Adding precision to medicine

Annual report and accounts 2015

Proteome Sciences in brief

Proteome Sciences is a leading protein biomarker company specialising in proteomics and peptidomics services and applications, and 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 ranges 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 precision 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 service and assays which enable our partners to deliver more effective healthcare.

Proteomics explained

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.

The future of healthcare is undoubtedly precision medicine

The world is changing, our populations becoming older, and the pressure on social care is creating urgent need to find new ways to reduce both the financial and personal costs from indications such as Alzheimers and cancer.

See market facts on dementia and cancer
page 02

Our breakthrough science and trusted proprietary technologies for protein biomarker discovery, validation and assay development adds valuable insights in how to prevent and better treat disease.

Learn more about our precision medicine capabilities
page 06

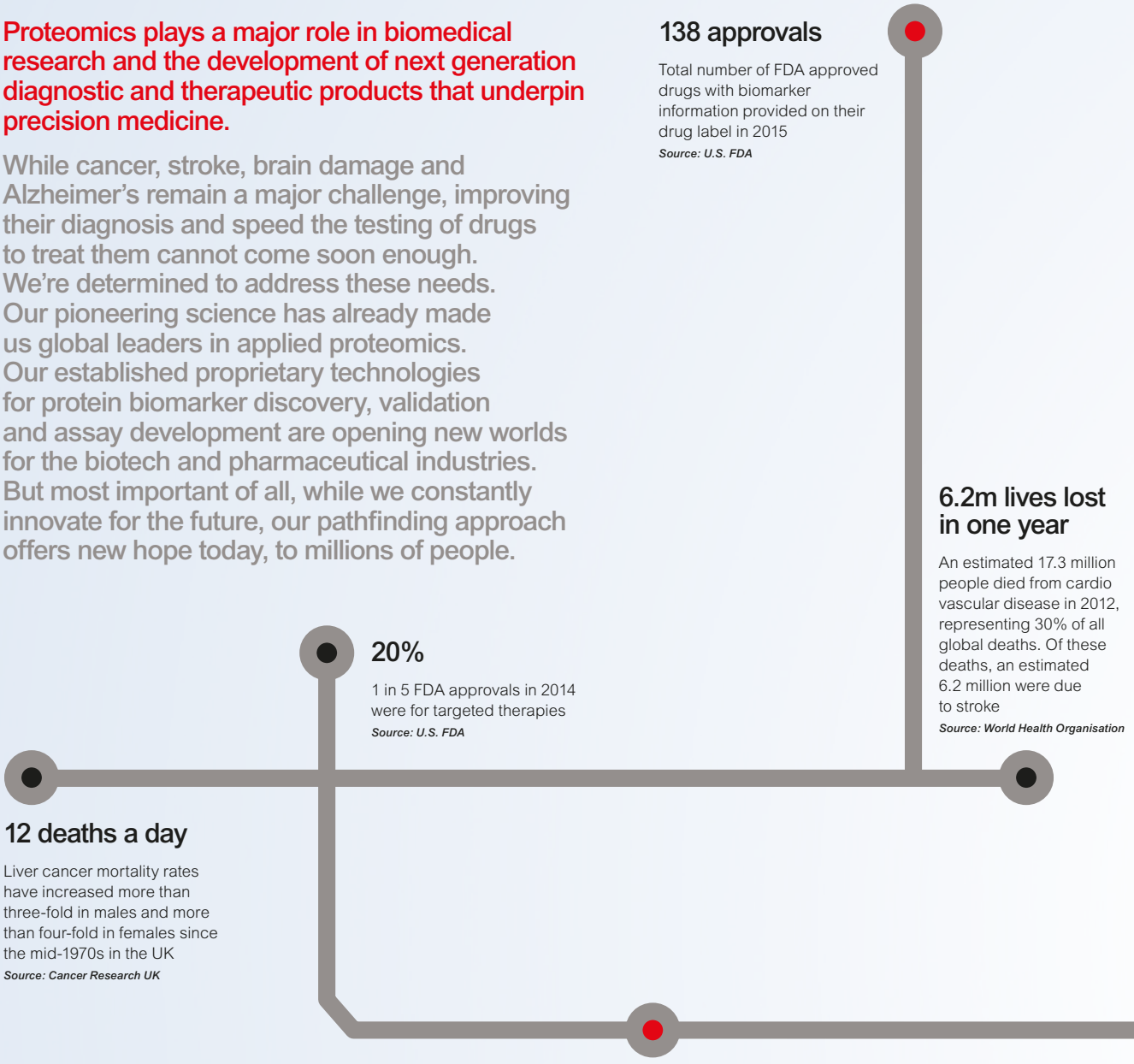
We are opening up possibilities for both patient care by providing better diagnosis and earlier intervention for some of the most debilitating and life threatening conditions before they get to the terminal stage, and also making a valuable contribution to clinical development by delivering a faster and lower cost way of progressing new drugs to market.

Understand how our science can be applied
page 08

Mapping the future of healthcare with precision

Proteomics plays a major role in biomedical research and the development of next generation diagnostic and therapeutic products that underpin precision medicine.

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.



138 approvals

Total number of FDA approved drugs with biomarker information provided on their drug label in 2015

Source: U.S. FDA

6.2m lives lost in one year

An estimated 17.3 million people died from cardio vascular disease in 2012, representing 30% of all global deaths. Of these deaths, an estimated 6.2 million were due to stroke

Source: World Health Organisation

20%

1 in 5 FDA approvals in 2014 were for targeted therapies

Source: U.S. FDA

12 deaths a day

Liver cancer mortality rates have increased more than three-fold in males and more than four-fold in females since the mid-1970s in the UK

Source: Cancer Research UK

1 in 8 women in the United States

1 in 8 US women (around 12%) will develop invasive breast cancer over the course of their lifetime

Source: Breastcancer.org

7th deadliest cancer

Early stages of pancreatic cancer do not usually produce symptoms, so the disease is generally advanced when it is diagnosed. This cancer is almost always fatal, and is the seventh most common cause of death from cancer

Source: WCRF International

47.5m people suffering

The number of people living with dementia worldwide is currently estimated at 47.5 million and is projected to increase to 75.6 million by 2030. The number of cases of dementia are estimated to more than triple by 2050

Source: World Dementia Council

Personalised medicine is making a massive leap forward

We have benefitted from a good performance in all aspects of the business in 2015, in particular biomarker services where there has been strong customer adoption of SysQuant® and TMTcalibrator™ with the focus on Precision Medicine. Considerable scientific progress has been made over the period, particularly in Alzheimer's disease (AD) across a number of different areas and these have formed the backcloth to the prominent releases and presentations that we have made at major AD meetings in the USA and Europe.

The main themes have centred around our most recent biological data on CK1d inhibitors in tau and blood and CSF biomarkers as neuro-inflammatory markers for measuring AD severity and progression. These discoveries have extended our IP in AD most notably in the tau pathway and provide additional support to licensing discussions, at the same time allowing us to maximise cross-marketing of SysQuant® and TMTcalibrator™ services.

Strong demand for SysQuant® and TMTcalibrator™

Substantial customer interest for our SysQuant® and TMTcalibrator™ services necessitated a second Fusion mass spectrometer in the summer to satisfy the demand and to significantly increase the scale of the biomarker services division to address the growing capacity requirements for orders from the USA and Europe. This came on stream and was at full capacity in Q4. Provision of the new Fusion more than doubled the existing capacity for customer contracts and made full use of the substantial upgrade already made to the IT infrastructure in Frankfurt and London.

Excellent *in vivo* results for CK1d compounds

Results were announced at CTAD, Barcelona providing compelling evidence that our two compounds for CK1d in a second and different in vivo model of AD mimicked the results of our previous study and successfully lowered the level of tau phosphorylation. This data provides strong additional support to our licensing discussions for our compounds in Alzheimer's disease.

Development of MCI/AD panel

Following receipt of the analysis from the next cohort of patients with MCI/AD from KCL, we anticipate that the proposed 10 protein panel will be finalised and developed into a panel test later in the year. It is intended that the test will be out-licensed non-exclusively.

TMT® gains momentum

The introduction of TMT® 10-plex added further momentum to TMT®'s dominant position in isobaric mass tagging and raised the profile and usage of TMT® tags for a growing number of applications. Development of a new range of tags with higher plexing rates is in process and that should provide further impetus to future sales.

High levels of interest for our biomarker services from pharmaceutical customers, particularly for SysQuant® and TMTcalibrator™, continued throughout the period and was reflected by the strong increase in services revenue. That trend is ongoing and provides a healthy background for revenue growth and prospects in 2016.

Strong order book, repeat business and growing pipeline

The current year started well with a strong order book, increasing amounts of repeat business and a growing pipeline in biomarker services. With the level of SysQuant®/TMTcalibrator™ production doubled following the installation of the additional Fusion mass spectrometer, the increased capacity is being fully utilised at a time when the volume of customer enquiries is rising on a monthly basis. Current indications point to a strong performance in 2016.

Licensing and milestone payments

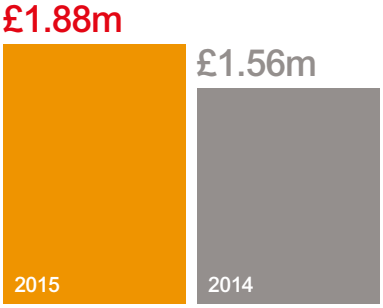
The CE marked stroke test is on track for launch by Randox in 2016 at which point further milestone payments will be triggered. Additionally there is the prospect of further non-exclusive licenses to follow. TMT® continues to show good growth and is expected to further increase in market share from new applications in systems biology and again when new generation higher plexing tags are launched in 2017.

In conclusion

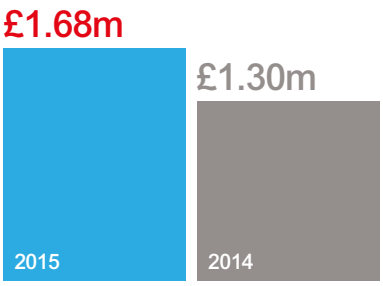
The encouraging trends and growth across the business in 2015 have continued in the current year. Proteome Sciences is firmly on track to deliver a significant increase in revenues from biomarker services and TMT® in 2016 and the possibility in addition of further licensing deals from our AD and stroke IP.

Christopher Pearce
Chairman

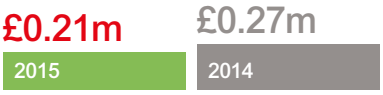
Revenue growth (£m)



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



Revenue growth by type (£m)
Grant Services



Revenue breakdown
Licences/Sales/Services

Grant Services

+20%

Revenue increased 20% to £1.88m
(2014: £1.56m)

£2.72m

Loss after taxation was £2.72m
(2014: £3.57m)

+51%

Revenue from Biomarker Services £0.79m
(2014: £0.53m)

£1.81m

Cash balance £1.81m
(2014: £1.87m)

+33%

TMT® product sales

+17

IP portfolio strengthened
Another 17 patents granted and a further 23 applications were filed in 2015

Proteome Sciences is a leading protein biomarker discovery company specialising in proteomics applications and services and boasting best-in-class mass spectrometry protein analysis and assay

— 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 againand this 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.

Case study

CK1d inhibitors reduce Alzheimer's tau phosphorylation

The study completed in November 2015 to test our proprietary inhibitors of casein kinase 1 delta (CK1d) successfully reduced the level of tau phosphorylation in a second in vivo model of Alzheimer's disease (AD) tauopathy. Compounds were given orally for five days and the level of tau phosphorylation in the brain cortex was reduced compared to the control group. The results confirmed and were consistent with the previous in vivo study in a different AD model that revealed reduced tau phosphorylation when the compounds were given daily for 8 weeks.

With the SysQuant® global phosphoproteomic workflow we also saw that acute dosing resulted in some early changes in many of the downstream pathways that we previously identified and were affected by tau toxicity and that responded to chronic CK1d inhibitor dosing in human AD.

Both acute and chronic dosing of our CK1d inhibitors reduced levels of phosphorylated tau in the brains of two different models of AD. The effect of acute dosing on phosphorylated tau to our surprise was nearly as potent as the chronic administration.

The data from the two in-vivo studies provides excellent support for the beneficial effects of our compounds PS 110 and PS 278-05 and their translation to human disease and adds further substance to our partnering discussions.

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, stratification 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 (pancreas, liver, melanoma, 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

Precision medicine: the road to resistance in skin cancer

In collaboration with Dr. John Koomen at Moffitt Cancer Center in Florida we have been using SysQuant® to investigate why precision medicines only provide a limited benefit to patients with melanoma, a form of skin cancer. Three types of cancer cells carrying different mutations commonly found in melanoma were treated with a drug combination targeting the mutated protein BRAF in conjunction with inhibitors of two other key targets in cancer, MEK and PI3K.

Analysis of the data showed that resistance is primarily driven by the BRAF target and that common pathways of resistance were seen for both drug combinations within each cell type. With this knowledge it should be possible to develop screening tests to detect occurrence of drug resistance earlier and design and test novel drug combinations to minimise mechanisms of resistance, providing a more sustainable response in patients with aggressive skin cancer.

Case study

Precision medicine: Clusterin – a sweet biomarker for Alzheimer's

The blood protein clusterin has been reported as a promising biomarker of Alzheimer's disease by many groups. To better understand the biology of clusterin, we identified 42 different variants based on their sugar content and compared their expression levels. Surprisingly, the majority of the diagnostic signal was related to only 8 of these 'glycoforms' and we have now developed a targeted mass spectrometry assay to provide highly accurate measurement. Preliminary results show that decreased levels of these 8 clusterin markers is associated with higher rates of subsequent brain atrophy, a hallmark of disease progression.

We are finalising assay development and will launch our testing service for research purposes later this year. The initial indication will be for assessment of patients prior to enrolment for clinical trials of disease modifying drugs in Alzheimer's disease.

+11.6%

Oncology is the fastest-growing area for the use of biomarkers. In fact, the global cancer biomarkers market, which has experienced substantial growth over the last couple of years, is expected to grow at a CAGR of 11.6% from 2015 to 2020

Source: MarketsandMarkets report, 2015

We are delivering systems-wide biology solutions through our SysQuant® and TMTcalibrator™ programmes

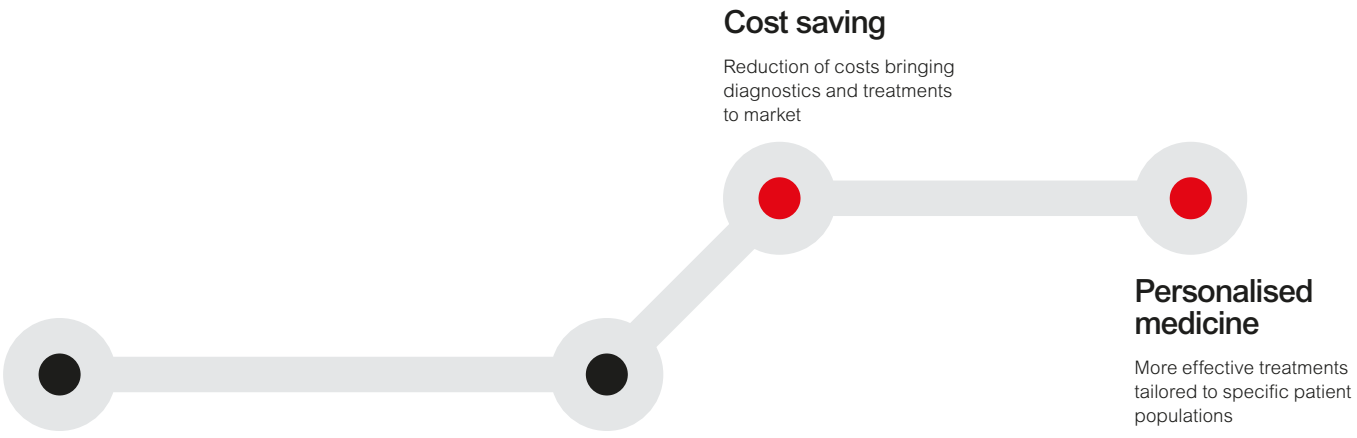
Read more about SysQuant for drug development in cancer
Page 17

The precision measures for better understanding

Deep protein profiling opening up a new world of breakthrough medicine

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

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.



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

We are strongly positioned to deliver more comprehensive analysys of proteins and cellualar pathways across areas of disease

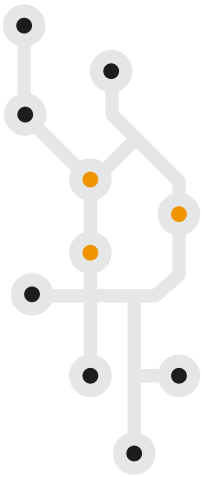
Read more about how our SysQuant®and TMTcalibrator™ is delivering in the fight against Alzheimer's disease
Page 18

Faster, more efficient and with precision accuracy

Cell signalling pathway activity is mapping precise diagnostics and treatments

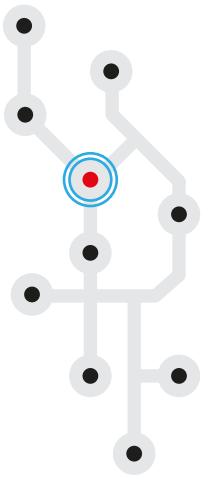
We are identifying the biological cell signalling pathways and networks involved in disease – developing a range of targeted assays for key signaling pathway checkpoint proteins and other key molecules involved in signaling events. Signalling cascades are proteins that can be altered, activated or deactivated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

This can help understand how diseases react to treatment, and to slow its progress. In our bodies, when cell signaling pathways go wrong a series of downstream effects lead to disease and can cause drug treatments to fail. By building a comprehensive map of pathway activity in each individual with disease we can indentify the key affected pathways to provide new drug targets and biomarkers for target engagement and early diagnosis.



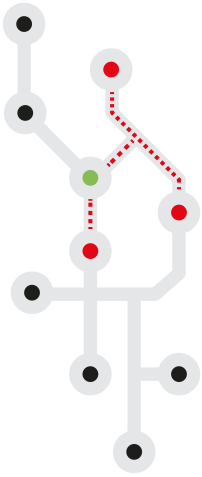
Precision discovery

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.



Precision validation

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.



Precision application

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.

With a rising research and product profile, in precision medicine we expect a strong performance from our commercial business that should result in a significant uplift in 2016 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

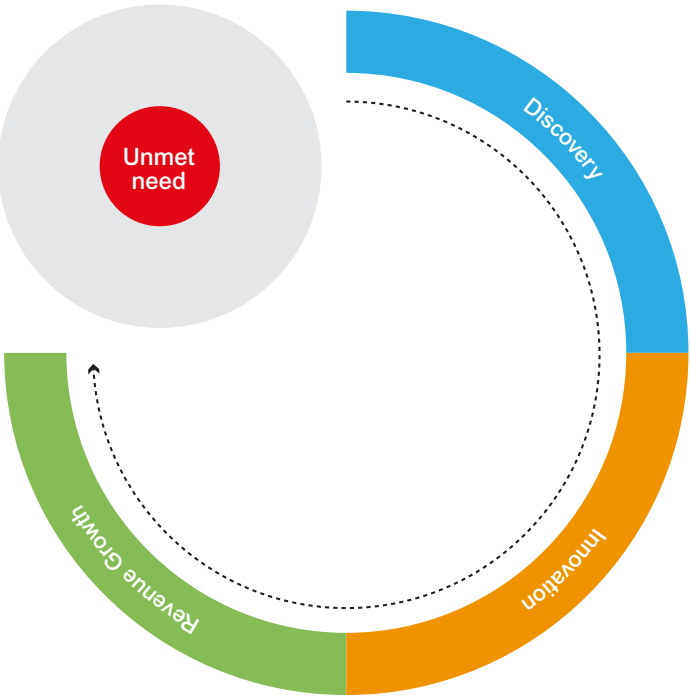
— Multiplex TMT® are the reagents of choice for latest generation mass spectrometry applications in systems biology

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.

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

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



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 to gain cost and time advantages, 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 company specialising in proteomics workflows and services targeting Precision 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 2016.

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 2015

— Growth in PS Biomarker Services™ and TMT®

— Increased levels of repeat business and the growing pipeline of customer contracts and services.

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

— SysQuant® and TMTcalibrator™ production capacity doubled

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

— Growth and opportunities in systems biology

— IP portfolio strengthened

Key objectives 2016

— 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 2016 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 2015.

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 Message.

Our operational structure and performance reporting
The Group's operations are organised into two geographic regions: the EU (UK and 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 2016
— Revenue increased by 20% during the year to £1.88m (2014: £1.56m)

— In the breakdown, Licences/Sales/Services rose by 30% to £1.68m (2014: £1.30m)

— TMT® product sales increased by 33%

— Grant Services income was £0.21m (2014: £0.27m)

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 further significant increase in revenue in 2016.

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.

Interest in biomarker services continues to grow resulting in new contracts with both existing and new customers
The high levels of customer interest in SysQuant®, TMTcalibrator™ and TMT®MS3 biomarker workflows at the beginning of the year converted into a significant increase in contracts in 2015. This resulted in a 51% increase in biomarker services revenues for the full year and has also led to a sizeable uplift in the future pipeline.

With production at full capacity last summer, additional Fusion mass spectrometry capacity came on stream as projected in Q4 that doubled the level of output of SysQuant® and TMTcalibrator™ production. This will go a long way towards addressing the rising customer demand.

Only a small amount of the $2million contract announced with Genting TauRX Diagnostics (GTD) in Alzheimer's disease (AD) fell into 2015 and the great majority of the work will be undertaken in 2016 and 2017. The pipeline value of contracts under negotiation is improving monthly and is at the strongest position in the company's history. When combined with the improved contract conversion rate, this provides us with confidence that biomarker services revenues will show further strong growth in 2016.

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 TMTcalibrator™ 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)

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.

Biomarkers

Alzheimer's Disease (AD)

Advanced research results bring the prospect of a blood test for AD considerably closer
Major new milestones were attained in our research programmes in Alzheimer's disease (AD) in 2015.

CK1d
We presented three oral and two poster presentations at AAIC in Washington in July. These highlighted the latest data and developments in our CK1d programme and featured proprietary SysQuant® and TMTcalibrator™ workflows to detect and quantify low abundance disease related proteins to help predict and monitor AD progression and to improve the effectiveness of new drugs and companion diagnostics.

Development of the novel assay presented at AAIC for clusterin in blood to predict the rate of brain atrophy in AD is now being finalised with full commercial availability expected later this year.

Over the 8th Cinical Trials on Alzheimer's Disease, Barcelona (CTAD) in November we released results on a study successfully testing our compounds PS110 and PS278-05 that are inhibitors of CK1d in a second in vivo model of AD tauopathy. The compounds were given orally for five days and showed that the level of tau phosphorylation in the brain cortex was reduced when compared to the control group. Surprisingly, the effect of acute dosing on phospho tau was nearly as potent as the effect of chronic administration daily over 8 weeks. The results confirmed and were consistent with the previous in vivo data in a completely different AD model that similarly reduced tau phosphorylation.

The two studies provided compelling evidence that both acute and chronic dosing with CK1d inhibitors reduced the levels of phosphorylated tau. Strongly positive engagement and feedback has been received from a broad cross section of pharmaceutical companies and has added further substance to our partnering discussions. The wider pharma audience is now becoming increasingly interested in developing tau strategies on a stand-alone basis or in combination with existing amyloid approaches in order to deliver novel and more effective Alzheimer's drugs. Additional interest in tau is likely to be stimulated when Phase III results of the first drug specifically targeting tau are announced this summer and if these are promising, there may be considerable activity in the space.

MCI/AD
Results from the large 1148 patient study published in Alzheimer's and Dementia Journal highlighted the candidate AD biomarkers in blood that we identified and their utility to predict patients with early memory problems who would subsequently be diagnosed with Alzheimer's. We continue to await the data from our collaborators for a further cohort of patient samples that should add new intellectual property and accelerate the development of the clinical diagnostic for MCI. The proposed 10 protein MCI/AD panel will open up new horizons in patient stratification and the opportunity to develop and out-license a simple blood test and with that additional data available, we anticipate seeing that panel being developed in 2016.

It's understanding precise differences that will make a real difference to cancer targeting treatments

Urgent need

For most diseases there is an urgent need to better understand how key disease drivers vary within and between populations, why such disease cells behave abnormally and what mechanisms might operate to cause treatment failure

<20% survive

Less than a fifth of men and a quarter of women diagnosed aged 15-49 survive their disease for five years or more, compared with less than 5 in 100 of people diagnosed aged 80 and over

Source: Cancer Research UK

27k deaths in 2016

Estimates for primary liver cancer and intrahepatic bile duct cancer in the United States for 2016 are: 39,230 new cases (28,410 in men and 10,820 in women) will be diagnosed, and about 27,170 people (18,280 men and 8,890 women) will die of these cancers

Source: American Cancer Society

4% survive

Just 4% of patients with pancreatic cancer survive – it has the worst survival rate of all 22 common cancers

Source: Pancreatic Cancer Action

Why Proteomics is Key to Precision Medicine

With virtually all drugs targeting proteins and their effects mediated by complex protein interaction networks it is now widely recognised that proteomics will be central to improving healthcare outcomes through precision medicine. With SysQuant®, TMTcalibrator™ and TMT®SRM we are well-placed to facilitate precision medicine for drug developers, clinicians and, above all, patients.

Understanding disease mechanisms

Precision medicine combines the use of highly selective drugs with detailed assessment of individual disease to deliver improved outcomes. For most diseases however we lack sufficiently detailed knowledge of how key disease drivers vary within and between populations and urgently need to better understand why such disease cells behave abnormally and what mechanisms might operate to cause treatment failure. Genomics has provided a good overview of the most amenable disease drivers, but robust proteomic tools are needed to fully map the effects of both genetic and non-genetic drivers of disease, how these evolve over time and how they respond to treatment. SysQuant® provides the deepest analysis of disease mechanisms currently available and is helping us to understand how disease varies between individuals, having completed substantive studies in pancreatic cancer and Alzheimer's disease. These provided detailed additional information that has considerably assisted us and our customers to identify new drug targets and key indicators of drug effects.

Finding better biomarkers

Early detection and monitoring of treatment effects are both critical components of precision medicine and require biomarkers directly related to the disease processes that are accessible in minimally invasive samples of body fluids. Whilst SysQuant® offers a means to identify the earliest protein changes in disease tissue, it has previously been challenging to translate these into useful biomarkers. We designed TMTcalibrator™ specifically for this purpose and demonstrated its potential by detecting phosphorylated tau and proteins relating to early inflammatory changes in cerebrospinal fluid of patients with Alzheimer's disease. We are currently using TMTcalibrator™ to discover and validate biomarkers of drug effects for a number of new pharmaceutical customers.

SysQuant® – getting closer to the clinic

We have ongoing studies to evaluate SysQuant® for clinical use in delivering precision medicine. A retrospective trial of SysQuant® to predict patient response to the precision medicine Sorafenib in treating liver cancer is currently ongoing with results expected later this year. Assuming that these are positive, we will run a prospective trial in a larger group of liver cancer patients to generate the data required to support routine adoption of SysQuant® in clinical practice.

Mapping evidence based precision diagnostics and treatments with drug development companies to fight Alzheimer's disease

850k people

Around 850,000 people are currently living with dementia in the UK with the figure expected to rise to more than 2 million by 2050

Source: Alzheimer's Society

20–50%

Research shows that most people currently living with dementia have not received a formal diagnosis. In high income countries, only 20-50% of dementia cases are recognised and documented in primary care

Source: Alzheimer's Disease International

$818m

The total estimated worldwide cost of dementia is US$818 billion in 2015, which represents 1.09% of global GDP

Source: Alzheimer's Disease International

Targeting tau

Tau by the proteasome is inhibited by the actions of Alzheimer's. These proteins and their associated signalling pathways are important therapeutic targets for the disease

Why it's now time for tau

Continued failure of amyloid targeted therapies and new biological understanding is forcing a re-assessment of how best to tackle Alzheimer's disease. Some recently studied targets include inflammation, insulin resistance and particularly tau.

Re-inventing the Alzheimer's drug pipeline

In the last 10 years we have seen over 100 clinical trials with drugs to treat Alzheimer's disease by reducing amyloid aggregation. To date these programs have either failed completely or shown only modest, temporary improvement in patients with very mild disease. Over the same period the central role of another aggregating protein, tau, has only recently been more actively explored and we have seen that it is able to spread between the brain cells ultimately leading to death of the neurons themselves. As a consequence, the pharmaceutical industry is now looking at targets around tau to supplement their programmes in amyloid.

Phosphorylation, Propagation and Aggregation

Unlike the toxic amyloid protein that is an abnormal product in brain, tau is an essential component of cells where it performs many different structural and signalling functions. In Alzheimer's disease there is a breakdown in the normal function of tau that is characterised by hyper-phosphorylation, a common form of protein modification that cannot be measured by genomic techniques. Abnormally phosphorylated tau behaves differently in brain cells and can be actively transmitted to 'infect' downstream cells. Whether phosphorylation also drives aggregation remains controversial but it is likely that the release of tau from the cell scaffold following phosphorylation contributes to increased protein levels that are then more likely to aggregate.

Phosphorylation – the Yin and Yang of Kinases and Phosphatases

Tau phosphorylation is usually balanced by competing proteins called kinases, that add phosphorylation and phosphatases that remove it. In Alzheimer's there is an imbalance that leads to increased phosphorylation on tau and this can happen at more than 40 separate sites. As a therapeutic strategy it is likely to be easier to switch off the kinases than activate the phosphatases so the key is knowing which kinases to target as hitting the wrong ones can cause adverse reactions and toxicity. Proteome Sciences was instrumental in identifying casein kinase 1 delta (CK1D) as a key target.

CK1D inhibitors hitting the right target

We have developed over 70 inhibitors of CK1D and tested our two lead candidates in two separate models showing they are well tolerated, are absorbed in the brain, improve cognitive performance and reduce the total levels of tau phosphorylation. Using SysQuant® proteomics we have produced convincing biological evidence that inhibiting CK1D also interferes with many other disease pathways that support its role as a key target in Alzheimer's disease. We continue to actively promote our results to the pharmaceutical industry to secure a partnership to bring our CK1d inhibitors into human clinical trials.

In addition to the MCI/AD panel, we have applied TMTcalibrator™ to identify key brain proteins linked to different aspects of the disease in cerebrospinal fluid (CSF). Not only have we identified more than 100 regulated proteins in CSF from Alzheimer's disease patients reflecting amyloid, tau, inflammatory and metabolic processes, but we have also seen virtually all of the proteins encoded by established Alzheimer's disease associated genes. We believe that many of these CSF proteins may prove to be detectable very early in the disease process. We now aim to apply this same approach in blood where a parallel study in Motor Neurone Disease has delivered excellent proof of concept.

SysQuant®

Important new results were generated with our collaborators at the Moffitt Center, Florida using two different drug combinations in melanoma in three human skin cell lines where over 9000 proteins and 17,000 phosphorylation sites were quantified. The data showed which cellular pathways were most affected by each combination and which cell lines responded to treatment. This may have significant implications for the development and management of new skin cancer treatments and further extends the coverage of results presented to date in pancreatic cancer and Alzheimer's disease and provides strong evidence as to how widely SysQuant® can be applied.

Having completed two SysQuant® studies in pancreas cancer that revealed multiple pathways activated and identified unique combinations of targets for existing anti-cancer drugs which could potentially have provided a superior outcome, we were keen to replicate the results in a different area, liver cancer. That process is underway and we wait with great interest results from the samples collected by our collaborators at KCL last year that should be available in the summer. The combination of these results should position SysQuant® centre stage and accelerate its use in clinical applications to improve patient management and outcome using a precision medicine approach in systems-wide biology for any disease condition.

Stroke

We have been informed by Randox that the CE marked blood test for stroke that incorporates Proteome Sciences biomarkers is on track to be launched in 2016. This will trigger further milestone payments under the terms of the license and raise the profile and value of our biomarker IP. In addition, there is the prospect of further similar non-exclusive licenses being taken up by other leading diagnostics companies on the back of the CE test coming on the market.

TMTcalibrator™ finding early biomarkers of brain inflammation in neurodegeneration

Proteome Science's three oral presentations at the annual Alzheimer's Association International Conference (AAIC) succinctly demonstrated TMTcalibrator™'s ability to identify very low abundance proteins in complex body fluids to find effective new biomarkers for use as highly effective diagnostic and drug biomarkers. The combination of SysQuant® and TMTcalibrator™ is a unique and powerful protein detection platform to provide unmatched levels of sensitivity that can be used from the earliest stages of diagnostics and drug development to clinical trials. This combined workflow is a key addition to our biomarker services platform that can substantially reduce the costs and timescale in drug development and companion diagnostics.

TMT®

Revenue – fast growth rate is expected to continue

Tandem Mass Tags® – International recognition

TMT® tags continued to perform well in 2015 with the largest ever order received from Thermo Scientific in the second quarter of the year. Product sales increased 33% in 2015 and TMT® tags are expected to increase market share with TMT® 10plex delivering the highest multiplexing capability available in the global market. Production of a new generation of tags with higher plexing rates is well underway and these are now expected to be launched in 2017. These should further accelerate and extend tandem mass tag use into new areas and applications in the much larger field of systems-wide biology.

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. The new TMT® product range should be commercially available next year.

IP portfolio

Additional 17 patents added and further 23 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 17 patents were granted in 2015 with a further 23 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 £2.72m (2014 – loss £3.57m). The Directors do not recommend the payment of a dividend (2014: £nil). The Group results are stated in the consolidated income statement on page 29, and are reviewed in the Chairman's Message on page 04, and the Strategic Report on pages 14 to 21.

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 04 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 2015 are set out on page 35 of these accounts.

The Group maintained a positive cash balance in 2015 and continues to seek to generate improved cash flows from commercial income.

Financial performance – as compared to the previous year, our revenues showed good growth

Revenue for the twelve month period ended 31st December 2015 increased 20% to £1.88m (2014: £1.56m. In the breakdown of revenue, Licences/Sales/Services rose 30% to £1.68m (2014: £1.30m) of which TMT® product sales increased 33%. Grant services were £0.21m (2014: £0.27m). The loss before tax was £3.33m (2013: £4.23m).

Costs and available cash – despite the rise in revenue, our operating costs were lower

Administrative expenses in 2015 were £4.17m, lower than in 2014:£4.95m and are likely to be broadly similar in 2016. After the R&D tax credit of £0.61m, the loss after taxation for the period was £2.71m (2013: £3.57m). The net cash outflow from operating activities was £2.36m (2014: £3.27m).

Cash at the year-end was £1.81m (2014: £1.87m). A placing of 13,861,112 ordinary shares was completed in June 2015 which raised £2.50m pre-expenses.

Outlook for 2016

The current year started well with a strong order book, increasing amounts of repeat business and a growing pipeline in biomarker services. With the level of SysQuant®/TMTcalibrator™ production doubled following the installation of the additional Fusion mass spectrometer, the increased capacity is being fully utilised at a time when the volume of customer enquiries is rising on a monthly basis and where we are looking to further expand the sales team. Current indications point to a strong performance in 2016.

We have been actively engaged with prospective licensing partners in Alzheimer's disease using the compelling results announced in November from a second and different AD model to test our CK1d compounds that mimicked the effects of the previous study, again successfully reducing the level of tau phosphorylation. Following receipt of the analysis from the next cohort of patients with MCI/AD from KCL, we anticipate that the proposed 10 protein panel will be finalised and developed into a panel test later in the year. It is intended that the test will be out-licensed non-exclusively.

The CE marked stroke test is on track for launch by Randox in 2016 at which point further milestone payments will be triggered. Additionally there is the prospect of further non-exclusive licenses to follow. TMT® continues to show good growth and is expected to further increase in market share from new applications in systems biology and again when new generation higher plexing tags are launched in 2017.

The encouraging trends and growth across the business in 2015 have continued in the current year. Proteome Sciences is firmly on track to deliver a significant increase in revenues from biomarker services and TMT® in 2016 and the possibility in addition of further licensing deals from our AD and stroke IP.

Principal activity and business review

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.

Details of the Group's performance during the year and expected future developments are contained in the Chairman's Message.

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

17th May 2016

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.

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)

Martin 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 16.0% 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 2015.

Directors' responsibilities
The Directors are responsible for preparing the strategic report, the Directors' 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.

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 24 of the financial statements.

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
Dr. I.H. Pike	Chief Operating Officer
Professor W. Dawson	Non-Executive
R. McDowell	Non-Executive
M. Diggle	Non-Executive

In accordance with the Company's articles Professor W Dawson and Dr I Pike retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

The Directors at 31st December 2015 and their interests in the share capital of the Company were as follows:

a) Beneficial interests in Ordinary Shares:

Name of Director	31st December 2015 Number of Ordinary Shares of 1p each	31st December 2014 Number of Ordinary Shares of 1p each
C.D.J. Pearce	**36,915,059**	35,109,504
G.J. Ellis	**–**	–
Dr. I.H. Pike	**–**	–
Professor W. Dawson	**20,372**	20,372
R. McDowell	**500,000**	500,000
M. Diggle	**–**	–

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 16.04% of Proteome Sciences' ordinary share capital.

No changes took place in the beneficial interests of the Directors between 31st December 2015 and 17th May 2016.

b) 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 2015	Number at 31st December 2014
(i) C.D.J. Pearce	(a)	**277,074**	277,074
	(b)	**–**	328,105
		227,704	605,179
(ii) G.J. Ellis	(a)	**300,000**	300,000
(iii) Dr. I.H. Pike	(a)	**165,583**	165,583

The entitlement to shares shown under (i)(b) under the LTIP was subject to achieving certain performance conditions. These performance conditions were not met and the awards lapsed in 2015.

Awards made have no performance retesting facility.

The numbers shown in (i)(a), and (iii)(a) at 31st December 2015 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.

c) As set out in note 18(b) (i) to (iii) 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).

d) The market price of the Ordinary Shares at 31st December 2015 was 15.75p and the range during the year was 14.63p to 27.5p.

Substantial shareholdings

As at 17th May, 2016, 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	36,573,125	16.04
M. Staveley	9,820,829	4.31
Helium Special Situations Fund	15,212,273	6.67

Corporate governance

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 4 and Strategic Report on pages 14 to 21 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 18 (b) (Financial liabilities) and 24 (Financial instruments).

These financial statements have been prepared on the going concern basis. The Directors have reviewed the Group's going concern position taking account of its current business activities, budgeted performance 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.

The Directors have prepared cashflow forecasts covering a period of at least 12 months from the date of approval of the financial statements. If the forecast is achieved, the Group will be able to operate within its existing facilities, however the timeline required to close sales contracts and the order value of individual sales continues to vary considerably, which constrain the ability to accurately predict revenue performance. Furthermore, 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 Directors may need to raise financing within the next 12 months, but the Directors are confident they will be able to raise sufficient financing should it be required through a placement of shares and other funding. The Directors have a history of successfully raising such funding. The Directors intend that the Group will continue to pursue its sales strategy and focus its operational plans on the importance of achieving sustained positive cash-flow generation.

Details of the Group's prospects and the future development of the business are set out in the Strategic Report on pages 14 to 21.

Events after the balance sheet date
There have been no significant events which have occurred subsequent to the reporting date.

Research and development
Details of the group's activities on research and development during the year are set out in the Strategic Report and Chairman's Message.

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 10 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.

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.

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.

By order of the Board,

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

17th May 2016

To the Members of Proteome Sciences plc
We have audited the financial statements of Proteome Sciences plc for the year ended 31 December 2015 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 2015 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.

Emphasis of matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 3 to the financial statements concerning the Company's ability to continue as a going concern. As discussed in Note 3, the Directors consider the company may need to raise finance within the next 12 months. Although they have been successful historically in raising such funding, there is no certainty that they will in the future. These disclosures identify certain factors that indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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

17th May 2016

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 2015

	Notes	Year ended 31st December 2015 £'000	Year ended 31st December 2014 £'000
Revenue	5, 6		
Licences, sales and services		**1,675**	1,295
Grant services		**207**	266
Revenue – total		**1,882**	1,561
Cost of sales		**(791)**	(605)
Gross profit		**1,091**	956
Administrative expenses	8	**(4,172)**	(4,949)
Operating loss		**(3,081)**	(3,993)
Finance income	7(i)	**5**	8
Finance costs	7(ii)	**(250)**	(242)
Loss before taxation		**(3,326)**	(4,227)
Tax	11	**608**	661
Loss for the period attributed to shareholders of the company		**(2,718)**	(3,566)
Loss per share			
Basic and diluted	12	**(1.23p)**	(1.69p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December 2015

	Year ended 31st December 2015 £'000	Year ended 31st December 2014 £'000
Loss for the year	**(2,718)**	(3,566)
Other comprehensive income for the year		
Exchange differences on translation of foreign operations	**18**	(88)
Total comprehensive expense for the year	**(2,700)**	(3,654)

The accompanying notes 1 to 26 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET
as at 31st December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Goodwill	13	**4,218**	4,218
Property, plant and equipment	14	**857**	314
Equipment on loan		**237**	474
		5,312	5,006
Current assets			
Inventories	16	**291**	344
Trade and other receivables	17(a)	**1,318**	1,073
Cash and cash equivalents	17(b)	**1,808**	1,869
		3,417	3,286
Total assets		**8,729**	8,292
Current liabilities			
Trade and other payables	18(a)	**(778)**	(317)
Current tax liabilities		**(1)**	(34)
Borrowings	18(b)	**(8,443)**	(8,193)
Provisions	19	**–**	(313)
		(9,222)	(8,857)
Net current liabilities		**(5,805)**	(5,571)
Non-current liabilities			
Hire purchase payables	18(a)	**(386)**	–
Provisions	19	**(276)**	(313)
		(662)	(313)
Total liabilities		**(9,884)**	(9,170)
Net liabilities		**(1,155)**	(878)
Equity			
Share capital	20	**2,280**	2,141
Share premium account		**48,986**	46,737
Share-based payment reserve		**3,402**	3,367
Other reserve	22	**10,755**	10,755
Translation reserve		**(188)**	(206)
Retained loss		**(66,390)**	(63,672)
Total equity (deficit)		**(1,155)**	**(878)**

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the Board of Directors and authorised for issue on 17th May 2016. They were signed on its behalf by:

C.D.J. Pearce
Director

G. Ellis
Director

17th May 2016

The accompanying notes 1 to 26 are an integral part of the financial statements.

COMPANY BALANCE SHEET
as at 31st December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Investment in subsidiaries	15	**28,404**	46,241
		28,404	46,241
Current assets			
Cash and cash equivalents	17(b)	**1,064**	1,512
		1,064	1,512
Total assets		**29,468**	47,753
Current liabilities			
Loan from other group entity		**(264)**	(279)
Short-term borrowings	18(b)	**(1,418)**	(1,376)
		(1,682)	(1,655)
Non-current liabilities			
Long-term provisions	19	**(15)**	(26)
Total liabilities		**(1,697)**	(1,681)
Net assets		**27,771**	46,072
Equity			
Share capital	20	**2,280**	2,141
Share premium account		**48,986**	46,737
Merger reserve		**1,082**	1,082
Share-based payment reserve		**3,402**	3,367
Retained loss		**(27,979)**	(7,255)
Total equity		**27,771**	**46,072**

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the Board of Directors and authorised for issue on 17th May 2016. They were signed on its behalf by:

C.D.J. Pearce
Director

G. Ellis
Director

17th May 2016

The accompanying notes 1 to 26 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2015

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Translation reserve £'000	Other reserve £'000	Retained loss £'000	Total equity/(deficit) £'000
At 1st January 2014	1,962	42,122	3,186	(118)	10,755	(60,106)	(2,199)
Loss for the year	–	–	–	–	–	(3,566)	(3,566)
Exchange differences on translation of foreign operations	–	–	–	(88)	–	–	(88)
Total comprehensive expense for the year	–	–	–	(88)	–	(3,566)	(3,654)
Issue of share capital	179	4,821	–	–	–	–	5,000
Share issue expenses	–	(206)	–	–	–	–	(206)
Credit to equity for share-based payment	–	–	181	–	–	–	181
At 31st December 2014	2,141	46,737	3,367	(206)	10,755	(63,672)	(878)
At 1st January 2015	2,141	46,737	3,367	(206)	10,755	(63,672)	(878)
Loss for the year	–	–	–	–	–	(2,718)	(2,718)
Exchange differences on translation of foreign operations	–	–	–	18	–	–	18
Total comprehensive expense for the year	–	–	–	18	–	(2,718)	(2,700)
Issue of share capital	139	2,258	–	–	–	–	2,397
Share issue expenses	–	(9)	–	–	–	–	(9)
Credit to equity for share-based payment	–	–	35	–	–	–	35
At 31st December 2015	2,280	48,986	3,402	(188)	10,755	(66,390)	(1,155)

The accompanying notes 1 to 26 are an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31st December 2015

Company	Share capital £'000	Share premium account £'000	Group reconstruction reserve £'000	Share-based payment reserve £'000	Retained loss £'000	Total equity £'000
At 1st January 2014	1,962	42,122	1,082	3,185	(5,916)	42,435
Retained loss for the year	–	–	–	–	(1,339)	(1,339)
Credit to equity for share-based payment	–	–	–	182	–	182
Issue of share capital	179	4,821	–	–		5,000
Share issue expenses	–	(206)	–	–	–	(206)
At 31st December 2014	2,141	46,737	1,082	3,367	(7,255)	46,072
At 1st January 2015	2,141	46,737	1,082	3,367	(7,255)	46,072
Retained loss for the year	–	–	–	–	(20,724)	(20,724)
Credit to equity for share-based payment	–	–	–	35	–	35
Issue of share capital	139	2,258	–	–	–	2,397
Share issue expenses	–	(9)	–	–	–	(9)
At 31st December 2015	2,280	48,986	1,082	3,402	(27,979)	27,771

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
for the year ended 31st December 2015

	Notes	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Loss before tax		**(3,326)**	**(20,724)**	(4,227)	(1,337)
Adjustments for:					
Net finance costs		**245**	**41**	234	32
Depreciation of property, plant and equipment		**395**	**–**	406	–
Impairment of investments in subsidiaries		**–**	**20,600**	–	1,211
Share–based payment expense		**35**	**–**	181	–
Operating cash flows before movements in working capital		**(2,651)**	**(83)**	(3,406)	(94)
Decrease in inventories		**54**	**–**	58	–
(Increase)/Decrease in receivables		**(233)**	**–**	(280)	–
Increase/(Decrease) in payables		**258**	**–**	(459)	–
(Decrease)/Increase in provisions		**(349)**	**(11)**	129	(3)
Cash used in operations		**(2,921)**	**(94)**	(3,958)	(97)
Tax refunded		**563**	**–**	688	–
Net cash outflow from operating activities		**(2,358)**	**(94)**	(3,270)	(97)
Cash flows from investing activities					
Purchases of property, plant and equipment		**(52)**	**–**	(155)	–
Loans advanced to subsidiary undertakings		**–**	**(2,742)**	–	(3,679)
Interest received		**5**	**–**	8	8
Net cash (outflow) from investing activities		**(47)**	**(2,742)**	(147)	(3,671)
Financing activities					
Proceeds on issue of shares		**2,388**	**2,388**	4,794	4,794
Repayment of HP creditors		**(55)**	**–**	–	–
Net cash inflow from financing activities		**2,333**	**2,388**	4,794	4,794
Net (decrease)/increase in cash and cash equivalents		**(72)**	**(448)**	1,377	1,026
Cash and cash equivalents at beginning of year		**1,869**	**1,512**	600	486
Effect of foreign exchange rate changes		**11**	**–**	(108)	–
Cash and cash equivalents at end of year	17b	**1,808**	**1,064**	1,869	1,512

1 General information

Proteome Sciences plc is a company incorporated in the United Kingdom. These financial statements are the consolidated financial statements of Proteome Sciences plc and its subsidiaries ("the Group"). The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

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 2015 have been adopted but had no significant impact on the Group and Company. New standards, amendments to standards and interpretations which have been issued but are not yet effective (and in some cases had not been adopted by the EU) for the financial year beginning 1 January 2015 have not been early adopted in preparing these financial statements. The main accounting standards which may be relevant to the Group are set out below:

IFRS 9 "Financial Instruments" – (effective for 2018 financial report)

IFRS 9 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. Key changes to accounting requirements under IFRS 9 which may be relevant to Proteome Sciences Plc include the requirement to apply a new impairment model based on expected loss in recognising impairment of financial assets including current receivables and loans to related parties.

IFRS 15 "Revenue from Contracts with Customers" – (effective for 2018 financial report)

IFRS 15 is applicable retrospectively and includes revised requirements for the classification and measurement of revenue from contracts with customers. Key changes to accounting requirements under IFRS 15 which may be relevant to Proteome Sciences Plc include new requirements in measuring and recognising licencing revenues.

The implication of both these accounting standards on Proteome Sciences plc has not yet been determined.

IFRS 16 "Leases" – (effective for 2019 financial report)

IFRS 16 will require the Group to recognise the lease on its Cobham (UK) and Frankfurt (Germany) premises as both an asset and a rental commitment in its consolidated statement of financial position. The financial effect of IFRS 16 on the group's financial statements has not yet been determined.

3 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial statements have been prepared on the historical cost basis. In accordance with the Companies Act 2006, the company has adopted the exemption from the preparation of a company only income statement.

Basis of preparation – going concern

These financial statements have been prepared on the going concern basis. The Directors have reviewed the Company's and Group's ("the Group") going concern position taking account of its current business activities, budgeted performance 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 2015, the Group had cash resources of £1.8m (2014: £1.9m), realised a loss for the year of £2.7m (2014: a loss of £3.57m, thus a reduction of 21.3%), had net cash outflows from operating activities of £2.4m (2014: net cash outflow of £3.3m) and had net current liabilities of £5.8m (2014: £5.6m).

The Directors have prepared cashflow forecasts covering a period of at least 12 months from the date of approval of the financial statements. If the forecast is achieved, the Group will be able to operate within its existing facilities, however the timeline required to close sales contracts and the order value of individual sales continues to vary considerably, which constrain the ability to accurately predict revenue performance. Furthermore, 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 Directors therefore consider the Group may need to raise financing within the next 12 months, the Directors are confident they will be able to raise sufficient financing should it be required through a placement of shares or other funding. The Directors have a history of successfully raising financing.

The Group is also 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 18(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.

The Directors have concluded that the circumstances set forth above represent a material uncertainty, which may cast significant doubt about the group's and company's ability to continue as going concerns. However the Directors believe that taken as a whole, the factors described above enable the group and company to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the group or company were unable to continue as going concerns.

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 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
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.

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 and the group has satisfied performance requirements under the terms of the relevant agreement.

Grants services revenues and services revenues are recognised based on percentage completion of contracts completed by the reporting date relative to total contracts for individual projects . Grants released to the income statement are recognised within revenue, taking account of each grant's specific performance terms and conditions

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.

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 prepared 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 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 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.

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 (Hoeschst Group), an independent German mutual insurance company which is required to comply with German insurance company regulations.

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 its German subsidiary 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
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.

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 or 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.

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%

Equipment on loan
In December 2013 the Company was provided with mass spectrometry equipment for a period of at least three years, pursuant to a licence and research collaboration agreement made with Thermo Fisher Scientific during 2013. The Directors considered the requirements of IFRS in determining how this equipment should be recognised in the financial statements. The Directors took 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 concluded that the economic risks and rewards of ownership of the equipment were therefore, transferred to the Group, and recognised the equipment within Property, Plant and Equipment. The value at which the Directors 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.

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.

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.

The Directors do not consider that any Research and Development intangible assets have been created in 2015 or the prior year on the basis that it is uncertain whether the intangible assets will generate future revenue cash flows.

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. 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 through profit and loss.

Investments in subsidiaries
Investments in subsidiaries are stated 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.

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.

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 are recorded initially at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals 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. Further details of the pension provision policy are set out in the paragraph above headed Retirement benefit costs.

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 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 based on the effect of non-market vesting conditions. Share based payments are recognised as an additional cost of investment in subsidiary undertakings in the company where the company issues share options to executives employed by its subsidiaries.

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 2015 or the prior year on the basis that it is uncertain whether the intangible assets will generate future revenue cash flows.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the fair value less costs to sell of the cash-generating units to which goodwill has been allocated. The fair value less costs to sell calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit. The carrying amount of goodwill at the balance sheet date was £4,218,241. Details of the estimates used in the calculation are set out in note 13.

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 values as shown in note 15 to the accounts and the Directors therefore believe that the investments concerned will generate sufficient economic benefits to justify their revised carrying values, despite the inevitable uncertainties over timing of the receipt of income and the size of the markets from which income is anticipated.

5 Revenue
An analysis of the Group's revenue is as follows:

Revenue	2015 £'000	2014 £'000
Licences, sales of goods and biomarker services	**1,675**	1,295
Grant services income	**207**	266
	1,882	1,561

6 Segment information

The Group's operations are organised into two geographic segments, being the EU (United Kingdom and 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.

	EU		US		Consolidated	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Revenue						
Licences/sales/services	**1,675**	1,295	**–**	–	**1,675**	1,295
Grant services	**207**	266	**–**	–	**207**	266
Revenue – all external	**1,882**	1,561	**–**	–	**1,882**	1,561
Operating Loss	**(3,076)**	(3,989)	**(5)**	(4)	**(3,081)**	(3,993)
Investment revenues	**5**	8		–	**5**	8
Finance costs	**(250)**	(242)	**–**	–	**(250)**	(242)
Loss before tax	**(3,321)**	(4,223)	**(5)**	(4)	**(3,326)**	(4,227)
Tax	**608**	661	**–**	–	**608**	661
Loss after tax	**(2,713)**	(3,562)	**(5)**	(4)	**(2,718)**	(3,566)

	EU		US		Consolidated	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Other information						
Capital additions	**713**	155	**–**	–	**713**	155
Depreciation	**395**	406	**–**	–	**395**	407
Assets						
Current assets	**3,403**	3,271	**14**	14	**3,417**	3,286
Non-current assets	**5,312**	5,006	**–**	–	**5,312**	5,006
Segment assets	**8,715**	8,277	**14**	14	**8,729**	8,292

	EU		US		Consolidated	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Liabilities						
Current liabilities	**(9,607)**	(8,856)	**(1)**	(1)	**(9,608)**	(8,857)
Non-current liabilities	**(276)**	(313)	**–**	–	**(276)**	(313)
Segment liabilities	**(9,883)**	(9,169)	**(1)**	(1)	**(9,884)**	(9,170)

Revenues from major products and services

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

	2015 £'000	2014 £'000
TMT® revenues	**882**	771
Other	**793**	524
Revenues from licenses, sales and services	**1,675**	1,295

Geographical Information

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

	2015 £'000	2014 £'000
US	**1,320**	1,004
EU	**196**	179
Other	**159**	112
	1,675	1,295
Grant services income		
EU	**207**	266
Revenues and other income from major products and services	**1,882**	1,561

Included in revenues arising from sales into the US market are revenues of approximately£0.982m (2014: £1.004m) which arose from sales to the Group's largest customer: Thermo Fisher Scientific Inc.

7 (i) Finance income

	2015 £'000	2014 £'000
Income arising from bank deposits	**5**	8

(ii) Finance costs

	2015 £'000	2014 £'000
Interest on loans (note 18)	**250**	242

8 Operating loss

Operating loss is stated after charging/(crediting):

	2015 £'000	2014 £'000
Depreciation charge		
– owned	**158**	170
– on loan	**237**	236
Research and development costs	**1,248**	1,559
Operating lease rentals		
– other	**290**	283
Auditor's remuneration (see below)	**86**	71
Foreign exchange gains	**(15)**	(22)
Cost of inventories charged as an expense	**53**	342

The analysis of auditor's remuneration is as follows:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**42**	38
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**13**	14
Total audit fees	**55**	52
Tax compliance services	**18**	18
Other tax compliance services – VAT, grants, share schemes, income tax advice	**13**	1
Total non-audit fees	**31**	19
Total fees	**86**	71

9 Staff costs

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

	2015 Number	2014 Number
Research and development	**28**	28
Administration	**7**	8
	35	36

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

	£'000	£'000
Wages and salaries	**2,005**	2,075
Social security costs	**316**	330
Other pension costs	**130**	213
	2,451	2,618

Social security costs shown above include a credit of £11,000 (2014 charge: £3,000) from the provision for notional National Insurance contributions payable upon the exercise of vested LTIP options.

10 Directors' remuneration and transactions

The Directors' emoluments in the year ended 31st December 2015, excluding pension costs, were:

	Basic salary 2015 £'000	Benefits in kind 2015 £'000	Total 2015 £'000	Total 2014 £'000
Executive Directors				
C.D.J. Pearce	**276**	**11**	**287**	300
G. Ellis (appointed 1st October 2014)	**150**	**4**	**154**	48
J.L. Malthouse (retired 1st December 2014)	**–**	**–**	**–**	164
Dr. I. Pike	**150**	**3**	**153**	143
Non-Executive Directors				
Prof. W. Dawson	**28**	**–**	**28**	28
R. McDowell (appointed 1st July 2014)	**25**	**–**	**25**	12
M. Diggle (appointed 16th October 2014)	**–**	**–**	**–**	–
R.S. Harris (resigned 1st July 2014)	**–**	**–**	**–**	19
	629	**18**	**647**	714

(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 (2014: none)

(iv) Details of the options in place and of awards under the Company's Long-Term Incentive Plan are given in note 20.

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

	2015	2014
Defined contribution pension schemes	**3**	4

Pension costs in the year ended 31st December 2015 were as follows:

	2015 £'000	2014 £'000
C.D.J. Pearce	–	6
G. Ellis	15	5
J.L. Malthouse	–	4
Dr. I. Pike	15	14
	30	29

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 £3,000 (2014: £2,000).

(b) Save as disclosed in (a) above and in note 18(b), no Director had a material interest in any contract of significance with the Company in either year.

11 Tax credit on loss before taxation on ordinary activities

	2015 £'000	2014 £'000
UK Corporation tax – R&D tax credit	625	613
Overseas tax charge	(17)	(11)
Group tax credit for the year	608	602
Adjustment re previous year	–	59
	608	661

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

At 31st December 2015 there were tax losses available for carry forward of approximately £43.1m (2014: £42.8 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 (2014: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2015 £'000	2014 £'000
Loss before tax	(3,326)	(4,227)
Income tax (charge)/credit calculated at 20.25% (2014: 21.5%)	674	909
Effects of:		
Expenses that are not deductible in determining taxable profit	(14)	(41)
Fixed asset timing differences	(154)	(58)
Effect of concessions (Research and Development)	491	537
Short-term timing differences	–	(1)
(Losses surrendered for R&D tax credit)/R&D relief	(871)	(968)
(Unrecognised tax losses carried forward)/brought forward losses utilised	(66)	(314)
Effect of overseas tax	(17)	(11)
R&D tax credit claimed	625	613
Other taxable income	(60)	(64)
Group tax credit/(charge) for the year	608	602
Adjustment re prior year	–	59
	608	661

Unrecognised deferred tax

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

	2015 £'000	2014 £'000
Tax losses – revenue	7,348	8,569
Depreciation in excess of capital allowances	(154)	(10)
Provisions	3	7
Share-based payments	–	1
Total	7,197	8,567

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

The main rate of UK corporation tax reduced from 21% to 20% from 1st April 2015. This rate will also be effective for the tax year 2016/17. This rate will fall to 19% for the year beginning 1 April 2017, and to 17% for the year beginning 1 April 2020.

12 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	
	2015 £'000	2014 £'000
Loss for the financial year	**(2,718)**	(3,566)

	2015 Number of shares	2014 Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share:	**221,036,176**	211,129,430

In 2015 and 2014 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.

13 Goodwill

	Goodwill £'000
Cost and carrying amount	
1st January 2015 and 31st December 2015	4,218

The goodwill has been allocated to the EU CGU. For the purpose of testing goodwill the recoverable value of the CGU is determined from fair value less estimated costs of disposal. In assessing the fair value of the CGU, management and the Directors have considered and assessed the following evidence:

(a) As at 31 December 2015, the market capitalisation for the group was £35.9m based on the quoted share price of the company of 15.75p per ordinary share; and

(b) During the year raised new equity finance of £2.495m 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 2015.

14 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 £'000	Laboratory equipment, fixtures and fittings £'000
1st January 2014	710	3,705
Exchange adjustments	–	(168)
Additions during the year	–	155
1st January 2015	710	3,692
Exchange adjustments	–	(127)
Additions during the year	–	713
31st December 2015	710	4,278
Depreciation		
1st January 2014	–	3,360
Exchange adjustments	–	(152)
Charge for the year	236	170
1st January 2015	236	3,378
Exchange adjustments	–	(115)
Charge for the year	237	158
At 31st December 2015	473	3,421
Carrying amount		
31st December 2014	474	314
31st December 2015	237	857

Included within Property, Plant and Equipment is mass spectrometry equipment with a net book value of £0.237m, 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.

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

15 Investment in subsidiaries

Company	Cost of shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
At 1st January 2014	5,151	38,460	43,611
Additional investment in the year	182	3,659	3,841
Provisions for impairment during the year	(957)	(254)	(1,211)
At 31st December 2014	4,376	41,865	46,241
At 1st January 2015	4,376	41,865	46,241
Additional investment in the year	35	2,728	2,763
Provisions for impairment during the year	–	(20,600)	(20,600)
At 31st December 2015	4,411	23,993	28,404

(i) The increase in the cost of shares in subsidiary undertakings of £0.035m (2014: £0.181m) 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.

(ii) The increase in loans to subsidiary companies in 2015 arose from the provision of further funds to the company's trading subsidiary and German subsidiary company.

(iii) A provision for impairment of £20.6m has been recognised during 2015 against the carrying value of loans advanced to the UK subsidiary Electrophoretics Limited. The recoverable value of the asset at 31 December 2015 has fallen since the prior year.

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.

16 Inventories

	2015 £'000	2014 £'000
Work-in-progress	**129**	182
Finished goods	**162**	162
	291	344

17 Other current assets

a) Trade and other receivables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade debtors	**364**	**–**	207	–
R&D tax credit recoverable	**659**	**–**	647	–
Other debtors	**243**	**–**	176	–
Prepayments	**52**	**–**	43	–
	1,318	**–**	1,073	–

No allowance for doubtful debts was recognised in 2015 or 2014.

b) Cash and cash equivalents

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Cash and cash equivalents	1,808	1,064	1,869	1,512

The Directors consider that the carrying amount of trade receivables and cash and cash equivalents approximates to their fair value.

18 Financial liabilities

(a) Trade and other payables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Due within one year				
Trade creditors	**18**	**–**	28	–
Other payables and accruals	**540**	**–**	289	–
Hire purchase payables	**220**	**–**	–	–
	778		317	
Due after one year				
Hire purchase payables	**386**	**–**	–	–

Hire purchase payables have the following maturity profile at 31st December 2015

	£'000
Due within one year	**220**
Due in more than one year but not more than two years	**220**
Due in more than two years but not more than three years	**166**
	606

Trade creditors and other payables 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 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Loan from related party	8,443	1,418	8,193	1,376

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

Note:

(i) The loan from related party represents a loan from Mr C D J Pearce, the Chief Executive of the Company. The loan is secured by a fixed charge over the Company's patent portfolio and a floating charge over the Company's stock in trade. The loan bears interest at 2.5% above the base rate of Barclays Bank plc. Loan amounts representing £5m may be converted into ordinary share capital at the option of Mr Pearce 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. Electrophoretics Ltd, the company's subsidiary has assumed all obligations for the loan. The Company has also guaranteed the subsidiary's payment obligations.

(ii) The loan 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 27, 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.

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

19 Provisions

Group	Pensions provisions £'000	Other provisions £'000	2015 Total £'000	2014 Total £'000
At 1st January	287	339	626	496
Additional provision in the year	–	–	–	130
Utilisation of provision	(26)	(339)	(365)	–
At 31st December	261	–	261	626
Included in short-term provisions			–	313
Included in long-term provisions			261	313

Company – long term provision	2015 £'000	2014 £'000
At 1st January	**26**	28
Reduction in provision in the year	**(11)**	(2)
At 31st December	**15**	26

(i) Other provisions consisted of provisions for various professional costs, and were fully utilised during 2015.

(ii) The pension provision relates to pension costs which may become payable in connection with the group's Frankfurt employees, under the pension scheme arrangements set out in note 19(iv). This provision will be utilised as members of the scheme reach retirement age and draw down their pensions.

(iii) Long term provisions include £15,000 (2014: £26,000) for National Insurance contributions payable upon the exercise of vested LTIP options.

(iv) 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.

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 2016, funding contributions payable by the Group are based on employee contributions at the rate of 1.5%-2.5% (2015: 1.5%-2.5%) of wages and salaries and employer contributions at the rate of 5 (2015: 4) times employee contributions.

The amount charged to the income statement in respect of the contributions to the scheme in 2015 was £ 49,507 (2014: £63,984).

As at 31 December 2015, an actuarial deficit did not exist for the multi-employer scheme. The Group's contributions to the scheme during 2015 represented 0.03% of total contributions to the scheme by employers and employees. Under the terms of the multi-employer plan, the group's obligations are limited to the original promise/commitment that it has given to its own employees. The group does not have an exposure to liability in relation to other third party employers' obligations. The Group does not have any information about how the actuarial status of the plan may affect the amounts of future contributions to the plan.

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% (2014: 2%). The company has assumed an income increase of 2.75% (2014: 2.75%) and inflation of 2.25% (2014: 2.25%).

Provisions for future unfunded pension liabilities at 31st December 2015 amounted to £260,241 (2014: £286,830). Amounts recognised through the consolidated income statement for the year to 31st December 2015 included service costs of £11,800 (2014: 23,587), interest costs of £5,644 (2014: 6,325) and an actuarial gain of £27,374 (2014: loss of 46,147).

(c) Other pension costs in relation to defined contribution schemes for United Kingdom employees amounted to £97,955 (2014: £89,961)

20 Share capital

i) Authorised

	2015 £'000	2014 £'000
330,000,200 (2014: 330,000,200) Ordinary Shares of 1p each	**3,300**	3,300
49,998 Redeemable Ordinary Shares of £1 each	**50**	50
1,063,822 5% (gross) Redeemable Preference Shares of £1 each (voting)	**1,064**	1,064
786,178 5% (gross) Redeemable Preference Shares of £1 each (non-voting)	**786**	786
	5,200	5,200

No Redeemable Preference shares of either class had been allotted and called up at the 31st December 2015 and 2014. At the 31st December 2019 any redeemable preference shares then in issue must be redeemed at par by that date. 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

	2015 £'000	2014 £'000
Ordinary Shares of 1p each	**2,280**	2,141

The increase in the number of shares in issue in 2015 arose as follows:

	2015 Number
As at 1st January 2015	**214,105,620**
Issued in share placing 19th June 2015	**13,861,112**
At 31st December 2015	**227,966,732**

iii) Options

At 31st December 2015 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	Nominal Value £	Exercise price	Dates 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 and was fully vested by 30 September 2013.

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

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

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 2014	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31st December 2015	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**		

(v) 2004 Share Option Plan

At 31st December 2015 options had been granted, had fully vested in prior reporting periods and were still outstanding (exercisable) 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 (£)	Exercise Price (p)	Dates Exercisable
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
231,363	2,313,63		

At 31st December 2014 options had been granted, had fully vested in prior reporting periodsand were still outstanding (exercisable) 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 (£)	Exercise Price (p)	Dates 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	586.26	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		

(vi) 2011 Share Option Plan

At 31st December 2015 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 (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
144,000	1,440.00	36.50	17.2.15	17.2.15 – 17.2.22
85,000	850.00	49.87	25.6.16	25.6.16 – 25.6.26
50,000	500.00	33.75	9.6.17	9.6.17 – 9.6.24
25,000	250.00	36.25	25.6.17	25.6.17 – 25.6.24
304,000	3,040.00			

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 (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
167,000	1,670.00	36.50	17.2.15	17.2.15 – 17.2.22
90,000	900.00	49.87	25.6.16	25.6.16 – 25.6.26
50,000	500.00	33.75	9.6.17	9.6.17 – 9.6.24
25,000	250.00	36.25	25.6.17	25.6.17 – 25.6.24
332,000	3,320.00			

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 2015 and 31st December, 2014 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. 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 300,000 shares. A charge to the income statement of £ 35,000 (2014: £ 181,000) 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, 2014	426,440	32.62	700,965	31.70
Exercised in the year	–	–	–	–
Forfeited in the year	(181,547)	65.71	–	–
Outstanding at 31st December 2014	244,893	32.62	700,965	–
Forfeited in 2015	(13,530)	68.37	–	–
Outstanding and exercisable at 31st December 2015	231,363	30.52	700,965	31.70
Exercisable at 31st December 2014	244,893	32.62	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, 2014	261,000	47.3
Granted in the year	75,000	34.6
Forfeited during the year	(4,000)	36.5
Outstanding at 1st January 2015	332,000	39.7
Granted in the year	–	–
Forfeited during the year	(28,000)	38.9
Outstanding at 31st December 2015	304,000	39.8
Exercisable at 31st December 2015	144,000	36.5
Exercisable at 31st December 2014	–	–

	2011 LTIP	
	Options	Weighted average exercise price (p)
Outstanding at 1st January, 2014	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
Granted in the year	–	–
Lapsing in the year	(328,105)	25.6
Outstanding at 31st December, 2015	300,000	21.7
Exercisable at 31st December, 2015	–	–
Exercisable at 31st December, 2014	–	–

The options outstanding at 31st December 2015 had a weighted average remaining contractual life as follows:

	2015 No. of Months	2014 No of Months
2004 Share Option Plan	**21.8**	31.8
2011 Share Option Plan	**85.6**	96.4
LTIP	**18.9**	23.8

The inputs into the Black-Scholes model were:

	2015	2014
Weighted average share price	**36.6p**	36.6p
Weighted average exercise price	**36.6p**	36.6p
Expected volatility	**60.1%–58%**	60.1%–52%
Expected life	**4 years**	4 years
Risk free rate	**1.13%–0.87%**	1.13%–0.60%
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) not recognised 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.

Share based payment Reserve
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.

Merger Reserve
The merger 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.

23 Guarantees and other financial commitments

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 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Within 1 year	**258**	**61**	222	61
Within 2-5 years	**508**	**62**	638	62
	766	**123**	860	123

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

24 Financial instruments

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 18(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

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 Group's gearing and equity at the year end is as follows:

	2015 £'000	2014 £'000
Debt	**(8,443)**	(8,193)
Cash and cash equivalents	**1,808**	1,869
Net debt	**6,635**	(6,324)
Deficit in equity	**(1,155)**	(878)

Debt is defined as long and short term borrowings, as detailed in note 18(b).

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

Categories of financial instruments

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Financial assets				
Cash	1,808	1,064	1,869	1,512
Trade receivables	364	–	207	–
Financial liabilities				
Other payables and accruals	(540)	–	(289)	–
Trade and other payables	(18)	–	(28)	–
Current tax liabilities	1	–	(34)	–
Short-term borrowings	(8,443)	(1,418)	(8,193)	(1,376)
Loan from subsidiary	–	(264)	–	(279)
Hire purchase payables	(606)	–	–	–

Financial risk management objectives
The Group's operations expose it to a variety of risks including interest risk and liquidity risk.

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 18(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 2015 would have increased by £42,000 (2014: increase in loss by £40,000).

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 undiscounted 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		Within one year	Within 1–2 years	Within 2–3 years
		Group £'000	Company £'000	Group £'000	Group £'000	Group £'000
2014						
Variable interest rate instruments – Borrowings	3.00	8,193	1,376	–	–	–
2015						
Variable interest rate instruments – Borrowings	3.00	8,443	1,418	–	–	–
Fixed rate instruments – Hire purchase	10.8%	–	–	220	220	166

25 Related party transactions

a) Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and were as follows:

1) Loans advanced to subsidiary undertakings:	Proteome Sciences R&D £'000	Veri-Q Inc £'000	Electro-phoretics Ltd £'000	Total £'000
At 1st January, 2014	8,011	255	30,195	38,461
Additional investment in the year	–	–	3,659	3,659
Provision for impairment	–	(255)	–	(255|)
At 31st December 2014	8,011	–	33,854	41,865
At 1st January 2015	8,011	–	33,854	41,865
Additional investment in the year	–	–	2,728	2,728
Provision for impairment	–	–	(20,600)	(20,600)
At 31st December 2015	8,011	–	15,982	23,993

2) Loan from subsidiary undertaking:	
At 31st January, 2014	(299)
Exchange adjustment	(20)
At 31st December, 2014	279
At 1st January, 2015	279
Exchange adjustment	(15)
At 31st December, 2015	264

Further details of the Company's shares in and loans to its subsidiary undertakings are set out in note 15.

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 18 on page 48.

c) Details of the remuneration of the Directors is set out in note 10, 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'.

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 2015 and the comparative period were as follows:

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

Key management personnel remuneration was as follows:

	2015 £'000	2014 £'000
Salary	576	637
Other long-term benefits	30	29
Defined benefit scheme costs	–	–
Share based payment expense	26	165
	632	831

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

	2015 £'000	2014 £'000
	26	165

26 Events after the balance sheet date

There have been no significant events which have occurred subsequent to the reporting date.

Nominated Advisers and Stockbrokers

finnCap
60, New Broad Street
London EC2R 7AS

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Freeths LLP
1 Vine Street
Mayfair
London W1J 0AH

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 22nd Annual General Meeting of Proteome Sciences plc will be held at The Law Society, 113 Chancery Lane, London WC2A 1PL on 24th June 2016 at 12:00 midday, for the purpose of considering and, if thought fit, passing the following Resolutions of which numbers 1 to 5 will be proposed as ordinary Resolutions and number 6 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 2015.

2 To re-appoint Professor W Dawson as a Director.

3 To re-appoint Dr I Pike as a Director.

4 To re-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.

Special Business

Ordinary Resolution

5 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 2017, 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

6 THAT subject to, and upon Resolution 5 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 2017, 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

17th May 2016

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 22nd June 2016 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 22nd Annual General Meeting of Proteome Sciences plc to be held on 24th June 2016 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 24th June 2016 at 12:00 midday, at The Law Society, 113, Chancery Lane, London WC2A 1PL, and at any adjournment thereof.

Dated this ..... day of 2016

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 Professor W Dawson as a Director	☐	☐	☐
3. To re-appoint Dr I Pike as a Director	☐	☐	☐
4. To re-appoint BDO LLP as auditors	☐	☐	☐
Special Business			
5. To renew the Directors' authority to allot shares	☐	☐	☐
6. 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, not less than forty eight hours before the time for holding the meeting or 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. 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 22nd Annual General Meeting
of Proteome Sciences plc to be held on 24th June 2016 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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Proteome Sciences plc
Coveham House
Downside Bridge Road
Cobham
Surrey KT11 3EP
United Kingdom

Email: info@proteomics.com

Tel: +44 (0)1932 865065
Fax: +44 (0)1932 868696

www.proteomics.com

Registered number: 02879724