Proteome Sciences plc
and subsidiary undertakings

Annual Report and Accounts for the year ended 31st December 2010 including Directors' and Independent Auditor's Reports and Chairman's Statement

Registered number 02879724

Photographs Back Cover Proteome Sciences' research facility, Frankfurt

Officers & Professional advisers

For the year ended 31st December 2010

Directors	R S Harris, BPharm, FR PharmS (Chairman)* (i) (ii) (iii) C D J Pearce, (Chief Executive) J L Malthouse, FCA (Finance Director) Dr I H Pike (Chief Operating Officer) Professor W Dawson, DSc, FR PharmS, FRSC* (i) (ii) (iii) Dr A E A Lindberg, MD PhD* (ii) Dr A I Walker* (i) (ii) * non-executive Directors and members of the (i) Audit, (ii) Remuneration and (iii) Nominations Committees
Secretary and registered office	J L Malthouse, FCA Coveham House Downside Bridge Road Cobham Surrey KT11 3EP
Nominated Advisers and Stockbrokers	Singer Capital Markets One Hanover Street London W1S 1YZ
Auditors	Deloitte LLP Chartered Accountants & Statutory Auditors, Southampton, United Kingdom
Solicitors	Edwin Coe LLP 2 Stone Buildings Lincoln's Inn London WC2A 3TH
Bankers	Barclays Bank Plc Pall Mall Corporate Banking Group 50 Pall Mall London SW1Y 5AX
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

Chairman's statement

For the year ended 31st December 2010

Dear Shareholder,

We made considerable progress in 2010, culminating with Proteome Sciences reporting a pre-tax profit for the year of £4 59m following the settlement of the warranty claim against Sanofi-Aventis Deutschland GmbH

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

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

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

After the €11m (£9 53m) settlement of the warranty claim with Sanofi-Aventis, the completion of the £6 5m placing and open offer and the £5m loan conversion into ordinary shares, the 2010 group balance sheet has been transformed and closed with a healthy £9 5m cash balance at the year end Whilst these factors have collectively provided considerable financial resources to the business, the processes were highly time consuming and a distraction for the executive management The management is now able to focus its full attention on the commercial exploitation of our biomarker IP, biomarker services activities and focusing on revenue growth

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

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

Chairman's Statement (continued)

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

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

Patents

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

New product development

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

Gaining new insights in cancer

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

Delivering alternatives for Alzheimer's disease

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

Targeting tau phosphorylation

Tau has increasingly been recognised as having a key role in Alzheimer's We have a strong position in the tau pathway with the phosphorylation assay and following the identification of CK1δ as a candidate target in Alzheimer's Disease we initiated an in silico drug screening programme yielding over 600 candidate molecules and so far 150 of these have been screened with 14 compounds showing inhibitory activity in laboratory tests These results are exciting and highly promising and we have accordingly filed IP to cover the position Further data and results will be forthcoming in the second half of 2011

Evaluating new brain damage markers

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

Building on our partnership with Kings College, London

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

Chairman's Statement (continued)

Biomarkers

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

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

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

Benchmarking Proteome Sciences potential revenue in Alzheimer's

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

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

Stroke

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

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

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

Cancer

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

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

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

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

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

Expanding the TMT® franchise

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

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

Investments

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

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

Chairman's Statement (continued)

Scams/Misinformation

Regrettably, there has been an increasing spate of 'boiler-room scams' and misinformation circulating aimed to exploit shareholders/investors and this has been exacerbated by unregulated commentary posted on bulletin boards across a broad range of listed companies in London These actions enable the perpetrators to make profit by preying on and abusing genuine investors

Typically shareholders are being contacted by telephone with the lure of high bids/offers for blocks of their shares etc The FSA has been notified through our nominated advisers, and other authorities are investigating

Shareholders are advised to ignore any such approaches and misinformation and if they have any concerns, they should contact the company directly or pass the details to the FSA

Results

The financial results for the twelve-month period ended 31st December 2010 show a profit before tax of £4 59m compared with a loss before tax of £4 20m in 2009 The 2010 revenue of £9 87m (2009 £1 31m) includes exceptional income of £9 53m resulting from the settlement of the Sanofi-Aventis warranty claim The 2009 revenue included license agreement fees of £1 17m not repeated in the current year Non-license fee income increased to £0 34m (2009 £0 13m) As previously explained, the nature of the business means that turnover can vary considerably over the year depending on the timing of the receipt of license fees and contracts and little emphasis should be placed on individual half-year contributions Non-cash costs (depreciation and a charge under IFRS2 for share based payments) totalled £0 56m (2009 £0 59m) Administrative expenses were £4 89m (2009 £4 84m)

The profit on ordinary activities after taxation for the twelve-month period ended 31st December 2010 was £4 56m (2009 £4 01m loss after taxation)

At the year-end cash in hand was a healthy £9 54m (2009 £0 13m) and the board expects that, subject to unforeseen circumstances, costs in 2011 will remain similar to the levels in 2010

The balance sheet also reflected the proceeds of the placing and open offer to shareholders in 2010 and was further strengthened following conversion of £5m of the loan from C D J Pearce into ordinary shares of the company Capital expenditure of £0 63m was incurred through the purchase of laboratory equipment and the major part of deferred salaries due to Directors was paid during the period As a result, cash used in operations totalled £4 12m

Current Outlook

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

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

Chairman's Statement (continued)

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

Steve Harris
Chairman

6th June, 2011

Directors' report

For the year ended 31st December 2010

The Directors present their annual report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31st December 2010

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping proper 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 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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Principal activity and business review

The Company is required to set out in this report a review of the business of the Group during the financial year ended 31st December 2010, and of the position of the Group at the end of that financial year and a description of the principal risks and uncertainties facing the Group Other information that fulfils the requirements of the Business Review including an analysis of the key performance indicators can be found in the Director's Report, in the Chairman's Statement on pages 3 to 8 and in the Financial Statements on pages 20 to 58

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

PS Biomarker Services™ (incorporating ProteoSHOP®) provides integrated proteomic services for biomarker discovery, validation and measurement 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

Directors' report (continued)

For the year ended 31st December 2010

Principal activity and business review (continued)

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

Veri-Q Inc , a subsidiary company in which the Group has an interest of 76 9%, is developing 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 Company'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 Company's activities in the next year

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

Principal risks and uncertainties

Licencing arrangements and uncertainty of commercialisation

The Company intends to sub-licence 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

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 Company's developments obsolete or uncompetitive

Dependence on key personnel

The Company depends on its ability to attract and retain qualified management and scientific personnel Competition for such personnel is intense Whilst the Company 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

Patent applications and proprietary rights

The Company 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 Company also seeks patent protection for its proprietary technology

There is no assurance that the Company'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 Company fails to obtain patents for its technology and is required to rely on unpatented proprietary technology, no assurance can be given that the Company can meaningfully protect its rights in such unpatented proprietary products and techniques

Litigation

It was announced on 28th September 2010 that the Company had settled its claim in the District Court of Frankfurt am Main against Sanofi-Aventis Deutschland GmbH ("Sanofi-Aventis") under which it was seeking damages for, amongst other things, the breach of certain warranties provided by Sanofi-Aventis at the time of the acquisition of Xzillion Proteomics GmbH & Co KG (now Proteome Sciences R&D GmbH & Co KG) This resulted in the receipt of £9,530,000 (€11,000,000) and is shown in revenue in the consolidated income statement

Post balance sheet events

Details of significant events since the balance sheet date are contained in note 29 to the Financial Statements

Financial instruments

Information about the use of financial instruments by the Company and its subsidiaries and the Group's financial risk management policies is given in note 27 on pages 55 to 57

Results and dividends

The profit after tax for the year was £4,563,163 (2009 – loss £4,009,830) following the receipt of income from the settlement of the Sanofi-Aventis claim The Directors do not recommend the payment of a dividend (2009 £nil) The Group results are described in the consolidated income statement on page 20

Directors and their interests

The Directors who served during the year are as shown below

R S Harris	Non-Executive, Chairman
C D J Pearce	Chief Executive
J L Malthouse	Finance Director
Dr I H Pike	Chief Operating Officer (appointed 30th September 2010)
Professor W Dawson	Non-Executive
Dr A E A Lindberg	Non-Executive (resigned 10th January 2011)
Dr A I Walker	Non-Executive (appointed 22nd December 2010)

In accordance with the Company's articles, R S Harris and C D J Pearce retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election Dr I H Pike, who was appointed by the Board on 30th September 2010 and Dr A I Walker, who was appointed by the Board on 22nd December 2010, offer themselves for election at the Annual General Meeting

The Directors at 31st December 2010 and their interests in the share capital of the Company were as follows

a) Beneficial interests in Ordinary Shares

Name of Director	31st December 2010 Number of Ordinary Shares of 1p each	31st December 2009* Number of Ordinary Shares of 1p each
R S Harris	177,199	153,000
C D J Pearce	31,538,075	6,538,075
J L Malthouse	755,031	625,000
Dr I H Pike	-	-
Professor W Dawson	20,372	15,124
Dr A E A Lindberg	-	-
Dr A I Walker	-	-

*or date of appointment, if later

No changes took place in the beneficial interests of the Directors between 31st December 2010 and 6th June, 2011

Directors and their interests (continued)

b) Number of Ordinary Shares under option

		Number at 31st December 2009	Lapsed in the year	Number at 31st December 2010	Exercise price (pence)	Date of grant
C D J Pearce						
	(i)	555,743	(555,743)	-	50 5p	29th January 2003
	(i)	264,255	-	264,255	117 5p	9th July 2004
	¤	819,998	(555,743)	264,255		
J L Malthouse						
	(i)	342,653	(342,653)	-	50 5p	29th January 2003
	(i)	159,574	-	159,574	117 5p	9th July 2004
		502,227	(342,653)	159,574		
Dr I H Pike						
	(i)	50,000	(50,000)	-	63 0p	2nd April 2003
	(i)	50,000	(50,000)	-	156 5p	12th November 2003
	(ii)	60,301	-	60,301	49 75p	25th November 2002
		160,301	(100,000)	60,301		

(i) Denotes options granted under the Unapproved Scheme which was adopted in 1994 The options are exercisable on or after the third anniversary of the date of grant (or, if earlier, the date on which any shares in the Company are first admitted to the Official List of the London Stock Exchange) and will lapse on the seventh anniversary of the date of grant

(ii) Denotes options granted under the Approved Scheme which was adopted in 1995 The options are exercisable on or after the third anniversary of the date of the grant (or, if earlier, the date on which any shares in the Company are first admitted to the Official List of the London Stock Exchange) and will lapse on the tenth anniversary of the date of grant

Directors and their interests (continued)

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

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

		Number at 31st December 2009*	Lapsed in the year	Number at 31st December 2010	First Vesting Date	Latest Exercise Date
(i) C D J Pearce	(a)	504,523	(299,738)	204,785	-	2nd July 2017
	(b)	1,882,500	-	1,882,500	31st July 2011	-
		2,387,023	(299,738)	2,087,285		
(ii) J L Malthouse	(a)	470,352	(279,437)	190,915	-	2nd July 2017
	(b)	1,170,000	-	1,170,000	31st July 2011	-
		1,640,352	(279,437)	1,360,915		
(iii) Dr I H Pike	(a)	301,508	(179,126)	122,382	-	2nd July 2017
	(b)	750,000	-	750,000	31st July 2011	-
		1,051,508	(179,126)	872,382		

*or date of appointment, if later

The entitlement to shares under the LTIP is subject to achieving the performance conditions referred to in the LTIP section on page 16 The figures shown are maximum entitlements and the actual number of shares (if any) will depend on these performance conditions being achieved

Awards made have no performance retesting facility

The numbers shown in (i) (a), (ii) (a) and (iii) (a) at the 31st December, 2010 relate to awards that have vested but have not yet been subsequently exercised

The market price at the date of grant of the above awards numbered (i) (a), (ii) (a) and (iii) (a) was 49 75p, and for the awards numbered (i) (b), (ii) (b) and (iii) (b) was 25p

d) As set out in note 20(b) (i) to (vii) to these Accounts, C D J Pearce has made a loan facility available to the Company which can be converted, at Mr Pearce's option, into Ordinary Shares of the Company at the lower of market price on the date of conversion or the average price over the lowest consecutive ten day trading period since the 29th June, 2006 (the date on which details of the original loan agreement were disclosed)

e) The market price of the Ordinary Shares at 31st December 2010 was 35p and the range during the year was 20p to 37 75p

Non-executive Directors

Steve Harris is a Fellow of the Royal Pharmaceutical Society Until June 1995 he was Director of Development and Licensing at Medeva plc He has worked in the pharmaceutical industry for 45 years including with ICI, Merck Sharp & Dohme, Eli Lilly, Boots, Reckitt and Colman, and Gensia He is the non-executive Chairman of Cyprotex plc, Aquapharm Biodiscovery Limited and Ocelus Limited

Directors' report (continued)
For the year ended 31st December 2010

Non-executive Directors (continued)
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, Pharmovation Limited, Novolytics Limited, Antitope Limited and is Chair of the Board of Governors of De Montfort University, a Fellow of the Royal Pharmaceutical Society and of the Royal Society of Chemistry

Dr Alf A Lindberg retired from his position as Executive Vice President of Research & Development at Aventis Pasteur in 2001 Before that he held the same position at Wyeth Vaccines between 1992 and 1995 From 1982 to 1992 he was Professor of Clinical Bacteriology at the Huddinge University Hospital, Karolinska Institute, Stockholm, Sweden He is a consultant to the biotech and pharmaceutical industry and a non-executive Director of Lytix A/S in Norway and Catella Healthcare Investment, Eurocine Vaccines and IscoNova AB in Sweden

Dr Anthony Walker has considerable commercial and scientific expertise in the life sciences and biotechnology industries with 12 years as CEO of Onyvax, a cancer vaccines company he co-founded in 1997, and currently as a partner at Alacrita LLP Previously, he spent ten years as a management consultant specialising in the pharmaceutical and biotechnology industries, initially at Arthur D Little where he launched the UK Pharmaceutical Practice and subsequently at The Wilkerson Group

Substantial shareholdings
As at 1st June, 2011, 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	31,538,075	16 41
Cubana Investments Limited	32,463,523	16 89

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

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

Corporate governance
Although, as a Company listed on the Alternative Investment Market of the London Stock Exchange, the Company is not required to make a formal statement setting out the extent of its compliance with the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2008 (the "Code"), the policy of the Board of Directors of the Company (the "Board") is to try to manage the affairs of the Company in accordance with the principles of the Code insofar as it considers it practical to do so and is appropriate for a company of its size

Corporate governance (continued)

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 committee and remuneration committee

Internal control

The Board has overall responsibility for ensuring that the Group maintains a system of internal control to provide them 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 and 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

Key performance indicators ("KPI's")

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 licencing 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 Statement on pages 3 to 8 of these accounts

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 2010 are set out on page 25 of these accounts and in notes 24 and 25

The group's liquidity position improved substantially in 2010 but a priority remains to further reduce its indebtedness through cash flows arising from commercial income

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 statement on pages 3 to 8 and the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the notes to the Accounts, in particular in the consolidated cash flow statement on page 25 and in notes 20 (financial liabilities) and 27 (financial instruments)

After making appropriate enquiries and in view of the group's current cash resources and the operational cash outflows and inflows anticipated over the next twelve months, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the annual report and accounts

Remuneration committee report

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

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

The Company's Long Term Incentive Plan was closed for new awards in 2009 and the Remuneration Committee, in conjunction with Wessex Professional Services Ltd, a specialist executive compensation and share scheme consultancy, has therefore addressed the need to replace this scheme and the 2004 Share Option Plan which has also expired

Following this review it is proposed to adopt new share plans and a separate circular containing details of these schemes accompanies these accounts

In view of the Company's dependence on its key executives, the service contracts of Mr Pearce and Mr Malthouse were 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

Supplier payment policy

It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, providing that the supplier has also complied with them As the Company owed no amounts to trade creditors at 31st December 2010, the number of days to be shown in this Report, to comply with the provisions of Schedule 8 12 of the Companies Act 2006, is nil (2009 nil) The equivalent figure for the Group is 19 days (2009 22 days)

Directors' report (continued)
For the year ended 31st December 2010

Auditors
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 auditors are 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 auditors are 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 re-appoint Deloitte LLP as auditors 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 Company

Special business at the Annual General Meeting
At the Annual General Meeting of the Company to be held on 29th June 2011, as well as the routine business, the following items will be proposed as Special Business

i) **Resolution 7** - An Ordinary Resolution (Resolution 7), as set out in the Notice on page 59, will be proposed to renew the Directors' authority to allot relevant securities up to an aggregate nominal amount of £640,510 64 which represents approximately a third of the current issued Ordinary Share capital of the Company as at 6th June 2011 The authority will lapse at the conclusion of the next Annual General Meeting after the passing of the Resolution or on 29th June 2012, whichever is the earlier The Directors do not have any present intention of exercising this authority

ii) **Resolution 8** - Resolution 8, which is set out in the Notice on pages 59 to 60, will be proposed as a Special Resolution of the Company The Resolution will renew the Directors' authority under Section 570 of the Companies Act 2006 to disapply pre-emption rights, thereby enabling the allotment of a limited number of shares for cash up to an aggregate nominal amount of £384,344 80, representing 20 per cent of the current issued Ordinary Share capital of the Company as at 6th June 2011 The proposed authority, if granted, will expire at the conclusion of the next Annual General Meeting after the passing of the Resolution or on 29th June 2012, whichever is the earlier

iii) **Resolution 9** – As referred to above, accompanying these accounts you will find a separate circular containing details relating to the proposed adoption of new share plans
Resolution 9 which is set out in the Notice on page 60 will be proposed as an Ordinary Resolution of the Company to adopt the Proteome Sciences plc 2011 Long Term Incentive Plan and the Proteome Sciences plc 2011 Share Option Plan and to authorise the directors to do all things necessary and expedient to carry the plans into effect

Special business at the Annual General Meeting
The Directors believe that the proposed resolutions are in the best interest of the company and its shareholders and unanimously recommend shareholders to vote in favour of the proposed resolutions, as the Directors intend to do in respect of their own beneficial shareholdings

Coveham House
Downside Bridge Road
Cobham,
Surrey KT11 3EP

6th June 2011

By order of the Board,

J L Malthouse
Company Secretary

Independent auditors' report
For the year ended 31st December 2010

To the Members of Proteome Sciences plc

We have audited the financial statements of Proteome Sciences plc for the year ended 31st December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 29 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 auditors' 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 Directors' Responsibilities Statement, 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 Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2010 and of the Group's profit 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 as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

For the year ended 31st December 2010

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
- 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

Tobias Wright

Tobias Wright (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Southampton, United Kingdom

Date 6th June 2011

Consolidated income statement
For the year ended 31st December 2010

	Notes	Year ended 31st December 2010 £	Year ended 31st December 2009 £
Continuing operations			
Revenue			
Warranty settlement		9,530,000	-
License agreement fees		-	1,170,000
Other revenue		336,628	135,694
Revenue	5, 6	9,866,628	1,305,694
Cost of sales		(105,144)	(329,000)
Gross profit	7	9,761,484	976,694
Administrative expenses		(4,887,763)	(4,842,600)
Operating profit/(loss)		4,873,721	(3,865,906)
Investment revenues	8(i)	14,342	786
Finance costs	8(ii)	(299,365)	(331,736)
Profit/(loss) before taxation		4,588,698	(4,196,856)
Tax	12	(25,535)	187,026
Profit/(loss) for the period from continuing operations		4,563,163	(4,009,830)
Attributed to shareholders of the company		4,563,163	(4,009,830)
Earnings/(loss) per share			
Basic and diluted	13	2 79p	(3 02p)

Consolidated statement of comprehensive income
For the year ended 31st December 2010

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

Consolidated balance sheet
For the year ended 31st December 2010

	Notes	2010	2009
		£	£
Non-current assets			
Goodwill	14	4,218,241	4,218,241
Property, plant and equipment	15	677,336	222,165
Other investments	17	763,502	763,502
		5,659,079	5,203,908
Current assets			
Inventories	18	209,281	169,946
Trade and other receivables	19 (a)	184,779	694,752
Cash and cash equivalents	19 (b)	9,543,870	131,158
		9,937,930	995,856
Total assets		15,597,009	6,199,764
Current liabilities			
Trade and other payables	20 (a)	(1,440,798)	(1,058,340)
Current tax liabilities		(49,757)	(27,990)
Short-term borrowings	20 (b)	(6,333,478)	(11,787,021)
Short-term provisions	20 (c)	(404,440)	(2,433,886)
		(8,228,473)	(15,307,237)
Net current assets/(liabilities)		1,709,457	(14,311,381)
Non-current liabilities			
Long-term provisions	20 (c)	(149,788)	(130,421)
Total liabilities		(8,378,261)	(15,437,658)
Net assets/(liabilities)		7,218,748	(9,237,894)
Equity			
Share capital	21	1,921,724	1,328,036
Share premium account	23	40,582,138	29,660,338
Equity reserve	23	2,606,818	2,207,586
Other reserve	23	10,755,000	10,755,000
Translation reserve	23	98,820	120,061
Retained loss	23	(48,745,752)	(53,308,915)
Total equity/(deficit)		7,218,748	(9,237,894)

Signed on behalf of the Board

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 6th June 2011 They were signed on its behalf by

C D J Pearce CDJ Pearce Director

J L Malthouse Director

6th June 2011

The accompanying notes are an integral part of this consolidated balance sheet

Company balance sheet

For the year ended 31st December 2010

	Notes	2010 £	2009 £
Non-current assets			
Investment in subsidiaries	16	35,218,808	43,630,009
Other investments	16	763,502	763,502
		35,982,310	44,393,511
Current assets			
Trade and other receivables	19 (a)	4	4
Cash and cash equivalents	19 (b)	9,522,416	39,107
		9,522,420	39,111
Total assets		45,504,730	44,432,622
Current liabilities			
Loan from other group entity		(307,568)	(318,937)
Short-term borrowings	20 (b)	(1,220,540)	(11,787,021)
Total liabilities		(1,528,108)	(12,105,958)
Net assets		43,976,622	32,326,664
Equity			
Share capital	21	1,921,724	1,328,036
Share premium account	23	40,582,138	29,660,338
Group reconstruction reserve	23	1,082,244	1,082,244
Equity reserve	23	2,606,818	2,207,586
Retained loss	23	(2,216,302)	(1,951,540)
Total equity		43,976,622	32,326,664

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 6th June 2011 They were signed on its behalf by

C D J Pearce Director

J L Malthouse Director

6th June 2011

Consolidated statement of changes in equity

For the year ended 31st December 2010

	Share capital £	Share premium account £	Equity reserve £	Translation reserve £	Other reserve £	Retained loss £	Total £
At 1st January 2009	1,328,036	29,660,338	1,769,922	161,531	10,755,000	(49,299,085)	(5,624,258)
Loss for the year	-	-	-	-	-	(4,009,830)	(4,009,830)
Exchange differences on translation of foreign operations	-	-	-	(41,470)	-	-	(41,470)
Total comprehensive income/(expense) for the year	1,328,036	29,660,338	1,769,922	120,061	10,755,000	(53,308,915)	(9,675,558)
Share-based payment charge	-	-	437,664	-	-	-	437,664
At 31st December 2009	1,328,036	29,660,338	2,207,586	120,061	10,755,000	(53,308,915)	(9,237,894)
At 1st January 2010	1,328,036	29,660,338	2,207,586	120,061	10,755,000	(53,308,915)	(9,237,894)
Profit for the year	-	-	-	-	-	4,563,163	4,563,163
Exchange differences on translation of foreign operations	-	-	-	(21,241)	-	-	(21,241)
Total comprehensive income/(expense) for the year	1,328,036	29,660,338	2,207,586	98,820	10,755,000	(48,745,752)	(4,695,972)
Issue of share capital	593,688	10,921,800	-	-	-	-	11,515,488
Share-based payment charge	-	-	399,232	-	-	-	399,232
At 31st December 2010	1,921,724	40,582,138	2,606,818	98,820	10,755,000	(48,745,752)	7,218,748

Company statement of changes in equity

For the year ended 31st December 2010

Company

	Share capital	Share premium account	Group reconstruction reserve	Equity reserve	Profit and loss account	Total
	£	£	£	£	£	£
At 1st January 2009	1,328,036	29,660,338	1,082,244	1,769,922	(1,643,208)	32,197,332
Retained loss for the year	-	-	-	-	(308,332)	(308,332)
Share based payment charge	-	-	-	437,664	-	437,664
31st December 2009	1,328,036	29,660,338	1,082,244	2,207,586	(1,951,540)	32,326,664
At 1st January 2010	1,328,036	29,660,338	1,082,244	2,207,586	(1,951,540)	32,326,664
Retained loss for the year	-	-	-	-	(264,762)	(264,762)
Share based payment charge	-	-	-	399,232	-	399,232
Issue of share capital	593,688	10,921,800	-	-	-	11,515,488
At 31st December 2010	1,921,724	40,582,138	1,082,244	2,606,818	(2,216,302)	43,976,622

Consolidated and Company cash flow statements

For the year ended 31st December 2010

	Note	Group Year ended 31st December 2010 £	Company Year ended 31st December 2010 £	Group Year ended 31st December 2009 £	Company Year ended 31st December 2009 £
Cash flows from operating activities					
Cash generated by/ (used in) operations	24	4,116,861	(90,538)	(2,831,271)	(2,512,706)
Interest paid		(299,365)	(186,187)	(331,736)	(331,691)
Tax refunded		185,373	-	191,072	-
Net cash inflow/(outflow) from operating activities		4,002,869	(276,725)	(2,971,935)	(2,844,397)
Cash flows from investing activities					
Purchases of property, plant and equipment		(630,775)	-	(10,579)	-
Interest received		14,342	11,963	786	112
Net cash (outflow)/inflow from investing activities		(616,433)	11,963	(9,793)	112
Financing activities					
Proceeds on issue of shares		11,515,489	11,515,489	-	-
Loans (repaid)/new loans raised		(5,453,540)	(1,767,418)	2,699,359	2,699,359
Net cash from financing activities		6,061,949	9,748,071	2,699,359	2,699,359
Net increase/(decrease) in cash and cash equivalents		9,448,385	9,483,309	(282,369)	(144,926)
Cash and cash equivalents at beginning of year		131,158	39,107	273,810	184,033
Effect of foreign exchange rate changes		(35,673)	-	139,717	-
Cash and cash equivalents at end of year	25	9,543,870	9,522,416	131,158	39,107

Notes to the consolidated financial statements

For the year ended 31st December 2010

1 General information

Proteome Sciences plc is a company incorporated in the United Kingdom under registration number 02879724 The address of the registered office is given on page 2 The nature of the Group's operations and its principal activities are set out in the Directors report on pages 9 to 17 These financial statements are the consolidated financial statements of Proteome Sciences plc and its subsidiaries ("the Group")

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

2 Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted but have not affected the amounts reported in these financial statements However, they may impact the accounting for future transactions and arrangements

IFRS 3(2008) *Business Combinations*, IAS 27(2008) *Consolidated and Separate Financial Statements*, IAS 28(2008) *Investments in Associates*	These standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate IFRS 3(2008) has also introduced additional disclosure requirements for acquisitions
IFRIC 17 Distributions of Non-cash Assets to Owners	The Interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled
IFRS 2 (amended) Group Cash-settled Share-based Payment Transactions	The amendment clarifies the accounting for share-based payment transactions between group entities

The following amendments were made as part of *Improvements to IFRSs (2009)* The amendments have not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements

Amendment to IFRS 2 *Share-based Payment*	IFRS 2 has been amended, following the issue of IFRS 3(2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2
Amendment to IAS 17 *Leases*	IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17
Amendment to IAS 39 *Financial Instruments Recognition and Measurement*	IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard

2 Adoption of new and revised standards (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 9	*Financial Instruments*
IAS 24 (amended)	*Related Party Disclosures*
IAS 32 (amended)	*Classification of Rights Issues*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
IFRIC 14 (amended)	*Prepayments of a Minimum Funding Requirement*
Improvements to IFRSs (May 2010)	

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1st January 2013 will impact both the measurement and disclosures of Financial Instruments
The directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods

3 Significant accounting policies

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

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

Basis of preparation – going concern
The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the financial statements

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 where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

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 arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses 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

3 Significant accounting policies (continued)

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

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

Goodwill arising on acquisition before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes It also includes non-recurring income received in respect of the settlement of the warranty claim against Sanofi-Aventis Deutschland GmbH
Sales of goods are recognised when goods are delivered and title has passed Licence income is recognised when the benefit has been transferred to the licensee Royalty revenue is recognised on an accruals basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be recognised reliably)

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

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

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

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

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

3 Significant accounting policies (continued)

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

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

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

Government grants
Government grants relating to property, plant and equipment are treated as deferred income and released to income statement over the expected useful lives of the assets concerned

Other grants are credited to the income statement as the related expenditure is incurred

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

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

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG from Aventis Research & Technologies GmbH & Co KG, the Group contributes to two defined benefit pension schemes in Germany Both schemes are multi-employer defined benefit schemes administered by Pensions Kasse der Mitarbeiter der Hoechst-Gruppe The schemes' assets are held in separately administered funds 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 schemes Accordingly the schemes have been accounted for as defined contributions schemes The Group's contributions to the schemes are included within the amount charged to the income statement in respect of pension contributions

No information is available about any surplus or deficit that exists in the schemes

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

3 **Significant accounting policies (continued)**

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

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

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

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

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

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

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

Laboratory equipment, fixtures and fittings	20%
Motor vehicles	25%

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 expensed 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

3 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31st December 2010

3 Significant accounting policies (continued)

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

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

Borrowings

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

Trade payables

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

Provisions

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

Share-based payments

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

Fair value is measured by use of the Black Scholes model 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

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from the Group's research and development is recognised only if all of the following conditions are met

- An asset is created that can be identified (such as software and new processes),
- It is probable that the asset created will generate future economic benefits, and
- The development cost of the asset can be measured reliably

4 Critical accounting judgements and key sources of estimation uncertainty (continued)

Internally-generated intangible assets – research and development expenditure (continued)
Internally-generated intangible assets are amortised on a straight-line basis over their useful lives Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

The Directors do not consider that any such intangible assets have been created in 2010

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

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

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

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

Legal claims and provisions
Following the settlement of the company's warranty claim against Sanofi-Aventis Deutschland GmbH this is no longer a matter of estimation uncertainty

5 Revenue

An analysis of the Group's revenue is as follows

	2010	2009
	£	£
Warranty settlement	9,530,000	-
Licence and sales income and fees for services (Other revenues)	336,628	1,305,694
Investment revenues	14,342	786
	9,880,970	1,306,480

6 Segment information

The Group's operations are organised into three geographic regions United Kingdom, Germany and US Internal reporting on costs and performance is segregated into these segments Under the predecessor Standard (IAS14 Segment Reporting) the Group's operating segments were analysed on the basis of geographical segments. The adoption of IFRS8 therefore does not result in a change of reportable segments

IFRS 8, Operating Segments, has been applied from 1st January 2009 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

6 Segment information (continued)

Geographical segments

	United Kingdom		Germany		US		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue	£	£	£	£	£	£	£	£
Revenue – all external	336,628	1,305,694	-	-	-	-	336,628	1,305,694
Warranty Settlement	9,530,000	-	-	-	-	-	9,530,000	-
Result	7,061,193	(1,459,414)	(2,158,776)	(2,379,171)	(28,696)	(27,321)	4,873,721	(3,865,906)
Operating profit/(loss)	7,061,193	(1,459,414)	(2,158,776)	(2,379,171)	(28,696)	(27,321)	4,873,721	(3,865,906)
Investment revenues	13,273	786	1,069	-	-	-	14,342	786
Finance costs	(299,129)	(331,736)	(236)	-	-	-	(299,365)	(331,736)
Profit/(loss) before tax	6,775,337	(1,790,364)	(2,157,943)	(2,379,171)	(28,696)	(27,321)	4,588,698	(4,196,856)
Tax	-	185,000	(25,535)	2,026	-	-	(25,535)	187,026
Profit/(loss) after tax	6,775,337	(1,605,364)	(2,183,478)	(2,377,145)	(28,696)	(27,321)	4,563,163	(4,009,830)

Other information

	United Kingdom		Germany		US		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£	£	£
Capital additions	9,681	309	621,093	10,270	-	-	630,774	10,579
Depreciation	9,000	12,288	159,141	143,450	-	-	168,141	155,738
Assets								
Segment assets	9,631,488	817,136	5,187,712	4,607,706	14,307	11,420	14,833,507	5,436,262
Other investments							763,502	763,502
Consolidated total assets							15,597,009	6,199,764

	United Kingdom		Germany		US		Consolidated	
	2010	2009	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£	£	£
Liabilities								
Segment liabilities	(7,702,475)	(14,736,438)	(665,026)	(690,573)	(10,760)	(10,647)	(8,378,261)	(15,437,658)

6 Segment information (continued)

Revenues from major products and services

The Group's revenues from its major products and services were as follows	2010	2009
	£	£
Continuing operations		
TMT® product sales	218,935	117,998
Licence income	-	1,170,000
Other	117,693	17,696
Revenues from major products and services	336,628	1,305,694
Warranty settlement	9,530,000	-
Consolidated revenue (excluding investment revenue)	9,866,628	1,305,694

Geographical Information

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

	2010	2009
	£	£
UK	-	11,549
US	330,607	1,294,145
Other	6,021	-
	336,628	1,305,694
Warranty settlement	9,530,000	-
Consolidated revenue (excluding investment revenue)	9,866,628	1,305,694

Information about the Group's segment assets by geographical information can be found on page 34 within the main operating segment information

Included in revenues arising from the US segment are revenues of approximately £218,935 (2009 £1,273,801) which arose from sales to the Group's largest customer

7 Administrative expenses

	2010	2009
	£	£
Administrative expenses excluding research and development	2,308,187	1,882,012
Research and development expenses	2,579,576	2,960,588
Administrative expenses	4,887,763	4,842,600

8 (i) Investment revenues

	2010	2009
	£	£
Investment revenues represent income arising from bank deposits	14,342	786

(ii) Finance costs

	2010	2009
	£	£
Interest on loans (note 20)	299,365	331,736

9 Profit/(loss) on ordinary activities before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)	2010	2009
	£	£
Depreciation charge		
- owned	168,141	155,738
Research and development costs	2,579,576	2,960,588
Government grants	(113,460)	(418,996)
Operating lease rentals		
- other	261,908	307,667
Auditors' remuneration (see below)	93,310	105,900
Staff costs (note 10)	2,664,786	2,261,914
Net foreign exchange gains	(130,629)	(25,919)

The analysis of auditors' remuneration is as follows

	2010	2009
	£	£
Fees payable to the Company's auditors for the audit of the Company's annual accounts	33,350	31,800
Fees payable to the Company's auditors for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	12,850	11,000
Total audit fees	46,200	42,800
Tax services	39,562	55,200
Other services – VAT, grants and share schemes advice	7,548	7,900
Total non-audit fees	47,110	63,100

10 Staff costs

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

	2010 Number	2009 Number
Research and development	33	33
Administration	6	6
	39	39

Their aggregate remuneration (including that of executive Directors) comprised		£
Wages and salaries	3,350,005	1,807,865
Social security costs	516,759	300,346
Other pension costs (see note 26(c))	799,001	153,703
	4,665,765	2,261,914
Less Charged to the refinancing provision (see notes 11 and 20)	(2,000,979)	-
	2,664,786	2,261,914

The charge for wages and salaries in 2010 includes £1,293,532 (2009 £nil) for salary payments to the executive directors made in accordance with note 11(xi) below and the related national insurance thereon is included in social security costs in this table

In addition, other pension costs in 2010 include £632,500 (2009 £nil) for pension payments to the executive directors which were also made in accordance with note 11(xi) below

11 Directors' remuneration and transactions

The Directors' emoluments in the year ended 31st December 2010, excluding pension costs, were

	Basic salary 2010 £	Incentive Payments 2010 £	Deferred Salary 2010 £	Benefits in kind 2010 £	Total 2010 £	Total 2009 £
Executive Directors						
C D J Pearce	132,526	-	1,010,203	13,314	1,156,043	26,766
J L Malthouse	119,542	-	283,329	19,918	422,789	53,935
Dr I Pike (from 1 10 2010)	30,000	50,000	-	929	80,929	-
Dr P Schulz-Knappe	-	-	-	-	-	135,741
Non-Executive Directors						
Prof W Dawson	13,750	-	-	-	13,750	-
R S Harris	19,000	-	101,000	-	120,000	-
Dr A E A Lindberg	12,500	-	50,000	-	62,500	-
	327,318	50,000	1,444,532	34,161	1,856,011	216,442

(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 (2009 none)

(iv) Details of the options in place and of awards under the Company's Long-Term Incentive Plan are given in the Directors' Report on pages 12 and 13

(vii) By agreements dated 1st July, 2006 certain executive and non-executive Directors agreed to waive all or part of their salaries with effect from that date These agreements were to remain in force until the Company or the Director served notice of termination thereof by giving one day's prior written notice The aggregate emoluments in 2009 above were exclusive of the waived salaries The waived salaries were provided for as set out at note 20(c)

(viii) Subject to the provisions of (ix) below, in the event that there was, in the reasonably held opinion of the Director notified in writing to the Company, a successful licensing round, funding round, merger, material business acquisition or takeover by or of the Company, the Company agreed to make to the Director a payment (net of tax and other deductions) of an amount equal to the amount of the Remuneration that would have been payable to the Director up to the date of making such payment (or the end of the period from 1st July 2006 to such date as is notified by the Director under this clause (the "Period"), whichever occured first) had the Director not waived his entitlement to receive payment of such amount pursuant to (vii) above, provided that after a payment had been made pursuant to this clause, no further sum should be payable pursuant to (ix) below

(ix) If any of the following events occurred before the payment referred to in (viii) above was paid, the Director would no longer be entitled to receive any payment pursuant to (viii) above (whether or not an event of the type referred to in (viii) has occurred) and the Company should have upon the first of such following events occurring become liable to pay to the Director an amount (net of tax and other deductions) equal to the amount of the Remuneration that would have been payable to the Director up to the date of making such payment (or the end of the Period, whichever occurred first) had the Director not waived his entitlement to receive payment of such amount pursuant to (viii) above

(a) Termination of the Director's employment with the Company

(b) The making of any proposal to amend the Director's contract of service which the Director reasonably regards as involving a material adverse change in the rates of remuneration or the main terms of employment

Notes to the consolidated financial statements
For the year ended 31st December 2010

11 **Directors' remuneration and transactions (continued)**

(c) Any insolvency event in respect of the Company, including the passing of any resolution to wind up (whether voluntarily or otherwise but not for the purpose of a solvent reconstruction or amalgamation), any composition with creditors and the appointment of a receiver or administrator to any material part of the Company's business or assets

Provided that payment pursuant to this paragraph (ix) should be made on one occasion only and after such payment has been made, no further amounts should be payable to the Director pursuant to this paragraph

(x) The Company re-instated the payment of full salaries to the Directors from the 1st July 2010

(xi) By separate deeds of waiver dated 9th December, 2010 with R S Harris, Prof W Dawson, Dr A Lindberg, C D J Pearce and J L Malthouse it was agreed that whilst the receipt of €11m in full and final settlement of a claim issued by the company against Sanofi-Aventis Deutschland GmbH ("settlement") did not constitute an event under note (viii) above the Remuneration Committee of the Board had nevertheless resolved that in the light of the settlement it wished to pay various sums for the Directors in full and final settlement of any obligations that might be owed by the Company to them in the future as a result of the occurrence of such an event

These payments are included in the Deferred salary column in the table above and also within the employer pension contributions set out in note (xiii) below)

(xii) An amount of £2,000,979 has been released in the 2010 accounts from the provision of £2,113,479 at the 31st December 2009 to cover amounts which have been paid under (xi) above, and which relate to salaries waived and the related employer's national insurance thereon

(xiii) With effect from 1st May, 2011 J L Malthouse has entered into a salary sacrifice agreement by which the amount of his basic salary was reduced by 20% in return for the company's making a similar additional contribution to his pension scheme

(xiv) The number of directors in pension schemes is as follows

	2010	2009
Money purchase pension schemes	2	2

Pension costs in the year ended 31st December 2010 were as follows

	2010 £	2009
R S Harris	20,000	-
Prof W Dawson	123,750	-
C D J Pearce	255,000	22,500
J L Malthouse	408,600	16,812
	807,350	39,312

Pension costs in 2010 include £776,250 (2009 £nil) of exceptional costs arising from the payments made under clause (xi) above

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 £nil (2009 £nil)

b) Save as disclosed in (a) above and in note 20(b), no Director had a material interest in any contract of significance with the Company in either year

12 Tax (charge)/credit on loss on ordinary activities

	2010 £	2009 £
UK Corporation tax – R&D tax credit	373	185,000
Overseas tax (charge)/credit	(25,908)	2,026
Group tax (charge)/credit for the year	(25,535)	187,026

The UK Corporation tax credit relates to research and development tax credits claimed under the Finance Act 2000

At 31st December 2010 there were tax losses available for carry forward of approximately £40 2 million (2009 £41 7 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 (charge)/credit for the year
The tax (charge)/credit for the year is lower (2009 lower) than the standard rate of corporation tax in the UK The differences are explained below

	2010 £	2009 £
Profit/(loss) from operations	4,588,698	(4,196,856)
Income tax (charge)/credit calculated at 28 0% (2009 28 0%)	(1,284,835)	1,175,120
Effects of		
Expenses that are not deductible in determining taxable profit	(126,868)	(185,796)
Fixed asset timing differences	(282)	(2,606)
Effect of concessions (Research and Development)	-	504,581
Short-term timing differences	557,436	(118,153)
(Losses surrendered for R&D tax credit)/R&D relief	629,547	(370,640)
(Unrecognised tax losses carried forward)/brought forward losses utilised	249,033	(1,002,506)
Effect of overseas tax	(49,938)	1,987
R&D tax credit claimed	372	185,039
Group tax (charge)/credit for the year	(25,535)	187,026

	2010	2009 £
Unrecognised deferred tax		
The following deferred tax assets and liability have not been recognised at the balance sheet date		
Tax losses – revenue	10,470,449	11,672,479
Temporary differences	-	-
Depreciation in excess of capital allowances	774	(339)
Provisions	53,950	610,012
Share based payments	361,657	195,000
Total	10,886,830	12,477,152

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

Notes to the consolidated financial statements

For the year ended 31st December 2010

12 Tax (charge)/credit on loss on ordinary activities (continued)

Finance Act 2010

The Finance Act 2010, which was substantively enacted on 21st July 2010 provided for a reduction in the main rate of corporation tax from 28% to 27% effective from 1st April 2011

Subsequent to the balance sheet date, on 29th March 2011 under the Provisional Collection of Taxes Act, the corporation tax rate was reduced to 26% with effect from 1st April 2011 As this additional 1% amendment had not been enacted at the balance sheet date the benefit has not been reflected in the company's effective tax rate

The Government has also indicated that it intends to enact future reductions in the main tax rate of 1% each year down to 23% by 1st April 2014 The future 1% main tax rate reductions are expected to have a similar impact on the company's financial statements as outlined above, subject to the impact of other developments in the company's tax position which may reduce the beneficial effect of this in the company's tax rate As the further reductions in UK corporate tax rates have not been substantially enacted at the balance sheet date, this is considered a non-adjusting event in accordance with IAS10 and no adjustments have been made The impact of any further reduction will be taken into account at subsequent reporting dates, once the change has been substantively enacted

13 Loss per ordinary share

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

	Basic and Diluted 2010 £	Basic and Diluted 2009 £
Profit/(loss) for the financial year	4,563,163	(4,009,830)

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	163,633,581	132,803,571
Effect of dilutive potential ordinary shares	450	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	163,633,131	132,803,571

14 Intangible fixed assets - goodwill

	Goodwill £
Cost and carrying amount	
1st January 2010 and 31st December 2010	4,218,241

Goodwill relates to the acquisition of Proteome Sciences R&D GmbH & Co KG in the year ended 31st December 2002

14 Intangible fixed assets – goodwill (continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired Further details of the Group's accounting policy for goodwill are set out in note 3 on pages 27 and 28.

The Group regards Proteome Sciences R&D GmbH & Co KG as a single cash-generating unit ("CGU") for the purpose of testing goodwill and the recoverable amounts of the CGUs are determined from value in use calculations The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs The growth rates are based on industry growth forecasts Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management The cash flow projections are a long-term view and cover a period of up to ten years based on the anticipated time taken for the CGU's products to penetrate the markets The growth rate used to extrapolate the cash flows is 3% This rate does not exceed the average long-term growth rate for the relevant markets

The rate used to discount the forecast cash flows from Proteome Sciences R&D GmbH & Co KG is 15 per cent (2009 15 per cent) The Group has conducted sensitivity analysis on the impairment test of the CGU carrying value This includes varying the discount rate and the forecasted growth, but retaining the assumption that the CGU's products will successfully penetrate the markets This analysis indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill

Notes to the consolidated financial statements

For the year ended 31st December 2010

15 Property, plant and equipment

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

	Laboratory equipment, fixtures and fittings	Motor vehicles	Total
	£	£	£
Cost			
1st January 2009	3,190,931	19,150	3,210,081
Exchange adjustments	(176,773)	-	(176,773)
Additions during the year	10,579	-	10,579
Disposals during the year	(870)	-	(870)
1st January 2010	3,023,867	19,150	3,043,017
Exchange adjustments	(71,833)	-	(71,833)
Additions during the year	630,774	-	630,774
Disposals during the year	-	(19,150)	(19,150)
31st December 2010	3,582,808	-	3,582,808
Accumulated depreciation			
1st January 2009	2,797,239	15,162	2,812,401
Exchange adjustments	(146,591)	-	(146,591)
Disposals during the year	(696)	-	(696)
Charge for the year	151,750	3,988	155,738
1st January 2010	2,801,702	19,150	2,820,852
Exchange adjustments	(64,371)	-	(64,371)
Disposals during the year	-	(19,150)	(19,150)
Charge for the year	168,141	-	168,141
31st December 2010	2,905,472	-	2,905,472
Carrying amount			
31st December 2009	222,165	-	222,165
31st December 2010	677,336	-	677,336

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

16 Non-current investments

Company	Cost of shares in subsidiary undertakings	Loans to subsidiary undertakings	Other Investments	Total
	£	£	£	£
At 1st January 2009	4,500,468	36,184,012	763,502	41,447,982
Additional investment in the year	501,684	2,443,845	-	2,945,529
At 31st December 2009	5,002,152	38,627,857	763,502	44,393,511
At 1st January 2010	5,002,152	38,627,857	763,502	44,393,511
Additional/(reduced) investment in the year	399,232	(8,810,433)	-	(8,411,201)
At 31st December 2010	5,401,384	29,817,424	763,502	35,982,310

16 Non-current investments (continued)

(i) The increase in the cost of shares in subsidiary undertakings of £399,232 (2009 £501,684) represents a capital contribution between the Company and certain of its subsidiaries, reflecting the provision of equity instruments in the Company to subsidiary company employees under IFRS 2

(ii) The reduction in loans to subsidiary companies arises from the repayment of part of the loan to Electrophoretics Ltd following that company's receipt of the proceeds of £9 530m from the warranty claim settlement

(iii) For further details of other investments and the basis of their valuation see note 17

Principal Group investments

The Company has investments in the following subsidiary undertakings, which affect 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	USA	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	USA	Research Company	76 9% Common Stock	76 9% Common Stock
Phenomics Limited	United Kingdom	Dormant	100% Ordinary Shares	100% Ordinary Shares

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

17 Other investments

Group	**£**
Cost at 1st January 2010 and 31st December 2010	989,258
Amounts written off at 1st January 2010 and 31st December, 2010	(225,756)
Net Book Value at 31st December 2010	763,502

Company	**£**
At 1st January 2010 and 31st December 2010	763,502

The Company's investment in VIRxSYS currently consists of 1,173,712 (2009 1,173,712) Series G-1 Preferred Stock The Company may also receive two further tranches each of 293,428 shares, contingent upon the achievement of certain milestones

In addition, the Company has a Stock Purchase Right which entitles it to purchase from VIRxSYS, at a purchase price of $2 25, up to 880,284 shares of capital stock offered and sold by VIRxSYS in any private placement offering made for the purpose of raising funds The Stock Purchase Right expires at the earliest of 20th September 2011 or in certain other circumstances

VIRxSYS is an unlisted company and the Directors have therefore valued the company's shareholding therein with reference to recent share issues, but after applying an appropriate discount to reflect the illiquidity of the shares The investment is recorded at £763,502 in the Group and Company balance sheets as at 31st December, 2010 and the Directors consider that this appropriately represents the fair value of the investment

(i) The Group owns shares of $0 001 common stock of Geneva Proteomics, Inc which is incorporated in Delaware, United States of America, and shares of CHF100 in Europroteome SA, which is incorporated in Switzerland Geneva Proteomics Inc is currently closing down its operations, and filed a certificate of dissolution in March 2005 At this stage it is not possible to determine the extent of any repayment of capital to shareholders, and therefore the Directors believe that it is prudent to continue to hold a provision against the carrying cost of this investment

Europroteome SA is currently in insolvency proceedings

18 Inventories

	2010 £	2009 £
Work-in-progress	90,375	27,303
Finished goods	118,906	142,643
	209,281	169,946

19 Other financial assets

a) *Trade and other receivables*

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Amount receivable for the sale of goods	-	-	7,108	-
R&D tax credit recoverable	-	-	185,000	-
Other debtors	136,718	4	201,251	4
Prepayments	48,061	-	301,393	-
	184,779	4	694,752	4

No allowance for doubtful debts was made in 2010 or 2009 and thus no further disclosures on this matter are required in this note

b) *Cash and cash equivalents*

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Cash and cash equivalents	9,543,870	9,522,416	131,158	39,107

20 Other financial liabilities

(a) *Trade and other payables*

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Trade creditors and accruals	1,440,798	-	1,058,340	-

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

20 Other financial liabilities (continued)

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

(b) Short term borrowings	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Loan from related party	6,333,478	1,220,540	11,787,021	11,787,021

Note:

(i) On 29th June 2006 the Company entered into an agreement with C D J Pearce, the Chief Executive of the Company, under which he agreed to provide an unsecured loan facility of up to £2m to the Company The loan facility was available from the 1st August, 2006 and carries interest at 2 5% above the base rate of Barclays Bank Plc

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

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

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

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

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

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

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

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

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

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

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

20 Other financial liabilities (continued)

(c) Provisions

	Re-financing provision £	Other provisions £	Pensions provision £	Total £
At 1st January, 2010	2,113,479	320,407	130,421	2,564,307
Additional provision in the year	-	-	19,367	19,367
Utilisation of provision	(2,000,979)	(28,467)	-	(2,029,446)
At 31st December 2010	112,500	291,940	149,788	554,228
Included in short-term provisions				404,440
Included in long-term provisions				149,788

(i) The re-financing provision represents the amount of Directors' salaries and other remuneration waived but which may become payable in accordance with the agreements dated 1st July 2006, details of which are set out in note 11 to these accounts The greater part of this provision has been utilised following the occurrence of the events set out in note 11 (xi) above

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

(iii) The pension provision relates to pension costs which may become payable in connection with the Company's Frankfurt employees, under the pension scheme arrangements set out in note 26(c)

21 Share capital

	2010 £	2009 £
i) Authorised		
330,000,200 (2009 230,000,200) Ordinary Shares of 1p each	3,300,002	2,300,002
49,998 Redeemable Ordinary Shares of £1 each	49,998	49,998
1,063,822 5% (gross) Redeemable Preference Shares of £1 each (voting)	1,063,822	1,063,822
786,178 5% (gross) Redeemable Preference Shares of £1 each (non-voting)	786,178	786,178
	5,200,000	4,200,000

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

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

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

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

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

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

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

Both classes of 5% (gross) Redeemable Preference Shares are redeemable at the option of the Company, at any time on written notice to the holders of those shares but, in any event must be redeemed at par by 31st December 2019

ii) *Allotted and called-up*	**2010**	**2009**
	£	**£**
192,172,408 Ordinary Shares of 1p each (2009 132,803,571)	1,921,724	1,328,036

	Ordinary Shares of 1p each
	£
At 1st January 2010	1,328,036
Issued in placing	240,500
Issued in open offer	103,188
Issued on loan conversion	250,000
At 31st December 2010	1,921,724

21 Share capital (continued)

iii) Options

At 31st December 2010 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p under the Company's share option schemes as follows

		Number of shares	Amount of capital £	Subscription price	Dates normally exercisable	
Approved						
	(1)	50,847	508 47	59p	17 05 04	- 18 05 11
	(2)	40,164	401 64	34 5p	01 10 04	- 01 10 11
	(3)	60,301	603 01	49 75p	25 11 05	- 25 11 12
		151,312				
Unapproved						
	(4)	11,300	113 00	143p	24 04 07	- 24 04 11
	(5)	50,000	500 00	88 5p	30 04 07	- 30 04 11
	(6)	423,829	4,238 29	117 5p	09 07 07	- 09 07 11
		485,129				
Granted under Separate Option Deed						
	(7)	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 options were granted in the following periods

a) Year to 31st December 2001 – (1) and (2)
b) Year to 31st December 2002 – (3)
c) Year to 31st December 2004 – (4) to (6)
d) Year to 31st December 2010 – (7)

(iv) Long-Term Incentive Plan ("LTIP")

At 31st December 2010, 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 2009	Lapsed in the Year	Number at 31st December 2010		First Vesting Date	Latest Exercise Date
1,276,383	(758,301)	518,082	(a)	-	2nd July 2017
213,333	-	213,333		10th April 2011	-
3,802,500	-	3,802,500		31st July 2011	-
5,292,216	(758,301)	4,533,915			

(a) Shares that have vested in the year

21 Share Capital (continued)

(v) 2004 Share Option Plan

At 31st December 2010 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p under the Company's 2004 Share Option Plan as follows

Number of Shares	Amount of Capital (£)	Subscription Price (p)	Dates Normally Exercisable
10,000	100 00	92 5	15 7 08 – 15 7 15
13,587	135 87	92 0	19 7 08 – 19 7 15
5,000	50 00	41 5	3 5 09 – 3 5 16
15,000	150 00	43 0	9 6 09 – 9 6 16
100,000	1,000 00	49 75	2 7 10 – 2 7 17
10,000	100 00	41 5	22 10 10 – 22 10 17
84,000	840 00	37 5	10 4 11 – 10 4 18
25,000	250 00	21 0	14 7 11 – 14 7 18
180,000	1,800 00	20 0	31 7 11 – 31 7 18
442,587	4,425 87		

22 Share based payments

As described in the Director's report on page 16 the Company issues equity-settled share based payments under the 2004 Share Option Plan Such payments were also made under the Company's Approved and Unapproved share option schemes, both of which are now closed to new participants 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 is being accounted for as an equity settled scheme and has potential vesting dates from 2nd July 2010 to 31st July 2011 with any award being linked to share performance related targets The maximum award under the scheme is 5,292,216 shares A charge to the income statement of 372,425 (2009 £437,664) was made during the year in respect of the LTIP The 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 21(iv) above, and the performance conditions attaching to these awards are set out in the Directors' Report on page 16 Awards are usually forfeited if the employee leaves the Group before the vesting date

	Approved Scheme		Unapproved Scheme	
	Options	Weighted average exercise price (p)	Options	Weighted average exercise price (p)
Outstanding at 1st January 2009	265,988	50 3	2,761,876	85 8
Forfeited during the year	(63,829)	47 0	(956,751)	65 6
Outstanding at 1st January 2010	202,159	51 4	1,805,125	96 5
Forfeited in the year	(50,847)	59 0	(1,319,996)	89 6
Outstanding at 31st December 2010	151,312	48 8	485,129	115 1
Exercisable at 31st December 2010	151,312	48 8	485,129	115 1
Exercisable at 31st December 2009	202,159	51 4	1,805,125	96 5

Notes to the consolidated financial statements

For the year ended 31st December 2010

22 Share based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the period was nil (2009 nil)

	2004 Share Option Plan		LTIP	
	Options	**Weighted average exercise price (p)**	**Maximum Number of Shares**	**Weighted average fair value per share (p)**
Outstanding at 1st January, 2009	453,587	35 5	5,918,327	24 8
Forfeited during the year	(3,000)	37 5	(626,111)	31 7
Outstanding at 1st January, 2010	450,587	35 5	5,292,216	24 0
Forfeited during the year	(8,000)	46 8	(758,301)	31 7
Outstanding at 31st December 2010	442,587	-	4,533,915	20 0
Exercisable at 31st December 2010	153,587	55 7		
Exercisable at 31st December 2009	48,587	96 6		

The options outstanding at 31st December 2010 had a weighted average remaining contractual life as follows

	No of Months
Approved Scheme	13 2
Unapproved Scheme	5 7
2004 Share Option Plan	83 8
LTIP	14 9

The inputs into the Black-Scholes model were as follows

	2010	2009
Weighted average share price	34 0p	35 5p
Weighted average exercise price	34 0p	35 5p
Expected volatility	74 66% – 62 4%	74 66% – 70 7%
Expected life	4 years	4 years
Risk free rate	1 47% - 5 7%	4 04% – 5 7%
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

Notes to the consolidated financial statements

For the year ended 31st December 2010

23 Reserves

Group	Other reserve	Equity reserve	Share premium account	Profit and loss account	Translation reserve	Total
	£	£	£	£	£	£
At 1st January 2009	10,755,000	1,769,922	29,660,338	(49,299,085)	161,531	(6,952,294)
Loss on foreign currency translation	-	-	-	-	(41,470)	(41,470)
Retained loss for the year	-	-	-	(4,009,830)	-	(4,009,830)
Share-based payment charge	-	437,664	-	-	-	437,664
At 31st December 2009	10,755,000	2,207,586	29,660,338	(53,308,915)	120,061	(10,565,930)
At 1st January 2010	10,755,000	2,207,586	29,660,338	(53,308,915)	120,061	(10,565,930)
Loss on foreign currency translation	-	-	-	-	(21,241)	(21,241)
Retained profit for the year	-	-	-	4,563,163	-	4,563,163
Share-based payment charge	-	399,232	-	-	-	399,232
Share issues	-	-	11,280,079	-	-	11,280,079
Expenses of share issues	-	-	(358,279)	-	-	(358,279)
At 31st December 2010	10,755,000	2,606,818	40,582,138	(48,745,752)	98,820	5,297,024

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

Company

	Share premium account	Group reconstruction reserve	Equity reserve	Profit and loss account	Total
	£	£	£	£	£
At 1st January 2009	29,660,338	1,082,244	1,769,922	(1,643,208)	30,869,296
Retained loss for the year	-	-	-	(308,332)	(308,332)
Share based payment charge	-	-	437,664	-	437,664
31st December 2009	29,660,338	1,082,244	2,207,586	(1,951,540)	30,998,628
At 1st January 2010	29,660,338	1,082,244	2,207,586	(1,951,540)	30,998,628
Retained loss for the year	-	-	-	(264,762)	(264,762)
Share based payment charge	-	-	399,232	-	399,232
Share issues	11,280,079	-	-	-	11,280,079
Expenses of share issues	(358,279)	-	-	-	(358,279)
At 31st December 2010	40,582,138	1,082,244	2,606,818	(2,216,302)	42,054,898

Notes to the consolidated financial statements
For the year ended 31st December 2010

23 Reserves (continued)

Of total reserves shown in the Company's balance sheet, the following amounts are regarded as non-distributable or otherwise

	2010	2009
	£	£
Non-distributable		
- share premium	40,582,138	29,660,338
- group reconstruction reserve	1,082,244	1,082,244
Distributable		
- equity reserve	2,606,818	2,207,586
- profit and loss account	(2,216,302)	(1,951,540)
Total reserves	42,054,898	30,998,628

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

24 Notes to the consolidated cash flow statement

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

Notes to the consolidated financial statements
For the year ended 31st December 2010

25 Analysis and reconciliation of net debt

	Debt due within 1 Year £	Cash at bank and in hand £	Net funds/ (debt) £
1st January 2010	(11,787,021)	131,158	(11,655,863)
Cash flow	5,453,543	9,412,712	14,866,255
31st December 2010	(6,333,478)	9,543,870	3,210,392

	2010 £	2009 £
Increase/(decrease) in cash in the year	9,412,712	(142,652)
Cash inflow from increase in financing activities	5,453,543	(2,699,359)
Change in net cash/(debt) resulting from cash flows	14,866,255	(2,842,011)
Net debt at 1st January	(11,655,863)	(8,813,852)
Net cash/(debt) at 31st December	3,210,392	(11,655,863)

26 Guarantees and other financial commitments

a) Capital commitments

At the end of the year the Company and Group had capital commitments amounting to £nil (2009 £nil)

b) 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 2010 £	Group 2009 £
Within 1 year	200,311	205,511
Within 2-5 years	468,027	523,108
	668,338	728,619

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

c) 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 contributes to two defined benefit pension schemes in Germany Both schemes are multi-employer defined benefit schemes administered by Pensions Kasse der Mitarbeiter der Hoechst-Gruppe The schemes' assets are held in separately administered funds 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 schemes Accordingly the schemes have been accounted for as defined contribution schemes

26 Guarantees and other financial commitments (continued)

The Group's contributions to the schemes are included within the amount charged to the profit and loss account in respect of pension contributions

No information is available about any surplus or deficit that exists in the schemes

The amount charged to the income statement in respect of the contributions to the scheme in 2010 were £40,615 (2009 £66,264) and provisions for future pension liabilities at 31st December 2010 were £149,788 (2009 £130,421)

27 Financial instruments

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

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Group consists of debt, which includes borrowing disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 23

Gearing Ratio

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

The gearing ratio at the year end is as follows

	2010	**2009**
	£	**£**
Debt	(6,333,478)	(11,787,021)
Cash and cash equivalents	9,543,870	131,158
Net cash/(debt)	3,210,392	(11,655,863)
Equity	7,218,748	(9,237,894)
Net debt to equity ratio	N/A	N/A

Debt is defined as long and short term borrowings, as detailed in note 20(b)
Equity includes all capital and reserves of the Group attributable to equity holders of the parent

Significant accounting policies

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

27 Financial instruments (continued)

Categories of financial instruments

	Group 2010 £	Company 2010 £	Group 2009 £	Company 2009 £
Financial assets				
Cash	9,543,870	9,552,416	131,158	39,107
Trade receivables	-	-	7,108	-
Financial liabilities				
Trade and other payables	(1,440,798)	-	(1,058,343)	-
Current tax liabilities	(49,757)	-	(27,990)	-
Short-term borrowings	(6,333,478)	(1,220,540)	(11,787,021)	(11,787,021)
Loan from other Group entity	-	(307,568)	-	(318,937)

Financial risk management objectives

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

Market risk

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

Foreign currency risk management

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

Foreign currency sensitivity analysis

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

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

Interest rate risk management

The Group is exposed to interest rate risk arising from its short-term borrowings, details of which are set out in note 20(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 profit for the year ended 31st December 2010 would have decreased by £49,855 (2009 increase in loss by £52,817)

27 Financial instruments (continued)

Interest rate sensitivity analysis (continued)

The Group's sensitivity to interest rates has decreased during the current year due to the reduction in the amount of its short term borrowings over the year

Liquidity risk management

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

Liquidity and interest risk tables

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

The table includes both interest and principal cash flows

	Weighted average effective interest rate	Less than 1 month	
		Group	Company
	%	£	£
2009			
Variable interest rate instruments	3 14	11,787,021	11,787,021
2010			
Variable interest rate instruments	3 00	6,333,478	1,220,540

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

	Weighted average effective interest rate	Less than 1 month	
		Group	Company
	%	£	£
2009			
Non-interest bearing	-	131,158	39,107
2010			
Non-interest bearing	-	21,454	-
Interest bearing	0 35	9,522,416	9,522,416

Notes to the consolidated financial statements

For the year ended 31st December 2010

28 Related party transactions

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

b) C D J Pearce, a director of the Company and therefore a related party, has made a loan facility available to the Company full details of which are set out in note 20 on page 46

c) Details of the remuneration of the Directors is set out in note 11 on pages 37 to 38, including details of pension contributions made by the Company, and information in connection with their long-term benefits is shown in the Directors' report under the heading 'Directors and their interests' on pages 11 to 13

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

	2010	2009
	£	£
	373,429	335,718

29 Events after the balance sheet date

Other than the change in UK corporation tax rates as disclosed in note 12, there are no other events after the balance sheet date to disclose

Proteome Sciences plc

(Registered in England No: 02879724)

Notice of meeting

Notice is hereby given that the 17th Annual General Meeting of Proteome Sciences plc will be held at Chandos House, 2 Queen Anne Street, London, W1G 9LQ] on 29th June 2011 at 12 00 midday, for the purpose of considering and, if thought fit, passing the following Resolutions of which numbers 1 to 7 and 9 will be proposed as ordinary Resolutions and number 8 as a special Resolution

Ordinary Business

1 To receive the financial statements and the reports of the Directors and of the auditors for the year ended 31st December 2010

2 To re-appoint R S Harris as a Director

3 To re-appoint C D J Pearce as a Director

4 To appoint Dr. A I Walker as a Director

5 To appoint Dr I H Pike as a Director

6 To re-appoint Deloitte 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

7 THAT the directors of the Company be hereby authorised generally and unconditionally pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £640,510 64 until the conclusion of the next Annual General Meeting of the Company or 30th June 2012, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would, or might, require shares to be allotted or rights to subscribe for or to convert securities into shares to be granted after such expiry

Special Resolution

8 THAT subject to, and upon Resolution 6 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 £384,344 80

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 2012, 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

Ordinary Resolution

9 THAT

(a) The rules of The Proteome Sciences plc 2011 Long-Term Incentive Plan and The Proteome Sciences plc 2011 Share Option Plan (together "the Plans") (the principal features of which are summarised in the Appendices to the Chairman's letter contained in the Circular dated 6th June 2011 and drafts of which are produced to the meeting and initialled by the Chairman for the purposes of identification) be and are hereby approved and adopted and the directors are hereby authorised to do all things necessary or expedient to carry the Plans in to effect, and

(b) the directors of the Company be authorised to establish further plans based on the Plans but modified to take account of local tax, exchange control or securities laws in any overseas jurisdiction provided that the shares made available under such further plans are treated as counting towards the limits on individual or overall participation on the Plans

By order of the Board

J L Malthouse
Secretary

Coveham House
Downside Bridge Road
Cobham
Surrey KT11 3EP

6th June 2011

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 the meeting or 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 17th
ANNUAL GENERAL MEETING of
PROTEOME SCIENCES plc
to be held on 29th June 2011 2011 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 29th June 2011 at 12 00 midday, at Chandos House, 2 Queen Anne Street, London W1G 9LQ, and at any adjournment thereof

Dated this . day of 2011 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 R S Harris as a Director			
3 To re-appoint C D J Pearce as a Director			
4 To appoint Dr A I Walker as a Director			
5 To appoint Dr I H Pike as a Director			
6 To re-appoint Deloitte LLP as auditors			
Special Business			
7 To renew the Directors' authority to allot shares			
8 To renew the Directors' authority to disapply pre-emption rights for the allotment of shares			
9 To approve and adopt the Proteome Sciences plc 2011 Long-Term Incentive Plan and the Proteome Sciences plc 2011 Share Option Plan (together "the Plans" and to authorise the Directors to do all things necessary to effect them and to establish further plans based on the Plans for overseas employees			

(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 A proxy need not also be a member of the Company Completion of an instrument of proxy will not prevent members from attending and voting in person should they wish to do so Appointment of a proxy will not preclude a member from attending and voting in person at the meeting

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