maps for 32 individual cases of pancreatic cancer which we can map to existing drugs and we hope to start clinical trials with SysQuant® for liver cancer later this year.

CASE STUDY

Personalised medicine: Improving drug development

Personalised medicine is all about developing drugs that work very specifically against a single protein target. These 'precision medicines' should have fewer side effects and be better tolerated by patients. When developing precision medicines it is important to consider their effects on the entire system, not just look at a subset of a small number of downstream proteins.

We have been developing precision medicines targeting a protein, casein kinase 1 delta (CK1D), which is highly active in Alzheimer's disease, phosphorylating tau and regulating several key cellular events related to how brain cells are killed. Using our CK1d compounds, we have improved cognitive function. With SysQuant® we have been able to identify over 50 cellular pathways that are regulated by CK1D inhibitors in an animal model of human tauopathy and matched that to how those pathways perform in human AD brains. This allowed us to confirm the relevance of our chosen model to human disease and confirm the multimodal mechanism of action of our CK1D inhibitors. This approach can be used in all diseases to improve molecular design and select new combinations of drugs to maximize outcomes as well as providing a list of potential protein biomarkers to ensure we can monitor treatment effectiveness over time.

Mapping the future of personalised medicine.

The demand for new treatments in the drive towards a healthier world is a pressing one. We need to understand the true causes of debilitating and life-threatening conditions and the best way to alleviate or cure them. Yet the process of discovering new drugs and treatments can be long and drawn out. Speed and cost are critical factors in the development of new, affordable medicines. We may not know exactly what the future holds, but we do know the way forward. Personalised medicine.

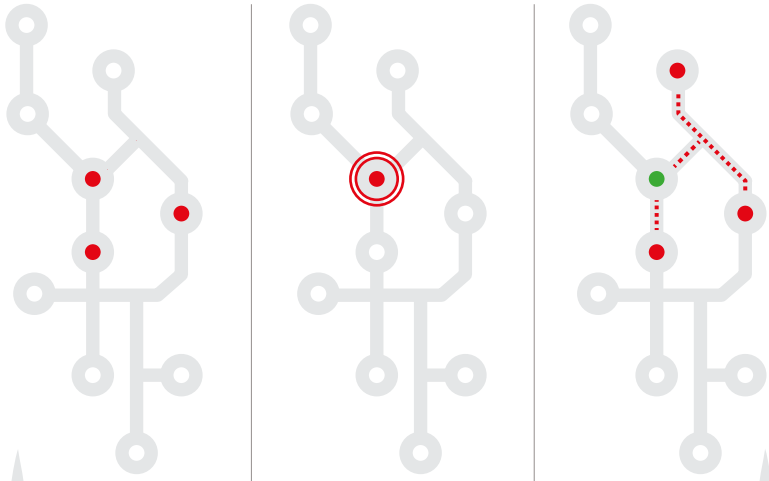
For medicine to become truly personalised, it is critical that the right measurements are made and interpreted. We believe that measurement is proteomics.

Proteomics is the scientific discipline which studies proteins and searches for proteins that are associated with a disease by means of their altered levels of expression and/or post-translational modification between control and disease states. It enables correlations to be drawn between the range of proteins produced by a cell or tissue and the initiation or progression of a disease state and the effect of therapy.

The abundance of information and detailed analysis of the proteome permits the discovery of new protein markers for diagnostic purposes and of novel molecular targets for drug discovery. Proteomics play a major role in biomedical research and the development of future generations of diagnostic and therapeutic products.

Cell Signaling Pathway Activity

SysQuant®, TMTcalibrator™ and our IP act as the gateway to better treatments



01

Discovery
Within the body, cells constantly 'talk' with each other via a complex and myriad system involving numerous chemical messengers and relay systems that communicate signals between the cells of different tissues and organs. When these communications systems and cell signaling pathways are disrupted, pathogenic processes such as cancer often arise.

02

Validate
Proteins uniquely provide a real-time, clinically relevant measure of individual patients. Detailed analysis of proteins permits the discovery of new protein markers for diagnostic purposes and of novel molecular targets for drug discovery for specific patient populations.

03

Apply
We are identifying the biological cell signalling pathways and networks involved in disease. We are developing a range of targeted assays for key signaling pathway checkpoint proteins and other key molecules involved in signaling events. Signalling cascades are proteins that can be altered, activated or deactivated to alter gene activation and protein expression.

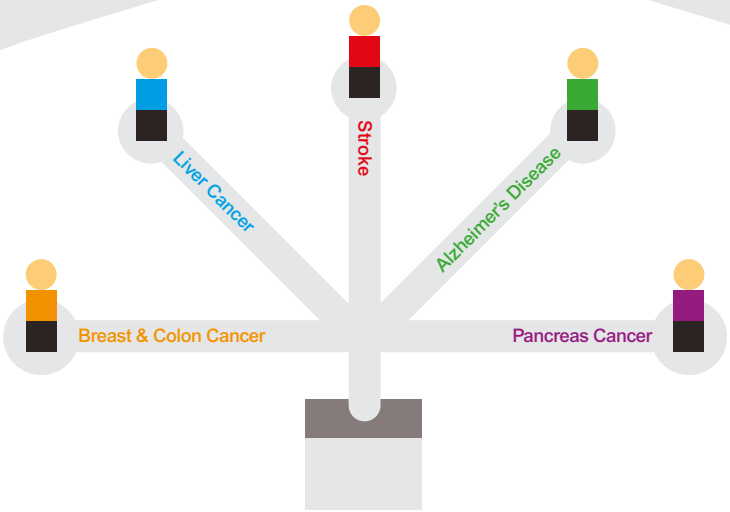
Proteomics works with the lifesciences industry to create real advantage.

While cancer, stroke, brain damage and Alzheimer's remain a major challenge, improving their diagnosis and speed the testing of drugs to treat them cannot come soon enough. We're determined to address these needs. Our pioneering science has already made us global leaders in applied proteomics. Our established proprietary technologies for protein biomarker discovery, validation and assay development are opening new worlds for the biotech and pharmaceutical industries. But most important of all, while we constantly innovate for the future, our pathfinding approach offers new hope today, to millions of people.

Providing in-depth expertise on protein biomarkers reduces costs and speeds up the process of large scale clinical trials. This brings together identifying and validating predictive and diagnostic biomarkers with the facility to prove their use in real life applications for individual patients. It's opening up a new world of breakthrough medicine. The more data that scientists can gather from genomics and proteomics of real individuals, the closer we are to prescribing safer, better drugs and treatments with fewer side effects, tailored to the medical needs of particular patient populations.

Commercial applications

Our IP acts as the gateway to better treatments



Better accuracy
Discovery and validate disease-relevant biomarkers.

Time advantage
Using TMT® reduces study times tenfold. In a single experiment SysQuant® covers >20,000 phosphorylation sites.

Cost saving
Reduction of costs bringing diagnostics and treatments to market.

Personalised medicine
More effective treatments tailored to specific patient populations.

Drug and treatment development
Proteome Sciences are identifying the biological cell signalling pathways and networks involved in disease. We are developing a range of targeted assays for key signaling pathway checkpoint proteins and other key molecules involved in signaling events. Signalling cascades are proteins that can be altered, activated or deactivated to alter gene activation and protein expression.

With a rising research and product profile, in personalised medicine we expect a strong performance from our commercial business that should result in a significant uplift in 2015 revenue.

There are multiple drivers of commercial value accelerating our growth:

— Use of validated biomarker assays saves time and cost of development

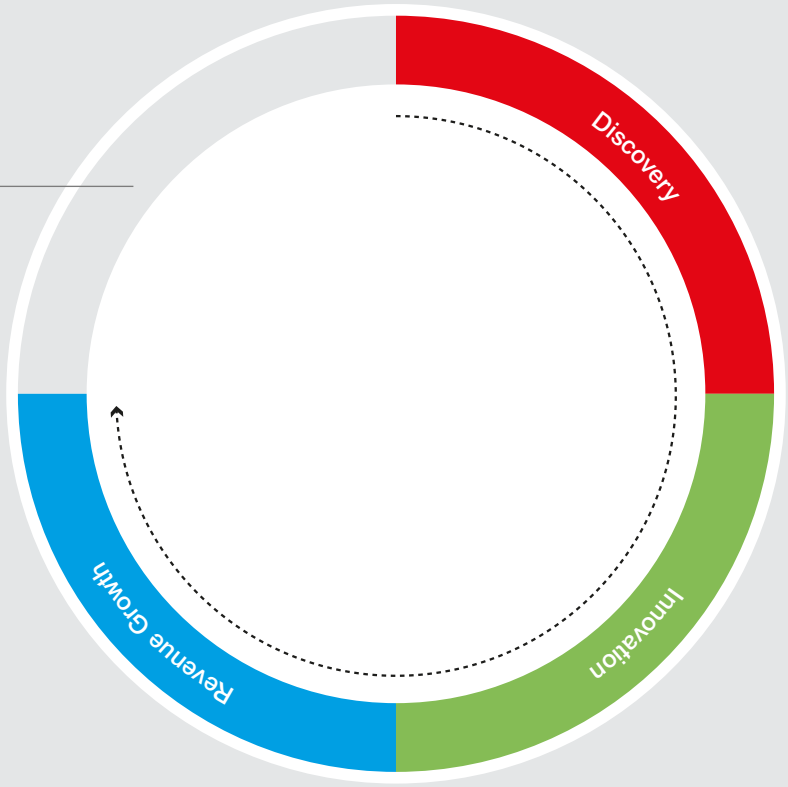
— Biomarker discovery and validation workflows offer greater chances of success to find new biomarkers for drug development and patient management

— Novel IP can be generated around biomarkers and add value to therapeutics

— New diagnostics products and drug companion diagnostics provide additional revenue opportunities and economic value

— Multiplex TMT® are the reagents of choice for latest generation mass spectrometry applications in systems biology

Unmet need
The quest for new medicines and treatments targeting unmet healthcare needs and the rise in personalised medicine drives revenue growth.



Research and development
Conducting novel biomarker discovery and assay development both internally and with collaborative partners.

Revenue generating services
Comprehensive biomarker services and validated protein biomarkers for diagnostic applications and high performance protein tags and assays for mass spectrometry analysis.

Intellectual property
IP portfolio underpins the value created through research and is reflected by licence fees, milestones and royalties.

We continue to address healthcare potential

Biomarkers are key components in the process to measure and monitor changes across the range of major human diseases and disorders and where there are substantial and significant unmet needs and enormous economic value. By using innovative techniques including mass spectrometry these can be addressed more effectively and can deliver value for money for healthcare providers and reduce the social care burden.

Prospective customers will use Proteome Sciences' workflows and assays when suitable methods and tests are available due to cost and time considerations, or use biomarker discovery, validation and assay development services if no appropriate tests exist, or if a pharmaceutical company wants to increase IP around a drug programme by using proprietary biomarkers associated with the drug to test and show effectiveness.

We will keep setting the new standards

The value of Proteome Sciences' technology and patents has been thoroughly validated by the collaborations formed with major pharmaceutical, diagnostics, scientific equipment companies and academic institutions. The ISO 9001:2008 accreditation at its PS Biomarker Services™ division provides a significant endorsement of its operations.

Pharmaceutical companies continue to cut internal R&D facilities in order to reduce costs and increase efficiency through outsourcing and are increasingly expected to use biomarker services more extensively due to pressure from regulators and to improve productivity.

We continue to make good progress

We have taken our research skills in protein discovery and validation and converted those abilities into a leading protein biomarker contract research organisation (CRO) in great shape for personalised medicine.

This has been achieved by a combination of depth and breadth of experience in discovery, innovation, intellectual property management, business development and finance needed to manage the Group in the current challenging environment. Against this we expect a strong increase in revenue growth in 2015.

With the three core areas of our business fully established with the costs of intellectual property (IP), products and services absorbed and supported by US and European sales teams, the risks associated with Proteome Sciences are significantly lower than those typically associated with drug discovery, diagnostics and biotechnology.

Our strategic focus is to...

— Build on our reputation of excellence and leadership in our field

— Commercialise extensive IP portfolio, specialist biomarker services particularly SysQuant® and TMTcalibrator™ workflows

— Form new alliances including out-licensing biomarkers to extend use and revenue

— Partner our CK1d compounds with pharma

— Increase sales in key healthcare markets (US/EU)

— Be cash generative and sustainably profitable

Key achievements 2014

— Growth in PS Biomarker Services™ and TMT®

— The shift from pilot to large scale programmes and the widening pipeline of customer contracts and services

— SysQuant® and TMTcalibrator™ workflows provide Proteome Sciences with a significant USP as a biomarker services provider

— Significant progress with Ck1d and blood biomarkers in Alzheimer's Disease

— Advances in mass spectrometry development and performance opening up new commercial opportunities in systems biology

— New commercial contracts and strategic collaborations

— IP portfolio strengthened

Key objectives 2015

— Optimising revenue from our three core areas: PS Biomarker Services™, proprietary biomarkers and TMT® reagents

— Maximising the value of the TMT® franchise through new products and applications to drive growth

— Expansion of PS Biomarker Services and proprietary biomarkers to deliver significant revenue growth in 2015 and beyond

— Extension of SysQuant® workflows in cancer and CNS

— Focus our main attention on outlicensing of CK1d and AD and stroke biomarkers

— Targeting cash generation and being sustainably profitable

Considerable progress over the year has delivered another significant rise in revenues.

Principal activity and business review
The Company is required to set out in this report a strategic review of the business of the Group during the financial year ended 31st December 2014.

The principal activity of the Group is in biomarker research and development as a global leader in applied proteomics and workflows using high sensitivity proprietary techniques to detect and characterise differentially expressed proteins in diseases for diagnostic, prognostic and therapeutic applications.

PS Biomarker Services® provides integrated proteomic services for biomarker discovery, validation and assay development for accurate measurement for use in clinical trials and *in vitro* diagnostics. Key features include the proprietary isobaric tandem mass tag technology TMT® for accurate and reliable biomarker quantification and the ability to rapidly develop highly reproducible quantitative biomarker assays.

The main focus of research is to address neurological, neurodegenerative, cardiovascular and cancer conditions and blood biomarkers in Alzheimer's disease, stroke, brain damage, and solid organ transplant rejection have been discovered.

Veri-Q Inc., a subsidiary company in which the Group has an interest of 76.9%, develops technologies for the quality control of synthetic oligonucleotides and is well placed to benefit from the anticipated expansion of antisense and RNA interference therapeutics.

There have been no significant changes in the Group's principal activities in the year under review, nor are the Directors aware, at the date of this report, of any major likely changes in the Group's activities in the next year.

Further details of the Group's performance during the year and expected future developments are contained in the Chairman's Statement.

Our operational structure and performance reporting
The Group's operations are organised into three geographic regions: UK, Germany and US. Internal reporting on performance is allocated accordingly.

In the UK
The Company's main country of operation is the United Kingdom. Our executive management team, including business development, marketing and administrative functions, is located at its HQ in Cobham.

Proteome Sciences' laboratory is located at the Institute of Psychiatry, King's College London. It provides high sensitivity protein separation and state-of-the-art mass spectrometry (MS) capabilities with a strong emphasis on the identification and analysis of post-translational modification of proteins, particularly protein phosphorylation, image analysis and bioinformatics. It has been actively involved in the development of rapid MS based assays (TMT®-SRM assays) for a range of different protein biomarkers and the SysQuant® and TMTcalibrator™ workflows.

In Germany
Our Frankfurt facility was purpose built to accommodate the former proteomics division of Aventis Research and Technologies where PS Biomarker Services® is based. The ISO 9001:2008 facility operates at the leading edge of high output proteomics (high throughput combined with high sensitivity). Through this facility, Proteome Sciences has novel, proprietary protein profiling technologies including TMT® (Tandem Mass Tags®) which offer simultaneous, timely and accurate relative quantitation of a large number of proteins for the discovery of novel targets or biomarkers.

In the United States
Our sales and marketing team are strategically based in the US. We also have collaborative research agreements with leading institutions such as the University of Michigan, The Buck Institute and Moffitt Cancer Center.

The Group also manages the performance of the business according to its major products and services, as set out in this section of the report.

Revenue

Strong performance expected in 2015

— Revenue increased by 9%during the year to £1.56m (2013: £1.43m) excluding equipment on loan £nil (2013: 0.71m).

— In the breakdown, Licences/Sales/Services rose by 7% to £1.30m (2013: £1.21m), excluding equipment on loan revenue

— TMT® Reagent sales increased by 31%

— Grant Services revenue was £0.27m (2013: £0.22m)

Revenue performance is managed both geographically and by way of major products and services.

With a growing pipeline of contracts as we continue to raise our corporate and research profile, further strong performance is expected from licences, products and services income which should result in a significant increase in revenue in 2015.

Driving acceleration in Biomarker Services

The Group's main focus continues to be the expansion of PS Biomarker Services™ and the amount of assays and services that we provide principally using our own proprietary content. This has been considerably extended through the rapid development and availability of SysQuant® and TMTcalibrator™ workflows.

Increased efficiency from IT processing and storage

Having installed the latest top end mass spectrometers in-house with Orbitrap/Orbitrap Fusion instruments, it was important to address the IT, data storage and data processing in Frankfurt and London. The investment made last year to upgrade the IT infrastructure has increased the data storage capacity up to ten fold with the speed of processing trebled. This has resulted in a significant reduction in the analysis time and provided a commensurate improvement in the quality and quantity of data generated allowing us to maximise the output from the powerful new generation of mass spectrometers in our research and biomarker services.

Interest in biomarker services continues to grow resulting in new contracts with both existing and new customers

The pipeline and level of interest in biomarker services continued to grow in 2014 with a 65% increase in sales, reflecting in part the shift from pilot studies to large scale programmes. We signed a $2m biomarker services contract with Genting Tau RX to process 1,000 of patient samples from which we aim to develop a companion diagnostic. The major part of the contract will be undertaken in 2016. The launch of the SysQuant® and TMTcalibrator™ workflows have resulted in a strong increase in orders and enquiries from existing and new customers with our facilities running at full capacity in 2015.

The commitment to showcasing the potential of our business is resulting in increased exposure and endorsement

Proteome Sciences has a concentrated period of high profile presentations from April to August at the major international meetings to showcase its leading technology development and applications, its assays and services in particular its SysQuant® and TMT® calibrator workflows in cancer and CNS and the expanding multiplex capabilities and growing range of users for TMT® mass tags. These include:

April – American Association for Cancer Research (AACR)

May – American Society of Clinical Oncology (ASCO)

June – American Society for Mass Spectrometry (ASMS)

July – Alzheimer's Association International Conference (AAIC)

The increased exposure and endorsement from key opinion leaders has created a buoyant background to our business and services and this is expected to expand with the increased use of our products and services in mainstream systems biology.

SysQuant® and TMTcalibrator™: Combining next-generation proteomics to deliver targeted medicines for Alzheimer's disease.

We have applied SysQuant® to the analysis of human AD brains to determine which proteins and pathways are changing in response to increasing levels of toxic tau.

80% people living in care homes in the UK have a form of dementia or severe memory problems

80%

Delaying the onset of dementia by five years would reduce deaths directly attributable to dementia by 30,000 a year

30k

Estimated cost of care associated with Alzheimer's disease in the US could rise to $1.1 trillion by 2050

Sources:
The Alzheimer's Association 2015
and The Alzheimer's Society 2015

Designing new drugs to treat Alzheimer's disease has proved very challenging and we clearly need to more fully understand the mechanisms that lead to cell death. By combining next-generation proteomics workflows Proteome Sciences is delivering on its mission to find better drug targets and biomarkers.

Treatment options for Alzheimer's disease are currently limited to drugs that modify the symptoms but do not delay the underlying disease process. Several attempts to remove the build up of toxic proteins have so far failed although reduction of tau protein aggregates is showing promise. Proteome Sciences is taking a different approach and developing drugs that can switch off the production of toxic tau.

Learning how tau and amyloid affect brain cells

We have applied SysQuant® to the analysis of human AD brains to determine which proteins and pathways are changing in response to increasing levels of toxic tau. Our data show that many cellular processes are affected including pathways regulating memory formation, synapse structure and function, energy production and cell survival. Within each of these pathways we have identified potential drug targets and biomarkers that can be used to improve drug development.

Mapping CK1D inhibitor effects to tau-related pathways

To evaluate how our CK1D inhibitors work to improve cognitive behaviour in a model of tau pathology we are comparing the SysQuant® results from treated animals against the maps of tau-dependent changes seen in human AD brains. In a preliminary analysis we have found many of the protein changes induced by tau toxicity in human disease are reversed by CK1D inhibitors. This is very encouraging and provides further support to the value of CK1D inhibitors for the treatment of AD.

Translating brain changes into biomarkers

As new disease modifying drugs for AD, including the CK1D inhibitors, are developed, there is a need for biomarkers in blood or cerebrospinal fluid (CSF) that confirm the drugs are working. We recently used TMTcalibrator™ to find brain-derived proteins that are regulated in CSF of AD patients. Of the >100 biomarkers we discovered, several are also regulated by increasing tau toxicity and respond to CK1D inhibitors. We are currently assessing these as possible panels for general management of AD patients and specifically for monitoring CK1D inhibitor effectiveness.

By combining our proprietary, next-generation proteomics workflows we have been able to gain a much deeper insight into the pathways that are altered in AD and how these can be measured in CSF to aid treatment decisions and monitoring of effectiveness.

Developing SysQuant® for drug development and clinical assessment in cancer.

The next stage of clinical development is a trial of SysQuant® for predicting outcomes in liver cancer patients treated with Sorafenib due to start later this year.

Number of people are estimated to be diagnosed with Pancreatic cancer each year in the US

48,960

Only four percent of people survive Pancreatic cancer. It has the worst survival rate of all 22 of the most common cancers

4%

Just 7.2% of those suffering from Pancreatic cancer survive 5 years or more

7.2%

Sources:
The American Cancer Society and National Cancer Institute

Building on successful drug development projects for our clients and the first study published in pancreatic cancer we have recently completed two new programs that further underpin the high value of SysQuant®. During 2014 we successfully rolled out SysQuant® services for drug development to pharmaceutical customers resulting in a strong pipeline with a good number of contracts already signed in 2015.

SysQuant® enabling the move to smart combination therapies

To develop additional applications for drug development we have been using SysQuant® to understand how different drug combinations work in human skin cancer cells. Working with partners at the Moffitt Cancer Center in Tampa, Florida, we have studied two different drug combinations in three cell lines and quantified over 9,000 proteins and 17,000 phosphorylation sites. This depth of information is highlighting which pathways are most affected by each combination and which cell lines respond best. This data is not only important for the companies developing new treatments for skin cancer, but also provides a compelling case study for using SysQuant® across many different diseases.

Moving SysQuant® closer to the clinic

The acquisition of an Orbitrap Fusion mass spectrometer has more than doubled the performance of SysQuant® whilst requiring around 40% of the time for analysis making it highly appropriate for clinical assessment prior to selecting an individual drug treatment. We have validated this new workflow in an additional 20 cases of pancreatic cancer, confirming our earlier results and identifying additional drivers of disease including several new drug targets. The next stage of clinical development is a trial of SysQuant® for predicting outcomes in liver cancer patients treated with Sorafenib due to start later this year. There is currently no way to predict which patients will respond to this highly selective drug and in liver cancer the response rates are very low. We are testing whether SysQuant® can identify the small number of Sorafenib responders in a retrospective study. If successful this would allow a prospective study where SysQuant® results would be used not only to indicate Sorafenib use, but also identify patients for whom alternative drugs and combination therapies would be more appropriate.

Biomarkers

Alzheimer's Disease (AD)

Advanced research results bring the prospect of a blood test for AD considerably closer

Publication of the excellent results from a large group study of our candidate AD biomarkers highlighted their utility in predicting patients with early memory problems that would subsequently be diagnosed with Alzheimer's disease within 12–18 months. We are in discussions with interested parties to develop a simple test kit to measure these biomarkers routinely and expect to complete multiple licenses to our patents around the panel of proteins covered by our IP.

TMTcalibrator™ finding early biomarkers of brain inflammation in neurodegeneration

One of the earliest events linked to AD is a general inflammatory response in the brain, mediated by microglial cells. Working jointly with several leading European academic groups we have used TMTcalibrator™ to identify proteins that are produced when microglial cells trigger an inflammatory response and which are also detected in cerebrospinal fluid. We have a panel of over 100 cell-derived proteins that are either increased or decreased in CSF from AD patients and our collaborators are in the process of performing validation studies. If successful, these proteins may form the basis of a novel early CSF diagnostic test for Alzheimer's disease.

The biomarkers from these two programmes will provide content for three major applications: for patient stratification, for drug testing and for clinical diagnosis in AD. We are actively marketing the results and content to pharmaceutical and diagnostics companies to commercialise these through licences, assays and biomarker services contracts.

Each of these applications is in a major area of unmet need and will command substantial commercial values.

TMT®

Revenue –
Fast growth rate is expected to continue

— TMT® product sales increased by 31% in 2014.

— TMT® became the global market leader in 2014 and its profile continues to rise

Tandem Mass Tags® – International recognition

The importance of TMT® reagents in driving forward the proteomics industry was recognized by the prestigious Human Proteome Organisation who awarded a team from Proteome Sciences and Thermo Scientific with the Science and Technology Award. Through the general introduction of TMT® 10-plex helped by considerable exposure at the American Society of Mass Spectrometry meeting (ASMS), TMT® became the global market leader and that position will be extended through a continuing program of new product introductions.

Tandem Mass Tags® – Getting ready for the next level

Introduction of TMT® 10plex reagents was a major landmark and helped drive sales growth but their use is restricted to high resolution instruments. We are now developing next-generation TMT® reagents with higher plexing rates that will provide users of lower resolution mass spectrometry machines, for the first time, a set of 10plex reagents, whilst users of premium equipment will have substantially higher multiplexing rates. Prototypes have been tested and we anticipate the new TMT® product range will be commercially available in 2016.

IP portfolio

Additional 13 patents added and further 20 filed

Our 600 plus patent IP portfolio of key biomarkers across a broad range of diseases, application and technologies that supports our extensive asset base has been further extended. Another 13 patents were granted in 2014 with a further 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 license fees, milestones and royalties.

Financial review

Results and dividends
The loss after tax for the year was £3,566,481 (2013 – loss £3,149,159). The Directors do not recommend the payment of a dividend (2013: £nil). The Group results are stated in the consolidated income statement on page 29, and are reviewed in the Chairman's message on page 02, and the Strategic report on pages 12 to 19.

Post balance sheet events
Details of significant events since the balance sheet date are contained in note 29 to the financial statements.

Key performance indicators ("KPIs")

i) The Directors consider that revenue, gross profit and profit before tax are key performance indicators in measuring group performance, as the financial profile of the Group changes as a result of the licensing agreements that have already been entered into and as future licences and other commercial arrangements are concluded.

   The performance of the Group in this latter area is set out in details in the Chairman's message on page 02 of these accounts.

ii) In addition, the Directors also believe that a further important KPI is the Group's rate of cash expenditure and its effect on Group cash resources. Details of cash flow during 2014 are set out on page 35 of these accounts and in notes 24 and 25.

The Group maintained a positive cash balance in 2014 and continues to seek to generate improved cash flows from commercial income.

Financial performance –
As compared to the previous year, our revenues showed steady growth
Revenue for the twelve month period ended 31st December 2014 increased 9% to £1.56m (2013: £ 1.43m) excluding equipment on loan revenue, 2014 nil (2013: £0.71m). In the breakdown of revenue, Licences/Sales/Services rose 7% to £1.3m (2013: £1.21m), excluding equipment on loan revenue, of which TMT® Reagent sales increased 31%. Grant services were £0.27m (2013: £ 0.22m). The loss before tax was £4.23m (2013: £3.60m).

Costs and available cash –
Despite the rise in revenue, our operating costs remain constant
Administrative expenses in 2014 were £4.95m similar to 2013: £4.92m and are likely to remain relatively constant in 2015. After tax credits of £0.66m, the loss after taxation for the period was £3.57m (2013: £3.15). The net cash outflow from operating activities was £3.27m (2013: £2.77m).

Cash at the year-end was £1.87m (2013: £0.60m). A placing of 13,861,112 ordinary shares was completed in June 2015 which added £2.495m pre-expenses to the Group's cash resources.

Outlook for 2015

We are pleased to have got off to a good start in 2015. There has been a big increase in demand for SysQuant®, TMTcalibrator™ and TMT®-MS3 services from major pharmaceutical customers and this is reflected by a growing pipeline of orders and enquiries with a further four biomarker services contracts signed since the five that were last announced in March. The background to the services business is very buoyant with our facilities running at full capacity in 2015 and strong prospects for future growth.

The increasing prominence and rise of Alzheimer's disease is instigating considerable global media and commercial activity together with high profile political interest as the global drive to tackle dementia gains momentum. With the number of cases projected to treble by 2050, the economic and social burden has to be addressed and this is being reflected by a sharp increase in the perceived value of successful drugs and early diagnostic tests.

Considerable progress has been made to outlicense two of our programmes for the treatment and diagnosis of Alzheimer's disease. The CK1d marketing dossier for PS110 and PS 278-05 against tau aggregation in AD continues to generate very positive feedback, with certain of the major pharma having been provided with the PS compounds for further confidential evaluation and testing in their own *in vivo* models of AD.

Given the paucity of advanced drug development options currently available, Proteome Sciences intends to capitalise on the strong interest now focused in the tau pathway in AD through its unique position in CK1d. A license is expected to attract considerable signature fees, milestones and royalties.

A similar background has developed for the MCI/AD diagnostic panel of proteins in blood. Results are expected shortly from another cohort of patient samples that should add new intellectual property and accelerate the development of the clinical diagnostic for MCI/AD. We have received serious engagement and licensing interest from a number of major diagnostics companies and these opportunities are being actively pursued.

The first stroke test will be released by Randox before the end of the year as a research use product in clinical studies and a CE marked product will follow in 2016. Under the license agreement, Proteome Sciences is due to receive further milestone payments and anticipates that additional similar license deals for the same stroke biomarker content are likely to be concluded with other global diagnostic companies.

TMT® tags have continued to perform strongly in 2015 as evidenced by the largest ever order dispatched during the quarter and that trend is expected to continue.

Through our workflows, our biomarker services, our content and IP, Proteome Sciences is exceptionally placed to provide many of the main components in personalised medicine. Our core activities are all performing well against a buoyant background. We expect to see this reflected in revenue growth and news flow in 2015 with the prospect of this complemented by some high profile licenses in Alzheimer's disease and stroke.

Principal risks and uncertainties

Licensing arrangements and uncertainty of commercialisation
The Group intends to sub-license its discoveries and products to third parties, but there can be no assurance that such licencing arrangements will be successful. It is also uncertain whether commercial tests can be developed and will be successful in the market.

— *Management of risk:*
The Group manages this risk by a thorough investigation of proposed research projects to assess their scientific and commercial feasibility. It has an experienced board and management team to carry out this process and also aims to spread this risk by not concentrating its resources on any one project.

Competition and technology
The international biotechnology industry is subject to rapid and substantial technological change. There can be no assurance that developments by others will not render the Group's developments obsolete or uncompetitive.

— *Management of risk:*
The Group employs highly qualified research scientists and senior management who monitor and are aware of developments in technology that might affect its research capability and through their access to scientific publications and attendance at conferences.

Dependence on key personnel
The Group depends on its ability to attract and retain qualified management and scientific personnel. Competition for such personnel is intense. Whilst the Group has entered into employment arrangements with its key personnel with the aim of securing their services for minimum terms, the retention of their services cannot be guaranteed.

— *Management of risk:*
The Group has a policy of organising its research so that its projects are not dependent on any one individual. It also seeks to retain staff by the grant of share options to all employees and through annual reviews of remuneration packages.

Patent applications and proprietary rights
The Group seeks patent protection for protein biomarkers identified which may be of diagnostic, prognostic or therapeutic value and for its chemical mass tags. Successful commercialisation of such biomarkers and chemical mass tags may depend on the establishment of such patent protection. The Group also seeks patent protection for its proprietary technology.

There is no assurance that the Group's pending applications will result in the grant of patents or that the scope of protection offered by any patents will be as planned or whether any such patents ultimately will be upheld as valid by a court of competent jurisdiction in the event of a legal challenge. If the Group fails to obtain patents for its technology and is required to rely on unpatented proprietary technology, no assurance can be given that the Group can meaningfully protect its rights in such unpatented proprietary products and techniques.

— *Management of risk:*
The Group has an experienced patent department which has established controls to avoid the release of patentable material before it has filed patent applications. It also draws heavily on external patent advisers and uses several firms for this process, enabling it to target the firms which have the areas of expertise relevant to each area of its patentable activities.

By order of the Board,

Geoff Ellis
Finance Director

Coveham House
Downside Bridge Road
Cobham
Surrey KT11 3EP

22nd June 2015

Senior Management Team

Christopher Pearce
Executive Chairman

Geoff Ellis
Finance Director

Dr. Ian Pike
Chief Operating Officer

Glenn Barney
VP Business Development US

Dr. Chee Gee See
Director of Personalised Medicine

Dr. Malcolm Ward
Chief Technical Officer,
London Research Facility

Dr. Josef Schwarz
Head of Projects & Production,
Proteome Sciences R&D, Frankfurt

Board of Directors

Executive Directors

Christopher Pearce
Executive Chairman

Geoff Ellis
Finance Director

Dr. Ian Pike
Chief Operating Officer

Non-executive Directors

Professor William Dawson

Roger McDowell

Martin Diggle

Executive Directors:

Christopher Pearce
Chief Executive
Christopher Pearce has built the Group since inception and has been responsible for the formulation and implementation of strategy, collaborative and licensing agreements, and intellectual property. He was co-founder and Executive Chairman of Fitness First plc, the international fitness chain.

Geoff Ellis
Finance Director
Geoff Ellis is a Chartered Accountant with over 30 years' experience in a range of senior financial, general management and sales and business development roles. He spent almost 15 years at Walt Disney where his roles included Chief Financial Officer of Disney Channels in Europe, the Middle East and Africa, a $500m turnover business.

Dr. Ian Pike
Chief Operating Officer
Ian Pike has over 20 years' experience working in the diagnostics and biotechnology sectors. Having gained a PhD in Medical Microbiology, he joined Wellcome Diagnostics as a research group leader and spent eight years working on new diagnostic assays, particularly for hepatitis. In December 1999, he joined the Technology Transfer Office of the UK Medical Research Council with responsibility for patents and commercialisation of a wide portfolio of technologies related to the biomedical sector. Most recently, Ian worked for Cancer Research Ventures managing intellectual property and performing business development activities in Europe and the US.

Senior Management Team:

Glenn Barney
VP Business Development, US

Glenn brings over 25 years of sales and business development experience with global life sciences companies, with strong biomarker focus. He was formerly VP Business Development at NextGen Sciences Inc. and held senior positions at Decision Biomarkers and Parkin Elmer Inc. Mr. Barney holds a BA in Biology from Boston University.

Dr Chee Gee See
Director of Personalised Medicine

Chee Gee is a biomarker and translational medicine expert, a former Biomarker and Experimental Medicine Leader for 5 years at Roche in multiple therapeutic areas including CNS, cardiovascular, respiratory and inflammation. Most notable was his role as the clinical oncology biomarker leader for the pivotal Phase III ToGA Herceptin trial and the co-development of the HER2 companion diagnostic in gastric cancer. Prior to this Chee Gee spent 11 years at Glaxo Smith Kline where he was the European Therapeutic Area Analyst for Genetics Research reporting to Dr Allen Roses. He has specialist expertise in regulatory affairs and value-based drug pricing, reimbursement and market access.

Dr Malcolm Ward
Chief Technical Officer, London Research Facility

Malcolm Ward joined Proteome Sciences plc in May 2001 having previously worked for GlaxoWellcome for 12 years, in protein mass spectrometry. He was involved in the establishment of the new leading edge protein separation and mass spectrometry facility at the Institute of Psychiatry, King's College London. His research team is involved in biomarker discovery, validation and assay development. His academic qualifications include a Master of Science (MSc) in Molecular Biology from the University of Hertfordshire in 1996 and a Graduateship from the Royal Society of Chemistry (GRSC) in 1992. He obtained a PhD in Applied Proteomics at King's College, London in 2009.

Dr Josef Schwarz
Head of Projects & Production, Proteome Sciences R&D, Frankfurt

Joseph Schwarz joined the Group in summer 2002 when Xzillion, the former proteomics division of Aventis Research and Technologies, was acquired by Proteome Sciences plc. He worked for Aventis/Hoechst Research and Technologies for 6 years, initially as head of mass spectrometry and later as research collaboration project leader. He was instrumental in the establishment of the integrated high throughput 2DE/mass spectrometry proteomics platform at the Frankfurt research facility. Josef Schwarz holds a PhD in organic chemistry/mass spectrometry from the Technical University of Berlin, Germany and a MBA from the University of Durham, UK. He is an author of a number of publications and co-inventor of patents.

Non-executive Directors:

Professor William Dawson
Non-executive Director (i) (ii) (iii)

Professor William Dawson retired from Eli Lilly and Company in August 1996 after 27 years' service, 14 as Research Director in the UK and latterly as Director of Technology Acquisition, Europe. He is a Director of Bionet Limited and is a Fellow of the Royal Pharmaceutical Society and of the Royal Society of Chemistry.

Roger McDowell
Non-executive Director (i) (ii)

Roger McDowell has a highly successful career as a businessman and entrepreneur. He was Managing Director of Oliver Ashworth for eighteen years before its sale to St. Gobain. He is currently the Chairman or a non-executive director of seven listed companies, namely Avingtrans plc, Servelec Group plc, Renovo plc, Alkane Energy plc, Swallowfield plc, IS Solutions plc and Augean plc. He brings considerable commercial experience with him and is a keen exponent of growing shareholder value.

Martin Diggle
Non-executive Director (i) (ii)

Mr. Diggle has worked in finance for over 30 years. He was a director and partner of UBS/Brunswick in Russia until 2003, after which he joined Vulpes Investment Management, where he is currently a director and partner. He is an experienced specialist investor in life sciences and manages the Vulpes Life Sciences Fund, the registered holder of 15.6% of Proteome Sciences' ordinary share capital.

(i) Member of Audit Committee
(ii) Member of Remuneration Committee
(iii) Member of Nomination Committee

The Directors present their annual report on the affairs of the Group, together with the consolidated financial statements and independent auditor's report, for the year ended 31st December 2014.

Directors' responsibilities
The directors are responsible for preparing the strategic report, the director's report and annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent

— state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained herein.

Responsibility statement
The Directors confirm that to the best of our knowledge:

— the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

— the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Financial instruments and liquidity risks
Information about the use of financial instruments by the Company and its subsidiaries and the Group's financial risk management policies are given in note 27 on pages 57 to 59.

Directors and their interests
The Directors who served during the year are as shown below:

C.D.J. Pearce	Executive Chairman
G.J. Ellis	Finance Director (appointed 1st October 2014)
Dr. I.H. Pike	Chief Operating Officer
Professor W. Dawson	Non-Executive
R. McDowell	Non-Executive (appointed 1st July 2014)
M. Diggle	Non-Executive (appointed 16th October 2014)
R.S. Harris	Non-Executive, Chairman (retired 1st July 2014)
Dr. A.I. Walker	Non-Executive (resigned 3rd March 2014)
J.L. Malthouse	Finance Director (retired 1st December 2014)

In accordance with the Company's articles, C.D.J. Pearce retires by rotation at the next Annual General Meeting and, being eligible, offers himself for re-election. R. McDowell, M Diggle, and G Ellis (who were appointed to the board on 1st July, 16th October and 1st October respectively) offer themselves for election at the Annual General Meeting.

The Directors at 31st December 2014 and their interests in the share capital of the Company were as follows:

a) Beneficial interests in Ordinary Shares:

Name of Director	31st December 2014 Number of Ordinary Shares of 1p each	31st December 2013 Number of Ordinary Shares of 1p each
C.D.J. Pearce	**35,109,504**	31,538,075
G. Ellis (appointed 1st October 2014)	**–**	–
Dr. I.H. Pike	**–**	–
Professor W. Dawson	**20,372**	20,372
R. McDowell (appointed 1st July 2014)	**500,000**	–
M. Diggle (appointed 16th October 2014)	**–**	–

Note
M. Diggle is a director and partner in Vulpes Investment Management and manages the Vulpes Life Sciences Fund which is the registered holder of 15.99% of Proteome Sciences' ordinary share capital.

No changes took place in the beneficial interests of the Directors between 31st December 2014 and 22nd June 2015.

b) Number of Ordinary Shares under option:

		Number at 31st December 2014	Number at 31st December 2013	Exercise price (pence)	Date of grant
Dr. I.H. Pike	(i)	–	127,986	73.91p	6th December, 2004
		–	127,986		

(i) Denotes options granted under the 2004 Share Option Plan.

c) Directors' interests in the Long-Term Incentive Plan ("LTIP"):

The maximum number of shares to be allocated to the Directors under the 2004 and 2011 LTIP schemes, in each case for an aggregate consideration of £1, are as follows:

		Number at 31st December 2014	Number at 31st December 2013
(i) C.D.J. Pearce	(a)	**277,074**	277,074
	(b)	**–**	1,174,269
	(c)	**328,105**	328,105
		605,179	1,779,448
(ii) G.J. Ellis	(a)	**300,000**	–
	(b)	**–**	–
		300,000	–
(iii) Dr. I.H. Pike	(a)	**165,583**	165,583
	(b)	**–**	654,971
		165,583	820,554

The entitlement to shares shown under (i)(b), and (iii)(b) under the LTIP was subject to achieving the performance conditions referred to in the LTIP section on pages 22 and 53 These performance conditions were not met and the awards lapsed in 2014. Awards made have no performance retesting facility.

The numbers shown in (i)(a), and (iii)(a)at the 31st December 2014 relate to awards that have vested but have not yet been exercised.

The market price at the date of grant of the above awards numbered (i)(a) and (iii) (a) was 49.75p, and for the award numbered (ii)(a) was 35.75p. For the awards numbered (i)(b) and (iii)(b) the market price was 21.38p and for the award numbered (i)(c) was 38.25p.

d) As set out in note 19(b) (i) to (vii) to these Accounts, C.D.J. Pearce has made a loan facility available to the Company which can be converted, at Mr. Pearce's option, into Ordinary Shares of the Company at the lower of market price on the date of conversion or the average price over the lowest consecutive ten day trading period since 29th June 2006 (the date on which details of the original loan agreement were disclosed).

e) The market price of the Ordinary Shares at 31st December 2014 was 27p and the range during the year was 23.5p to 41.625p.

Substantial shareholdings

As at 19th June 2015, the Company had received notification of the following significant interests in the ordinary share capital of the Company:

Name of Holder	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
C.D.J. Pearce	36,915,059	16.19
Vulpes Life Science Fund	36,448,125	15.99
M. Staveley	9,820,829	4.3
Helium Special Situations Fund	15,312,273	6.72

Disabled employees Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and by circulation of copies of the interim and annual accounts. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Corporate governance

Although, as a Company listed on the Alternative Investment Market of the London Stock Exchange, the Company is not required to make a formal statement setting out the extent of its compliance with the UK Corporate Governance Code issued by the Financial Reporting Council in 2010 and amended in 2012 (the "Code"), the policy of the Board of Directors of the Company (the "Board") is to try to manage the affairs of the Company in accordance with the principles of the Code insofar as it considers it practical to do so and is appropriate for a company of its size.

The Company has formalised the following matters by Board resolution:

— a formal schedule of Board responsibilities;

— the procedure for Directors to take independent professional advice if necessary, at the Company's expense;

— the procedure for the nomination and appointment of non-executive Directors, for specified periods and without automatic re-appointment; and

— establishment of and written terms of reference for an audit, nominations and remuneration committees.

Internal control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide its members with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of accurate financial information and the safeguarding of assets.

The key features of the internal control system that operated throughout the year are described under the following headings:

— Control environment: particularly the definition of the organisation structure and the appropriate delegation of responsibility to operational management

— Identification and evaluation of business risks and control objectives: particularly through a formal process of consideration and documentation of risks and controls which is periodically undertaken by the Board

— Main control procedures: which include the setting of annual and longer term budgets and the monthly

— reporting of performance against them, agreed treasury management and physical security procedures, formal capital expenditure and investment appraisal approval procedures and the definition of authorisation limits (both financial and otherwise)

— Monitoring: particularly through the regular review of performance against budgets and the progress of research activities undertaken by the Board

The Board reviews the operation and effectiveness of this framework on a regular basis. The Directors consider that there have been no weaknesses in internal controls that have resulted in any losses, contingencies or uncertainties requiring disclosures in the accounts.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's message on page 02 and Strategic report on pages 12 to 19 and the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement on page 35 and in notes 19 (other financial liabilities) and 27 (financial instruments).

These financial statements have been prepared on the going concern basis. The Directors have reviewed the going concern principle in the light of the guidance provided by the FRC. The Group's business activities, and the factors likely to affect its future development, are set out in the Annual report, and include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

As at 31st December 2014 the Group had cash resources of £1,868,653, realised a loss for the year of £3,566,481 and had a working capital deficiency of £5,571,481. Subsequent to the year end, on 22nd June 2015 the Group fully completed, and with the requisite irrevocable commitments, a fund-raising transaction which will raise a sum of up to £2.5 million (before expenses) through a placing for the development of the Group's activities. As explained in the Strategic report in the Annual report some of the Group's products are still in the research and development phase and as such the Directors consider that costs could exceed income in the short term. The Group's projections indicate that the Group should have sufficient resources to meet its current obligations as they fall due for at least the 12 months from the date of signing these financial statements, using its available cash resources together with anticipated income from sales, services, out-licensing, grant income and R&D tax credits. The Directors reviewed the progress and status of the various commercial discussions which are underway in relation to the elements of forecast income, and consider that they represent a reasonable basis for the revenue as forecast, but recognise that there is some risk surrounding the timing and quantum of such revenue, associated with the ongoing research and development and the nature of the business.

The Group is dependent on the unsecured loan facility provided by the Chief Executive of the Group, which under the terms of the facility, is repayable on demand. Further details of this facility are set out in note 20(b) to the financial statements. The Directors have received confirmation from the Chief Executive that he has no intention of seeking its repayment, with the facility continuing to be made available to the Group, on the existing terms, for at least 12 months from the date of approval of these financial statements.

Accordingly, having reviewed each of the factors that could impact on the going concern of the Group, the Directors have concluded that no material uncertainties exist that cast significant doubt about the ability of the Group to continue as a going concern for at least the next 12 months and the financial statements have therefore been prepared on the going concern basis.

Details of the Group's prospects and the future development of the business are set out in the Strategic Report on pages 12 to 19.

Remuneration committee report

The Remuneration Committee is made up of three non- executive Directors, Professor W. Dawson, M Diggle and R. McDowell. The role of the Committee is to make recommendations to the Board, within its agreed terms of reference, on the Company's framework of executive remuneration and its cost and to determine specific remuneration packages for each of the executive Directors. The remuneration of non-executive Directors is fixed by the Board as a whole.

The remuneration policy for Executive Directors and senior employees is to ensure that they are rewarded competitively and in line with their individual performance. Full details of the remuneration packages of individual Directors and information on share options and long-term incentive schemes are set out in note 11 to the accounts and in the Directors' report.

In view of the Company's dependence on its key executives, the service contract of Mr. Pearce was amended during 1997 to provide for a notice period of not less than 2 years.

The release of shares in respect of the awards still outstanding to participants will depend upon the growth of Proteome Sciences' total shareholder return ("TSR") over a three year performance period relative to the AIM Healthcare Index. No shares will be released unless the Company's TSR performance exceeds that of the Index, in which case 30% of the award will vest. The full award will vest only if the Company's TSR performance exceeds that of the Index by 10%, with a pro-rata award between 30% to 100% for each percentage point of out-performance up to 10%.

Before awards vest the Remuneration Committee will satisfy itself that the TSR performance is a genuine reflection of the Company's underlying performance over the three-year performance period.

In 2014 the Remuneration Committee agreed a cash bonus scheme for the executive directors for the year to 31st December, 2014 under which a bonus of 50% of annual salary would be paid if the Company achieved revenue in 2014 of £2m. This would increase to 100% if turnover for the year reached £4m, and to a maximum of 150% for revenue of £6m.

In view of the level of the Group's revenue in 2014 no provision has been made in these accounts for any bonus payments in accordance with the terms of the bonus scheme set out in the previous paragraph.

Auditor

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

— so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and

— the Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Directors will place a resolution before the Annual General Meeting to appoint BDO LLP as auditor for the ensuing year.

Political Donations
The Group did not make any political donations in 2014 (2013:£nil).

Events after the balance sheet date
Details of events after the balance sheet date are set out in note 29 on Page 60.

Liability insurance for Company officers
As permitted by section 233 of the Companies Act 2006, the Company has purchased insurance cover for the Directors against liabilities that might arise in relation to the Group.

Special business at the Annual General Meeting
At the Annual General Meeting of the Company to be held on 17th July 2015, as well as the routine business, the following items will be proposed as Special Business:

i) Resolution 7 – An Ordinary Resolution (Resolution 7), as set out in the Notice on page 62, will be proposed to renew the Directors' authority to allot relevant securities up to an aggregate nominal amount of £759,889.11 which represents approximately a third of the current issued Ordinary Share capital of the Company as at 22nd June 2015. The authority will lapse at the conclusion of the next Annual General Meeting after the passing of the Resolution or on 30th June 2016, whichever is the earlier. The Directors do not have any present intention of exercising this authority.

ii) Resolution 8 – Resolution 8, which is set out in the Notice on page 62, will be proposed as a Special Resolution of the Company. The Resolution will renew the Directors' authority under Section 570 of the Companies Act 2006 to disapply pre-emption rights, thereby enabling the allotment of a limited number of shares for cash up to an aggregate nominal amount of £455,933.46 representing 20 per cent of the current issued Ordinary Share capital of the Company as at 22nd June 2015. The proposed authority, if granted, will expire at the conclusion of the next Annual General Meeting after the passing of the Resolution or on 30th June 2016, whichever is the earlier.

The Directors believe that the proposed resolutions are in the best interest of the Company and its shareholders and unanimously recommend shareholders to vote in favour of the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

By order of the Board,

G.J. Ellis
Company Secretary
Coveham House
Downside Bridge Road
Cobham
Surrey KT11 3EP

22nd June 2015

To the Members of Proteome Sciences plc
We have audited the financial statements of Proteome Sciences plc for the year ended 31 December 2014 which comprise the Consolidated income statement, the consolidated statement of comprehensive income, the Consolidated and company balance sheets, the Consolidated and company statement of changes in equity, the Consolidated and company cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;

— the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

— the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Iain Henderson (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

22nd June 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT
for the year ended 31st December 2014

	Notes	Year ended 31st December 2014 £	Year ended 31st December 2013 £
Revenue	5, 6		
Licenses/sales/services		**1,295,178**	1,916,123
Grant services		**265,537**	220,558
Revenue and other income	5, 6	**1,560,715**	2,136,681
Cost of sales		**(604,549)**	(592,656)
Gross profit		**956,166**	1,544,025
Administrative expenses	7	**(4,949,684)**	(4,916,540)
Operating loss		**(3,993,518)**	(3,372,515)
Investment revenues	8(i)	**8,065**	1,677
Finance costs	8(ii)	**(241,844)**	(225,350)
Loss before taxation		**(4,227,297)**	(3,596,188)
Tax	12	**660,816**	447,029
Loss for the period from continuing operations		**(3,566,481)**	(3,149,159)
Attributed to shareholders of the Company		**(3,566,481)**	(3,149,159)
Loss per share			
Basic and diluted	13	**(1.69p)**	(1.62p)

All activities are derived from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2014

	Year ended 31st December 2014 £	Year ended 31st December 2013 £
Exchange differences on translation of foreign operations	**(87,660)**	(42,962)
	(87,660)	(42,962)
Other comprehensive expense for the year		
Loss for the year	**(3,566,481)**	(3,149,159)
Total comprehensive expense for the year attributable to equity holders of the Company	**(3,654,141)**	(3,192,121)

The accompanying notes 1 to 29 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET
as at 31st December 2014

	Notes	2014 £	2013 £
Non-current assets			
Goodwill	14	**4,218,241**	4,218,241
Property, plant and equipment	15	**314,300**	345,183
Equipment on loan		**473,333**	710,000
		5,005,874	5,273,424
Current assets			
Inventories	17	**344,458**	402,581
Trade and other receivables	18 (a)	**1,072,415**	778,944
Cash and cash equivalents	18 (b)	**1,868,653**	600,262
		3,285,526	1,781,787
Total assets		**8,291,400**	7,055,211
Current liabilities			
Trade and other payables	19 (a)	**(317,161)**	(792,631)
Current tax liabilities		**(34,348)**	(15,264)
Short-term borrowings	19 (b)	**(8,193,078)**	(7,951,234)
Short-term provisions	19 (c)	**(312,420)**	(240,512)
		(8,857,007)	(8,999,641)
Net current liabilities		**(5,571,481)**	(7,217,854)
Non-current liabilities			
Long-term provisions	19 (c)	**(312,948)**	(255,382)
Total liabilities		**(9,169,955)**	(9,255,023)
Net liabilities		**(878,555)**	(2,199,812)
Equity			
Share capital	20	**2,141,056**	1,962,485
Share premium account		**46,736,905**	42,121,558
Equity reserve		**3,367,212**	3,185,732
Other reserve	22	**10,755,000**	10,755,000
Translation reserve		**(206,401)**	(118,741)
Retained loss		**(63,672,327)**	(60,105,846)
Total deficit – Equity		**(878,555)**	(2,199,812)

Signed on behalf of the Board
The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 22nd June 2015. They were signed on its behalf by:

Dr I. Pike Director
G. Ellis Director

22nd June 2015. The accompanying notes 1 to 29 are an integral part of the financial statements.

COMPANY BALANCE SHEET
as at 31st December 2014

	Notes	2014 £	2013 £
Non-current assets			
Investment in subsidiaries	16	**46,240,605**	43,611,673
		46,240,605	43,611,673
Current assets			
Cash and cash equivalents	18 (b)	**1,512,592**	486,640
		1,512,592	486,640
Total assets		**47,753,197**	44,098,313
Current liabilities			
Loan from other group entity		**(278,568)**	(298,638)
Short-term borrowings	19 (b)	**(1,376,052)**	(1,335,434)
		(1,654,620)	(1,634,072)
Non-current liabilities			
Long-term provisions		**(26,118)**	(28,904)
Total liabilities		**(1,680,738)**	(1,662,976)
Net assets		**46,072,459**	42,435,337
Equity			
Share capital	20	**2,141,056**	1,962,485
Share premium account		**46,736,905**	42,121,558
Group reconstruction reserve		**1,082,244**	1,082,244
Equity reserve		**3,367,212**	3,185,732
Retained loss		**(7,254,958)**	(5,916,682)
Total equity		**46,072,459**	42,435,337

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 22nd June 2015. They were signed on its behalf by:

Dr I. Pike Director

G. Ellis Director

22nd June 2015. The accompanying notes 1 to 29 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2014

	Share capital £	Share premium account £	Equity reserve £	Translation reserve £	Other reserve £	Retained loss £	Total equity/(deficit) £
At 1st January 2013	1,924,985	40,602,808	2,983,142	(75,779)	10,755,000	(56,956,687)	(766,531)
Loss for the year	–	–	–	–	–	(3,149,159)	(3,149,159)
Exchange differences on translation of foreign operations	–	–	–	(42,962)	–	–	(42,962)
Total comprehensive expense for the year	–	–	–	–	–	–	(3,192,121)
Issue of share capital	37,500	1,518,750	–	–	–	–	1,556,250
Credit to equity for share-based payment	–	–	202,590	–	–	–	202,590
At 31st December 2013	1,962,485	42,121,558	3,185,732	(118,741)	10,755,000	(60,105,846)	(2,199,812)
At 1st January 2014	1,962,485	42,121,558	3,185,732	(118,741)	10,755,000	(60,105,846)	(2,199,812)
Loss for the year	–	–	–	–	–	(3,566,481)	(3,566,481)
Exchange differences on translation of foreign operations	–	–	–	(87,660)	–	–	(87,660)
Total comprehensive expense for the year	–	–	–	–	–	–	(3,654,141)
Issue of share capital	178,571	4,821,429	–	–	–	–	5,000,000
Share issue expenses	–	(206,082)	–	–	–	–	(206,082)
Credit to equity for share-based payment	–	–	181,480	–	–	–	181,480
At 31st December 2014	2,141,056	46,736,905	3,367,212	(206,401)	10,755,000	(63,672,327)	(878,555)

The accompanying notes 1 to 29 are an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2014

Company	Share capital £	Share premium account £	Group reconstruction reserve £	Equity reserve £	Retained loss £	Total equity £
At 1st January 2013	1,924,985	40,602,808	1,082,244	2,983,142	(5,787,903)	40,805,276
Retained loss for the year	–	–	–	–	(128,779)	(128,779)
Credit to equity for share-based payment	–	–	–	202,590	–	202,590
Issue of share capital	37,500	1,518,750	–	–	–	1,556,250
At 31st December 2013	1,962,485	42,121,558	1,082,244	3,185,732	(5,916,682)	42,435,337
At 1st January 2014	1,962,485	42,121,558	1,082,244	3,185,732	(5,916,682)	42,435,337
Retained loss for the year	–	–	–	–	(1,338,276)	(1,338,276)
Credit to equity for share-based payment	–	–	–	181,480	–	181,480
Issue of share capital	178,571	4,821,429	–	–	–	5,000,000
Share issue expenses	–	(206,082)	–	–	–	(206,082)
At 31st December 2014	2,141,056	46,736,905	1,082,244	3,367,212	(7,254,958)	46,072,459

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
for the year ended 31st December 2014

	Notes	Group Year ended 31st December 2014 £	Company Year ended 31st December 2014 £	Group Year ended 31st December 2013 £	Company Year ended 31st December 2013 £
Cash flows from operating activities					
Cash used in operations	23	**(3,958,394)**	**(96,660)**	(3,201,138)	(159,372)
Tax refunded		**688,595**	**–**	434,151	–
Net cash outflow from operating activities		**(3,269,799)**	**(96,660)**	(2,766,987)	(159,372)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(155,289)**	**–**	(9,202)	–
Loans advanced		**–**	**(3,679,371)**	–	(1,488,139)
Interest received		**8,065**	**8,065**	1,677	1,607
Net cash (outflow)/inflow from investing activities		**(147,224)**	**(3,671,306)**	(7,525)	(1,486,532)
Financing activities					
Proceeds on issue of shares		**4,793,918**	**4,793,918**	1,556,244	1,556,244
Loans advanced		**–**	**–**	1,000,000	–
Net cash inflow from financing activities		**4,793,918**	**4,793,918**	2,556,244	1,556,244
Net increase/(decrease) in cash and cash equivalents		**1,376,895**	**1,025,952**	(218,268)	(89,660)
Cash and cash equivalents at beginning of year		**600,262**	**486,640**	858,249	576,301
Effect of foreign exchange rate changes		**(108,504)**	**–**	(39,719)	–
Cash and cash equivalents at end of year	24/25	**1,868,653**	**1,512,592**	600,262	486,641

1 General information

Proteome Sciences plc is a company incorporated in the United Kingdom under registration number 02879724. The address of the registered office is given on the back cover. The nature of the Group's operations and its principal activities are set out in the Directors report on pages 22 to 27. These financial statements are the consolidated financial statements of Proteome Sciences plc and its subsidiaries ("the Group").

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2 Adoption of new and revised standards

New standards and amendments to existing standards that have been published and are mandatory for the first time for the financial year 1 January 2014 have been adopted but had no significant impact on the Group. New standards, amendments to standards and interpretations which have been issued but are not effective (and in some cases had not been adopted by the EU) for the financial year beginning 1 January 2014 have not been early adopted in preparing these financial statements. The main accounting standard which may be relevant to the Group is set out below and will be effective in the Group's 2015 financial report. The Group does not plan to adopt this standard early.

IFRS 9 "Financial Instruments"

This standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

The key changes made to accounting requirements which may be relevant to Proteome Sciences Plc, include:

— simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

— requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

— requiring an entity that choses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The objective of the Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. Proteome Sciences plc is already presenting information about financial instruments in the Financial Instruments sections of the accounting policies and note 27.

3 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with the IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

In line with IAS 1 the exemption from the preparation of a company only income statement has been adopted.

Basis of preparation – going concern

These financial statements have been prepared on the going concern basis. The Directors have reviewed the going concern principle in the light of the guidance provided by the FRC. The Group's business activities, and the factors likely to affect its future development, are set out in the Annual report, and include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

As at 31st December 2014 the Group had cash resources of £1,868,653, realised a loss for the year of £3,566,481 and had a working capital deficiency of £5,571,481. Subsequent to the year end, on 22nd June 2015 the Group fully completed, and with the requisite irrevocable commitments, a fund-raising transaction which will raise a sum of up to £2.5 million (before expenses) through a placing for the development of the Group's activities. As explained in the Strategic report in the Annual report some of the Group's products are still in the research and development phase and as such the Directors consider that costs could exceed income in the short term. The Group's projections indicate that the Group should have sufficient resources to meet its current obligations as they fall due for at least the 12 months from the date of signing these financial statements, using its available cash resources together with anticipated income from sales, services, out-licensing, grant income and R&D tax credits. The Directors reviewed the progress and status of the various commercial discussions which are underway in relation to the elements of forecast income, and consider that they represent a reasonable basis for the revenue as forecast, but recognise that there is some risk surrounding the timing and quantum of such revenue, associated with the ongoing research and development and the nature of the business.

The Group is dependent on the unsecured loan facility provided by the Chief Executive of the Group, which under the terms of the facility, is repayable on demand. Further details of this facility are set out in note 19(b) to the financial statements. The Directors have received confirmation from the Chief Executive that he has no intention of seeking its repayment, with the facility continuing to be made available to the Group, on the existing terms, for at least 12 months from the date of approval of these financial statements.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st December each year. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to effect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if the Company has the following:

— Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

— Exposure of rights, to variable returns from its involvement with the investee; and

— The ability to use its power over the investee to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill
Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Licence income is recognised when the benefit has been transferred to the licensee. Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be recognised reliably).

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

In preparing the accounts for the year 31st December 2013, the Directors considered the requirements of IFRS in determining how to account for the licence and research collaboration agreement concluded with Thermo Fisher Scientific in that year. Under this agreement the Group was provided with cash and also with the loan of equipment for a period of at least three years, as consideration for the transfer of the licence to a three-stage mass spectrometry (MS3) fragmentation methodology. The Directors concluded that the fair value of the MS3 licence transferred at the commencement of the agreement was represented by the cash and loan of the machine elements of the consideration, and therefore valued the revenue at the agreed total contract value less the element relating to the ongoing research collaboration agreement.

The Group's policy for the recognition of grant income within revenues and other income is described below.

Grants
Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are recognised where there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Grants released to the income statement are recognised within the revenue and other income category on the face of the income statement, taking account of the grant's terms and conditions.

Leasing
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the same term.

Foreign Currencies
The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, are included in profit or loss and the exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Borrowing costs
All borrowing costs are recognised in profit or loss in the period in which they are incurred with the exception of borrowing costs related to the construction of a fixed asset which are capitalised during the construction phase.

Operating (loss)/profit
Operating (loss)/profit is stated before investment income and finance costs.

Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG from Aventis Research & Technologies GmbH & Co. KG the Group makes contributions in Germany to a funded defined contribution plan and to a funded defined benefit plan. These plans are operated in their entirety by the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG (Hoechst Group), an independent German mutual insurance company which is required to comply with German insurance company regulations. This company does not prepare a plan valuation on an IAS 19 basis.

The schemes' assets are held in multi-employer funds, and the other employers who contribute to the schemes are not members of the Group. The Group has not been able to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly it has also been accounted for as a defined contribution scheme. The Group's contributions to the schemes are included within the amount charged to the income statement in respect of pension contributions. Funding contributions paid by the Group are based on annual contributions determined by Hoechst Group, the administrator for the pension plans. The Group does not have any information about any deficit or surplus in the defined benefit plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any for the entity.

The Group also has a direct pension obligation (defined benefit obligation) for which it provides in full at the balance sheet date. This scheme has no separable assets. The Company uses the projected unit credit method to determine the present value of its unfunded defined benefit obligation.

Taxation
The Group is entitled to make claims for UK tax credit income on qualifying R&D expenditure each year under the Corporation and Taxes Act 2009. As an SME qualifying entity, tax credits are claimed at the rate of 225% of the tax effect of tax losses generated from qualifying R&D expenditure. Tax credits income is recognised on an accruals basis through profit and loss within taxation benefit/expense when there is reasonable assurance that the tax credits will be received from the UK Tax Authorities. A corresponding R&D Tax credits receivable is recognised in Receivables until such time as the receivable is settled in cash.

Any tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment
Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Laboratory equipment, fixtures and fittings	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

As noted in the Revenue Recognition accounting policy above, in December 2013 the Company was provided with mass spectrometry equipment for a period of at least three years, pursuant to the licence and research collaboration agreement made with Thermo Fisher Scientific earlier in the year. The directors have considered the requirements of IFRS in determining how this equipment should be treated in the Group's accounts. The directors have taken into account the fact that the machine has been provided to the Group with no restrictions on its use, and the fact that the three year period of the loan is considered to represent substantially the entire useful economic life of the asset. The directors have concluded that the economic risks and rewards of ownership of the equipment have therefore been transferred to the Group, and have recognised the equipment within the Property, Plant and Equipment asset category accordingly. The value at which the directors have recognised the asset is considered to be represented by the fair value of the MS3 licence transferred at the commencement of the agreement less the cash consideration received. The equipment is being depreciated over the three year period of the loan agreement.

Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development expenditure, where it meets certain criteria (given below), is capitalised and amortised on a straight-line basis over its useful life. Asset lives are subject to regular review and an impairment exercise carried out at least once a year. Where no internally-generated intangible asset can be recognised, development expenditure is written-off in the period in which it is incurred.

An asset is recognised only if all of the following conditions are met:

— the product is technically feasible and marketable;

— the Company has adequate resources to complete the development of the product;

— it is probable that the asset created will generate future economic benefits; and

— the development cost of the asset can be measured reliably.

Patents
Patents are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives if they meet the measurement and recognition criteria of IAS 38 Intangible Assets. Otherwise, patent costs are written off in the year of expenditure.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective rate computed at initial recognition.

Investments in subsidiaries
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Other investments
Other investments comprise unquoted investments recognised at fair value. Where it is not possible to establish a reliable fair value, such investments are recognised at cost less, where appropriate, provisions for impairment.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Borrowings
Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Share-based payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black Scholes model and for the LTIP awards the Monte Carlo model has been used. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

4 Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Internally-generated intangible assets – research and development expenditure
The Directors do not consider that any Research and Development intangible assets have been created in 2014.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £4,218,241.

Details of the judgements used in the calculation are set out in note 14.

Investments in subsidiary companies
The carrying cost of the Company's investments in subsidiary companies is reviewed at each balance sheet date by reference to the income that is projected to arise therefrom. From a review of these projections, which can cover periods up to ten years, the Directors have made a provision against their carrying costs as shown in note 16 to the accounts and the Directors therefore believe that the investments concerned will generate sufficient economic benefits to justify their revised carrying costs, despite the inevitable uncertainties over timing of the receipt of income and the size of the markets from which income is anticipated.

Licence and research collaboration agreement
During 2013 a licence and research collaboration agreement was concluded with Thermo Fisher Scientific. Revenue recognised in 2013 under this agreement related to the transfer of the licence to a three-stage mass spectrometry (MS3) fragmentation methodology. This was represented by consideration comprising cash and the loan of equipment by Thermo Fisher Scientific for a period of at least three years. The Directors concluded that the fair value of the MS3 licence transferred at the commencement of the agreement was represented by the cash and loan of the machine elements of the consideration, and therefore valued this element of the revenue at the agreed total contract value less the element relating to the ongoing research collaboration agreement.

In determining how the equipment should be treated in the Group's accounts, the Directors took into account the fact that the machine was provided to the Group with no restriction on its use, and the fact that the three year period of the loan is considered to represent substantially the entire useful economic life of the asset. The Directors have concluded that the economic risks and rewards of ownership of the equipment were therefore transferred to the Group, and recognised the equipment within the Property, Plant and Equipment asset category accordingly. The value at which the directors recognised the asset was considered to be represented by the fair value of the MS3 licence transferred at the commencement of the agreement less the cash consideration received.

Share based payments
Calculation of the amount to be charged to the income statement for share based payments involves the exercise of judgement in determining some of the key inputs for this process, for example in respect of the expected life of the relevant options. Whilst the Directors have based such judgements on the basis of past experience in this area there can be no certainty that such patterns will continue.

5 Revenue and other income

An analysis of the Group's revenue and other income is as follows:

Revenue	2014 £	2013 £
Commercial revenue	**1,295,178**	1,206,123
Equipment on loan	**–**	710,000
Licenses/Sales/Services	**1,295,178**	1,916,123
Grant services income	**265,537**	220,558
	1,560,715	2,136,681

During 2013 a licence and research collaboration agreement was concluded with Thermo Fisher Scientific, with a total value of $2.1m. Revenue recognised in 2013 under this agreement related to the transfer of the licence to a three –stage mass spectrometry (MS3) fragmentation methodology. This was represented by consideration comprising cash and the loan of equipment by Thermo Fisher Scientific for a period of at least three years. The Directors concluded that the fair value of the MS3 licence transferred at the commencement of the agreement was represented by the cash and loan of the machine elements of the consideration, and have valued this element of the revenue at the agreed total contract value less the element relating to the ongoing research collaboration agreement.

6 Segment information

The Group's operations are organised into three geographic regions: United Kingdom, Germany and US. Internal reporting on costs and performance is segregated into these segments.

In identifying the operating segments, management has considered internal reports about components of the Group that are used by the Chief Executive, who is the Chief Operating decision maker, to determine allocation of resources and to assess their performance.

Geographical segments: Sales by origin

	United Kingdom		Germany		US		Consolidated	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Revenue and other income								
Licences/sales/ services	**1,295,178**	1,206,123	**–**	–	**–**	–	**1,295,178**	1,206,123
Equipment on loan	**–**	710,000	**–**	–	**–**	–	**–**	710,000
Grant services	**158,236**	101,081	**107,301**	119,477	**–**	–	**265,537**	220,558
Revenue and other income – all external	**1,453,414**	2,017,204	**107,301**	119,477	**–**	–	**1,560,715**	2,136,681
Operating Loss	**(2,407,465)**	(1,640,403)	**(1,581,811)**	(1,701,889)	**(4,242)**	(30,223)	**(3,993,518)**	(3,372,515)
Investment revenues	**8,065**	1,607	**–**	–	**–**	–	**8,065**	1,677
Finance costs	**(241,844)**	(225,350)	**–**	–	**–**		**(241,844)**	(225,350)
Loss before tax	**(2,641,244)**	(1,864,146)	**(1,581,811)**	(1,701,819)	**(4,242)**	(30,223)	**(4,227,297)**	(3,596,188)
Tax	**671,914**	457,520	**(11,098)**	(10,491)	**–**	–	**660,816**	447,029
Loss after tax	**(1,969,330)**	(1,406,626)	**(1,592,909)**	(1,712,310)	**(4,242)**	(30,223)	**(3,566,481)**	(3,149,159)

	United Kingdom		Germany		US		Consolidated	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Other information								
Capital additions	**30,181**	712,237	**125,108**	6,965	**–**	–	**155,289**	719,202
Depreciation	**271,990**	33,021	**134,988**	134,777	**–**	–	**406,978**	167,798
Assets								
Current assets	**3,138,602**	1,550,953	**132,553**	226,849	**14,371**	3,985	**3,285,526**	1,781,787
Non-current assets	**4,795,591**	5,037,399	**210,283**	236,025	**–**	–	**5,005,874**	5,273,424
Segment assets	**7,934,193**	6,588,352	**342,836**	462,874	**14,371**	3,985	**8,291,400**	7,055,211

	United Kingdom		Germany		US		Consolidated	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Liabilities								
Current liabilities	**(8,679,051)**	(8,571,812)	**(177,475)**	(417,539)	**(481)**	(10,290)	**(8,857,007)**	(8,999,641)
Non-current liabilities	**(26,118)**	(28,904)	**(286,830)**	(226,478)	**–**	–	**(312,948)**	(255,382)
Segment liabilities	**(8,705,169)**	(8,600,716)	**(464,305)**	(644,017)	**(481)**	(10,290)	**(9,169,955)**	(9,255,023)

Revenues from major products and services

The Group's revenues from its major products and services were as follows:

	2014 £	2013 £
Continuing operations		
TMT® revenues	**770,780**	588,347
Other	**524,398**	617,776
Equipment on loan	**–**	710,000
Revenues from licenses, sales and services	**1,295,178**	1,916,123

Geographical Information

The Group's revenue from external customers by their geographical location is derived as follows:

	2014 £	2013 £
UK	**86,466**	110,387
US	**1,004,439**	1,750,901
EU	**92,049**	47,347
Other	**112,224**	7,488
	1,295,178	1,916,123
Grant services income	**265,537**	220,558
Revenues and other income from major products and services	**1,560,715**	2,136,681

Included in revenues arising from the US market are revenues of approximately £1,004,439 (2013: £1,298,347) which arose from sales to the Group's largest customer: Thermo Fisher Scientific Inc. The figure for 2013 included £710,000 in respect of equipment on loan to the Company from Thermo Fisher Scientific Inc.

7 Administrative expenses

	2014 £	2013 £
Administrative expenses excluding research and development	**3,390,162**	2,997,258
Research and development expenses	**1,559,522**	1,919,282
	4,949,684	4,916,540

8 (i) Investment revenues

	2014 £	2013 £
Investment revenues represent income arising from bank deposits	**8,065**	1,677

(ii) Finance costs

	2014 £	2013 £
Interest on loans (note 19)	**241,844**	225,350

9 Operating loss

Operating loss is stated after charging/(crediting):

	2014 £	2013 £
Depreciation charge		
– owned	**170,311**	167,798
– on loan	**236,667**	–
Research and development costs	**1,559,522**	1,919,282
Operating lease rentals – other	**283,332**	284,019
Auditor's remuneration (see below)	**71,900**	95,699
Staff costs (note 10)	2,617,901	2,738,723
Foreign exchange gains	**(22,056)**	(2,735)
Cost of inventories charged as an expense	**342,350**	283,793

The analysis of auditor's remuneration is as follows:

	2014 £	2013 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**38,400**	38,750
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**13,500**	22,000
Total audit fees	**51,900**	60,750
Tax services	**17,700**	32,409
Other services – VAT, grants, share schemes, income tax advice	**1,500**	2,540
Total non-audit fees	**19,200**	34,949
Total fees	**71,100**	95,699

The fees set out above for 2013 were payable to Deloitte LLP.

The 2014 fees are payable to BDO LL.

10 Staff costs

The average monthly number of employees (including executive Directors) was:

	2014 Number	2013 Number
Research and development	**28**	28
Administration	**8**	5
	36	33

Their aggregate remuneration (including that of executive Directors) comprised:

	£	£
Wages and salaries	**2,075,180**	2,237,744
Social security costs	**330,070**	328,957
Other pension costs (see notes 26(b) and 26(c))	**212,651**	172,022
	2,617,901	2,738,723

Social security costs shown above include a credit of £2,786 (2013 charge: £28,986) from the provision for notional National Insurance contributions payable upon the exercise of vested LTIP options.

11 Directors' remuneration and transactions

The Directors' emoluments in the year ended 31st December 2014, excluding pension costs, were:

	Basic salary 2014 £	Incentive Payments 2014 £	Benefits in kind 2014 £	Total 2014 £	Total 2013 £
Executive Directors					
C.D.J. Pearce	288,533	–	11,030	299,563	387,730
G. Ellis (appointed 1st October 2014)	47,115	–	717	47,832	–
J.L. Malthouse (retired 1st December 2014)	161,533	–	2,940	164,473	249,262
Dr. I. Pike	140,000	–	3,413	143,413	213,543
Non-Executive Directors					
Prof. W. Dawson	27,500	–	–	27,500	27,500
R. McDowell (appointed 1st July 2014)	12,500	–	–	12,500	–
M. Diggle (appointed 16th October 2014)	–	–	–	–	–
R.S. Harris (resigned 1st July 2014)	19,000	–	–	19,000	38,000
Dr. A. Walker (resigned 3rd March 2014)	–	–	–	–	27,000
	696,181	–	18,100	714,281	943,035

(i) The remuneration of the executive directors is decided by the Remuneration Committee.

(ii) Aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for Ordinary Shares in the Company granted to or held by the Directors.

(iii) No options were exercised by Directors during the year (2013: none)

(iv) Details of the options in place and of awards under the Company's Long-Term Incentive Plan are given in the Directors' Report on page 24.

(v) In 2013 incentive payments of £277,500 were awarded pursuant to the bonus scheme set out in the Remuneration Committee report on page 26 of these accounts. No such payments were made in 2014.

(vi) The number of Directors in pension schemes is as follows:

	2014	2013
Money purchase pension schemes	**4**	3

Pension costs in the year ended 31st December 2014 were as follows:

	2014 £	2013 £
C.D.J. Pearce	**5,625**	22,500
G. Ellis	**4,712**	–
J.L. Malthouse	**4,200**	16,800
Dr. I. Pike	**14,000**	14,000
	28,537	53,300

Directors' transactions

(a) Professor W. Dawson is a shareholder in Bionet Ltd. which provided consultancy services to the Company during the year at a cost of £1,852 (2013: £5,127).

(b) Save as disclosed in (a) above and in note 19(b), no Director had a material interest in any contract of significance with the Company in either year.

12 Tax credit on loss before taxation on ordinary activities

	2014 £	2013 £
UK Corporation tax –		
R&D tax credit	**613,178**	495,513
Overseas tax charge	**(11,098)**	(10,491)
Group tax credit for the year	**602,080**	485,022
Adjustment re previous year	**58,736**	(37,993)
	660,816	447,029

The UK Corporation tax credit relates to research and development tax credits claimed under the Corporation Taxes Act 2009.

At 31st December 2014 there were tax losses available for carry forward of approximately £42.8 million (2013: £41.4 million).

The tax credit and trading losses to be carried forward for the year are subject to the agreement of HM Revenue & Customs.

Factors affecting the tax credit/(charge) for the year

The tax credit for the year is lower (2013: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2014 £	2013 £
Loss from operations	**(4,227,297)**	(3,596,188)
Income tax (charge)/credit calculated at 21.5% (2013: 23.25%%)	**908,869**	836,114
Effects of:		
Expenses that are not deductible in determining taxable profit	**(40,712)**	(99,083)
Fixed asset timing differences	**(58,478)**	(7,677)
Effect of concessions (Research and Development)	**537,546**	581,852
Short-term timing differences	**(915)**	20,376
(Losses surrendered for R&D tax credit)/R&D relief	**(967,582)**	(1,047,334)
(Unrecognised tax losses carried forward)/brought forward losses utilised	**(314,257)**	(220,310)
Effect of overseas tax	**(11,098)**	(10,491)
R&D tax credit claimed	**613,178**	495,513
Other taxable income	**(64,471)**	(63,937)
Group tax credit/(charge) for the year	**602,080**	485,023
Adjustment re prior year	**58,736**	(37,994)
	660,816	447,029

Unrecognised deferred tax

The following deferred tax assets and liability have not been recognised at the balance sheet date:

	2014	2013
Tax losses – revenue	**8,569,160**	9,625,974
Depreciation in excess of capital allowances	**(9,933)**	(19,759)
Provisions	**6,797**	21,346
Share-based payments	**776**	1,541
Total	**8,566,800**	9,629,102

The deferred tax assets have not been recognised as the Directors are uncertain of their recovery. The assets will be recovered if the Group makes sufficient taxable profits in the future against which losses can be utilised.

Changes to tax legislation

Legislation was passed in July 2012 to reduce the main rate of UK corporation tax from 24% to 23% from 1st April 2013 and 21% from the 1st April 2014. The UK government has announced that it intends to introduce further reductions to the main tax rate, with the rate falling 20% from 1st April 2015. This further reduction to the tax rate has not been substantively enacted at the balance sheet date and is therefore not reflected in these financial statements.

13 Loss per ordinary share

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

	Basic and Diluted	
	2014 £	2013 £
Loss for the financial year	**(3,566,481)**	(3,149,159)

	2014 Number of shares	2013 Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share:	**211,129,430**	194,015,055

In 2014 and 2013 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.

14 Intangible fixed assets – goodwill

	Goodwill £
Cost and carrying amount	
1st January 2014 and 31st December 2014	4,218,241

Goodwill, which is allocated to the United Kingdom cash generating unit ("CGU"), on the basis that this is the CGU that benefits from the synergies of this business combination relates to the acquisition of Proteome Sciences R&D GmbH & Co. KG in the year ended 31st December 2002.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Further details of the Group's accounting policy for goodwill are set out in note 3 on page 37.

The Group regards the UK segment as a single CGU for the purpose of testing goodwill and the recoverable amounts of the CGUs are determined from fair value less estimated costs of disposal. In assessing fair value of the CGU, management and the directors have considered and assessed the following evidence:

(a) As at 31 December 2014, the market capitalisation for the Group was £57.8m based on the quoted share price of the Company of 27p per ordinary share;

(b) During the year raised new equity finance of £5m at 28p per ordinary share;

(c) Subsequent to reporting date the Group announced it has been successful in raising £2.495m of new equity finance at 18p per ordinary share.

The directors have concluded that based on the above, recoverable value exceeds the carrying value of the goodwill at 31 December 2014.

15 Property, plant and equipment

Property, plant and equipment comprise laboratory equipment, fixtures and fittings and motor vehicles held by and equipment on loan to the Group. The movement in the year was as follows:

	Equipment on loan £	Laboratory equipment, fixtures and fittings £
Cost		
1st January 2013	-	3,657,435
Exchange adjustments	-	63,303
Additions during the year	710,000	9,202
Disposals during the year	-	(24,846)
1st January 2014	710,000	3,705,094
Exchange adjustments	-	(168,008)
Additions during the year	-	155,289
31st December 2014	710,000	3,692,375
Depreciation		
1st January 2013	-	3,162,802
Exchange adjustments	-	54,157
Disposals during the year	-	(24,846)
Charge for the year	-	167,798
1st January 2014	-	3,359,911
Exchange adjustments	-	(152,147)
Charge for the year	236,667	170,311
At 31st December 2014	236,667	3,378,075
Carrying amount		
31st December 2013	710,000	345,183
31st December 2014	473,333	314,300

Included within Property, Plant and Equipment is mass spectrometry equipment with a net book value of £473,333, which was provided to the Group for a period of at least three years, pursuant to the licence and research collaboration agreement made with Thermo Fisher Scientific in 2013. The equipment is being depreciated over the three year period of the loan agreement. See the tangible fixed asset accounting policy note for further details.

The Company owned no fixed assets during either the current or preceding financial year.

16 Non-current investments

Company	Cost of shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
At 1st January 2013	4,949,392	36,924,619	41,874,011
Additional investment in the year	202,590	1,535,072	1,737,662
At 31st December 2013	5,151,982	38,459,691	43,611,673
At 1st January 2014	5,151,982	38,459,691	43,611,673
Additional investment in the year	181,480	3,659,303	3,840,783
Provisions for impairment during the year	(957,093)	(254,758)	(1,211,851)
At 31st December 2014	4,376,369	41,864,236	46,240,605

(i) The increase in the cost of shares in subsidiary undertakings of £181,480 (2013: £202,590) represents a capital contribution between the Company and certain of its subsidiaries, reflecting the provision of equity instruments in the Company to subsidiary company employees under IFRS 2.

(ii) The increase in loans to subsidiary companies in 2014 arose from the provision of further funds to the Company's trading subsidiary and German subsidiary company.

Principal Group investments

The Company has investments in the following subsidiary undertakings, which contribute to the net assets of the Group:

Principal subsidiary undertakings	Country of incorporation and operation	Principal activity	Description and proportion of shares held by the Company	Description and proportion of shares held by the Group
Proteome Sciences R&D Verwaltungs GmbH	Germany	Administrative Company	100% Share Capital	100% Share Capital
Proteome Sciences R&D GmbH & Co. KG	Germany	Research Company	100% Partnership Interest	100% Partnership Interest
Xzillion GmbH & Co. KG	Germany	Administrative Company	100% Partnership Interest	100% Partnership Interest
Proteome Sciences, Inc.	U.S.A.	Research Company	100% Common Stock	100% Common Stock
Electrophoretics Limited	United Kingdom	Administrative and Research Company	100% Ordinary Shares	100% Ordinary Shares
Veri-Q Inc.	U.S.A.	Research Company	76.9% Common Stock	76.9% Common Stock
Phenomics Limited	United Kingdom	Dormant	100% Ordinary Shares	100% Ordinary Shares

(i) The investments in Proteome Sciences, Inc., Electrophoretics Limited and Phenomics Limited comprise the entire issued share capital of each subsidiary undertaking and carry 100% of the voting rights.

17 Inventories

	2014 £	2013 £
Work-in-progress	**182,153**	240,276
Finished goods	**162,305**	162,305
	344,458	402,581

18 Other financial assets

a) Trade and other receivables

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Trade debtors	**206,519**	**–**	89,324	–
R&D tax credit recoverable	**647,338**	**–**	495,513	–
Other debtors	**175,467**	**–**	123,891	–
Prepayments	**43,091**	**–**	70,216	–
	1,072,415	**–**	778,944	–

No allowance for doubtful debts was recognised in 2014 or 2013.

b) Cash and cash equivalents

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Cash and cash equivalents	**1,868,653**	**1,512,592**	600,262	486,640

19 Other financial liabilities

(a) Trade and other payables

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Trade creditors	**28,387**	**–**	27,171	–
Other provisions and accruals	**288,774**	**–**	765,460	–
	317,161	**–**	792,631	–

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and continuing costs. The average credit period taken for trade purchases is between 30 and 45 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

(b) Short term borrowings

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Loan from related party	**8,193,078**	**1,376,052**	7,951,234	1,335,434

Notes:

(i) On 29th June 2006 the Company entered into an agreement with C.D.J. Pearce, the Chief Executive of the Company, under which he agreed to provide an unsecured loan facility of up to £2m to the Company. The loan facility was available from the 1st August, 2006 and carries interest at 2.5% above the base rate of Barclays Bank Plc.

It is repayable on seven days notice, or immediately in the event of:

(a) C.D.J. Pearce ceasing to be an executive director of the Company. As noted in the Directors' report on page 16, C.D.J. Pearce has a service contract with a notice period of not less than two years.

(b) A general offer to the shareholders of the Company being announced to acquire its issued share capital.

(c) The occurrence of any of the usual events of default attaching to this sort of agreement.

(ii) On 21st February 2007 it was announced that C.D.J. Pearce had agreed to increase the total size of the facility to up to £4m, on the same terms, save that in view of the size of the loan facility, it was agreed that security for the loan should be charged against the Company's patent portfolio up to the value of the loan outstanding and that the loan should be convertible, at Mr. Pearce's option, into ordinary shares of the Company at the lower of market price on the date of conversion or the average price over the lowest consecutive ten day trading period since the 29th June 2006 (the date on which details of the original loan agreement were disclosed).

(iii) On the 29th June 2007 the Company entered into a further loan agreement, on the same terms as the agreement dated 21st February 2007, with C.D.J. Pearce, the Chief Executive of the Company, which increased the total size of the facility to up to £6m.

(iv) On 24th June 2008 the Company entered into a further loan agreement with C.D.J. Pearce, the Chief Executive of the Company, on the same terms as the agreement dated 21st February 2007, (save that security for the total loan facility includes a floating charge over the Company's stock-in-trade), which increased the total size of the facility to up to £8m.

(v) On 18th June 2009 the Company entered into a further loan agreement with C.D.J. Pearce, the Chief Executive of the Company on the same terms as the agreement dated 24th June 2008, which increased the total size of the facility to up to £10m.

(vi) On 7th June 2010 C.D.J. Pearce entered into a novation agreement with the Company under which its main trading subsidiary, Electrophoretics Ltd, agreed to assume all the obligations of its parent company. The Company will guarantee the subsidiary's payment obligations and the existing security granted by the Company in favour of C.D.J. Pearce remains in place.

(vii) On 30th June 2010 C.D.J. Pearce converted £5m of the outstanding loan into 25,000,000 ordinary shares of 1p each.

(viii) The amounts shown above as outstanding under short term borrowings include accrued interest.

(ix) On 19th April 2013 the Company entered into a further loan agreement with C.D.J. Pearce to provide a loan facility of up to £1m on the same terms as the agreement dated 18th June 2009 save that the loan is not convertible into ordinary shares of the Company.

(c) Provisions

Group	Pensions provisions £	Other provisions £	2014 Total £	2013 Total £
At 1st January	226,478	269,416	495,894	511,829
Additional provision in the year	60,352	69,122	129,474	33,051
Utilisation of provision	–	–	–	(48,986)
At 31st December	286,830	338,538	625,368	495,894
Included in short-term provisions			312,420	240,512
Included in long-term provisions			312,948	255,382

Company – long term provision	£	£
At 1st January	28,904	57,890
Reduction in provision in the year	(2,786)	(28,986)
At 31st December	26,118	28,904

(i) Other provisions consist of provisions for various professional costs, and will be utilised as the relevant expenditure is incurred within the next 12 months.

(ii) The pension provision relates to pension costs which may become payable in connection with the Company's Frankfurt employees, under the pension scheme arrangements set out in note 26(b). This provision will be utilised as members of the scheme reach retirement age and draw down their pensions.

(iii) Long term provisions include £26,118 (2013: £28,904) for notional National Insurance contributions payable upon the exercise of vested LTIP options.

20 Share capital

i) Authorised

	2014 £	2013 £
330,000,200 (2013: 330,000,200) Ordinary Shares of 1p each	**3,300,002**	3,300,002
49,998 Redeemable Ordinary Shares of £1 each	**49,998**	49,998
1,063,822 5% (gross) Redeemable Preference Shares of £1 each (voting)	**1,063,822**	1,063,822
786,178 5% (gross) Redeemable Preference Shares of £1 each (non-voting)	**786,178**	786,178
	5,200,000	5,200,000

The 5% (gross) Redeemable Preference Shares (voting) and the 5% (gross) Redeemable Preference Shares (non-voting) entitle the holders in priority to any payment of dividend to the holders of Ordinary Shares to payment of a fixed non-cumulative preferential dividend at the gross rate of 5 per cent per annum.

Every registered holder of the 5% (gross) Redeemable Preference Shares (voting) and the 5% (gross) Redeemable Preference Shares (non-voting) has the right to receive notice of and to attend but not to speak or vote at any general meeting unless, in the case of a registered holder of 5% (gross) Redeemable Preference Shares (voting), either:

(i) any of the 5% (gross) Redeemable Preference Shares (voting) required to be redeemed have not been redeemed on the due date (in which case the holder of such Preference Shares has the right to speak and vote on any Resolution at a general meeting of the Company): or

(ii) the business of the general meeting includes a Resolution varying the rights attaching to the 5% (gross) Redeemable Preference Shares (voting) (in which case the holders of such Preference Shares shall be entitled to speak and vote on that Resolution only): or

(iii) the business of the general meeting includes consideration of a Resolution for winding-up the Company or reducing its share capital or any share premium account or capital redemption reserve.

In the circumstances described in (i) to (iii) above, registered holders of 5% (gross) Redeemable Preference Shares (voting) are entitled to one vote each on a show of hands or, on a poll, to one vote in respect of each fully paid 5% (gross) Redeemable Preference Share and any registered holder of 5% (gross) Redeemable Preference Shares may call a poll.

All members of the Company shall rank pari passu with each other in respect of any distribution on a return of capital save that the holders of the 5% (gross) Redeemable Preference Shares (voting) and the 5% (gross) Redeemable Preference Shares (non-voting) shall only be entitled to receive up to a sum equal to the amount paid up thereon and are not entitled to any further rights of participation in the assets of the Company.

Both classes of 5% (gross) Redeemable Preference Shares are redeemable at the option of the Company, at any time on written notice to the holders of those shares. No Redeemable Preference shares of either class had been allotted and called up at the 31st December 2014 and 2013. At the 31st December 2019 any redeemable preference shares then in issue must be redeemed at par by 31st December 2019. The redeemable preference shares have been classified as equity as the substance and legal form of the arrangement is equity, with no debt component.

ii) Allotted and called-up

	2014 £	2013 £
Ordinary Shares of 1p each (2014: 214,105,620)	**2,141,056**	1,962,485

The increase in the number of shares in issue in 2014 arose as follows:

	2014 Number
As at 1st January 2014	**196,248,477**
Issued in share placing February 2014	**17,857,143**
At 31st December 2014	**214,105,620**

iii) Options

At 31st December 2014 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p under the Company's share option schemes as follows:

	Number of shares	Amount of capital £	Subscription price	Dates normally exercisable
Granted under Separate Option Deed	150,000	1,500	29.75p	1.10.2013 – 1.10.2020

Options under both schemes may also be exercised from the date on which any shares in the Company are first admitted to the Official List of the London Stock Exchange.

The above option was granted in the year to the 31st December, 2010.

(iv) 2004 and 2011 Long-Term Incentive Plan ("LTIP")

At 31st December 2014, the maximum number of the Company's Ordinary Shares of 1p each to be potentially allocated or issued under the LTIP was as follows:

Number at 31st December 2013	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31st December 2014	First Vesting Date	Latest Exercise Date
700,965	–	–	–	**700,965**	–	2nd July, 2017
2,596,491	–	–	(2,596,491)	**–**	7th November, 2014	–
328,105	–	–	–	**328,105**	24th February, 2015	–
–	300,000	–	–	**300,000**	2nd October, 2017	–
3,625,561	300,000	–	(2,596,491)	**1,329,070**		

At 31st December 2013, the maximum number of the Company's Ordinary Shares of 1p each to be potentially allocated or issued under the LTIP was as follows:

Number at 31st December 2013	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31st December 2014	First Vesting Date	Latest Exercise Date
700,965	–	–	–	**700,965**	–	2nd July, 2017
2,596,491	–	–	–	**2,596,491**	7th November, 2014	–
328,105	–	–	–	**328,105**	24th February, 2015	–
3,625,561	–	–	–	**3,625,561**		

(v) 2004 Share Option Plan

At 31st December 2014 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2004 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Subscription Price (p)	Dates Normally Exercisable
13,530	135.30	68.37	15.7.08 – 15.7.15
20,295	202.95	31.78	9.6.09 – 9.6.16
67,650	676.50	36.77	2.7.10 – 2.7.17
40,590	405.90	36.77	2.7.10 – 2.7.17
12,177	121.77	27.72	10.4.11 – 10.4.18
56,826	568.26	27.72	10.4.11 – 10.4.18
33,825	338.25	15.52	14.7.11 – 14.7.18
244,893	2,448.93		

At 31st December 2013 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2004 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Subscription Price (p)	Dates Normally Exercisable
127,986	1,279.86	73.91	6.12.07 – 6.12.14
13,530	135.30	68.37	15.7.08 – 15.7.15
18,383	183.83	68.00	19.7.08 – 19.7.15
20,295	202.95	31.78	9.6.09 – 9.6.16
67,650	676.50	36.77	2.7.10 – 2.7.17
40,590	405.90	36.77	2.7.10 – 2.7.17
27,060	270.60	37.77	2.7.10 – 2.7.17
16,236	162.36	27.72	10.4.11 – 10.4.18
60,885	608.85	27.72	10.4.11 – 10.4.18
33,825	338.25	15.52	14.7.11 – 14.7.18
426,440	4,264.40		

(vi) 2011 Share Option Plan

At 31st December 2014 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Subscription Price (p)	Dates Normally Exercisable
167,000	1,710.00	36.5	17.2.15 – 17.2.22
90,000	900.00	49.8	25.6.16 – 25.6.26
50,000	500.00	33.75	9.6.17 – 9.6.24
25,000	250.00	36.25	25.6.17 – 25.6.24
332,000	3,320.00		

At 31st December 2013 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Subscription Price (p)	Dates Normally Exercisable
171,000	1,710.00	36.5	14.2.12 – 14.2.22
90,000	900.00	49.8	25.6.16 – 25.6.26
261,000	2,610.00		

21 Share based payments

The Company issues equity-settled share based payments under the 2004 and 2011 Share Option Plans. The vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are usually forfeited if the employee leaves the Group before the options vest.

In addition, in 2004 the Company entered into a Long Term Incentive Plan for its directors and some of its staff. The plan was accounted for as an equity settled scheme and had potential vesting dates from 2nd July 2010 to 31st July 2011 with any award being linked to share performance related targets.

At the 31st December 2014 and 31st December, 2013 awards over 700,965 shares had vested and were capable of exercise.

The 2004 LTIP closed during 2009 and no further awards can be made under this scheme. Details of all the remaining awards that have not yet vested are set out in note 20(iv) above. The performance conditions attaching to these awards are set out in the Directors' Report on page 26 and below. Awards are usually forfeited if the employee leaves the Group before the vesting date.

A new Long Term Incentive Plan was introduced in 2011 and the maximum award under this scheme is 628,105 shares. A charge to the income statement of £181,480 (2013: £179,205) was made during the year in respect of both schemes.

The release of shares in respect of the awards still outstanding to participants will depend upon the growth of Proteome Sciences' total shareholder return ("TSR") over a three year performance period relative to the AIM Healthcare Index. No shares will be released unless the Company's TSR performance exceeds that of the Index, in which case 30% of the award will vest. The full award will vest only if the Company's TSR performance exceeds that of the Index by 10%, with a pro-rata award between 30% to 100% for each percentage point of out-performance up to 10%.

Before awards vest the Remuneration Committee will satisfy itself that the TSR performance is a genuine reflection of the Company's underlying performance over the three-year performance period.

	2004 Share Option Plan		2004 LTIP	
	Options	Weighted average exercise price (p)	Maximum Number of shares	Weighted average fair value per share (p)
Outstanding at 1st January, 2013	479,390	53.50	700,965	31.70
Exercised in the year	–	–	–	–
Forfeited in the year	(52,950)	14.78	–	–
Outstanding at 31st December 2013	426,440	46.44	700,965	–
Forfeited in 2014	(181,547)	65.71	–	–
Exercisable at 31st December 2014	244,893	32.62	700,965	31.70
Exercisable at 31st December 2013	426,440	46.44	700,965	31.70

No LTIP awards were exercised during the period.

	2011 Share Option Plan	
	Options	Weighted average exercise price (p)
Outstanding at 1st January, 2013	186,000	36.5
Granted in the year	90,000	49.9
Forfeited during the year	(15,000)	36.5
Outstanding at 1st January 2014	261,000	47.3
Granted in the year	75,000	34.6
Forfeited during the year	(4,000)	36.5
Outstanding at 31st December 2014	332,000	39.7
Exercisable at 31st December 2014	–	–
Exercisable at 31st December 2013	–	–

	2011 LTIP	
	Options	Weighted average exercise price (p)
Outstanding at 1st January, 2013	2,924,596	18.7
Granted in the year	–	–
Outstanding at 31st December 2013	2,924,596	18.7
Granted in the year	300,000	21.7
Lapsing in the year	(2,596,491)	18.7
Outstanding at 31st December, 2014	628,105	23.6
Exercisable at 31st December, 2014	–	–
Exercisable at 31st December, 2013	–	–

The options outstanding at 31st December 2014 had a weighted average remaining contractual life as follows:

	2014 No. of Months	2013 No of Months
2004 Share Option Plan	**31.8**	32.8
2011 Share Option Plan	**96.4**	102.9
LTIP	**23.8**	16.5

The inputs into the Black-Scholes model were as follows:

	2014	2013
Weighted average share price	**36.6p**	33.7p
Weighted average exercise price	**36.6p**	33.7p
Expected volatility	**60.1% – 52%**	60.1% – 58%
Expected life	**4 years**	4 years
Risk free rate	**1.13% – 0.60%**	1.47% – 0.87%
Expected dividends	**None**	None

Notes:

(i) Expected volatility is a measure of the tendency of a security price to fluctuate in a random, unpredictable manner and is determined by calculating the historical volatility of the Company's share price over the previous years.

(ii) The expected life has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(iii) The Company has used the Monte Carlo model to value the LTIP awards, which simulates a wide range of possible future share price scenarios and calculates the average net present value of the option across those scenarios and which captures the effect of the market-based performance conditions applying to such awards.

22 Reserves description and purpose

Share premium
Amount subscribed for share capital in excess of nominal value.

Foreign exchange translation reserve
Gains/losses arising on retranslating the net assets of overseas operations into Sterling.

Retained earnings
All other net gains and losses and transactions with owners (e.g. dividends) notrecognised elsewhere.

Other Reserves
The other reserve arose in the year ended 31st December 2002 and represented the premium on the allotment of shares issued for the acquisition of Xzillion Verwaltungs GmbH (now Proteome Sciences R&D Verwaltungs GmbH) and Xzillion Proteomics GmbH & Co KG.

Equity Reserves
The amounts transferred to the Equity Reserve are for charges made in respect of the requirements of IFRS 2 share-based payment. The other reserve arises from the combination of Group companies.

Group Reconstruction Reserve
The Group reconstruction reserve arose in the period to the 11 November 1994 and represents the premium on the allotment of new ordinary shares issued in a share exchange agreement entered into by the shareholders of Monoclonetics International Inc, now Proteome Sciences Inc.

The Company has taken advantage of Group reconstruction relief as allowed by section 611 of the Companies Act 2006.

23 Notes to the consolidated cash flow statement

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Operating loss	**(3,993,518)**	**(1,305,725)**	(3,372,515)	(90,968)
Adjustments for:				
Depreciation of property, plant and equipment	**406,978**	**–**	167,798	–
Impairment of investments in subsidiaries	**–**	**1,211,851**	–	–
Non cash item	**–**	**–**	(710,000)	–
Share-based payment expense	**181,480**	**–**	202,590	–
Operating cash flows before movements in working capital	**(3,405,060)**	**(93,874)**	(3,712,127)	(90,968)
Increase in inventories	**58,123**	**–**	(71,150)	–
(Increase)/Decrease in receivables	**(281,384)**	**–**	284,977	–
(Decrease)/Increase in payables	**(459,547)**	**–**	313,097	(39,418)
(Increase)/Decrease in provisions	**129,474**	**(2,786)**	(15,935)	(28,986)
Cash used in operations	**(3,958,394)**	**(96,660)**	(3,201,138)	(159,372)

24 Analysis and reconciliation of net debt

	Debt due within 1 Year £	Cash at bank and in hand £	Net funds/ (debt) £
1st January 2013	(6,725,884)	858,249	(5,867,635)
Non-cash items	(225,350)	–	(225,350)
Cash flow	(1,000,000)	(218,268)	(1,218,268)
Effect of foreign exchange rate changes	–	(39,719)	(39,719)
31st December 2013	(7,951,234)	600,262	(7,350,972)
1st January 2014	(7,951,234)	600,262	(7,350,972)
Non-cash items	(241,844)	–	(241,844)
Cash flow	–	1,376,895	1,376,895
Effect of foreign exchange rate changes	–	(108,504)	(108,504)
31st December 2014	(8,193,078)	1,868,653	(6,324,425)

25 Analysis and reconciliation of net debt – Company

	Debt due within 1 Year £	Cash at bank and in hand £	Net funds/ (debt) £
1st January 2013	(1,587,146)	576,301	(1,010,845)
Cash flow	(46,926)	(89,661)	(136,587)
31st December 2013	(1,634,072)	486,640	(1,147,342)
1st January 2014	(1,634,072)	486,640	(1,147,432)
Cash flow	(20,548)	1,025,952	1,005,404
31st December 2014	(1,654,620)	1,512,592	(142,028)

26 Guarantees and other financial commitments

a) Operating lease arrangements

The Group leases certain land and buildings on short-term operating leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays insurance, maintenance and repairs of these properties.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Within 1 year	**222,432**	**61,500**	141,046	59,531
Within 2–5 years	**638,173**	**61,500**	119,062	119,062
	860,605	**123,000**	260,108	178,593

Operating lease payments represent rentals payable by the Group for its laboratory and office properties.

b) Pension arrangements

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG from Aventis Research & Technologies GmbH & Co KG, the Group makes contributions in Germany to a funded defined contribution plan and to a funded defined benefit plan. These plans are operated in their entirety by the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG (Hoechst Group), an independent German mutual insurance company, which is required to comply with German insurance company regulations. This company does not prepare a plan valuation on an IAS 19 basis.

The schemes assets are held in multi-employer funds, and the other employers who contribute to the schemes are not members of the Group. The Group has not been able to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly it has also been accounted for as defined contribution scheme. The Group's contributions to the scheme are included within the amount charged to the income statement in respect of pension contributions.

Funding contributions paid by the Group are based on annual contributions determined by Hoechst Group, the administrator for the pension plans. For the year ending 31 December 2015, funding contributions payable by the Group are based on employee contributions at the rate of 1.5%–2.5% of wages and salaries and employer contributions at the rate of 4 times employee contributions.

The amount charged to the income statement in respect of the contributions to the scheme in 2014 was £63,984 (2013: £59,096).

The Group does not have any information about any deficit or surplus in the defined benefit plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.

The Group also has a direct pension obligation for which it provides in full at the balance sheet date. This scheme has no separable assets. The Company uses the projected unit credit method to determine the present value of its unfunded defined benefit obligation. Demographic assumptions are based on Prof. Klaus Heubeck's mortality table "Richttafeln 2005 G", the standard German actuarial table, with full recognition for fluctuations in mortality rates on account of gender and current age. Pensionable age has been set at 60.

The Company has applied a discount rate for the year of 2% (2013: 3%). The Company has assumed an income increase of 2.75% (2013: 2.75%) and inflation of 2.25% (2013: 2.25%).

Provisions for future unfunded pension liabilities at 31st December 2014 amounted to £286,830 (2013: £226,478). Amounts recognised through the consolidated income statement for FY 2014 included service costs of £23,587, interest costs of £6,325 and an actuarial loss of £46,167

(c) Other pension costs in relation to defined contribution schemes for United Kingdom employees amounted to £148,667 (2013: £112,926)

27 Financial instruments

The notes to the accounts provide an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in IFRS 7 Financial Instruments: Disclosures.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowing disclosed in note 19(b), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity on page 33.

Gearing Ratio

The Board reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end is as follows:

	2014 £	2013 £
Debt	(8,193,078)	(7,951,234)
Cash and cash equivalents	1,868,653	600,262
Net debt	(6,324,425)	(7,350,972)
Deficit in equity	(878,555)	(2,199,812)
Net debt to equity ratio	N/A	N/A

Debt is defined as long and short term borrowings, as detailed in note 19(b).

Equity includes all capital and reserves of the Group attributable to equity holders of the parent company.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurements and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Financial assets				
Cash	**1,868,653**	**1,512,592**	600,262	486,640
Trade receivables	**206,519**	**–**	89,324	–
Financial liabilities				
Trade and other payables	**(28,387)**	**–**	(27,171)	–
Current tax liabilities	**(34,348)**	**–**	(15,264)	–
Short-term borrowings	**(8,193,078)**	**(1,376,052)**	(7,951,234)	(1,335,434)
Loan from other Group entity	**–**	**(278,568)**	–	(298,638)

Financial risk management objectives
The Group's operations expose it to a variety of risks including interest risk and liquidity risk. Neither the Company nor the Group have material exposures in any of these areas and consequently they do not use derivative instruments to manage these exposures.

Market risk
The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Foreign currency risk management
The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group's principal exposure is to movement in the Euro exchange rate, but it anticipates that a significant proportion of its future income will be received in this currency, thus helping to reduce its exposure in this area.

Foreign currency sensitivity analysis
The Group is mainly exposed to the currency of Germany (the Euro) and to the US dollar currency.

None of the Group's companies has any assets or liabilities that are denominated in a currency other than the functional currency in which the companies operate and therefore a foreign currency sensitivity analysis would not be appropriate.

Interest rate risk management
The Group is exposed to interest rate risk arising from its short-term borrowings, details of which are set out in note 19(b).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to floating rate liabilities. The analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher and all other variables were held constant, the Group's loss for the year ended 31st December 2014 would have increased by £40,307 (2013: increase in loss by £37,558).

The Group's sensitivity to interest rates has increased slightly during the current year due to the rise in the amount of its short term borrowings over the year.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

a) The following tables detail the Group and Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month	
		Group £	Company £
2013			
Variable interest rate instruments	3.00	7,951,234	1,335,434
2014			
Variable interest rate instruments	3.00	8,193,078	1,376,042

b) The following table details the Group and Company's expected maturity date for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on these assets except where the Group and Company anticipates that the cash flow will occur in a different period.

	Weighted average effective interest rate %	Less than 1 month	
		Group £	Company £
2013			
Non-interest bearing	–	113,622	
Interest bearing	0.23	486,640	486,640
2014			
Non-interest bearing	–	356,061	
Interest bearing	0.81	1,512,592	1,512,592

28 Related party transactions

a) Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

b) C.D.J. Pearce, a director of the Company and therefore a related party, has made a loan facility available to the Company full details of which are set out in note 19 on page 48.

c) Details of the remuneration of the Directors is set out in note 11 on pages 44 to 45, including details of pension contributions made by the Company and information in connection with their long-term benefits is shown in the Directors' report under the heading 'Directors and their interests' on pages 22 to 23.

d) ***Key management personnel compensation***
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel for the year-ended 31 December 2014 and the comparative period were as follows:

Christopher Pearce (Executive Chairman)
Geoff Ellis/James Malthouse (Finance Director)
Ian Pike (Chief Operating Officer)

Key management personnel renumeration was as follows:

	2014 £	2013 £
Salary	**637,181**	832,500
Other long-term benefits	**28,537**	53,300
Defined benefit scheme costs	**–**	–
Compensations for loss of office	**–**	–
Share based payment expense	**165,034**	182,495
	830,752	1,068,295

The amounts charged to the income statement relating to Directors in respect of the share-based payment charge was as follows:

	2014 £	2013 £
	165,034	182,495

29 Events after the balance sheet date

(a) On 19th June 2015 the Company completed a placing of 13,861,112 new ordinary shares of 1p each at a price of 18p per share to raise £ 2.495m before expenses to provide additional working capital for the Group.

Nominated Advisers and Stockbrokers

Cenkos Securities plc
6,7,8 Tokenhouse Yard
London EC2R 7AS

finnCap
60, New Broad Street
London EC2R 7AS

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Freeth's LLP1 Heddon Street
Mayfair
London
W1B 4BD

Bankers

Barclays Bank Plc
Pall Mall Corporate Banking Group
50 Pall Mall
London SW1Y 5AX

Registrars

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder Enquiries:
+44(0) 871 664 0300

Notice is hereby given that the 21st Annual General Meeting of Proteome Sciences plc will be held at The Law Society, 113 Chancery Lane, London WC2A 1PL on 17th July, 2015 at 12:00 midday, for the purpose of considering and, if thought fit, passing the following Resolutions of which numbers 1 to 7 will be proposed as ordinary Resolutions and number 8 as a special Resolution.

Ordinary Business

1 To receive the financial statements and the reports of the Directors and of the auditors for the year ended 31st December 2014.

2 To re-appoint C.D.J. Pearce as a Director.

3 To appoint BDO LLP as auditors of the Company in accordance with section 489 of the Companies Act 2006 until the conclusion of the next general meeting of the Company at which audited accounts are laid before the members and to authorise the Directors to fix their remuneration.

4 To appoint R.H. McDowell as a Director.

5 To appoint M. Diggle as a Director.

6 To appoint G.Ellis as a Director.

Special Business

Ordinary Resolution

7 THAT the directors of the Company be hereby authorised generally and unconditionally pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £759,889.11 until the conclusion of the next Annual General Meeting of the Company or 30th June 2016, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would, or might, require shares to be allotted or rights to subscribe for or to convert securities into shares to be granted after such expiry.

Special Resolution

8 THAT subject to, and upon Resolution 4 above, having been passed and becoming effective, the Directors be and are hereby authorised and empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities, as defined in section 560 of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer by way of a rights issue, or any other pre-emptive offer, to the holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of ordinary shares on a record date fixed by the directors and to the holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the law of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) and (b)) of equity securities which are or are to be wholly paid up in cash up to an aggregate nominal amount of £455,933.46.

and provided further that the authority and power conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company or on 30th June 2016, whichever is the earlier, unless such authority is renewed or extended at or prior to such time, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require equity securities to be allotted after the expiry of this authority and the directors may then allot equity securities in pursuant of such an offer or agreement as if the authority and power hereby conferred had not expired.

By order of the Board
Coveham House
Downside Bridge Road
Cobham
Surrey KT11 3EP

G.J. Ellis
Secretary

22nd June 2015

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy, to exercise all or any of his rights to attend, speak and vote in his place on a show of hands or on a poll provided that each proxy is appointed to a different share or shares. Such proxy need not be a member of the Company. In accordance with Article 90, any such appointment is valid only if the instrument of proxy is deposited with the Company's registrars not less than forty eight hours before the time for holding by 12:00 midday on Wednesday 15th July 2015 or any adjourned meeting. A proxy need not also be a member of the Company. A form of proxy and return envelope are enclosed; completion of an instrument of proxy will not prevent members from attending and voting in person should they wish to do so.

2. Copies of executive directors' service agreements, and copies of the terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office during normal business hours from the date of this notice until the close of the Annual General Meeting (Saturday, Sundays and public holidays excepted) and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than the close of business two days before the date of the meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

FORM OF PROXY

for use by holder of Ordinary Shares at the 21st Annual General Meeting of Proteome Sciences plc to be held on 17th July 2015 at 12:00 midday

I/WE (1) .....

of .....

being (a) member(s) of the above-named company hereby appoint the chairman of the meeting (2) or ..... as my/our proxy and to vote for me/us and on my/our behalf at the Company's Annual General Meeting to be held on 17th July 2015 at 12:00 midday, at The Law Society, 113, Chancery Lane, London WC2A 1PL, and at any adjournment thereof.

Dated this ..... day of 2015

Signature(s) .....

Please indicate with an X in the space below how you wish your votes to be cast. If no instructions are given as to how the proxy shall vote, on any particular matter, the proxy will abstain or vote as he thinks fit.

Resolution	For	Against	Withheld
Ordinary Business			
1. To receive the financial statements	☐	☐	☐
2. To re-appoint C.D.J Pearce as a Director	☐	☐	☐
3. To appoint BDO LLP as auditors	☐	☐	☐
4. To appoint R.H. McDowell as a Director	☐	☐	☐
5. To appoint M. Diggle as a Director	☐	☐	☐
6. To appoint G.Ellis as a Director	☐	☐	☐
Special Business			
7. To renew the Directors' authority to allot shares	☐	☐	☐
8. To renew the Directors' authority to disapply pre-emption rights for the allotment of shares	☐	☐	☐

(1) Fill in your name(s) and address(es) in block capitals.

(2) A member may appoint a proxy of his own choice and if any other proxy is preferred, strike out 'the chairman of the meeting' and add the name of the proxy or proxies desired and initial the alteration.

Notes:

(a) This form of proxy duly completed must, to be valid for use at the meeting, be deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, with the Company's registrars by 12:00 midday on Wednesday 15th July 2015 or not less than forty eight hours before the time for holding any adjourned meeting. A proxy may only vote on a poll.

(b) A corporation may execute either under seal or under the hand of an officer or attorney so authorised.

(c) In the case of joint holders of shares, any one of such holders may vote but, if two or more joint holders are present in person or by proxy, the vote of the senior will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority is determined by the order in which the names stand in the register.

(d) A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy, to exercise all or any of his rights to attend, speak and vote in his place on a show of hands or on a poll provided that each proxy is appointed to a different share or shares. Such proxy need not be a member of the Company. In accordance with Article 90, any such appointment is valid only if the instrument of proxy is deposited with the Company's registrars not less than forty eight hours before the time for holding the meeting or adjourned meeting. A proxy need not also be a member of the Company. Completion of an instrument of proxy will not prevent members from attending and voting in person should they wish to do so. Appointment of a proxy will not preclude a member from attending and voting in person at the meeting.

(e) To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given.

FORM OF PROXY
for use by holder of Ordinary Shares at the 21st Annual General Meeting of Proteome Sciences plc to be held on 17th July 2015 at 12:00 midday

Proxy should be returned to our Registrars, Capita Asset Services at:

PXS
34 Beckenham Road
Beckenham
Kent BR3 4TU

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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