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Proteome Sciences plc

Registered number: 02879724

Report and Financial Statements
for the year ended 31 December 2023

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CHIEF EXECUTIVE OFFICER'S STATEMENT

For the year ended 31 December 2023

Group revenues for the full year decreased by 35% to £5.03m (2022: £7.78m), services revenue decreased by 41% to £1.63m (2022: £2.75m) and sales and royalties attributable to TMT®/TMTpro™ reagents decreased by 18% to £3.40m (2022: £4.16m*).

*excluding the sales milestone payment of £0.87m received in 2022 under the exclusive licence and distribution agreement with Thermo Fisher Scientific.

Despite our expectation at the end of 2022 and during H1 2023 to deliver further growth in 2023, the second half of 2023 did not develop as expected. As alluded to in our investor meeting in September 2023 and announced on 30 November 2023 the challenging macroeconomic situation with weak growth, high inflation and tight monetary policy has impacted many of our clients and partners. Particularly the biotech sector was severely affected by these headwinds, exemplified by significant layoffs and reduction of R&D budgets industry wide. Also, larger customers reduced their activities in the proteomics field and postponed planned projects to 2024. Given the market requirement for our proteomic products and services we expect customer interest for our services to significantly improve during 2024, with the introduction of new next generation tags in the isobaric and isotopic field, and the output from the US lab, the Company is confident to see the business return to growth in 2024.

We have continued our planned strategic investment in both our Frankfurt and San Diego laboratories and added various instruments primarily in the US laboratory including an Orbitrap Ascend Tribrid mass spectrometer and Accelerome automated sample preparation platform. We launched single cell proteomics ("SCP") in October 2023 and are working on the first projects. In addition, we have advanced our new tag developments (isobaric and isotopic) and expect to launch both near term plus develop next generation isotopic tags.

Total costs, excluding finance costs, rose to £6.65m (2022: £6.05m) which has resulted in an operating loss of £1.62m (2022: operating profit of £1.73m) and a net loss of £2.44m (2022: profit after tax of £1.33m). Cash reserves at the year-end were at £2.03m (2022: £3.99m).

	2023 £'000	2022 £'000
Revenue	5,028	7,780
Gross profit	1,647	4,767
Administrative expenses*	(3,268)	(3,039)
EBITDA	(1,137)	2,125
Other non-cash items and non-recurring costs (share based payment)	218	303
Adjusted EBITDA	(919)	2,428

Adjusted EBITDA (a non-GAAP Group specific measure (see Note 3) which is considered to be a key performance indicator of the Group's financial performance) decreased by £3.35m year on year mainly due to lower revenues while costs have increased due to additional staff and the expansion to the U.S.

*Includes depreciation of £0.5m (2022: £0.4m)

Services

It was a challenging year in our service business in 2023. As in previous years, the US is by far our most significant market in terms of biopharma companies who outsource their proteomic services to Contract Research Organisations ("CROs") such as Proteome Sciences. Unfortunately, the biopharma market especially in the US was marked by employee layoffs in 2023. According to Fierce Biotech, a company that provides news, analysis and data relating to the biotech sector, biopharma layoffs were 57% up in 2023.

CHIEF EXECUTIVE OFFICER'S STATEMENT

For the year ended 31 December 2023

This has been confirmed by other Life Science provider companies in their public reporting. The significantly reduced level of financing in biopharma resulted in workforce reductions affecting 187 organisations in 2023. We were in contact and discussing projects with 38 of these that were primarily focused in proteomic pre-clinical and clinical research. Projects were either cancelled before samples were shipped, or significantly delayed pending future financing rounds. This seriously affected our ability to win business.

During the first half of 2023 orders received and sales were performing to plan halfway through the year, but this slowed significantly in the second half of 2023. Projects under discussion in the first half of 2023 did not arrive in the second half of the year, and initial discussions on new projects slowed. A considerable client outreach effort was initiated at the start of the second half of the year to offset this slowdown and that did uncover new project opportunities that are currently under discussion, so we believe the worst of the 2023 slowdown is behind us now. In the US the main focus was our investment in the new laboratory and preparing the market for the pending launch of the SCP service. Over and above this additional outreach, we continued our presence in various conferences and exhibitions throughout 2023 in both the US and Europe, combining these events with local client visits when in the close vicinity.

The news that the company has invested in a new US based laboratory in San Diego was very well received by existing clients who said they will use our new facility from 2024 onwards, and from new customers who will use us for the first time as a result of the new laboratory. It was not unexpected to hear that all clients preferred a local facility to avoid excessive shipping charges to get their samples into Europe, and to avoid any customs issues to clear samples through German importation control. Equipping the new lab with a latest generation mass spectrometer was also seen as giving us a distinct advantage over more local competition. In addition, our US entity Proteome Sciences US Inc enables the company to partake

in National Institute of Health ("NIH") and other US government sponsored grants.

In the European section of our business, we concluded all the work connected with a large Europe based clinical trial through the year. From a European perspective the UK continues to be the more active component, and we have picked up several important clients requiring proteome analysis in projects destined for, or in clinical trials.

In general, the biopharma investment slowdown did affect our business more than we expected at the start of 2023, but given the investment in new equipment, facilities and new product offerings commercially we remain confident to get back on our growth trajectory in 2024.

Licences

Income from licensing our intellectual property assets remains a key contributor to revenue, primarily through the TMT® and TMTpro™ reagents. We retain a portfolio of patents and applications covering biomarkers and reagents which we continue to monitor for commercialisation potential. As the field around use of blood proteins in diagnosis of Alzheimer's disease, other neurodegenerative disorders and many cancers our patented biomarkers may prove critical in development of novel diagnostic tests opening up additional licensing opportunities.

Tandem Mass Tags®

In line with other parts of the business the revenue from TMT® and TMTpro™ reagent sales decreased 18% relative to 2022 (excluding milestone payment). In part this is attributable to the full year effect of a one-off adjustment to running royalties following expiry of the TMT1 patent family in September 2022 but also reflects weaker markets for the tags globally. A range of factors are likely to have impacted tag sales including the general macroeconomic situations, the use of alternative mass spectrometry methods such as data independent acquisition and the delay of purchases pending introduction of the 32plex TMTpro™ tags due in 2024.

CHIEF EXECUTIVE OFFICER'S STATEMENT

For the year ended 31 December 2023

We are working with our licensee Thermo Fisher Scientific to address the market challenges and are excited at the prospects for the extended TMTpro™ reagents that now allow large discovery projects to be completed in a single experiment, greatly improving the coverage and quantitative precision and accuracy available to researchers.

Stroke Biomarkers

Our two licensees Randox Laboratories and Galaxy CCRO ("Galaxy") have made progress with their clinical trials during 2023. In connection with Galaxy's initiation of a first clinical study in Europe we received a milestone. Galaxy is a US based clinical contract research organisation, which is developing a point of care test for the diagnosis and timing of stroke onset in order to guide the use of specialist thrombolytic treatment. Under the terms of the licence with Galaxy we have received equity in Galaxy as an initial fee in 2019 and similarly the milestone in 2023 was also satisfied in equity. As a result of this we own a minority stake in Galaxy and under the licence we are entitled to subsequent development milestones and a running royalty on any product sales. We expect more news to come during 2024 with the possibility for further milestones relating to trial completion and product launches on the horizon.

Research

During the year we have focused our research efforts on improving our processes and have successfully achieved a significant improvement in our sample preparation processes enabling us to increase our capacities by 50%. The new workflows are also simpler, more robust and deliver equivalent performance within the same budget. In parallel, we continued to optimise workflows for Single Cell Proteomics. Over the year we were able to improve coverage so that we can attain quantification for approximately 1,500 proteins per cell in studies where we measure 576 individual cells. Overall performance is stable across different cell types and we are now beginning our first commercial activities with the SysQuant®-SCP service operating from our Frankfurt laboratory.

We also continue research to develop new reagents for proteomics and this resulted in our producing a set of non-isobaric tags for multiplexing of data-independent acquisition ("DIA") studies. The tags are being evaluated by academic partners and we have initiated discussions around licensing for commercial development that we expect to conclude during the year. We also completed the development of the extended set of TMTpro™ reagents and look forward to their introduction to our services in the first half of 2024. We continue to innovate in chemistry and will be working on ancillary products to add new functionality for TMTpro™ enabled studies through a sponsored research project.

Operating Environment

We started the year 2023 with a strong order book. Our service business developed positively in H1 2023 with 19% increase over the same period in 2022 – a trend which could not be sustained in H2 2023. The TMT® business remained flat in the first half of the year and decreased by 18% year on year. Next to the macroeconomic changes which have influenced our clients and us negatively the expectation of the new 32plex isobaric tags might also have played a role in the cautious ordering of tags.

To address the growing DIA market, we have developed a totally new line of isotopic tags which we aim to partner with a strong distribution partner.

SCP as our new service was launched in October 2023 and we have started first projects in partnership with academic key opinion leaders and our long-term customers. The roll out of this service is expected to unfold in 2024 when customer projects will be delivered from the Frankfurt lab.

The US lab has been opened in January 2024, and was met with good interest primarily in the US market where we plan to address the customers who have had reservations to ship samples to the EU. With the lab in San Diego, one of the largest biotechnology and pharmaceutical research hub globally, we have addressed these concerns and are starting customer projects in 2024.

CHIEF EXECUTIVE OFFICER'S STATEMENT

For the year ended 31 December 2023

At the end of a difficult year for our business and following the substantial strategic investments that have been made for the future, we would like to thank all our teams for their contribution, passion and hard work. We expect the macroeconomic trends to improve in the course of 2024 and these should impact positively on our business.

Outlook

We invested substantially in 2023 to expand our business by establishing the facility in San Diego, developing new ranges of TMT® and DIA tags and launching SCP to address the growing global demand for proteomics in 2024.

The 2024 year has experienced significant customer engagement and interest in proteomics services reflected by the considerable increase in customer contact and quotations provided across multiple projects from which new contacts have been secured in the first quarter. We expect this momentum to continue throughout 2024.

For our tag business we expect the introduction of the 32plex TMTpro™ tags due in 2024 to generate strong interest in the market and significant revenues in the coming years.

Our DIA tags are being evaluated by academic partners and we have initiated discussion around licensing for commercial development that we expect to conclude during the year.

Interest in SCP has continued to grow since our launch and we expect to run more commercial projects in the near future.

In summary, we expect the investments that we have made and the new products and services we have introduced to add to and bring the business back to growth in 2024.

We would like to thank our shareholders and team for their continuing support, and we look forward to communicating renewed progress in 2024.



Dr. Mariola Schengen
Chief Executive Officer

9 April 2024

STRATEGIC REPORT

For the year ended 31 December 2023

Review of the Business

The principal activities of the Group involve protein biomarker research and development. As a leader in applied proteomics, we use high sensitivity proprietary techniques to detect and characterise differentially expressed proteins in biological samples for diagnostic, prognostic and therapeutic applications. In addition, we invented and developed the technology for TMT® and TMTpro™, and manufacture these small, protein-reactive chemical reagents which are sold for multiplex quantitative proteomics under exclusive license by Thermo Fisher Scientific.

Proteome Sciences is a major provider of contract research services for the identification, validation and application of protein biomarkers. Our clients are predominantly pharmaceutical and biotechnology companies, but we also perform services for other sectors including academic research. While we have several well-established workflows that meet the needs of many customers, we retain our science-led business focus wherever possible, developing new analytical methods, new reagents and data analysis tools to provide greater flexibility in the types of studies we can deliver. Our contract service offering remains centred on mass spectrometry-based proteomics, and this is becoming more widely implemented in drug development projects as the pharmaceutical industry seeks to expand biological knowledge beyond genomics. These services are fully aligned with the drug development process, can be used in support of clinical trials and *in vitro* diagnostics, and include proprietary bioinformatics capabilities.

Progress during 2023

Growing Our Services Business

As in all sectors of technology-based sales, no organisation can stand still and offer the same services year in and year out. As ligand binding technologies like multiplex ELISA expand both antibody and aptamer arrays to cover more proteins per run, thereby more closely compete with traditional proteomic analysis by mass spectrometry, we must take our services deeper into the proteomic field.

Single Cell Proteomics is a good example of how the company is moving forward, by using mass spectrometry to achieve protein detection levels currently several orders of magnitude greater than ELISA based technologies can achieve at this time. Another clear application area for mass spectrometry is in detection of more post translational modifications on the proteins detected in a more conventional run. We see an increasing need from biopharma to detect post translational modified peptides and proteins as end-point biomarkers in a clinical trial. This can provide ongoing business via classical protein Discovery based projects, and more importantly as the drug progresses into clinical trials, a Targeted assay under Good Clinical Laboratory Practice ("GCLP") laboratory standards. Clients have informed us that we are one of a few CRO's that they have identified who can take a research project now through to clinical reporting base in the future under more stringent GCLP standards. Furthermore, we continue to meet both new and current clients to discuss their upcoming proteomic needs and how we can help them. As protein experts, clients value our thoughts and processes on how we can solve their problems. Proteome Sciences will be expanding its services to include these 32 tags by end H1 2024, thereby having a head start on other CRO's who will have to wait for the new tags to be available from Thermo Fisher Scientific.

Finally, we have made a significant step by investing in our US laboratory. This will make it easier for current US clients to ship samples to us, and it removes the barrier for new clients to do the same. These new clients will be biopharma but will also address the considerable academic market. Many academic institutes could not use our Frankfurt facility because their grant money could only be spent in the US. Proteome Sciences US Inc also enables the company to participate in NIH/US Government grants as a US entity, employing US employees and have a US based footprint. With the latest generation mass spectrometer in the San Diego lab, we are better placed than the local providers.

STRATEGIC REPORT

For the year ended 31 December 2023

Expanding beyond the core proteome

We have been delivering deep analysis of post-translational modifications through our SysQuant® phosphoproteomics workflows for many years and introduced new methods for analysis of protein ubiquitylation more recently. These two methods have been used across many different types of studies enabling our customers to better understand how their drug targets fit into the wider biological context, as well as providing deeper insights into the mechanism of action of their experimental drugs. In 2023 we started to expand our coverage to include additional modifications relevant to a range of disease areas that were previously poorly served by traditional proteomics methods. We continue to evaluate the potential to add further protein modifications to our repertoire, along with adding additional analytes in the metabolic space where the same mass spectrometry platforms can be deployed.

Single Cell Proteomics

Our launch of Single Cell Proteomics services in October 2023 followed an intensive development process reflecting the large technical challenge of working with such limited material. We have now initiated several biological studies with academic collaborators to demonstrate different aspects of the technology as well as a proof-of-concept study with one of our long-term customers. Critical to developing SCP is the downstream data analysis and visualization. We have been working on an in-house tool for streamlining data quality assessment, pre-processing and statistical analysis that allows us to identify cellular diversity based on the expression profiles of over 1,000 proteins per cell. Interest in SCP has continued to grow since our launch and we expect to run our first commercial projects in the near future.

Status of the Tandem Mass Tag® Product Portfolio

During 2023 we have been working on the largest extension of TMT™ multiplexing as we increase the current 18plex tags to 32plex. This was in response to market demand as the need to use more samples in proteomics studies is being widely recognised. Whilst many groups have been moving

towards data-independent acquisition methods to gain throughput, this has been at the cost of some analytical precision and we believe that introduction of an additional 14 channels will re-balance the demand for TMTpro™ reagents which still provide the greatest combination of quantitative precision and, when combined with our patented MS3 acquisition methods, accuracy. Commercial stocks of the additional 14 tags have been synthesized and we are working with our licensee Thermo Fisher Scientific to optimise the mass spectrometry acquisition methods. We are introducing 32plex workflows to our standard proteomics services which will be available ahead of the wider commercial launch of the reagents.

Stroke biomarkers

We currently have two licensees to our stroke biomarkers and both have been engaged in clinical trials of their respective tests during 2023. Randox Laboratories have a long-running trial based in the UK nearing completion and results are expected during 2024. We would hope that a product approval and launch may then follow swiftly, at least for the European market. Our other licensee, Galaxy CCRO, continues to operate in stealth mode, with a preliminary clinical trial of the GSTP marker initiated in Glasgow during the second half of 2023. Galaxy have indicated they expect a read-out of the Rhesus trial during 2024 and this will inform decisions around a full regulatory trial both in Europe and the US. We own a minority stake in Galaxy and under the license we are entitled to subsequent development milestones and a running royalty on any product sales.

Patent Applications and Proprietary Rights

During the year 2023 23 new patents were issued across five different families. Of these 6 related to the TMTpro™ reagents and methods of use and 6 related to biomarkers for Alzheimer's disease and cancer. One new patent application was submitted relating to new isotopic tags for data independent acquisition mass spectrometry. Overall costs of maintaining the patent estate were slightly lower than in 2022 due to expiry of several early TMT patents.

STRATEGIC REPORT

For the year ended 31 December 2023

Strategic evaluation

We have used 2023 to further implement our strategy of organic growth. In particular we have:

- Addressed the growing DIA market by developing a totally new line of isotopic tags which we will licence with a strong distribution partner.
- Worked on the life cycle management of TMT by developing 32plex isobaric tags.
- Launched SCP in October 2023 as our new service and have started first projects. The roll out of this service is expected to unfold during 2024 when customer projects will be delivered from the Frankfurt lab.
- Opened the US lab in January 2024.

Financial Review

Results and Dividends

Key Performance Indicators ("KPI's")

- The directors consider that revenue, adjusted EBITDA, and profit before/after tax are important in measuring Group performance. The performance of the Group is set out in the Chief Executive Officer's Statement on page 2.
- The directors believe that the Group's rate of cash expenditure and its effect on Group cash resources are important. Net cash outflows from operating activities for 2023 were £0.48m (2022: net cash inflows of £2.14m). The costs in 2023 were higher when compared to 2022 due to the investment in our San Diego site, development of next generation tags and the launch of SCP. We suffered from lower revenues in biomarker services and TMT® as compared to 2022. Cash at 31 December 2023 was £2.03m (31 December 2022: £3.99m).
- In 2023 service revenues decreased by 41% to £1.63m (2022: £2.75m). As a proportion of total group revenue (excluding the milestone revenue) service revenues in 2023 was 32% compared to 40% in 2022.

Financial Performance

For the twelve-month period ended 31 December 2023 revenue decreased 35% to £5.03m (2022: £7.78m).

- Licences, sales and services revenue decreased 27% to £5.03m (2022: £6.91m (adjusted for the milestone)). This is comprised of two revenue streams: TMT® related revenue and Proteomic (Biomarker) Services. Sterling values of our sales and royalties received for TMT® tags decreased by 18% to £3.40m (2022: £4.16m).
- Adjusted EBITDA decreased to £(0.92)m (2022: £2.43m).
- The loss after tax was £2.44m (2022: profit after tax of £1.33m).

Taxation

Owing to the changing nature of our services business, with a stronger focus on commercial activities, we have not fully assessed our available R&D tax credit for 2023, and such amounts are only recognised when reasonably assured.

Costs and Available Cash

- The Group maintained a positive cash balance in 2023 and continues to seek improved cash flows from commercial income streams. Due to lower revenues and higher operating costs year on year, the Group had a negative cash flow in the year. Administrative expenses in 2023 were £3.27m (2022: £3.04m).
- Staff costs for the year were £3.35m (2022: £3.12m) of which £0.22m was a share based payment charge (2022: £0.30m).
- Property costs without charges on rent of £0.44m were higher than previous years (2022: £0.16m) also including property costs for the lab in San Diego.
- Finance costs relate to interest due on loans from two major investors in the Company and lease interest. Costs of £0.80m were higher than the prior year (2022: £0.47m).

STRATEGIC REPORT

For the year ended 31 December 2023

- Trade and other payables were £0.63m (2022: £0.82m).
- Trade and other receivables were £0.96m (2022: £1.44m).
- Cash at the year end was £2.03m (2022: £3.99m).

Principal Risks and Uncertainties

Commercialisation Activities

It is uncertain whether our range of contract proteomic services will generate sufficient revenues for the Group ultimately to be successful in an increasingly competitive commercial market which generally favours companies with a broader technology platform than our own. Similarly, our increased capacities and the opening of our US laboratory create a risk that we do not generate sufficient orders to make our commercial activities profitable.

Management of Risk: The Group has sought to manage this risk by broadening its proteomic services offering by increasing the coverage of unbiased discovery experiments and broadening capabilities for analysis of very small samples including single cells, investing in our own sales by dedicating more staff time to direct business development activities in our principal commercial territories and adopting conventional service-based metrics directed at speed, cost and quality.

Adding new services bears the risk that competitors are already more advanced and it will be difficult to find and retain new customers.

Management of Risk: We believe the technology we are developing for single cell proteomics has a high demand in the market and hence we believe there is sufficient room for many players to satisfy the demand. Moreover, Proteome Sciences has a USP (Unique Selling Point) as we are the owner of TMT® which gives us a number of advantages (including cost control) vis à vis competitors.

Dependence on Key Personnel

The Group depends on its ability to retain a limited number of highly qualified scientific, commercial and managerial personnel, the competition for whom is strong. While the Group has entered into

conventional employment arrangements with key personnel and staff turnover is low, their retention cannot be guaranteed as evidenced by 1 resignation during 2023.

Management of Risk: The Group has a policy of organising its work so that projects are not dependent on any one individual, and we have strong managerial oversight and support for our laboratory-based staff. Retention is also sought through annual, role-based reviews of remuneration packages, performance related bonus payments, and the opportunity for share option grants.

Investment Limitations

Sales and royalties from TMT® have historically been key to revenue and working capital for the group to invest in the business. We are still reliant on TMT® sales and royalties for the majority of our revenues and working capital to invest in growing the business remains limited.

Management of Risk: In addition to previous cost reduction and ongoing containment measures which have significantly changed the cost profile of the business over the last years, we also actively engage with our major creditors to manage the Company's debt.

Competition and Technology

The international bioscience sector is subject to rapid and substantial technological change. There can be no assurance that developments by others will not render the Group's service offerings and research activities obsolete or otherwise uncompetitive. Proteomics remains a growth area where increasing demand from the pharmaceutical industry remains ahead of the growth in service provider capacities.

Management of Risk: The Group employs highly experienced research scientists and senior managerial staff who monitor developments in technology that might affect the viability of its service business or research capability. This is achieved through access to scientific publications, attendance at conferences and collaboration with other organisations.

STRATEGIC REPORT

For the year ended 31 December 2023

Licensing Arrangements

The Group intends to continue sub-licensing new discoveries and products to third parties, but there can be no assurance that such licensing arrangements will be successful.

Management of Risk: The Group manages this risk by a thorough assessment of the scientific and commercial feasibility of proposed research projects which is conducted by an experienced management team. Risk has also been reduced by decreasing the overall number of research projects and re-distributing available resources.

Patent Applications and Proprietary Rights

The Group seeks patent protection for identified protein biomarkers which may be of diagnostic, prognostic or therapeutic value, for its chemical mass tags, and for its other proprietary technologies. The successful commercialisation of such biomarkers, chemical tags and proteomic workflows is likely to depend on the establishment of such patent protection. However, there is no assurance that the Group's pending applications will result in the grant of patents, that the scope of protection offered by any patents will be as intended, or whether any such patents will ultimately be upheld by a court of competent jurisdiction as valid in the event of a legal challenge. If the Group fails to obtain patents for its technology and is required to rely on unpatented proprietary technology, no assurance can be given that the Group can meaningfully protect its rights. All patents have a limited period of validity and competing products may be sold by third parties on expiry in each territory. The final TMT1 patent expired in the US in September 2022. This was the last case with broad claims to the field of isobaric tagging, but the patents covering the TMT® and TMTpro™ products themselves, along with several proprietary methods such as TMTcalibrator™ and MS3 quantification remain in force. Whilst the expiration of the earliest TMT patent results in a reduced royalty rate under the exclusive licence and distribution agreement with Thermo Fisher Scientific, we do not expect further royalty

reductions in 2024 and beyond. We continually monitor the implications of patent expiry and have not seen any generic isobaric tags enter the markets so far.

Management of Risk: The Group retains limited but experienced patent capability in house, supplemented by external advice, which has established controls to avoid the release of patentable material before it has filed patent applications. Maintenance of the existing patent portfolio is subject to biannual review ensuring that its ongoing cost is proportional to its perceived value. We seek to prolong the value of our proprietary technologies by patenting improved chemical tags and superior biomarker panels when we are able to do so, and we monitor the impact of patent expiry by monitoring of market share of licensed products such as TMT® and TMTpro™.

Section 172 statement

The Board recognises the importance of the Group's wider stakeholders when performing their duties under Section 172(1) of the Companies Act and their duties to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term,
- (b) the interests of the company's employees,
- (c) the need to foster the company's business relationships with suppliers, customers and others,
- (d) the impact of the company's operations on the community and the environment,
- (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- (f) the need to act fairly as between members of the company.

STRATEGIC REPORT

For the year ended 31 December 2023

The Board considers that all their decisions are taken with the long-term in mind, understanding that these decisions need to regard the interests of the company's employees, its relationships with suppliers, customers, the communities and the environment in which it operates. It is the view of the Board that these requirements are addressed in the Corporate Governance Statement on page 14, which can also be found on the company's website www.proteomics.com.

For the purpose of this statement detailed descriptions of the decisions taken are limited to those of strategic importance. The Board believes that two decisions taken during the year fall into this category and were made with full consideration of both internal and external stakeholders as follows:

- Annual General Meeting (AGM)

The Board encourages engagement with the Group's shareholders and took the decision in 2023 to hold the AGM as both an in person and virtual meeting therefore improving accessibility.

- Investment in a US laboratory

The board considers the decision to open a US laboratory facility an important investment in the future of the organisation. With a large percentage of interest in the organisation's services originating from the US the new San Diego laboratory will expand the reach of the organisation to provide services to both existing and new customers in the US.

By Order of the Board

Coveham House
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Victoria Birse
Company Secretary

9 April 2024

BOARD OF DIRECTORS

For the year ended 31 December 2023

Dr Mariola Söhngen

Chief Executive Officer

Mariola Söhngen has established a strong and successful career in the pharmaceutical industry both in the US and Europe. She was a co-founder of Paion AG which developed a clinical-stage asset for the treatment of stroke and subsequently delivered a novel anaesthetic that received FDA and other national approvals in 2021. She was instrumental in the acquisition of UK listed CeNeS Pharmaceuticals plc by Paion AG. She has also held roles as CEO at Mologen AG and Convert Pharmaceuticals and most recently ran a pharmaceutical consultancy with a strong focus on supporting Chinese companies and investors trying to enter the European pharmaceuticals research and development market.

Dr Ian Pike

Chief Scientific Officer

Ian Pike has over 30 years' experience working in the diagnostics and biotechnology sectors and joined Proteome Sciences plc in November 2002. Having gained a PhD in medical microbiology, he joined Wellcome Diagnostics as a research group leader and spent eight years working on new diagnostic assays, particularly for hepatitis. In December 1999, he joined the Technology Transfer Office of the UK Medical Research Council with responsibility for patents and commercialisation of a wide portfolio of technologies related to the biomedical sector. Most recently, Ian worked for Cancer Research Ventures managing intellectual property and performing business development activities in Europe and the US.

Richard Dennis

Chief Commercial Officer

Richard Dennis joined the Group in April 2017. He has a commercial background spanning over 30 years in the global life sciences research sector. Throughout his career he has held positions based in both the UK and US managing international sales teams. Prior to joining Proteome Sciences, he had held positions of increasing responsibility and diversity in companies such as Meso Scale Discovery, BioScale Inc., and most recently Quanterix Corp. He sits on the board of trustees of Kidscan Children's Cancer Research, a charity based in Manchester, UK.

Abdelghani Omari

Chief Financial Officer

Abdelghani Omari joined Proteome Sciences from Paion AG in September 2022 and has more than 20 years' experience in finance, starting his career at KPMG Audit after a business degree from the University of Aachen. At KPMG he worked in audit and financial consultancy roles prior to joining Paion, a listed speciality pharmaceutical company, where he has been CFO and since 2014 a member of the management board. During his time at Paion he negotiated numerous license agreements with pharma companies and raised more than 150 million Euros in financing from investors in the U.S. and in Europe.

Christopher Pearce

Non-executive Chairman

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

BOARD OF DIRECTORS

For the year ended 31 December 2023

Roger McDowell

Non-executive Director (i) (ii)

Roger McDowell has a highly successful career as a businessman and entrepreneur. He was Chief Executive of Oliver Ashworth Group plc for eighteen years before its sale to St Gobain. He is currently the Chairman or a non-executive director of seven listed companies, namely Avingtrans plc, Brand Architekts Group plc, Flowtech Fluidpower plc and Hargreaves Services plc as Chairman, British Smaller Companies VCT2 plc and Tribal Group plc as non-executive director. He brings considerable commercial experience with him and is a keen exponent of growing shareholder value.

Martin Diggle

Non-executive Director

Martin Diggle has worked in finance for over 30 years. He was a director and partner of UBS/Brunswick in Russia until 2003, after which he joined Vulpes Investment Management, where he is currently a director and partner. He is an experienced specialist investor in life sciences and manages the Vulpes Life Sciences Fund, the registered holder of 22.97% of Proteome Sciences' ordinary share capital.

Dr Ursula Ney

Non-executive Director (i) (ii)

Ursula Ney has more than 30 years' experience in the pharmaceutical and biotech industry, with 20 years in leadership roles in the biotech sector. She was director of Development and on the Board of Celltech plc, and later COO and executive director of Antisoma plc. More recently she was CEO of the private company Genkyotex SA and a non-executive director on the board of Discuva, a Cambridge, UK based start-up. She is currently also a non-executive director at Scancell plc and a Trustee of the University of Plymouth. She has broad experience of drug development across a range of therapeutic areas and products.

(i) Member of Audit Committee

(ii) Member of Remuneration Committee

CORPORATE GOVERNANCE

For the year ended 31 December 2023

The Chairman's Statement on Corporate Governance

I am pleased to present this year's Corporate Governance Statement.

The Company is committed to maintaining high standards of corporate governance. It is the responsibility of the Board and me as Chairman to ensure that the Company has in place the structure, strategy and people to deliver value to shareholders in the medium to long term. The Board recognises that an effective corporate governance framework is important to help achieve this aim and is fundamental to the long-term success of the Company.

The Company adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code) during 2018 and continues to comply with each of the ten principles of the QCA Code. In 2023 the QCA Code was updated, and the Company will comply with and report on changes to the code within the required timeframe. The remainder of this statement sets out how the Company applies the Code. Further information on the Company's compliance is published on our website (www.proteomics.com/investors).

Compliance with the Quoted Companies Alliance Corporate Governance code

The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the "QCA Code"). The Directors of Proteome Sciences plc comply with the QCA Code.

The QCA Code sets out ten principles which should be applied. These are listed below together with a short explanation of how the Company applies each of the principles. Where the Company does not fully comply with a principle an explanation as to why has also been provided.

1. Establish a strategy and business model which promote long-term value for shareholders

Proteome Sciences plc is a contract research organisation specializing in the analysis of proteins by mass spectrometry, providing both discovery and targeted proteomics services and proprietary biomarker assays to biopharmaceutical and diagnostic companies engaged in the discovery and development of precision medicines.

Proteomics is an enabling biotechnology platform for an increasing number of companies invested in the identification of targeted therapeutics for the future provision of healthcare. Offering a service to such companies, in addition to the synthesis of specialty chemical tags for mass spectrometry, is an essential part of the strategy to deliver shareholder value in the medium to long-term.

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders on a regular basis.

All shareholders are encouraged to attend the Company's Annual General Meeting and any other General Meetings that are held throughout the year. Investors also have access to current information on the Company through its website, <https://www.proteomics.com>. Requests from institutional and retail shareholders are addressed directly whenever possible by members of the Executive team.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that for the long-term success of the Company their decisions must consider a wider stakeholder group and the Company's social responsibilities. The Company is reliant upon the efforts of the employees of the Company, its subsidiaries, contractors, suppliers and regulators, and upon relationships with customers and licensees. Feedback from all these stakeholders is shared with, and reviewed by, the executive team on a regular basis and, where

CORPORATE GOVERNANCE

For the year ended 31 December 2023

appropriate, actions are documented. The executive team, led by the CEO, is also responsible for identifying the resources and relationships necessary for developing the business, and sharing these needs with the Board.

An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice. With the prior approval of the Chairman, all directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient. Newly appointed directors are made aware of their responsibilities through the Company Secretary.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk management

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company (see page 19). Duties in relation to risk management that are conducted by the directors include, but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels
- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate

- Inform investors of material changes to the Company's risk profile.

Conflicts of interest

The Board has instituted a process for reporting and managing any conflicts of interest held by directors. Under the Company's Articles of Association, the Board has the authority to approve such conflicts.

Company materiality threshold

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change. As well as the applicable laws and recommendations, the Board has considered quantitative, qualitative and cumulative factors when determining the materiality of specific relationships of directors.

5. Maintain the board as a well-functioning, balanced team led by the chair

The Board recognises that the Company needs to deliver growth in long-term shareholder value and that this requires an efficient, effective and dynamic management framework. This should be accompanied by good communication which helps to promote confidence and trust.

The Board currently comprises four Executive Directors:

Dr Mariola Söhnngen (Chief Executive Officer)
Dr Ian Pike (Chief Scientific Officer)
Richard Dennis (Chief Commercial Officer)
Abdelghani Omari (Chief Financial Officer)

and four Non-Executive Directors;

Christopher Pearce (Chairman)
Roger McDowell
Martin Diggle
Dr Ursula Ney

Details of the qualifications, background and responsibilities of each director are described on pages 12-13 and provided on the Company's website (<https://www.proteomics.com/about/leadership>).

CORPORATE GOVERNANCE

For the year ended 31 December 2023

The Board is supported by Audit and Remuneration Committees, details of which are summarised under Principle 9 below.

- The Board considers Roger McDowell and Dr Ursula Ney to be independent.
- Martin Diggle, a director of Vulpes Investment Management which manages the Vulpes Life Sciences Fund (the largest shareholder in the Company) is not remunerated for his role on the Board and is not a member of any Board sub-committee.

Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties, but it is anticipated that they will spend approximately one day a month on work for the Company. This will include attendance of Board meetings (usually 8 per year), see page 19 for the attendance during the year, the AGM, committee meetings and sufficient time to consider relevant meeting papers.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

All members of the Board bring relevant experience. The Board believes that its blend of experience, skills, personal qualities and capabilities is suitable to ensure it successfully executes its strategy. The existing spectrum of differing entrepreneurial skills continues to be represented on the Board together with considerable knowledge and expertise from scientific research and the pharmaceutical industry. The Board will continue to ensure that Directors receive appropriate support and training as required to keep them up to date with current practices. The Board's biographies are set out on pages 12-13.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board considers that it is appropriate to evaluate the performance of the Board and its Committees annually. The 2023 evaluation is detailed below. This is intended to make sure that

the Board remains effective, well-informed and able to make high quality and timely decisions for the benefit of all stakeholders in the Company with regular meetings to discuss the strategic direction and the terms of reference for the Committees. Areas covered include Board structure, Board arrangements, frequency and time, content of Board meetings, Board culture and succession planning. It is recognised that there continues to be more regulation about which Directors need to be informed and aware. The Board will continue to ensure that Directors receive appropriate support and training as required to keep them up to date with current practices.

The Chairman led an annual performance assessment of the Board and its Committees at the end of 2023. The performance effectiveness process included each Director completing a performance evaluation questionnaire, the results and feedback from which were collated into a summary and discussed by the Board.

The Chairman concluded that the Board operated effectively to implement the strategy and investment necessary to deliver the goals established for 2023. Whilst challenging to set up the new facility in San Diego, USA at the same time as developing single cell proteomics services for customers, both were completed at the year end. This was achieved through appropriate risk management and interaction between the Board and the executive and with the provision of regular communication to staff and shareholders.

8. Promote a corporate culture that is based on ethical values and behaviours

As part of the Board's commitment to the highest standard of conduct, the Company expects that board members will act in good faith, fair and impartially, with honesty and integrity and always in the best interests of the organisation and in particular such matters as:

- responsibilities to shareholders
- compliance with laws and regulations
- relations with customers and suppliers

CORPORATE GOVERNANCE

For the year ended 31 December 2023

- ethical responsibilities
- employment practices
- responsibility to the environment and the community.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Chairman

The current Chairman of the Company is Christopher Pearce who has been a director of the Company since July 1994. The responsibilities of the Chairman are to:

- Lead the Board, ensuring its effectiveness on all aspects of its role
- Ensure that the directors receive accurate, timely and clear information
- Ensure effective communication with shareholders
- Facilitate the effective contribution of non-executive directors
- Act on the results of board performance evaluation.

Chief Executive Officer

The responsibilities of the Chief Executive Officer are to:

- Provide leadership and day to day management of the business within the authorities delegated by the Board.

Board meetings

The Board meets on average 8 times a year, during 2023 the board met 8 times, usually by way of both face to face and teleconference meetings. During 2023 there were 3 in person meetings and the remainder were held via teleconference. Decisions concerning the direction and control of the business are made by the Board, and a formal schedule of matters specifically reserved for the Board is in place. Matters reserved for the Board include:

- Approval of overall strategy and strategic objectives;
- Oversight of operations (including accounting, planning and internal control systems);
- Compliance with legal and regulatory requirements;
- Management/operational performance review;
- Changes in corporate or capital structure;
- Approval of the risk appetite of the Company;
- Approval of the half-year and annual report and accounts;
- Declaration of any interim dividend and recommendation of a final dividend;
- Approval of formal communications with shareholders;
- Approval of major contracts and investments; and
- Approval of policies on matters such as health and safety, corporate social responsibility (CSR) and the environment.

Generally, the powers and obligations of the Board are governed by the Companies Act 2006, and the other laws of the jurisdictions in which the Company operates. The Board is responsible, *inter alia*, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

Board Committees

There are two board committees:

- Audit Committee - members are Roger McDowell (Chair), and Dr Ursula Ney. This committee met twice during 2023.
- Remuneration Committee - members are Dr Ursula Ney (Chair) and Roger McDowell. This committee met twice during 2023.

CORPORATE GOVERNANCE

For the year ended 31 December 2023

Audit Committee

The Committee provides a forum for reporting by the Company's external auditors. Meetings are held on average twice a year and are attended, by invitation, by the Executive Directors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the Board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders. Audit Committee Terms of Reference are provided on the Company's website.

Remuneration Committee

The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes, compensation payments and option schemes. The Board itself determines the remuneration of the Non-Executive Directors. Remuneration Committee Terms of Reference are provided on the Company's website.

Nominations Committee and internal audit

The Directors consider that the Company is not currently of a size to warrant the need for a separate Nominations Committee or internal audit function, although the Board has put in place internal financial control procedures as summarised below.

Internal financial control

The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by their very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they remain appropriate to the nature and scale of the operations of the Company.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Shareholders are regularly advised of any significant developments in the Company through announcements via the Regulated News Service and are encouraged to participate in the Annual General Meeting and any other General Meetings that may take place throughout the year.

Copies of the annual returns, general meeting notices and announcements made to the London Stock Exchange are published on the Company's website.

Risk management

The Board has ultimate responsibility of the Group's risk management controls. The risk and control management system framework includes:

- close management of the day-to-day activities of the Group by the Executive Directors and the Senior Leadership Team;
- a comprehensive annual budgeting process, which is approved by the Board;
- detailed monthly reporting of performance against budget; and
- central control over key areas such as capital expenditure authorisation and banking facilities.

Internal controls

The Board has overall responsibility for ensuring that the Group maintains a system of internal control, to provide its members with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal

CORPORATE GOVERNANCE

For the year ended 31 December 2023

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

Main control procedures: which include the setting of annual and longer-term budgets and the monthly reporting of performance against them, agreed treasury management and physical security procedures, formal capital expenditure and investment appraisal approval procedures and the definition of authorisation limits (both financial and otherwise).

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

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

Board operation

The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Board held eight scheduled meetings during the financial year. The Board has established two Committees; the Audit Committee and Remuneration Committee each having written terms of reference. The Board consider that the Company is not currently of a size to warrant the need for a separate Nominations Committee or internal audit function. Reports by the Chairpersons of the two Committees are reported separately on pages 21 for the Audit Committee and 22 for the Remuneration Committee.

Board effectiveness

The Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary. Board and Committee meetings and attendance during the year ended 31 December 2023 were as follows:

Director	Board Meeting	Audit Committee	Remuneration Committee
C.D.J. Pearce	8/8	2/2	–
R. McDowell	8/8	2/2	2/2
M. Diggle	7/8	1/2	–
Dr U. Ney	8/8	2/2	2/2
Dr M. Söhngen	8/8	2/2	–
Dr I. Pike	7/8	1/2	–
R. Dennis	8/8	1/2	–
A. Omari	8/8	2/2	–

CORPORATE GOVERNANCE

For the year ended 31 December 2023

The Executive Directors were all employed by the Company. The Non-Executive Directors have commitments outside the Company. These are summarised in the Board biographies on pages 12-13. All the Non-Executive Directors give sufficient time to fulfil their responsibilities to the Company.

The Annual General Meeting (AGM)

The Annual General Meeting of the Group will take place on 16 May 2024. Full details are included in the Notice of Meeting on page 82 and will be published on our website (www.proteomics.com).

The Board also strongly encourages all shareholders to vote on the AGM resolutions by following the instructions set out in the Notice of Meeting Notes, please note that no Proxy Form accompanies this document this year.

A handwritten signature in black ink, appearing to read 'C Pearce', with a long horizontal line extending from the end of the signature.

Christopher Pearce
Chairman

9 April 2024

AUDIT COMMITTEE REPORT

For the year ended 31 December 2023

I am pleased to present the report on behalf of the Audit Committee.

The Committee is responsible for monitoring the quality of internal controls and for ensuring that the financial performance of the Group is properly reviewed and reported. The Board considers that the Company is not currently of the size to warrant the need for an internal audit function although the Board has put in place internal financial procedures to ensure close internal controls.

Committee Composition

The members of the Audit Committee are myself, Roger McDowell, as Chair and Ursula Ney. We are both independent Non-Executive Directors. The Board is of the view that we have recent and relevant experience. Meetings are held at least twice a year. The Chief Executive Officer, the Chief Financial Officer and the Group's auditors attend by invitation. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

Committee Duties

The main duties of the Committee are set out in its terms of reference, which are available on the Company's website. In this period the main items of business included:

- reviewing and recommending to the Board in relation to the appointment and removal of the external auditor;
- recommending the external auditor's remuneration and terms of engagement;
- reviewing the independence of the external auditors, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements;
- reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditor;

- reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports;
- monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

Financial reporting

The Committee reviews reports provided by the external auditor on the annual results which highlight any observation from the work they have undertaken.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

External Auditor

Cooper Parry Group Ltd was re-appointed as the Group's auditor at the Annual General Meeting held on the 17 May 2023.

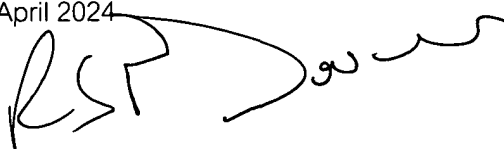
The Committee considers that its relationship with the auditor is working well and is satisfied with their effectiveness. The Committee is responsible for ensuring there is a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed to ensure it will not impact their independence and objectivity. The breakdown of fees is provided in note 8 on page 53 of the Group's financial statements.

As necessary the Committee held private meetings with the auditor to review key items in its responsibilities. Taking into account the auditor's knowledge of the Group and experience, the Committee has recommended to the Board that the auditor is re-appointed for the year ending 31 December 2024.

Roger McDowell

Chair of the Audit Committee

9 April 2024



REMUNERATION COMMITTEE REPORT

For the year ended 31 December 2023

I am pleased to present the report on behalf of the Remuneration Committee.

The Committee is responsible for setting the remuneration policy of the Executive Directors and other senior staff, including terms of employment, salaries, any performance bonuses and share option awards.

Committee Composition

The members of the Remuneration Committee are myself Ursula Ney as Chair and Roger McDowell. We are both independent Non-Executive Directors.

Committee Duties

The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding their own remuneration.

Remuneration policy

The key principles of the Remuneration Policy include:

- the need to attract, retain and motivate executives who have the capability to ensure the Company achieve its strategic objectives;
- the need to ensure that short term benefits and long-term incentive plans are aligned with the interests of shareholders;
- the need to take into account the competitive landscape in the UK and German biotechnology/service industry and current best practice in setting appropriate levels of compensation;
- the Committee to meet at least once per year.

Director's Remuneration

The following table summarises the total gross remuneration for the qualifying services of the directors who served during the year to 31 December 2023.

Directors' remuneration and transactions

The directors' emoluments in the year ended 31 December 2023 were:

	Basic salary 2023 £'000	Bonus 2023 £'000	National Insurance Contributions 2023 £'000	Benefits in kind 2023 £'000	Pension Costs 2023 £'000	Total 2023 £'000	Total 2022 £'000
Executive Directors							
Dr M. Söhngen	249	–	4	–	8	261	310
Dr I. Pike	186	10	26	4	19	245	233
R. Dennis	159	10	22	–	16	207	235
A. Omari	199	–	5	–	8	212	73
Non-Executive Directors							
C.D.J. Pearce	50	–	6	6	–	62	62
R. McDowell	32	–	3	–	–	35	33
M. Diggle	–	–	–	–	–	–	–
Dr U. Ney	30	–	3	–	–	33	30
	905	20	69	10	51	1,055	976

REMUNERATION COMMITTEE REPORT

For the year ended 31 December 2023

Directors and their interests

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

Dr M. Söhngen	Chief Executive Officer
Dr I.H. Pike	Chief Scientific Officer
R. Dennis	Chief Commercial Officer
A. Omari	Chief Financial Officer
C.D.J. Pearce	Non-Executive Chairman
R. McDowell	Non-Executive
M. Diggle	Non-Executive
Dr U. Ney	Non-Executive

In accordance with the Company's articles Christopher Pearce, Ursula Ney, Mariola Söhngen and Richard Dennis will retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election. The directors at 31 December 2023 and their interests in the share capital of the Company were as follows:

a) Beneficial interests in Ordinary Shares:

Name of Director	31 December 2023 Number of Ordinary Shares of 1p each	% shareholding
Dr M. Söhngen	–	–
Dr I.H. Pike	165,583	0.05
R. Dennis	625,000	0.21
A. Omari	–	–
C.D.J. Pearce	36,915,059	12.51
R. McDowell	3,400,000	1.15
M. Diggle	–	–
Dr U. Ney	–	–

Note

For C.D.J Pearce, shares held at 31 December 2023 includes shares held by connected persons.

For R. Dennis and R. McDowell, shares held at 31 December 2023 are held in nominee accounts.

M. Diggle is a Director and partner in Vulpes Investment Management and manages the Vulpes Life Sciences Fund which is the registered holder of 22.97% of Proteome Sciences' ordinary share capital.

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

The maximum number of shares to be allocated to the Directors under the 2011 and 2021 LTIP schemes; in each case for an aggregate consideration of £1 are as follows:

		Number at 31 December 2023		Number at 31 December 2022
(i) Dr M. Söhngen	(a)	9,000,000	(b)	9,000,000
(ii) Dr I.H. Pike	(a)	4,000,000	(b)	4,000,000
(iii) R. Dennis	(a)	4,000,000	(b)	4,000,000
(iv) A. Omari	(a)	4,000,000	(b)	4,000,000

REMUNERATION COMMITTEE REPORT

For the year ended 31 December 2023

The options (a)(i) relate to an award made to Dr M. Söhngen on the 8 June 2021, options (a)(ii) and (iii) were awarded to Dr I. H. Pike and R. Dennis on the 11 October 2022. Options (a)(iv) were awarded to A. Omari on 1 December 2022. Options (b)(i), (ii), (iii) were awarded to Dr M. Söhngen, Dr I. H. Pike, R. Dennis on the 8 June 2021.

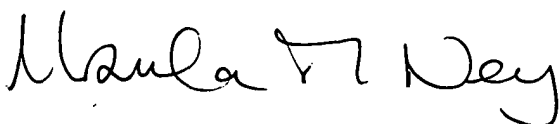
Executive Directors' service contracts

The Executive Directors signed service contracts on their appointment. These contracts are not of fixed duration. Executive Directors' contracts are terminable by either party giving three months' written notice with the exception of the Chief Executive Officer's and Chief Financial Officer's contracts which are terminable by either party giving six month's written notice.

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Group for the provision of Non-Executive Directors' services, which may be terminated by either party giving one month's written notice. The remuneration of the Non-Executive Directors is determined by the Board as a whole.

The Committee has met twice during the financial year to 31 December 2023.



Dr Ursula Ney

Chair of the Remuneration Committee

9 April 2024

DIRECTORS' REPORT

For the year ended 31 December 2023

The Directors present their annual report and financial statements for the year ended 31 December 2023. An indication of likely future developments in the business is set out in the Strategic Report.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr Mariola Söhngen
Dr Ian Pike
Richard Dennis
Abdelghani Omari
Christopher Pearce
Roger McDowell
Martin Diggle
Dr Ursula Ney

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the Group and Company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Website publication

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

Financial instruments and liquidity risks

Information about the use of financial instruments by the Company and its subsidiaries and the Group's financial risk management policies are given in note 24 of the financial statements (page 73).

- a) As set out in note 18(b) (i) to (iii) in these financial statements, 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

DIRECTORS' REPORT

For the year ended 31 December 2023

market price on the date of conversion or the average price over the lowest consecutive 10 day trading period since 29 June 2006 (the date on which details of the original loan agreement were disclosed). Interest accrues at 2.5% per annum above the UK sterling base rate of Barclays Bank plc.

- b) On 2 July 2018, Proteome Sciences plc secured a loan facility of £1.0m from Vulpes Investment Management (VIM). Interest accrues at 2.5% per annum above the UK sterling base rate of Barclays Bank plc and is repayable alongside the principal loan. The Company signed the Second Amendment to the Agreement on the 29 March 2021 which extended the term of the loan to 1 May 2022. On the 17 June 2021 the Loan Agreement was amended to allow for conversion into ordinary shares such that until 30 April 2022, VIM may convert part (being not less than £50,000 or a multiple thereof) or all of the Drawn Loan and accrued interest to 31 December 2021 (being £51,538) into new ordinary shares of the Company. The conversion price was 7.16p per share, which is the average of the closing middle market price for the ordinary shares of the Company during the five consecutive trading days immediately prior to entering into the Loan Amendment. The loan conversion agreement expired on 30 June 2022. This loan is deemed a related party transaction by nature of a common director being on both the boards of Proteome Sciences plc and VIM. On the 30 March 2022, the Company signed the Third Amendment to the VIM Loan Agreement which extended the term to the loan to 30 June 2023. On the 1 June 2023 Proteome Sciences plc repaid both the outstanding loan facility and accrued interest of £824,424.
- c) The market price of the Ordinary Shares at 31 December 2023 was 4.53p and the range during the year was 8.79p to 3.18p.

Substantial shareholdings

As at 9 April 2024, the Company had received notification of the following significant interests in the ordinary share capital of the Company:

Name of Holder	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
C.D.J. Pearce	36,915,059	12.51
Vulpes Life Science Fund	67,789,772	22.97

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 Chief Executive Officer's Statement on page 2 and Strategic Report on page 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement on page 40 and in notes 18(b) (Financial liabilities) and 24 (Financial instruments).

These financial statements have been prepared on the going concern basis which remains reliant on the Group achieving an adequate level of sales in order to maintain sufficient working capital to support its activities. The directors have reviewed the Company's and the Group's going concern position, taking account of current business activities, budgeted performance and the factors likely to affect its future development, as set out in the annual report, and including the Group's objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.

In particular, the directors have considered the potential challenges from the macro environment on international business and the general inflationary pressure on costs, may have on the ability to achieve adequate level of sales.

DIRECTORS' REPORT

For the year ended 31 December 2023

Group revenues for the year ended 31 December 2023 decreased by 35% to £5.03m (2022: £7.78m). Proteomics services decreased 41% to £1.63m (2022: £2.75m). Sales and royalties attributable to TMT® and TMTpro™ reagents were £3.40m (2022: £4.16m). Total costs, excluding finance costs, rose to £6.65m (2022: £6.05m) and resulted in an Operating Loss of £1.62m (2022: Operating Profit £1.73m) and a loss after tax of £2.44m (2022: Profit after tax £1.33m). Adjusted EBITDA decreased to £(0.92)m (2022: £2.43m). Cash reserves at the year-end decreased to £2.03m (2022: £3.99m).

The Group is also dependent on the loan facility provided by the Chairman of the Group, which under the terms of the facility, is repayable on demand. The amount owed as of 31 December 2023, including interest, was £11,235k (2022: £10,459k). Further details of this facility are set out in note 18(b) to the financial statements.

The directors have received a legally binding written confirmation from the Chairman that he has no intention of seeking its repayment, with the facility continuing to be made available to the Group, on the existing terms, for at least 12 months from the date of approval of these financial statements or until at least 30 April 2025.

On 1 June 2023 the Company repaid the loan from Vulpes together with accrued interest totalling £824,424.

Following a detailed review of forecasts, budgets and sales order book, the directors have a reasonable expectation the Group as a whole, has adequate financial and other resources to continue in operational existence for the period of at least twelve months post approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Events after the balance sheet date

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

Research and development

Details of the Group's activities on research and development during the year are set out in the Chief Executive Officer's Statement (page 2) and Strategic Report (page 6).

Auditor

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

- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The directors will place a resolution before the Annual General Meeting to appoint Cooper Parry Group Limited as auditor for the following year.

Liability insurance for Company officers

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

By order of the Board

Coveham House
Downside Bridge Road
Cobham
Surrey
KT11 3EP



Victoria Birse
Company Secretary

9 April 2024

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Independent auditors' report to the members of Proteome Sciences plc

Opinion

We have audited the financial statements of Proteome Sciences plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

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 31 December 2023 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit

evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the Group's total revenue and loss before taxation and the Group's total assets.

The Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results. We identified three individually significant components.

To this extent, the Group audit team performed full scope audits for Proteome Sciences plc, and its subsidiaries Electrophoretics Limited and Proteome Sciences R&D GmbH & Co. KG. These represent 100% of total revenues, 82% of total assets and 100% of loss before tax. The financial information of the remaining non-significant components was subject to analytical review procedures performed by the Group audit team for Group reporting purposes. Any material balances from the Group's position that were identified in the non-significant components were subject to audit work by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Matter

Biomarker service revenue is recognised based on progress towards satisfaction of performance obligations included in the contracts undertaken. There is judgement involved in determining the stage of completion, resulting in a greater risk of error. The risk is specific to contracts which are incomplete at the year end as changes to these estimates could give rise to material variances in the amount of revenue recognised at the year end. Given the above, there is a risk that revenue is not accounted for appropriately.

Response

Our procedures in response to the risk included:

- Reviewed accounting policies in place surrounding revenue and ensured that they were applied consistently and appropriately;
- For a sample of biomarker contracts we obtained the 31 December 2023 project summary, and performed the following for each sample:
 - o Obtained and reviewed the signed contract to understand the performance obligations therein;
 - o Held detailed discussions to understand the scope of work, the progress to date and any challenges or variations which have occurred;
 - o Assessed the accounting estimates made in respect of any variable consideration;

- o Reviewed post year end contract performance and cash receipts in relation to that contract together with a performance update from the prior year to assess the accuracy of budgeting; and
- o Traced the figures per the year end contract report into the relevant nominal postings to ensure revenue is recognised in line with these documents.

Our procedures did not identify any material misstatements in the revenue recognised during the period. We consider that the Group's revenue recognition policy is appropriate and that revenue has been recognised in accordance with the Group's revenue policy.

Going concern

Matter

The Group and Parent Company are reliant on the continued availability of loans from related parties.

Response

Our procedures in response to the risk included:

- Obtained the assessment made by management and the Directors regarding the Group's ability to continue as a going concern;
- Reviewed the assumptions used in their assessment and sensitising any key assumptions used;
- Reviewed the prior year budgets compared to actuals for the year ended 31 December 2023 to gain assurance over forecasting accuracy;
- Discussed with management any additional factors or other issues which could impact the Group's ability to continue as a going concern;
- Reviewed the actual results achieved post year end compared to the budget to consider the reasonableness of the budgeting process; and
- Obtained a signed letter of comfort for the related party loans.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Our conclusions in respect of this risk area are set out below within the section 'Conclusions relating to going concern'.

Valuation/impairment of goodwill and investments **Matter**

The Group has significant goodwill held on the consolidated balance sheet, and the parent company also has a significant investment in subsidiaries on the balance sheet. These are material areas involving significant levels of judgement and estimation.

Response

Our procedures in response to the risk included:

- Obtained and reviewed the impairment review prepared by management in relation to the goodwill and investment values;
- Assessed the key assumptions used in those impairment review calculations, being:
 - o Identification of CGUs and the trade relating to them including the new US subsidiary, Proteome Sciences US Inc
 - o Discount rate applied
 - o Growth assumptions within trading forecasts
- Performed sensitivity analysis over the key assumptions listed above and reviewed available headroom and/or indications of impairment arising from the use of different assumptions;
- Reviewed the market capitalisation of the group and considered this against the net assets of the group to review for indicators of impairment; and
- Reviewed the completeness and consistency of disclosures in relation to intangible assets within the annual report.

Our procedures did not identify any material misstatements in the year.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the Group financial statements as a whole was set at £75,000. This has been determined with reference to the benchmark of the Group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1.5% of Group revenue. Performance materiality has been set at 75% of Group materiality.

The materiality for the Parent Company financial statements as a whole was set at £67,500. This has been determined with reference to the benchmark of the parent company's net assets which we consider to be an appropriate measure for a parent company such as this. Materiality has been capped at 90% of Group materiality. Performance materiality has been set at 75% of Parent Company materiality.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £3,750, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various scenarios on the forecasts; and
- Reviewing management's disclosures in the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information included in the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Our assessment focused on key laws and regulations the Group and Parent Company have to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK adopted international accounting standards, and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions;

- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

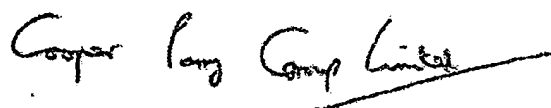
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2023

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Katharine Warrington', with a horizontal line drawn underneath it.

Katharine Warrington (Senior Statutory Auditor)

For and on behalf of

Cooper Parry Group Limited

Chartered Accountants and Statutory Auditor

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby

DE74 2SA

Date: 9 April 2024

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	5, 6		
Licences, sales and services		5,028	7,780
Revenue - total		5,028	7,780
Cost of sales		(3,381)	(3,013)
Gross profit		1,647	4,767
Administrative expenses		(3,268)	(3,039)
Operating (Loss)/profit	8	(1,621)	1,728
Finance costs	7	(797)	(473)
(Loss)/profit before taxation		(2,418)	1,255
Tax (charge)/credit	11	(25)	70
(Loss)/profit for the year		(2,443)	1,325
(Loss)/profit per share			
Basic	12	(0.83p)	0.45p
Diluted		(0.83p)	0.43p

The accompanying notes 1 to 27 are an integral part of the financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	2023 £'000	2022 £'000
(Loss)/profit for the year	(2,443)	1,325
Other comprehensive income for the year		
<i>Items that will or may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	(41)	158
Re-measurements of Defined Benefit Pension Schemes (see note 19)	43	145
(Loss)/profit and total comprehensive income for the year	(2,441)	1,628
Attributable to owners of parent	(2,441)	1,628

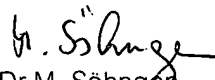
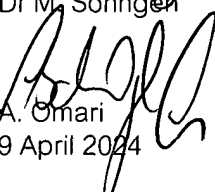
The accompanying notes 1 to 27 are an integral part of the financial statements

CONSOLIDATED BALANCE SHEET

as at 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Goodwill	13	4,218	4,218
Property, plant and equipment	14	551	444
Right-of-use asset	14	2,525	873
		7,294	5,535
Current assets			
Inventories	16	837	901
Trade and other receivables	17(a)	955	1,443
Contract assets	5	345	560
Cash and cash equivalents	17(b)	2,027	3,994
		4,164	6,898
Total assets		11,458	12,433
Current liabilities			
Trade and other payables	18(a)	(629)	(823)
Contract liabilities	5	(1)	(104)
Borrowings	18(b)	(11,235)	(11,262)
Lease liabilities	26	(609)	(300)
		(12,474)	(12,489)
Net current liabilities		(8,310)	(5,591)
Non-current liabilities			
Lease liabilities	26	(1,631)	(353)
Pension provisions	19	(419)	(434)
Total non-current liabilities		(2,050)	(787)
Total liabilities		(14,524)	(13,276)
Net liabilities		(3,066)	(843)
Equity			
Share capital	20	2,952	2,952
Share premium	22	51,466	51,466
Share-based payment reserve	22	4,713	4,495
Merger reserve	22	10,755	10,755
Translation and other reserve	22	(10)	31
Retained loss		(72,942)	(70,542)
Total deficit		(3,066)	(843)

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 9 April 2024. They were signed on its behalf by:


 Dr M. Söhngen

 A. Omari
 9 April 2024

Director

Director

The accompanying notes 1 to 27 are an integral part of the financial statements.

COMPANY BALANCE SHEET

as at 31 December 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Investment in subsidiaries	15	8,611	9,262
		<u>8,611</u>	<u>9,262</u>
Current assets			
Cash and cash equivalents	17(b)	90	367
		<u>90</u>	<u>367</u>
Total assets		<u>8,701</u>	<u>9,629</u>
Current liabilities			
Payables owed to other group entity	18(a)	(350)	(601)
Borrowings	18(b)	(1,887)	(2,559)
Total liabilities		<u>(2,237)</u>	<u>(3,160)</u>
Net assets		<u>6,464</u>	<u>6,469</u>
Equity			
Share capital	20	2,952	2,952
Share premium account		51,466	51,466
Share-based payment reserve		4,713	4,495
Retained loss		(52,667)	(52,444)
Total equity		<u>6,464</u>	<u>6,469</u>

The Company generated a loss for the year ended 31 December 2023 of £0.22m (2022: loss £0.18m).

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 9 April 2024. They were signed on its behalf by:


Dr M. Söhngen

Director


A. Omari
9 April 2024

Director

The accompanying notes 1 to 27 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

	Share capital £'000	Share premium account £'000	Share- based payment reserve £'000	Translation reserve £'000	Merger reserve £'000	Retained loss £'000	Equity attributable to owner of the parent £'000	Total (deficit) £'000
At 1 January 2023	2,952	51,466	4,495	31	10,755	(70,542)	(843)	(843)
Loss for the year	–	–	–	–	–	(2,443)	(2,443)	(2,443)
Exchange differences on translation of foreign operations	–	–	–	(41)	–	–	(41)	(41)
Re-measurements of Defined Benefit Pension Schemes	–	–	–	–	–	43	43	43
Loss and total comprehensive income for the year	–	–	–	(41)	–	(2,400)	(2,441)	(2,441)
Credit to equity for share-based payment	–	–	218	–	–	–	218	218
At 31 December 2023	2,952	51,466	4,713	(10)	10,755	(72,942)	(3,066)	(3,066)
At 1 January 2022	2,952	51,466	4,193	(128)	10,755	(72,013)	(2,775)	(2,775)
Profit for the year	–	–	–	–	–	1,325	1,325	1,325
Exchange differences on translation of foreign operations	–	–	–	158	–	–	158	158
Re-measurements of Defined Benefit Pension Schemes	–	–	–	–	–	145	145	145
Profit and total comprehensive income for the year	–	–	–	158	–	1,470	1,628	1,628
Credit to equity for share-based payment	–	–	303	–	–	–	303	303
At 31 December 2022	2,952	51,466	4,495	31	10,755	(70,542)	(843)	(843)

The accompanying notes 1 to 27 are an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

Company	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Retained loss £'000	Total equity £'000
At 1 January 2022	2,952	51,466	4,193	(52,268)	6,343
Loss and total comprehensive income for the year	–	–	–	(176)	(176)
Credit to equity for share-based payment	–	–	303	–	303
At 31 December 2022	2,952	51,466	4,495	(52,444)	6,469
At 1 January 2023	2,952	51,466	4,495	(52,444)	6,469
Loss and total comprehensive income for the year	–	–	–	(223)	(223)
Credit to equity for share-based payment	–	–	218	–	218
At 31 December 2023	2,952	51,466	4,713	(52,667)	6,464

The accompanying notes 1 to 27 are an integral part of the financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

as at 31 December 2023

	Note	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
(Loss)/profit after tax		(2,443)	1,325	(224)	(176)
Adjustments for:					
Finance costs	7&18c	797	437	152	99
Depreciation of property, plant and equipment	14	123	106	–	–
Lease depreciation	26	361	178	–	–
Tax (credit)/charge		25	(70)	–	–
Share-based payment expense	21	218	303	–	–
Operating cash flows before movements in Working capital		(919)	2,279	(72)	(77)
Decrease in inventories		63	187	–	–
Decrease/(increase) in receivables		704	(920)	–	–
(Decrease)/increase in payables		(298)	293	(251)	(95)
(Decrease)/increase in provisions		(15)	80	–	–
Foreign exchange		9	151	–	–
Cash (used in)/generated from operations		(456)	2,070	(323)	(172)
Tax (paid)/received		(25)	70	–	–
Net cash (outflow)/inflow from operating activities		(481)	2,140	(323)	(172)
Cash flows from investing activities					
Lease upfront payments	26	(187)	–	–	–
Purchases of property, plant and equipment	14	(237)	(319)	–	–
Loans advanced to subsidiary undertakings		–	–	870	75
Net cash (outflow)/inflow from investing activities		(424)	(319)	870	75
Financing activities					
Lease payments	18c	(238)	(209)	–	–
Debt repayments		(824)	–	(824)	–
Net cash outflow from financing activities		(1,062)	(209)	(824)	–
Net decrease in cash and cash equivalents		(1,967)	1,612	(277)	(97)
Cash and cash equivalents at beginning of year		3,994	2,387	367	464
Effect of foreign exchange rate changes		–	(5)	–	–
Cash and cash equivalents at end of year	17b	2,027	3,994	90	367

The accompanying notes 1 to 27 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

1 GENERAL INFORMATION

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

2 CHANGES IN ACCOUNTING POLICIES

Adoption of new and revised standards

Proteome Sciences plc has applied the same accounting policies and methods of computation in its financial statements as in its 2022 annual financial statements. No new and revised standards were adopted for the period commencing 1 January 2023.

The IASB has issued amendments to IAS 1 *Presentation of Financial Statements* and IFRS 16 *Leases*. The amendments to IAS 1 clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances. The amendment to IFRS 16 *Leases* specifies requirements for seller-lessees to measure the lease liability in a sale and leaseback transaction. Both amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments have not been applied in the reporting period. We don't anticipate a significant effect on the Group's financial statements from the application of these amendments.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with UK adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, except financial instruments and share-based payments, which are prepared in accordance with IFRS 9 and IFRS 2 respectively.

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 Chief Executive Officer's Statement on page 2 and Strategic Report on page 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement on page 40 and in notes 18(b) (Financial liabilities) and 24 (Financial instruments).

Notwithstanding net liabilities of £3,066k these financial statements have been prepared on the going concern basis which remains reliant on the Group achieving an adequate level of sales in order to maintain sufficient working capital to support its activities. The directors have reviewed the Company's and the Group's going concern position, taking account of current business activities, budgeted performance and the factors likely to affect its future development, as set out in the Annual report, and including the Group's objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.

In particular, the directors have considered the challenges from the macro environment on international business, and the general inflationary pressure on costs. The Company did not see any impact on the supply chain of its raw materials or its products but did observe reduced demand for TMT® and for its services during the second half of 2023 but has seen first signs of a potential recovery since the beginning of 2024. During 2023 the Company has observed price increases from its suppliers and vendors and had increases in its labour costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

Due to the continued backdrop from the macro environment on international business, and the general inflationary pressure on costs, Group revenues for the year ended 31 December 2023 decreased by 35% to £5.03m (2022: £7.78m). Proteomic (biomarker) services decreased 41% to £1.63m (2022: £2.75m). Sales and royalties attributable to TMT® and TMTpro™ reagents were £3.40m (2022: £4.16m).

Total costs, excluding finance costs, rose to £6.65m (2022: £6.05m) and this resulted in an operating loss of £1.62m (2022: operating profit of £1.73m) and a net loss of £2.44m (2022: a profit of £1.33m). Cash reserves at the year end were at £2.03m (2022: £3.99m).

The Group is also dependent on the loan facility provided by the Chairman of the Group, which under the terms of the facility, is repayable on demand. Further details of this facility are set out in note 18(b) to the financial statements.

The directors have received a legally binding written confirmation from the Chairman that he has no intention of seeking its repayment, with the facility continuing to be made available to the Group, on the existing terms, for at least 12 months from the date of approval of these financial statements or until at least the 30 April 2025.

On the 1 June 2023 the company repaid the loan facility from Vulpes Investment Management plus accrued interest of £824,424.

Following a detailed review of forecasts, budgets, and sales order book, the directors have a reasonable expectation the Group as a whole, has adequate financial and other resources to continue in operational existence for the period of at least twelve months past approval of these financial statements. For this reason, the directors continue to adopt the going concern basis 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 31 December each year. The Company controls an investee if, and only if the Company has the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure of rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES 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. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

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.

The majority of the Group's revenue is derived from selling TMT® products, end customer sales-based royalties, which are paid on a quarterly retrospective basis, milestone payments for development work and revenue milestone payments.

TMT® product sales

TMT® revenues are recognised at the point at which the customer obtains control of the asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. In relation to TMT® product sales this occurs at the point that the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, revenue can be reliably measured and it is probable that the economic benefits will flow to the Company. The standard payment terms for TMT® product invoices are 45 days from receipt.

TMT® royalties

Royalty revenues are recognised on a quarterly basis at the end of each quarter retrospectively as soon as the calculation of the royalty amount is available. Royalties are earned when other parties generate sales that use the Group's TMT® IP. This variable revenue is subject to the sales/usage restriction in IFRS 15 and, as such, it is only recognised when that underlying sale of the third-party product is made. The price is a fixed percentage of the underlying sale and payment is due on a quarterly basis, based on the sales made in that quarter. Royalty payments are received the month following the quarter end.

TMT® revenue milestones

Milestone revenues are due on cumulative sales-related revenues. The milestone revenue is recognised at a point in time when the revenue milestone has been achieved. This is because the milestone revenue is deemed variable consideration and is constrained due to factors outside the Company's influence. There is uncertainty as regards the variable consideration amount.

Biomarker services

Proteomics (biomarker) services revenue is recognised typically on an over time basis. Performance obligations are described for larger service orders in the form of work packages, which identify individual deliverable services, and each represent a value on its own to the customer. The nature of the Group's work is that our biomarker contracts create an asset with no alternative use and contracts are worded in such a way that the Group has an enforceable right to be paid for the performance completed to date including an appropriate profit margin. Revenue is recognised over time as the biomarker services are performed. On partially complete biomarker projects, the Group recognises revenue based on stage of completion of the project which is estimated by reviewing the individual

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

deliverable services stipulated in the work package. The stage of completion is estimated based on costs to date over total expected costs. This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of individual work packages and therefore represent the amount to which the Group would be entitled based on its performance to date.

Determining the transaction prices and allocation of amounts to performance obligations

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. For TMT® products sold there is a fixed unit price, which is applied. For the royalties a percentage charge per product unit sold is fixed and used as the transaction price. Transactions prices for biomarker services and grant services are determined on the basis of contractual agreements within the purchase order / contract with fixed prices stipulated in advance.

For biomarker services revenues the Company does not use any discount or bonus schemes. Revenue is allocated at the transaction price specified in the contract for the individual work orders representing a distinct performance obligation.

The Group does not operate a returns or refunds policy due to the bespoke nature of its products and services.

Research grants

In the event that research grant income is received following the Group reporting the number of working hours carried out on a research project at the allowable rate. Where retention of a grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated income statement.

Leasing

All leases are accounted for by recognising a right-of-use asset and a lease liability except for the UK office.

The rental for the UK office amounted in 2023 to £9k and is not considered a lease under IFRS 16.

In the case of the Group there are four leases recognised under IFRS 16, one for the Frankfurt operations of the Group, which commenced in August 2019 and ends on 31 December 2026. Its asset class is land and building as a rental lease.

The second lease is for equipment and commenced on 1 November 2021 and has a term until November 2025. Its asset class is machinery and equipment. It does not contain variable elements or break clauses. Similarly, there are no special restoration clauses attached, there are no restrictions or covenants in place and it does not include an option for a sale and lease back transaction.

The third lease is for the Group's US operations and commenced in August 2023 and has a term until July 2027, with an early termination option after 2 years.

The fourth lease is for equipment for the US operations and commenced in October 2023 with a term until December 2028.

Information of the right of use assets and their amortisation are disclosed in note 14. Information of future lease payments can be found in notes 23 and 26 and information about financial commitments and their timing can be found in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

Details of the Group's leases existing at the balance sheet date can be found in note 26.

Foreign Currencies

The individual financial statements of each Group company are prepared in the currency of their primary economic environment in which they operate, their functional currency. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling.

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

Exchange differences arising on the settlement of monetary items, are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains, and losses are recognised directly in equity.

For 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.

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 during financial year 2002, the Group makes contributions in Germany to a funded defined contribution plan and to a funded defined benefit plan. These plans are operated in their entirety by the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG (Hoechst Group), an independent German mutual insurance company which is required to comply with German insurance company regulations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

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

Taxation

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

Research and development tax credit

Companies within the Group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured.

R&D tax credits are measured on a cash basis due to the uncertainty over the amount and timing of receipt. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable.

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	20-33%
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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. Depreciation periods and useful life expectations are subject to regular review and an impairment exercise carried out at least once a year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

Where no internally generated intangible asset can be recognised, development expenditure is written-off in the period in which it is incurred.

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

- the product is technically feasible and marketable;
- the Company has adequate resources to complete the development of the product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The directors do not consider that any Research and Development intangible assets have been created in 2023 or the prior year on the basis that it is uncertain whether the intangible assets will generate future cash flows.

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense through profit or loss.

Investments in subsidiaries

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

Inventories

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

Financial instruments

The Group classifies its financial assets into one of three measurement categories (fair value through profit or loss, fair value through other comprehensive income or amortised cost) depending on the purpose for which the asset was acquired and the nature of the contractual cash flows. As all of the Group's financial assets are held in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest, all financial assets are measured at amortised cost.

Amortised cost

Financial assets classified under the amortised cost model are Trade and other receivables, Cash and cash equivalents, Trade and other payables and Loans to subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit loss. During this process the probability of the non-payment of the trade receivable is assessed and multiplied by expected amount of credit loss resulting from credit default. The Company has set up a matrix using the time a debtor is overdue as a criterion to determine the default probability using five categories ranging from 0% to 90% probability. Provisions are recorded in a separate provision account and the movements in the ECL (Expected Credit Loss) provision are recognised in profit or loss. On notice of a realised default the gross carrying amount of the asset is written off against the provision.

The Company's loans to its subsidiaries are interest free and under terms which would technically provide the Company the right to demand immediate repayment. The current financial situation of the subsidiaries is such that they would be unable to repay the amounts due if demanded and, in consequence, they are considered to be credit-impaired and lifetime expected credit losses are recognised. As part of the assessment of the lifetime expected credit losses of these intercompany loan receivables, the directors have considered the cash flows that may be generated from a number of different scenarios, including through an orderly sale of the underlying business.

Contract assets

Contract assets are recognised on the face of the balance sheet and are defined as the right to consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time (for example, the entity's future performance). Contract assets are considered within the expected loss calculation under IFRS 9, but usually do not fulfil the recognition criteria.

Cash and cash equivalents

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

Borrowings

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

Trade payables

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Further details of the pension provision policy are set out in the paragraph above headed Retirement benefit costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

3 SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest based on the effect of non-market vesting conditions. Share based payments are recognised as an additional cost of investment in subsidiary undertakings in the Company where the Company issues share options to executives employed by its subsidiaries.

Fair value is measured by use of the Black Scholes model for all awards. 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.

EBITDA

EBITDA is earnings before interest, taxes and operational depreciation including leasing effects.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP company specific measure which is considered to be a key performance indicator of the Group's financial performance. Adjusted EBITDA is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, non-recurring costs, and employee share-based payment.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

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. The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Internally-generated intangible assets – research and development expenditure

The directors do not consider that any Research and Development intangible assets have been created in 2023 or the prior year on the basis that it is uncertain whether the intangible assets will generate future cash flows due to economic feasibility not being established until late in the process.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value less costs to sell the cash-generating units to which goodwill has been allocated. The fair value less costs to sell calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit. As the recoverable amount of goodwill at the balance sheet date exceeded the goodwill amount as shown in the balance sheet of £4.22m an impairment was not undertaken. Details of the estimates used in the calculation are set out in note 13.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

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 the directors have not made a provision against their carrying values as shown in note 15 to the financial statements and the directors therefore believe that the investments concerned will generate sufficient economic benefits to justify their revised carrying values, despite the inevitable uncertainties over timing of the receipt of income and the size of the markets from which income is anticipated.

Inventories

The carrying cost of the Company's inventories is reviewed at each balance sheet date. The directors have reviewed the historic sales volumes of the finished goods on a product-by-product level compared to the stock level of each product at the balance sheet date. From this review the directors have made a provision against the carrying values of the finished goods where the goods at the balance sheet date exceed a certain multiple of goods of the respective product sold in the prior 12 months period. This assessment is based on forward looking assumptions about future sales levels of products. The directors believe that the inventories concerned will generate sufficient economic benefits to justify their revised carrying values, despite the inevitable uncertainties over timing and size of the receipt of income.

Leases

Leases accounted under IFRS16 require judgement in respect of interest rates applied. For the property leases the Group uses the internal rate of return equating to the interest rate agreed for the Group's major loans granted by the shareholders of the Group and considers this to be most appropriate discount rate as the Group does not use other external financing. However, for the equipment lease for its US operations an implicit rate of interest can be determined as part of the lease contract and has been applied.

Share based payment charge

The award of share options in 2021 and 2022 resulted in a share based payment charge of £218k in 2023. The valuation of these options was determined by the Company using the Black Scholes model and applying the parameters in the grant documents of the share option awards. Details of the calculations are set out in note 21.

Pension

The Group operates for its German employees a defined benefit retirement scheme and treats, where appropriate, payments to the scheme similar to payments to a defined contribution scheme. Valuation of the scheme is based on the annual report of an independent actuary. The Group considers this is sufficient to guarantee appropriate valuation of the scheme and to consider all resulting financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

	Biomarker services £'000	TMT Sales £'000	TMT Royalties £'000	Total £'000
Year to 31 December 2023				
Primary Geographic Markets				
US	444	1,991	1,408	3,843
UK	311	–	–	311
EU	857	–	–	857
Other	17	–	–	17
	1,629	1,991	1,408	5,028
Revenue recognised at a point in time	–	1,991	1,408	3,399
Revenue recognised over a period	1,629	–	–	1,629
	1,629	1,991	1,408	5,028

Disaggregation of Revenue

	Biomarker services £'000	TMT Sales £'000	TMT Royalties and milestones £'000	Total £'000
Year to 31 December 2022				
Primary Geographic Markets				
US	1,233	2,198	2,831	6,262
UK	330	–	–	330
EU	1,163	–	–	1,163
Other	25	–	–	25
	2,751	2,198	2,831	7,780
Revenue recognised at a point in time	–	2,198	2,831	5,029
Revenue recognised over a period	2,751	–	–	2,751
	2,751	2,198	2,831	7,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

5 REVENUE FROM CONTRACTS WITH CUSTOMERS continued

Contract Balances

	Contract Assets 2023 £'000	Contract Assets 2022 £'000	Contract Liabilities 2023 £'000	Contract Liabilities 2022 £'000
At 1 January	560	479	(105)	(35)
Transfer in the period from contract assets to trade receivables	(560)	(479)	–	–
Amounts included in contract liabilities that were recognised as revenue during the period	–	–	105	35
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	345	560	–	–
Cash received in advance of performance and not recognised as revenue during the period	–	–	(1)	(105)
	345	560	(1)	(105)

Contract assets

Contract assets and contract liabilities arise from the Group's biomarker services where contracts may not be completed at the year end and because payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. The Group expects to recognise this revenue in 2024.

Remaining performance obligations

The vast majority of the Group's contracts are for the delivery of goods within the next 12 months for which the practical expedient of IFRS 15 applies.

6 SEGMENT INFORMATION

For executive management purposes, the Group has one reportable segment which is the sale of goods and biomarker services. All revenue from its operations is reported to this one segment and the two income streams form the two categories reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. These two categories are TMT® revenues and Biomarker services and other license income. 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.

7 FINANCE COSTS

	2023 £'000	2022 £'000
Interest on related party loans (note 18)	797	436
Finance costs	797	436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

8 OPERATING (LOSS)/PROFIT

	2023 £'000	2022 £'000
Operating (loss)/profit is stated after charging/(crediting):		
Depreciation charge (including depreciation on lease)	484	397
Research and development costs	637	376
Operating lease rentals		
– other	9	12
Auditor's remuneration (see below)	89	82
Foreign exchange loss/(gain)	151	(238)

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor for the audit of the Company's annual accounts	89	82
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	–	–
Total audit fees	89	82
Tax compliance services	–	–
Total non-audit fees	–	–
Total fees	89	82

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP company specific measure which is considered to be a key performance indicator of the Group's financial performance. Adjusted EBITDA is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, non-recurring costs, and employee share-based payment.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

	2023 £'000	2022 £'000
Operating (loss)/profit	(1,621)	1,728
Depreciation	123	106
Depreciation on leases	361	291
EBITDA	(1,137)	2,125
Other non-cash items - Share based payments (see note 21)	218	303
Non-recurring costs (cash relevant)	–	–
Adjusted EBITDA	(919)	2,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

9 STAFF COSTS

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

	2023 Number	2022 Number
Research and development	28	23
Administration	7	6
	35	29

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

	£'000	£'000
Wages and salaries	2,513	2,423
Social security costs	456	367
Other pension costs	164	31
Share based payments	218	303
	3,351	3,124

No staff costs are incurred in the parent company, Proteome Sciences plc.

10 DIRECTORS' REMUNERATION AND TRANSACTIONS

The directors' emoluments in the year ended 31 December 2023, were:

	Basic salary 2023 £'000	Bonus 2023 £'000	National Insurance Contributions 2023 £'000	Benefits in kind 2023 £'000	Pension Costs 2023 £'000	Total 2023 £'000	Total 2022 £'000
Executive Directors							
Dr M. Söhngen	249	–	4	–	8	261	310
Dr I. H. Pike	186	10	26	4	19	245	233
R. Dennis	159	10	22	–	16	207	235
A. Omari	199	–	5	–	8	212	73
Non-Executive Directors							
C.D.J. Pearce	50	–	6	6	–	62	62
R. McDowell	32	–	3	–	–	35	33
M. Diggle	–	–	–	–	–	–	–
Dr U. Ney	30	–	3	–	–	33	30
Total	905	20	69	10	51	1,055	976

- (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) Details of the options in place and of awards under the Company's Long-Term Incentive Plan are given in note 21.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

10 DIRECTORS' REMUNERATION AND TRANSACTIONS continued

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

	2023	2022
Defined contribution pension schemes	2	2

Pension costs in the year ended 31 December 2023 were as follows:

	2023 £'000	2022 £'000
Dr M. Söhngen	8	7
Dr I. H. Pike	19	15
R. Dennis	16	15
A. Omari	8	2
	51	39

Directors' transactions

- (a) Other than as disclosed note 18(b) no director had a material interest in any contract of significance with the Company in either year.
- (b) C.D.J. Pearce had a consultancy agreement with the Company at a rate of £70,000 per annum which ended in May 2021. The balance of the fees relating to the consultancy agreement at the year end was £70k (2022: £140k). This decrease during the year represents the repayment of the consultancy fees during the year.

11 TAX

Tax (charge)/credit on profit before taxation on ordinary activities

The Group is entitled to make claims for UK tax credit income on qualifying R&D expenditure each year under the Corporation and Taxes Act 2009. As an SME qualifying entity, tax credits can be claimed in respect of the tax effect of tax losses generated from qualifying R&D expenditure. From 2018 the Group recognised R&D tax claims on a receipt basis.

	2023 £'000	2022 £'000
UK Corporation tax	–	–
Overseas tax charge	(160)	(156)
Group tax charge for the year	(160)	(156)
R&D tax credit received	135	225
Group tax (charge)/credit for the year	(25)	70

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

At 31 December 2023 there were gross tax losses available for carry forward of approximately £49.1m (2022: £46.0m).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

11 TAX continued

Factors affecting the tax credit for the year

R&D tax credit entitlements are lower than in the previous year, due to the stronger commercial focus of the Company's research services revenue stream. As such the Company has not recognised any tax credit in respect of 2023. The differences are explained below:

	2023 £'000	2022 £'000
(Loss)/profit before tax	(2,418)	1,255
Income tax credit calculated at 23.52% (2022: 19.00%)	569	(238)
Effects of:		
Fixed asset timing differences	–	(146)
Expenses not deductible for tax purposes	(129)	–
Unrecognised tax losses carried forward	(430)	341
Effect of overseas tax	(160)	(112)
Prior year adjustment	125	225
	(25)	70

	2023 £'000	2022 £'000
Tax Unrecognised deferred tax		
The following deferred tax assets have not been recognised at the balance sheet date:		
Tax losses	12,275	11,506
Depreciation in excess of capital allowances	137	168
Provisions	105	105
Total	12,518	11,779

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 at an estimated future rate of 25%.

12 (LOSS)/PROFIT PER ORDINARY SHARE

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

	Basic and Diluted	
	2023 £'000	2022 £'000
(Loss)/profit for the financial year	(2,443)	1,325
	2023 Number of shares	2022 Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share:	295,182,056	295,182,056
Weighted average number of ordinary shares and outstanding options for the purposes of calculating diluted earnings per share:	311,222,086	309,020,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

12 (LOSS)/PROFIT PER ORDINARY SHARE *continued*

The weighted average number of ordinary shares outstanding was calculated applying the treasury stock method to an amount of 23.6m share options which were in the money (see note 21 on pages 67-71) on the 31 December 2023. An average share price for 2023 of 5.43p per share added by the outstanding service amounts for these options and resulting in a number of shares of 16,040,030 added to the existing issued share stock for the purpose to calculate the diluted EPS. A number of 0.5m shares were not considered in the calculation of the weighted number of outstanding shares used for the diluted EPS calculation as these options were not dilutive at the 31 December 2023. Since the Group is recording a loss for 2023 no dilution has been recognised in calculation of the loss per share for 2023.

13 GOODWILL

	Goodwill £'000
Cost and carrying amount	
1 January 2023 and 31 December 2023	4,218

The Group comprises a single CGU, which comprises the business carried out by Electrophoretics Limited, Proteome Sciences R&D GmbH & Co KG and, Proteome Sciences US Inc. For the purpose of testing goodwill, the recoverable value of the CGU is determined from fair value less estimated costs of disposal and value in use.

In assessing the fair value of the CGU, management and the directors have considered and assessed the following evidence:

As at 31 December 2023 the market capitalisation for the Group was £13.4m based on the quoted share price of the Company of 4.53p per ordinary share.

The recoverable amount of the CGU is in excess of the carrying value of £4,218k, therefore no impairment is required. The following assumptions were used to calculate the value in use:

- Discounted Cash Flow model produced modelling cash flow for the CGU over 6 years
- Terminal value applied to cash flow from year 6 onwards
- Discount rate of 10.3% applied reflecting the WACC of the Group
- Dynamic growth rate applied, ranging from 4-15% depending on the business unit for the 6 year period
- Sensitivities around the model: a 0.1% increase in the discount rate has an impact of approximately £236k in headroom, a 0.1% decrease in growth rates has an impact of approximately £413k in headroom.

The directors have concluded that based on the above, recoverable value (on a fair value less cost to sell basis) of the goodwill exceeds the carrying value of the goodwill at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

14 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

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

	Laboratory Equipment £'000	Right of use Asset Building £'000	Right of use Asset Equipment £'000	Total £'000
Cost				
1 January 2022	1,486	655	758	2,899
Exchange adjustments	27	33	41	101
Additions during the year	320	51	–	371
Disposals during the year	(71)	–	–	(71)
31 December 2022	1,762	739	799	3,300
1st January 2023	1,762	739	799	3,300
Exchange adjustments	(14)	(14)	(84)	(112)
Additions during the year	238	701	1,409	2,348
Disposals during the year	(16)	–	–	(16)
31 December 2023	1,970	1,426	2,124	5,520
Depreciation				
1 January 2022	1,268	330	31	1,629
Exchange adjustments	15	5	7	27
Charge for the year	106	98	193	397
Depreciation relating to disposals	(71)	–	–	(71)
At 31 December 2022	1,318	433	231	1,982
At 1 January 2023	1,318	433	231	1,982
Exchange adjustments	(6)	1	–	(5)
Charge for the year	123	165	196	484
Depreciation relating to disposals	(16)	–	–	(16)
At 31 December 2023	1,419	599	427	2,445
Net book value				
At 1 January 2023	444	306	568	1,318
At 31 December 2023	551	827	1,697	3,076

In August 2023 the Group extended a 5-year lease contract for the Frankfurt operation, by 2 years until 31 December 2026. In May 2023 the Group additionally entered into a building lease for its US operations starting in August 2023 and ending in July 2027, with an early termination option after 2 years. Furthermore, the Group entered into a lease of equipment for its US operations in October 2023, with the lease ending in December 2028.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

15 INVESTMENT IN SUBSIDIARIES

Company	Cost of shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
At 1 January 2022	691	8,344	9,035
Share based payment expense	303	–	303
Repayment of loan by subsidiary	–	(75)	(75)
At 31 December 2022	994	8,269	9,263
At 1 January 2023	994	8,269	9,263
Additions	2	–	2
Share based payment expense	218	–	218
Repayment of loan by subsidiary	–	(872)	(872)
At 31 December 2023	1,214	7,397	8,611

- (i) The increase in the cost of shares in subsidiary undertakings of £218k (2022: £303k) represents a capital contribution between the Company and certain of its subsidiaries, reflecting the provision of equity instruments in the Company to subsidiary company employees.
- (ii) The decrease in loans to subsidiary companies in 2023 of £870k (2022: £75k) arose mainly from the repayment of a loan of the Company by its trading subsidiary.
- (iii) The Company's loans to its subsidiaries are interest free and under terms which would technically provide the Company the right to demand immediate repayment. The current financial situation of the subsidiaries is such that they would be unable to repay the amounts due if demanded and, in consequence, they are considered to be credit-impaired and lifetime expected credit losses are recognised. As part of the assessment of the lifetime expected credit losses of these intercompany loan receivables, the directors have considered the cash flows that may be generated from a number of different scenarios, including through an orderly sale of the underlying business.

The carrying amount of the Company's loans to subsidiaries was £7,397k (2022: £8,269k).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

15 INVESTMENT IN SUBSIDIARIES continued

Company investments

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

Subsidiary undertakings	Country of incorporation and operation	Principal activity	Description and proportion of shares held by the	
			Company	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
Proteome Sciences, Inc.	U.S.A.	Research Company	100% Common Stock	100% Common Stock
Electrophoretics Limited	United Kingdom	Administrative and Research Company	100% Ordinary shares	100% Ordinary Shares
Veri-Q Inc.	U.S.A.	Research Company	76.9% Common Stock	76.9% Common Stock
Phenomics Limited	United Kingdom	Dormant	100% Ordinary Shares	100% Ordinary Shares
Proteome Sciences US Inc	U.S.A.	Research Company	100% Common Stock	100% Common Stock

- (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.

The registered offices of the companies above are:

Proteome Sciences R&D Verwaltungs GmbH, Proteome Sciences R&D GmbH & Co. KG, -
Altenhöferallee 3, 60438 Frankfurt am Main, Germany

Proteome Sciences plc, Electrophoretics Limited and Phenomics Limited, Coveham House, Downside
Bridge Road, Cobham, Surrey KT11 3EP

Proteome Sciences Inc PO Box 2767 Humble, Texas, 77347. US

Veri-Q Inc ,2711 Centerville Road, Suite 400, Wilmington, Delaware 19808-1645, US

Proteome Sciences US Inc, 10179 Huennekens Street, San Diego, CA 92121, US

We own a minority stake in Galaxy, a US based clinical contract research organisation, which is developing a point of care test for the diagnosis and timing of stroke onset in order to guide the use of specialist thrombolytic treatment. Under the terms of the licence with Galaxy we have received equity in Galaxy as an initial fee in 2019 and similarly the milestone in 2023 was also satisfied in equity. As a result of this we own a minority stake in Galaxy and under the license we are entitled to subsequent development milestones and a running royalty on any product sales. Given the still early stage of development of the test that Galaxy is developing and the uncertainties around the future development of Galaxy as well as the limited information available to us in relation to Galaxy, we have not accounted for the shares in Galaxy as an investment. We may reconsider this in the future as Galaxy continues to make progress of the development of its business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

16 INVENTORIES

	Group 2023 £'000	Group 2022 £'000
Work-in-progress	–	187
Finished goods	837	714
	<u>837</u>	<u>901</u>

17 OTHER CURRENT ASSETS

(a) Trade and other receivables

	Group 2023 £'000	Group 2022 £'000
Trade receivables	735	1,011
Less: provision for impairment of trade receivables	(30)	(3)
Trade receivables – net	705	1,008
Other Debtors	78	172
Prepayments	172	263
Total	<u>955</u>	<u>1,443</u>

At 31 December 2023 the lifetime expected loss provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	More than 364 days past due	Total £'000
Expected loss rate %	0 %	10 %	15%	60%	90%	
Gross carrying amount	655	18	18	44	–	735
Loss provision	–	(2)	(3)	(26)	–	(31)

At 31 December 2022 the lifetime expected loss provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	More than 364 days past due	Total £'000
Expected loss rate %	0 %	10 %	15%	60%	90%	
Gross carrying amount	979	32	–	–	–	1,011
Loss provision	–	(3)	–	–	–	(3)

As at 31 December 2023 trade receivables of £79,806 (2022: £31,263) were past due and partially impaired.

The main factors considered by the finance function in determining that the amounts due are impaired are the length of time outstanding and additionally background information provided by the sales and production department.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

17 OTHER CURRENT ASSETS continued

The maturity profile of any due debt is presented below.

	2023 £'000	2022 £'000
0 to 3 months	18	32
3 to 9 months	18	–
9 to 12 months	44	–
> 12 months	–	–

(b) Cash and cash equivalents

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Cash and cash equivalents	2,027	90	3,994	367

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

18 FINANCIAL LIABILITIES

(a) Trade and other payables

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
<i>Due within one year</i>				
Trade and other payables	449	–	672	–
Accruals	180	–	151	–
Payables due to group entities	–	350	–	601
	629	350	823	601

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

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

(b) Short term borrowings

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Loans from related parties	11,235	1,887	11,262	2,599

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

18 FINANCIAL LIABILITIES continued

Note:

- (i) The loan from related parties includes a loan of £11,235k (2022: £10,459k) including interest, represents a loan from Mr C. D. J. Pearce, Non-Executive Chairman of the Company. The loan is secured by a fixed charge over the Company's patent portfolio and a floating charge over the Company's inventory. The loan bears interest at 2.5% above the base rate of Barclays Bank plc. Interest accrued on the loan was £776k for 2023 (2022: £405k). Loan amounts representing £5m may be converted into ordinary share capital at the option of Mr Pearce at the lower of market price on the date of conversion or the average price over the lowest consecutive ten day trading period since 29 June 2006. The conversion option is immaterial to the financial statements. The balance owed by the Group was £11,235k (2022: £10,459k) of which £1,887k is owed by the Company (2022: £1,756k).

The loan is repayable on seven days' notice, or immediately in the event of:

- (a) A general offer to the shareholders of the Company being announced to acquire its issued share capital, or
- (b) The occurrence of any of the usual events of default attaching to this sort of agreement.

The Company has received a legally binding written confirmation from Mr Pearce that he does not intend to seek repayment for 12 months from signing of these financial statements or until at least 30 April 2025.

- (ii) On 2 July 2018, Proteome Sciences plc secured a loan facility of £1.0m from Vulpes Investment Management (VIM). Interest accrues at 2.5% per annum above the UK sterling base rate of Barclays Bank plc and is repayable alongside the principal loan. The Company signed the First Amendment to the Agreement on the 17 April 2021 which extended the term of the loan to 1 May 2021. On 29 March 2021, the loan facility with Vulpes Investment Management Private Limited ("VIM") (the "Loan") was amended such that the Loan and all accrued interest is now repayable on 1 May 2022 (previously 1 May 2021). On the 17 June 2021 the Loan Agreement was amended to allow for conversion into ordinary shares such that until 30 April 2022, VIM may convert part (being not less than £50,000 or a multiple thereof) or all of the Drawn Loan and accrued interest to 31 December 2021 (being £51,538) into new ordinary shares of the Company. The conversion price was 7.16p per share, which is the average of the closing middle market price for the ordinary shares of the Company during the five consecutive trading days immediately prior to entering into the Loan Amendment. On 30 March 2022, the Company signed the Third Amendment to the VIM Loan Agreement which extended the term of the loan to 30 June 2023.

This loan is deemed a related party transaction by nature of a common director being on both the boards of Proteome Sciences plc and Vulpes Investment Management. At 31 May 2023 amounts drawn down and owed by the Company were £700k, and interest of £124k was accrued (2022: loan £700k interest £102k).

The loan and accrued interest totalling £824,424 was repaid to Vulpes Investment Management (VIM) on 1 June 2023.

- (iii) The amounts shown above as outstanding under short term for both loans include accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

18 FINANCIAL LIABILITIES continued

(c) Changes in liabilities arising from financing activities

Group

Note supporting the cash flow statement - movement in net debt

	1 January 2023 £,000	Cash Flow* £,000	Non-cash addition £,000	Interest accruing in the period £,000	Foreign exchange £,000	31 December 2023 £,000
Short term borrowings	11,262	(824)	–	797	–	11,235
Lease Liabilities	653	(553)	2,161	57	(78)	2,240
Total	11,915	(1,377)	2,161	854	(78)	13,475

* The difference to cash flow statement is due to the inclusion of immaterial forex gains, interest and addition belonging to the lease in cash flow figure, spread out in note 18c separately.

Company

Note supporting the cash flow statement – movement in net debt

	1 January 2023 £,000	Cash Flow £,000	Interest accruing in the period £,000	31 December 2023 £,000
Short term borrowings	2,559	(824)	152	1,887
Total	2,559	(824)	152	1,887

Group

Note supporting the cash flow statement - movement in net debt

	1 January 2022 £,000	Cash Flow £,000	Non-cash addition £,000	Interest accruing in the period £,000	Foreign exchange £,000	31 December 2022 £,000
Short term borrowings	10,825	–	–	437	–	11,262
Lease Liabilities	862	(293)	10	37	36	653
Total	11,687	(293)	10	474	36	11,915

Company

Note supporting the cash flow statement – movement in net debt

	1 January 2022 £,000	Cash Flow £,000	Interest accruing in the period £,000	31 December 2022 £,000
Short term borrowings	2,460	–	99	2,559
Total	2,460	–	99	2,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

19 PENSION PROVISIONS

Group	2023 £'000	2022 £'000
At 1 January	434	499
(Reduction)/Additional provision in the year	(5)	(92)
Exchange movement	(10)	27
At 31 December	419	434

(i) Pension Provision

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

(ii) Pension arrangements

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG from Aventis Research & Technologies GmbH & Co KG, the Group makes contributions in Germany to a funded defined contribution plan and to a funded defined benefit plan. These plans are operated in their entirety by the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG (Hoechst Group), an independent German mutual insurance company, which is required to comply with German insurance company regulations.

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

Funding contributions paid by the Group are based on annual contributions determined by Hoechst Group, the administrator for the pension plans. For the year ending 31 December 2023, funding contributions payable by the Group are based on employee contributions at the rate of 1.5% - 2.5% (2022: 1.5% - 2.5%) of wages and salaries and employer contributions at the rate of 8 times (2022: 8 times) employee contributions. The Company expects pension costs for 2024 in relation to the defined benefit scheme of £27,190 (2023: £41,820 actual cost).

The amount charged to the income statement in respect of the contributions to the scheme in 2023 was £90,683 (2022: £176,505).

As at 31 December 2023, an actuarial deficit did not exist for the multi-employer scheme. The Group's contributions to the scheme during 2023 represented 0.05% of total contributions to the scheme by employers and employees (2022: 0.05%). Under the terms of the multi-employer plan, the Group's obligations are limited to the original promise/commitment that it has given to its own employees. The Group does not have an exposure to liability in relation to other third-party employers' obligations. The Group does not have any information about how the actuarial status of the plan may affect the amounts of future contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

19 PENSION PROVISIONS continued

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

The Company has applied a discount rate for the year of 3.90% (2022: 3.35%). The Company has assumed an income increase of 3.00% (2022: 3.25%) and German inflation of 3.0% (2022: 2.5%).

Provisions for future unfunded pension liabilities at 31 December 2023 amounted to £418,986 (2022: £433,726). Amounts recognised through the consolidated income statement for the year to 31 December 2023 included service costs of £27,681 (2022: £50,075), interest costs of £14,140 (2022: £6,279) and an actuarial gain of £43,714 (2022: gain of £145,430) excluding any exchange effects.

Other pension costs in relation to defined contribution schemes for United Kingdom employees amounted to £40,436 (2022: £36,476).

20 SHARE CAPITAL

	2023 £'000	2022 £'000
(i) <i>Allotted and called-up</i>		
Ordinary Shares of 1p each	2,952	2,952

The number of shares in issue in 2023 was:

	2023 Number	2022 Number
As at 1 January 2023 and 31 December 2023	295,182,056	295,182,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

21 SHARE OPTIONS AND SHARE BASED PAYMENTS

(i) Options

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

(ii) 2011 Long-Term Incentive Plan ("LTIP")

At 31 December 2023, 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 31 Dec 2022	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31 Dec 2023	Number of Options	Vesting Date	Latest Exercise Date
9,000,000	–	–	–	9,000,000	3,000,000	15 September 2021	8 June 2031
					3,000,000	15 September 2022	8 June 2031
					3,000,000	15 September 2023	8 June 2031
2,500,000	–	–	–	2,500,000	1,000,000	15 September 2021	8 June 2031
					1,000,000	15 September 2022	8 June 2031
					500,000	15 September 2023	8 June 2031
2,500,000	–	–	–	2,500,000	1,000,000	15 September 2021	8 June 2031
					1,000,000	15 September 2022	8 June 2031
					500,000	15 September 2023	8 June 2031
300,000	–	–	–	300,000	300,000	8 June 2024	8 June 2031
14,300,000	–	–	–	14,300,000			

At 31 December 2022, 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 31 Dec 2021	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31 Dec 2022	Vesting Date	Latest Exercise Date
9,000,000	–	–	–	9,000,000	15 September 2021, 2022 & 2023	8 June 2031
2,500,000	–	–	–	2,500,000	15 September 2021, 2022 & 2023	8 June 2031
2,500,000	–	–	–	2,500,000	15 September 2021, 2022 & 2023	8 June 2031
300,000	–	–	–	300,000	8 June 2024	8 June 2031
14,300,000	–	–	–	14,300,000		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

(iii) 2011 Share Option Plan

At 31 December 2023 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
45,000	45	16.75	18.3.19	18.3.19 – 18.3.26
500,000	500	7.83	8.6.24	08.6.24 – 08.6.31
<u>545,000</u>	<u>545</u>			

At 31 December 2022 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
43,000	430	49.87	25.6.16	25.6.16 – 25.6.23
48,000	480	16.75	18.3.19	18.3.19 – 18.3.26
560,000	5,600	7.83	8.6.24	8.6.24 – 8.6.31
<u>651,000</u>	<u>6,510</u>			

(iv) 2021 Share Option Plan

At 31 December 2023 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2021 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
1,520,000	1,520	4.30	11.10.25	11.10.25 – 11.10.32
<u>1,520,000</u>	<u>1,520</u>			

At 31 December 2022 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of Shares	Amount of Capital (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
1,640,000	1,640	4.30	11.10.25	11.10.25 – 11.10.32
<u>1,640,000</u>	<u>1,640</u>			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

(v) 2021 Long-Term Incentive Plan ("LTIP")

At 31 December 2023, 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 31 Dec 2022	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31 Dec 2023	Number of Options	Vesting Date	Latest Exercise Date
1,500,000	–	–	–	1,500,000	500,000	11 October 2023	11 October 2032
					500,000	11 October 2024	11 October 2032
					500,000	11 October 2025	11 October 2032
1,500,000	–	–	–	1,500,000	500,000	11 October 2023	11 October 2032
					500,000	11 October 2024	11 October 2032
					500,000	11 October 2025	11 October 2032
800,000	–	–	–	800,000	800,000	11 October 2025	11 October 2032
4,000,000	–	–	–	4,000,000	1,333,333	1 December 2023	1 December 2032
					1,333,333	1 December 2024	1 December 2032
					1,333,333	1 December 2025	1 December 2032
7,800,000	–	–	–	7,800,000			

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

At the 31 December 2023, awards over 45,000 shares (2022: 91,000) had vested and were capable of exercise.

A Long-Term Incentive Plan was introduced in 2011 which closed in July 2021 and no further awards will be made under that scheme. The Board adopted a new Long-Term Incentive Plan in 2021. Awards made during the year are stated in note 21(v) and are on the condition of continued employment. Any exercised options are settled by the Company issuing shares.

As a result of the awards a charge to the income statement of £218k (2022: £303k) was recognised during the year in respect of all schemes.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

	Options	2011 Share Option Plan Weighted average exercise price (p)
Outstanding at 1 January 2022	714,000	34.01
Granted in the year	–	–
Lapsing in the year	63,000	36.50
Outstanding at 31 December 2022	651,000	34.01
Granted in the year	–	–
Lapsing in the year	106,000	36.50
Outstanding at 31 December 2023	545,000	34.01
Exercisable at 31 December 2023	45,000	16.75
Exercisable at 31 December 2022	91,000	34.01

	Maximum Number of Shares	2011 LTIP Weighted average fair value per share (p)
Outstanding at 1 January 2022	14,300,000	1.00
Granted in the year	–	–
Lapsing in the year	–	–
Outstanding at 31 December 2022	14,300,000	1.00
Granted in the year	–	–
Lapsing in the year	–	–
Outstanding at 31 December 2023	14,300,000	1.00
Exercisable at 31 December 2023	14,000,000	1.00
Exercisable at 31 December 2022	5,000,000	1.00

	Options	2021 Share Option Plan Weighted average exercise price (p)
Outstanding at 1 January 2022	–	–
Granted in the year	1,640,000	7.83
Forfeited during the year	–	–
Outstanding at 31 December 2022	1,640,000	7.83
Granted in the year	–	–
Lapsing in the year	120,000	7.83
Outstanding at 31 December 2023	1,520,000	7.83
Exercisable at 31 December 2023	–	–
Exercisable at 31 December 2022	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

	Maximum Number of Shares	2021 LTIP Weighted average fair value per share (p)
Outstanding at 1 January 2022	-	-
Granted in the year	7,800,000	2.60
Lapsing in the year	-	-
Outstanding at 31 December 2022	-	-
Granted in the year	-	-
Lapsing in the year	-	-
Outstanding at 31 December 2023	7,800,000	2.60
Exercisable at 31 December 2023	-	-
Exercisable at 31 December 2022	-	-

The options outstanding at 31 December 2023 had a weighted average remaining contractual life as follows:

	2023 No. of months	2022 No. of months
2011 Share Option Plan	70.1	82.1
2011 LTIP	89	101
2021 Share Option Plan	109	121
2021 LTIP	106	118

The inputs into the Black-Scholes model were:

	2023	2022
Weighted average share price	4.54p	4.22p
Weighted average exercise price	2.15p	2.90p
Expected volatility	78.81%	78.81%
Expected life	2.3 years	2.3 years
Risk free rate	4.04% – 4.46%	4.04% – 4.46%

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 granted before 2022, 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.

For the LTIP awards granted during 2022 the Black Scholes model was used as there was only one performance condition attached.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

22 RESERVES DESCRIPTION AND PURPOSE

Share premium

Amount subscribed for share capital in excess of nominal value.

Translation reserve

Gains/losses arising on retranslating the net assets of overseas operations into Sterling.

Retained earnings

All other net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere.

Share based payment Reserve

The amounts transferred to the Equity Reserve are for charges recognised in respect of the requirements of IFRS 2 "Share-based payments".

Merger Reserve

The merger reserve arose in the period to the 11 November 1994 and represented the premium on the allotment of new ordinary shares issued in a share exchange agreement entered into by the shareholders of Monoclonetics International Inc, (now Proteome Sciences Inc.).

23 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Operating lease arrangement

The Group leases one office space in the UK on a short-term operating lease which renews on a twelve monthly basis ending in May 2024 and there is no control over the asset. The Group pays insurance, maintenance and repairs of this property.

At the balance sheet date 31 December 2023, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Within 1 year	9	9	7	7
Within 2-5 years	–	–	–	–
> 5 years	–	–	–	–
	9	9	7	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

24 FINANCIAL INSTRUMENTS

Capital risk management

The Group monitors “adjusted capital” which comprises all components of equity (i.e., share capital, share premium translation reserve and merger reserve, retained earnings, and revaluation reserve).

The Group’s objectives when maintaining capital are:

- to safeguard the entity’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group does not pay dividends to shareholders.

Due to recent market uncertainty the Group’s strategy is to preserve a strong cash base and to maintain a positive cash flow for at least 15 months in advance.

The Board has overall responsibility for the determination of the Group’s risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group’s finance function. The Board receives monthly management reports from the Group’s finance function and bi-monthly cash flow calculations through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group’s competitiveness and flexibility. Further details regarding these policies are set out below.

The capital structure of the Group consists of the financial instruments listed below which determine the financial risk and an according risk management.

Financial instruments for the Group comprise:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowing from major investors of the Company at floating rate
- Leases liability

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

24 FINANCIAL INSTRUMENTS continued

For the Company:

- Cash and cash equivalents
- Investment in quoted and unquoted securities
- Borrowing from major investors of the Company at floating rate

Categories of financial instruments

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Financial assets				
Cash and cash equivalents*	2,027	90	3,994	367
Trade and other receivables*	783	–	1,180	–
Total financial assets	2,810	90	5,174	367
Financial liabilities				
Trade and other payables*	(449)	–	(672)	–
Short-term borrowings*	(11,235)	(1,887)	(11,262)	(2,559)
Lease liabilities	(2,240)	–	(653)	–
Total financial liabilities	(13,924)	(1,887)	(12,587)	(2,559)

The described financial instruments are measured applying the following methodologies:

* measured at amortised cost through the consolidated income statement

The Group is exposed to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk

Credit risk

Group

Electrophoretics Limited, the main trading company in the Group, has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers as deemed necessary based on the nature of the prospective customer and size of order.

To minimize any credit risk upfront payment for service orders are requested when they require larger pre-financing of consumables needed for order fulfilment. Further for any larger service orders interim payments are requested based on work order related performance obligations. The overall structure of our client base with the majority being B2B and to a lesser extent institutional customers like universities or state funded research institutions minimizes credit risk as well.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

24 FINANCIAL INSTRUMENTS continued

For trade receivables and other receivables further explanation and calculation of ECL (Expected credit loss) provisions relating to credit risk are presented in note 17.

At 31 December 2023, the largest exposure was represented by the carrying value of trade receivables and contract assets of £1.30m (2022: trade receivables and contract assets £2.00m). A provision for impairment was recognised for 2023 £30k (2022: £3k) on the basis that the Company's customers are typically large companies and there is a long-standing relationship and history of payment by customers so there is a very low history of credit defaults. The Group does have significant concentrations of credit risk on its trade receivables, with the largest debtor/contracted asset amounting to £586k (2022: £560k).

Credit risk arising from cash and cash equivalents held with banking institutions is controlled by using only good rated Institutions as presented in the table. Nevertheless, the economic challenges created by global events such as the COVID-19 pandemic and the Russia-Ukraine conflict might result in a strain on the liquidity of the individual banking institutions. As such the company follows the developments in the financial markets closely. As a consequence, a more even allocation of funds between the different banks might be adopted and we will consider reallocation of funds to better rated institutions in case of larger changes in credit rating by more than one of the big credit rating agencies (such as Moody's, S&P, Fitch). Due to fluctuating cash flows we inevitably need to hold a larger amount of cash deposits to fund the operational business requirements and only limited risk mitigation is possible here.

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Barclays plc	1,789	90	3,522	367
Commerzbank AG	149	–	472	–
Other	89	–	–	–
	2,027	90	3,994	367

Company

The Company is exposed to credit risk on loans provided to related parties. At the reporting date, the largest exposure was represented by the carrying value of loans to Proteome Sciences R&D GmbH & Co. KG of £8.0m. At 31 December 2023, the carrying value of loans owed by Electrophoretics Limited to the Company was £0.04m (2022: £0.28m), of loans owed by subsidiaries to the Company was £7.4m (2022: £8.3m). Refer to Note 15 for further detail.

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).

Fair value and cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from long term borrowings. The level of borrowings is determined by the capital requirements of the Group as it was operational in a net cash outflow position. As such usual gearing ratios to assess debt risk levels are not applicable.

Borrowings are managed centrally under direct involvement and supervision of the Board. All borrowings are in the functional currency of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

24 FINANCIAL INSTRUMENTS continued

Interest rate risk management

The Group is exposed to interest rate risk arising from its short-term borrowings, details of which are set out in note 18(b).

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

Interest rate sensitivity analysis

The Group analyses interest sensitivity on a yearly basis. 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 31 December 2023 would have decreased by £43k (2022: £56k), for a decrease of 0.5% in interest rate the profit would have increased by the same amount.

Foreign exchange risk

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 of the US (the US dollar).

The Group's companies hold asset and liabilities denominated in different currencies than their functional currency. As the nature of these assets is in their majority short term and usually any assets held in a foreign currency are used to match liabilities denominated in this currency the overall effect of any currency fluctuations does not result in a material exposure to foreign exchange risk. Therefore, a foreign currency sensitivity analysis is not considered to be appropriate.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

24 FINANCIAL INSTRUMENTS continued

Liquidity and interest risk tables

The following tables detail the Group and Company's remaining contractual maturity for its non-derivative financial liabilities including both interest and principal cash flows and the interest rates applied. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. Payments relating to lease liabilities under IFRS 16 are shown under note 26.

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
As at December 2023					
Trade and other payables*	559	70	–	–	–
Loans and borrowings	11,235	–	–	–	–
Short term lease	2	7	–	–	–
Total	11,796	77	–	–	–

* Including accruals, other provisions and contract liabilities

Liquidity risk management

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
As at December 2022					
Trade and other payables	927	–	–	–	–
Loans and borrowings	11,262	–	–	–	–
Short term lease	3	4	–	–	–
Total	12,192	4	–	–	–

There are pension provisions existing for the German entity of the Group, which amounted at 31 December 2023 to £0.42m (2022: £0.44m), which can result in future Cash outflows from the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

25 RELATED PARTY TRANSACTIONS

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

1) Loans advanced to subsidiary undertakings:

	Proteome Sciences R&D £'000	Electrophoretics Ltd £'000	Total £'000
At 1 January 2022	7,549	795	8,344
Provision for impairment	–	(75)	(75)
At 31 December, 2022	7,549	720	8,269
At 1 January 2023	7,549	720	8,269
Loan repayment in the year	–	870	870
At 31 December, 2023	7,549	1,590	9,139

2) Loan from subsidiary undertaking:

At 1 January, 2022	301	389	690
Loan advances during the year	–	(97)	(97)
Exchange adjustment	17	–	17
At 31 December, 2022	318	292	610
At 1 January, 2023	318	292	610
Loan advances during the year	–	(242)	(242)
Exchange adjustment	(7)	–	(7)
At 31 December, 2023	311	50	361

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

- (b) C.D.J. Pearce, a Director of the Company and therefore a related party, has made a loan facility available to the Company full details of which are set out in note 18 on page 62.
- (c) M Diggle, a Director of the Company is also a Director of Vulpes Investment Management (VIM) and is therefore a related party, VIM has made a loan facility available to the Company which has been repaid in full, details of which are set out in note 18 on page 63.
- (d) Details of the remuneration of the directors is set out in note 10, including details of pension contributions made by the Company and information in connection with their long-term benefits is shown in the Directors' Report under the heading 'Directors and their interests'.
- (e) Key management personnel compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

25 RELATED PARTY TRANSACTIONS continued

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel for the year-ended 31 December 2023 and the comparative period were as follows:

Mariola Söhngen (Chief Executive Officer)

Ian Pike (Chief Scientific Officer)

Richard Dennis (Chief Commercial Officer)

Abdelghani Omari (Chief Financial Officer)

Stefan Fuhrmann (Finance Director)

Christopher Pearce Chairman (Non-Executive Director)

Roger McDowell (Non-Executive Director)

Martin Diggle (Non-Executive Director)

Ursula Ney (Non-Executive Director)

Key management personnel compensation was as follows:

	2023 £'000	2022 £'000
Salary	1,034	968
National Insurance Contributions	87	93
Other long-term benefits	51	39
Defined benefit scheme costs	–	–
Share based payment expense (relating to directors)	195	278
Consultancy fee	–	–
	1,367	1,403

26 LEASES

In the case of the Group there are four leases recognised under IFRS 16 comprising one for the Frankfurt operation of the Group. In August 2023 the Group extended a 5-year lease contract for the Frankfurt operation, by 2 years until 31 December 2026. In May 2023 and a lease for a mass spectrometry instrument located in Frankfurt starting in November 2021 and ends after 4 years in November 2025. The Group additionally entered into a building lease for its US operations starting in August 2023 and ending in July 2027, with an early termination option after 2 years. Furthermore, the Group entered into a lease of equipment for its US operations in October 2023, with the lease ending in December 2028.

The rental lease and the resulting right-of-use asset is classified as land and buildings the laboratory instrument lease is classified as fixture and fittings. Both leases do not contain variable elements or break out clauses. Similarly, there are no special restoration clauses attached, there are no restrictions or covenants in place and they do not include an option for a sale and lease back transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

26 LEASES continued

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the term of the lease term, with the discount rate determined by reference to the Groups internal rate of return, as there is no inherent rate to the lease readily determinable. The internal rate of return (ICR) which is the Barclays interbank rate for the year + 2.5%, (overall 6.00%) which was applied over the duration of the lease reflecting the refinancing rate agreed for the loans made available by its major shareholders, which are its main source of external finance and reflects the incremental borrowing rate.

Right-of-use asset

	Land and buildings £'000	Equipment £'000	Total £'000
At 1 January 2023	306	567	873
Additions	701	1,409	2,110
Amortisation	(165)	(196)	(361)
Foreign exchange movements	(14)	(83)	(97)
At 31 December 2023	828	1,697	2,525

Right-of-use asset

	Land and buildings £'000	Equipment £'000	Total £'000
At 1 January 2022	324	726	1,050
Additions	52	–	52
Amortisation	(98)	(193)	(291)
Foreign exchange movements	28	34	62
At 31 December 2022	306	567	873

Interest on lease liability for the period amounted to £57k (2022: £37k). This results in slightly higher costs at the beginning of the lease and lower costs at the end of the lease in comparison to the actual lease payments.

Lease Liability

	Land and buildings £'000	Equipment £'000	Total £'000
At 1 January 2023	249	404	653
Additions	752	1,409	2,161
Interest accruing for the year	45	12	57
Lease payments	(219)	(334)	(553)
Foreign exchange movements	(6)	(72)	(78)
At 31 December 2023	821	1,419	2,240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

26 LEASES continued

	Land and buildings £'000	Equipment £'000	Total £'000
At 1 January 2022	352	510	862
Additions	11	–	11
Interest accruing for the year	21	16	37
Lease payments	(149)	(145)	(293)
Foreign exchange movements	14	23	36
At 31 December 2022	249	403	653

Maturity analysis of discounted lease payments

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
As at December 2023					
Lease liabilities	152	457	593	1,038	–

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
As at December 2022					
Lease liabilities	75	225	234	119	–

Information of the right-of-use asset and its amortisation are represented in note 14 as well.

The rent for the UK office, which amounts to a total liability of £9k, is not considered a lease under IFRS 16 because there is no control over the asset.

27 EVENTS AFTER THE BALANCE SHEET DATE

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

NOTICE OF ANNUAL GENERAL MEETING

(Registered in England and Wales No: 02879724)

Notice is hereby given that the 30th Annual General Meeting of Proteome Sciences plc will be held at the offices of Allenby Capital Limited, 5 St Helen's Place, London, EC3A 6SB on Thursday 16 May 2024 at 12 noon and the Company will also provide access online through the Investor Meet Company platform (see notes) for the purpose of considering and, if thought fit, passing the following Resolutions of which numbers 1 to 7 will be proposed as Ordinary Resolutions and number 8 will be proposed as a Special Resolution.

- 1 To receive the financial statements and the reports of the directors and of the auditors for the year ended 31 December 2023.
- 2 To re-appoint Christopher Pearce as a director of the Company in accordance with Article 109(b) of the Articles of Association of the Company.
- 3 To re-appoint Ursula Ney as a director of the Company in accordance with Article 109(b) of the Articles of Association of the Company.
- 4 To re-appoint Mariola Söhngen as a director of the Company in accordance with Article 109(b) of the Articles of Association of the Company.
- 5 To re-appoint Richard Dennis as a director of the Company in accordance with Article 109(b) of the Articles of Association of the Company.
- 6 To re-appoint Cooper Parry Group Limited 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.
- 7 THAT in substitution for all existing authorities the directors of the Company be and are 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 £983,940.19 until the conclusion of the next Annual General Meeting of the Company or 30 June 2025, 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.
- 8 THAT subject to, and upon Resolution 7 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)) of equity securities which are or are to be wholly paid up in cash up to an aggregate nominal amount of £590,364.11.

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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 30 June 2025, whichever is the earlier, unless such authority is renewed or extended at or prior to such time, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require equity securities to be allotted after the expiry of this authority and the directors may then allot equity securities in pursuant of such an offer or agreement as if the authority and power hereby conferred had not expired.

By order of the Board



Victoria Birse
Company Secretary
9 April 2024

Registered office
Coveham House
Downside Bridge Road
Cobham
Surrey
KT11 3EP

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Notice of Meeting Notes:

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on 14 May 2024. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Executive directors' service agreements and copies of the terms and condition of appointment of non-executive directors will be available for inspection at the registered office of the Company from the date of this notice and at the AGM venue for 15 minutes prior to the commencement of the meeting.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. Electronic voting – via Link Investor Centre
 - Link Investor Centre is a free app for smartphone and tablet provided by Link Group (the company's registrar). It allows you to securely manage and monitor your shareholdings in real time, take part in online voting, keep your details up to date, access a range of information including payment history and much more. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.
 - You may request a hard copy form of proxy directly from the registrars, Link Group 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group, PXS, Central Square, 29 Wellington Street, LEEDS, LS1 4DL by 12 noon on 14 May 2024.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

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9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 Noon on 14 May 2024. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. Unless otherwise indicated on the Form of Proxy, CREST voting or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion, withhold the voting.
13. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.
14. As at 9 April 2024 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 295,182,056 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 April 2024 are 295,182,056.
15. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
16. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents to communicate with the Company for any purposes other than those expressly stated.

The Company will also provide access to the proceedings of the AGM online through the Investor Meet Company platform. However, shareholders will not be able to vote online during the Meeting and are therefore urged to submit their votes via proxy as early as possible. Shareholders are also invited to submit questions for the Board to consider. Questions can be pre submitted in advance of the AGM via the Investor Meet Company Platform up to 9am on 15 May 2024 being the working day before the AGM, or via the Investor Meet Platform at any time during the AGM itself. The Board will respond to key questions during the meeting and will provide all such answers on the Investor Meet Company as soon as possible thereafter.

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Shareholders who wish to attend the AGM online should register for the event in advance via the following Investor Meet link:

<https://www.investormeetcompany.com/proteome-sciences-plc/register-investor>

Explanatory notes on the resolutions:

Resolutions 1 to 7 (inclusive) are ordinary resolutions; 8 is a special resolution. To be passed, ordinary resolutions require more than 50% of votes cast to be in favour of the resolution whilst special resolutions require at least 75% of the votes cast to be in favour of the resolution. Votes withheld do not count towards the total votes cast for or against a resolution.

Resolution 1

The directors must present to members the accounts and the reports of the directors and auditors in respect of each financial year.

Resolution 2 to 5

Under the provisions of Article 109(b) of the Articles of Association of the Company directors are required to retire at the third Annual General Meeting after they were last elected or re-elected. Accordingly, resolutions 2 to 5 which are being proposed as separate resolutions deal with the proposed re-appointment of those directors due to retire by rotation at this meeting, namely Christopher Pearce, Ursula Ney, Mariola Söhnngen and Richard Dennis

The Board has no hesitation in recommending the re-appointment of the Directors to shareholders. In making these recommendations, the Board confirms that it has given careful consideration to the Board's balance of skills, knowledge and experience and is satisfied that each of the Directors putting themselves forward for election has sufficient time to discharge their duties effectively, taking into account their other commitments.

Resolution 6

Cooper Parry Group Limited are being proposed for re-appointment as the auditors of the Company until the conclusion of the next general meeting at which accounts are presented. The directors are to be given authority to fix the remuneration of the auditors.

Resolution 7

The Company's power to issue additional securities is exercised by the directors. The directors must be authorised by ordinary resolution of the shareholders to exercise that power. The resolution will give the directors a general authority to allot shares up to an aggregate nominal value of £983,940.18 being the equivalent of one-third of the Company's issued ordinary share capital at the date of this notice. The authority shall expire at the next Annual General Meeting or on 30 June 2025, whichever is earlier.

Resolution 8

The directors are seeking the annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing its capital resources.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 provides that existing shareholder have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the directors to allot shares of up to an aggregate nominal amount of £590,364.11 otherwise than on a pro-rata basis. This represents approximately 20% of the Company's issued share capital at the date of this notice. The authority shall expire at the next Annual General Meeting or on 30 June 2025, whichever is earlier.

The directors are seeking the annual renewal of this authority in line with the authorities granted to dis-apply the pre-emption provisions in previous years and to ensure the Company has maximum flexibility in managing its capital resources.