

PRESS RELEASE

For immediate release

29th June, 2006

RESULTS FOR THE YEAR ENDED 31st DECEMBER 2005

HIGHLIGHTS

- Financial
 - Headline loss (excluding non-cash items and associates) £4.17m (2004 : £4.02m)
 - Loss after tax £6.17m (2004 : £5.20m)
 - Cash balance £2.59m (2004 : £2.43m)
 - Additional £2m working capital provided by loan facility from CEO
 - Consistent and predictable cash burn expected

- Biomarkers
 - Stroke – Licence agreements for high throughput stroke (HTS) with two global leaders in clinical diagnostics
 - Discussions actively underway with other leading HTS stroke companies
 - Brain – New research programme discovered 195 proteins differentially expressed in CSF across a broad range of diseases. Patent applications have been filed
 - Rejection – from a 240 patent sample set, 17 potentially novel biomarkers of kidney transplant rejection identified
 - Cancer – New ProteoSHOP[®] project in colorectal cancer discovers 11 novel biomarkers
 - Validation underway in lung and small cell lung cancers for Annexins
 - Possible use of Annexins as vaccines for lung and oesophagus cancers
 - vCJD – Novel test designed for disease specific peptide fragmentation
 - Huntington's – Plasma biomarkers showing correlation with disease progression found. Six proteins of importance and IP filed
 - BSE – Additional validation and endorsement of existing biomarkers, facilitating the discovery of new proteins for live detection of BSE
 - Alzheimer's – Study completed using three different approaches (qPST[™], 2DE, SELDI) in blood with 36 differentially expressed proteins revealed
 - Good start made in AD for validating new targets and designing a virtual library of small molecule 'hits'

- ProteoSHOP[®]
 - qPST[™] in combination with 2DE provides 50% increase in protein coverage
 - High confidence in data and results from ProteoSHOP[®] through cross-platform protein validation
 - Co-marketing agreement with Medical Solutions plc
 - Extensive marketing campaign launched with new contracts under negotiation

- Reagents
 - Fully functioning six plex set of TMT[®] mass tags developed
 - Two streams of revenue expected from TMT licences:
 1. the reagent product
 2. licence for the IP covering the field of isobaric mass labelling
 - TMT[®] licences at advanced stage of negotiation
 - Development of isobaric mass labelling largely complete
 - Focus of efforts in chemistry switched to discovery and validation of disease biomarkers

- Veri-Q Inc.
 - Presence of impurities has a significant adverse affect on gene expression analysis using microarrays
 - Two high profile scientific papers in press awaiting publication
 - Pilot projects undertaken and in process for commercial licences
 - Shareholding in Veri-Q increased to 76.9%

- Intronn Inc.
 - In-vivo proof of principle of SMaRT[®] in dyslipidemia
 - Replicated high levels of improvement in the protein component of HDL – ‘Good Cholesterol’
 - In-vivo proof of principle for AAT and most recently haemophilia 12 months ahead of schedule
 - Design of clinical trails now underway for two lead programmes
 - Advanced discussions to secure further funding to move SMaRT[®] RNA therapy into clinical trials for dyslipidemia and haemophilia

- Current Outlook
 - Increased need to use protein biomarkers to improve clinical trial data, accelerate drug development, reduce costs and expand the process of personalised medicine
 - Following the two high throughput stroke licences, prospects for commercialisation of the research programme remain strong
 - Highest priority is the completion of further external licences
 - Board looks to the future prospects with increasing confidence

Commenting on these results, Christopher Pearce, Chief Executive of Proteome Sciences, said:

“The significant increase in the number of pharmaceutical companies approaching us during 2006 in relation to our biomarker portfolio and ProteoSHOP[®] toolbox is highly encouraging and reflects the recognition being placed on proteomics for the discovery and validation of biomarkers for application in the diagnosis, prognosis and therapy for diseases.

Over the last year, considerable progress has been made with the expansion of applications across our research activities and through the discovery of novel biomarkers in new disease areas including brain diseases, Huntington’s, colorectal cancer and kidney transplant rejection and the development of a novel test designed for vCJD. We expect this process to continue in the future.

Our licensing programme is moving ahead with two deals signed in high throughput screening for stroke in recent weeks, with us being at an advanced stage of negotiations for TMT[®] licences and in active negotiations for a number of new contracts using our ProteoSHOP[®] toolbox and for many of our disease biomarkers.

As a result of the range of scientific and commercial developments from across our activities, the Board looks to the future with increasing confidence with our main priority being the further licensing and commercialisation of the Company’s portfolio of biomarkers and technologies.”

ENDS

Attached: Full text of Chairman’s statement, consolidated profit and loss account, consolidated balance sheet, consolidated cashflow statement and notes to the financial information.

For further information please contact:

Proteome Sciences plc

www.proteomics.com

Christopher Pearce, Chief Executive

Tel: +44 (0)1932 865065

Email: christopher.pearce@proteomics.com

Public Relations for Proteome Sciences

IKON Associates

Adrian Shaw

Tel: +44 (0)1483 535102

Mobile: +44 (0)797 9900733

Email: adrian@ikonassociates.com

Notes to Editors:

Proteome Sciences plc applies high sensitivity proteomics to identify and characterise differential protein expression in diseases for diagnostic, prognostic and therapeutic applications. It has to date developed sensitive blood assays for stroke, vCJD, BSE, solid organ transplant rejection and Alzheimer's disease. The main focus of its research currently addresses neurological, neurodegenerative, diabetes/obesity, oncology and cardiovascular conditions.

In addition to its own proprietary biomarkers, Proteome Sciences has developed ProteoSHOP® (Proteome Sciences High Output Proteomics), a toolbox that offers high sensitivity and high throughput gel and gel-free proprietary technologies for the identification of potential biomarkers and drug targets. These include specialisation in membrane proteins and protein phosphorylation.

The Company has developed a range of specialist reagents to improve the performance and quantitation of protein separation and characterisation with mass spectrometry, bioinformatics, statistics and pattern recognition. These include Sensitizer®, PST® qPST™ and TMT®.

Commercialisation is actively pursued across the portfolio of the Company's programmes and technologies with licensing deals signed in biomarkers for Stroke and TSEs and for ProteoSHOP®.

Proteome Sciences is headquartered in Cobham, Surrey in the UK and has laboratories at Kings College Hospital, London and Frankfurt Innovations Zentrum (FIZ), Frankfurt. It employs 34 full time scientists in addition to its corporate and business development staff, and has collaborative research agreements with leading academic institutes. The Company is listed on the Alternative Investment Market.

Chairman's Statement

For the year ended 31st December 2005

Dear Shareholder,

I am pleased to report on the progress made for the year ended 31st December 2005.

The Company has enjoyed considerable success from its research with strong advances achieved in biomarker discoveries, methodologies and chemical tagging. Against this, the pace of acceptance of protein related technology by the life sciences industry, which has historically been dominated by genomics, was slower than anticipated and this was reflected by the delayed timing of commercial deals which were expected to conclude in the period.

The first half of 2006 has seen a significant increase in the number of pharmaceutical companies approaching the company in connection with our existing biomarker portfolio and the ProteoSHOP[®] toolbox. Other than for diagnostic purposes, intended uses include measurement of our biomarkers on model systems during pre-clinical development and testing of patients during clinical trials. This reflects the pharmaceutical industry's increasing awareness of the value of biomarkers in improving clinical development and is a clear signal that they are responding positively to the challenges set out in the U.S. FDA's Critical Path Initiative. This has resulted in an increased need to use biomarkers, largely discovered through proteomics, to improve clinical trial data, accelerate drug development, reduce costs and expand the process of personalised medicine.

Against this background, the Board therefore believes that prospects for the commercialisation of the company's research programmes remain strong.

Commercialisation of the company's research programmes will generate considerable confidence in the company's technology and its applicability in the use of biomarkers for diagnostic and therapeutic applications and in its chemical mass tags as a key methodology for quantitative measurement of differential protein expression in disease.

This has been reflected by the recent announcements of two non-exclusive licences to test our biomarkers in blood for the high-throughput diagnostic platforms with two of the global leaders in clinical diagnostics for the detection, diagnosis and monitoring of stroke. Discussions are taking place with a number of other players in stroke and further licences are expected.

Over the course of 2005, the problem of access to samples for validation of previously discovered protein biomarkers improved considerably and strong progress has been made which we are confident will result in the conclusion of further licences with diagnostics and pharmaceutical companies, in particular in the areas of Alzheimer's, cancer and TSEs.

The interim statement reflected the company's disappointment at the pace of TMT[®] negotiations. With the termination of exclusivity, the field was re-opened to other shortlisted parties in the last quarter of 2005, all of which are suitable to undertake global commercialisation of the company's isobaric tagging reagents and the Board is encouraged by the progress of discussions which are at an advanced stage of negotiation.

There are initially two streams of revenue expected from licensing TMT[®], one from the direct reagent product itself and the second from the intellectual property ("IP") relating to the field of isobaric mass labelling where the Board believes that the company's patent filings are comfortably ahead of competitors.

Chairman's Statement

For the year ended 31st December 2005

The market for the TMT[®] product is considerably larger than was initially contemplated and the rapid acceptance of new tools for biomarker discovery and validation was clearly signposted as a key requisite in the FDA Critical Path guidelines. The second stream of revenue, the licence to the chemistry behind the isobaric mass labels should cover third party reagents/products in the market which would sit under the IP umbrella. Both activities should provide strong cash flow for the company when commercial licences are completed. The Board remains determined to conclude the TMT[®] licensing process as soon as possible.

Over 2005, eleven patents have been granted including lung and oesophagus cancer, chronic rejection, TSE, oligonucleotides and protein sequence tags and new patent applications have been filed for discoveries made in Alzheimer's, Huntington's, colorectal cancer and Sensitizer[®] mass tags.

Biomarkers

From its research and through its collaborative partners, Proteome Sciences has established a large portfolio of biomarkers that can be used for the early detection and monitoring of disease, the evaluation of new compounds and measuring the efficiency of treatment.

Considerable progress has been made during the year and into 2006 from the portfolio of biomarkers that have been discovered through our research programmes.

Neurological

In stroke, additional stroke and stroke mimic samples were sourced during the summer which has both expanded and provided robust validation of the data supporting the sensitivity, specificity and performance of our existing stroke biomarkers and their application in high throughput screening (HTS). This has been reflected by the licenses announced in stroke with bioMerieux and, most recently, with a second licensee in the top 10 in global clinical diagnostics. Discussions are actively underway with other leading HTS diagnostics companies in stroke.

Major new research has been underway at the Geneva University Hospital to discover novel biomarkers uniquely present in brain disease in deceased patients' cerebrospinal fluid (CSF) to further extend the leading position Proteome Sciences has established in neurological disorders. This has been highly successful and has resulted in the discovery of 195 proteins showing differential expression in CSF with potential application across a broad range of diseases. Patent applications have been filed and the process to progressively start the exploitation of these biomarkers in a targeted way has commenced.

Transplant Rejection

In the middle of 2005, we received a large retrospective plasma sample set from 40 patients spanning 5 years post kidney transplantation from the Oxford Transplant Centre. This takes Proteome Sciences into a new area of transplant rejection alongside its existing research into acute and chronic rejection in heart disease following transplantation. With ProteoSHOP[®], we undertook a depletion process to remove some of the highly-abundant proteins in serum which make up around 90 per cent of the content of serum, in order to concentrate on the differential protein expressions after transplant rejection. Across a 240 patient sample set, we identified 29 proteins differentially expressed of which we consider 17 may be novel biomarkers of kidney transplant rejection. These findings have subsequently been confirmed from the results of a recent second validation study.

Chairman's Statement

For the year ended 31st December 2005

There is a serious unmet need for a diagnostic test in kidney transplantation and the introduction of such a test should generate considerable medical application and commercial value.

Cancer

In the middle of 2005 we also entered into a collaborative agreement with a French company, RNTech, who have provided a set of high quality colon cancer samples, a disease Proteome Sciences had not previously addressed directly itself. Again, using ProteoSHOP[®], outstanding results have been forthcoming with the discovery of 22 differentially expressed proteins, half of which would appear to be novel biomarkers for colorectal cancer. Further validation is underway to extend these results.

Similarly, Proteome Sciences has, for the first time, become directly involved in supporting and further developing the granted patents in lung and oesophageal cancer from its IP portfolio through an immunohistochemistry validation study of Annexin 1 and 2 expression in a larger patient population. The primary purpose of this new work was to extend the preliminary data in lung cancer to all non-small cell lung cancers.

Most interestingly, recent data published in several scientific journals has confirmed the central role that Annexins 1 and 2 play in tumour development, particularly in lung cancers and other solid tumours. As a consequence, a number of research groups propose using Annexins as vaccines for treatment. Proteome Sciences has exclusively licensed granted patents for the use of Annexins 1 and 2 for purposes of vaccination in lung and oesophagus cancer.

Not only does this validation of Annexins in histopathology significantly increase the diagnostic value of our biomarkers as immunohistochemical markers of non-small cell lung cancer (which accounts for over 70% of all lung cancers), but it should also considerably enhance their therapeutic value and utility.

This is enabling Proteome Sciences to expand and exploit some of the strong intellectual property positions it had previously established in cancer, both from differential protein expressions and also from the use of auto-antibodies and secreted proteins in serum.

Neurodegeneration / TSE

As stated in the Interim Report, encouraging results have been obtained in the vCJD research programme with the MRC resulting in patents being filed for plasma protein markers in vCJD and Huntington's. This work has continued to progress well and the validation of previous experiments has enabled us to design a novel test based on the disease specific fragmentation of peptides. An additional patent application relating to this novel assay method and format was filed earlier this year and we are progressing its development and evaluation.

The success achieved in Huntington's by the discovery of certain plasma biomarkers showing a strong correlation with disease progression accelerated our efforts to discover other new biomarkers and to further validate the results already achieved by expanding the number of Huntington's samples analysed. From this, six proteins of particular importance have been identified and the behaviour and performance of these proteins is being further assessed and validated. Patent applications have been filed to protect these discoveries.

Chairman's Statement

For the year ended 31st December 2005

Considerable commercial opportunities are available for Huntington's biomarkers for the early detection of neurodegeneration in this disease, monitoring its progression in clinical trials of new compounds and for monitoring disease progress and severity in patients undergoing treatment.

In the past, the lack of availability of samples in BSE has severely hampered the development of the research programmes. This has now been resolved allowing additional validation and endorsement of existing biomarkers and facilitating the discovery of new differentially expressed proteins for the detection of BSE in live cattle.

To expand and identify further potential diagnostic markers in Alzheimer's disease, a ProteoSHOP[®] study comparing 50 disease versus 50 control patients in blood has recently been completed using a combination of three complementary approaches (2DE, SELDI and qPST). This has revealed 36 proteins with differential protein expression of significance, ten of which were confirmed by more than one method.

We have previously reported the discovery and patenting of novel tau kinase activity in Alzheimer's and a good start has been made in validating these new targets and designing a virtual library of small molecule 'hits' against the targets in order to file IP on novel inhibitors of the targets and to strengthen further the patent position around tau. The first part of this programme has delivered a selection of compounds possessing drug-like properties and the second part will involve testing the compounds in activity assays. Prospective partners have expressed interest in this research, and particularly in the demonstration of drugability of the validated targets to delay and/or prevent the progression of Alzheimer's, and this will add significant value to the project.

Data and results from all the biomarker programmes at Proteome Sciences are being actively presented to commercial partners by our scientists and business development team to accelerate future revenue generation through outlicencing.

ProteoSHOP[®]

ProteoSHOP[®] provides an integrated proteomics toolbox to enhance biomarker discovery. Based on multiple technology platforms, ProteoSHOP[®] offers highly cost- and time-effective means of increasing the output of biomarker discovery programmes.

Development of new in vitro diagnostics for clinically difficult diseases such as cancer and neurodegeneration, target validation, evaluation of safety profiles early in drug development and surrogate markers of efficacy in clinical trials, all require integration of biomarker measurements to expedite the regulatory process. Critical insights in all of these areas are generated using ProteoSHOP[®] to identify differential protein expression across a variety of body fluids and tissue from diseased and/or treated individuals compared to relevant controls.

The ProteoSHOP[®] toolbox of gel-based and gel-free proteomics technologies has been developed to address differential protein expression for diagnostic and pharmaceutical research and development. Built on our considerable expertise across generic proteomic technologies in combination with proprietary techniques (PST[®], qPST[™] and TMT[®]) for gel-free identification and relative quantitation of proteins in cells, body fluids and tissues, ProteoSHOP[®] provides customers with simple, cost-effective and timely access to protein expression profiling across a broad range of human diseases and model systems.

Chairman's Statement

For the year ended 31st December 2005

ProteoSHOP[®] incorporates leading edge proprietary technology spanning sample collection, storage, protein separation, identification and characterisation with bioinformatics and data mining. The high sensitivity and high throughput characteristics from ProteoSHOP[®] combine to deliver high output proteomic data for biomarker discovery and validation.

Impressive progress has been made during the last year with the quantitative protein sequence tags (qPST[®]). One of the key advantages offered by ProteoSHOP[®] is the 50% increase in coverage of proteins identified using qPST[®] in combination with two dimensional gel electrophoresis (2DE). It also provides a very high level of confidence in the data and results, demonstrating reproducibility and independent secondary validation of 50% of the total number of proteins identified using separate and different approaches.

With qPST[®] now available for routine use, Proteome Sciences has a highly competitive proprietary technology in its ProteoSHOP[®] toolbox which is being actively marketed to the global pharmaceutical industry for discovering biomarkers of efficacy, safety and toxicity in clinical trials, one of the main areas highlighted in the FDA Critical Path guidelines in March 2006.

An extensive marketing campaign to raise the profile of ProteoSHOP[®] with customers was started earlier this year and this has been extended by the co-marketing agreement announced in March with Medical Solutions plc. By combining the two companies' highly complementary technologies (Medical Solutions concentrates on immunohistochemistry with automated image analysis and histopathology), customers are provided with a one-stop-shop from biomarker discovery through to implementation in diagnostics and drug development.

With these capabilities, Proteome Sciences is well positioned to secure further revenue and deals for ProteoSHOP[®] accelerating the discovery of protein biomarkers and targets relevant to major human diseases. A number of new contracts are currently under negotiation.

Reagents

The purpose behind the development and validation of reagents within Proteome Sciences has been to establish and apply proprietary next generation proteomics technologies to improve the discovery of protein biomarkers and targets relevant to major human diseases and to capitalise on their value.

The Sensitizer[®] family of reagents developed in Frankfurt (including TMT[®], qPST[™] and Combi SMT[™]) have unique applications and utility but inherent in each is a common feature which enables an increase in the number of peptides and proteins that can be identified and quantified from complex protein mixtures.

Considerable progress has been made over the period and into 2006 with our TMT[®] isobaric mass labelling technology. Over this time, a fully functioning six plex set of mass tags has been developed which provide strong accuracy and consistency to quantify simultaneously differential protein expression in six samples. The elegance and simplicity of the chemical structure and design allows the format to be readily expanded to a ten plex which will fully address the needs of the marketplace.

There are initially two streams of revenue expected from licensing TMT[®], one from the reagent product itself and the second from the intellectual property relating to the field of isobaric mass labelling where, having the earliest priority date, the Board believes that the company's patent filings are comfortably ahead of competitors.

Chairman's Statement

For the year ended 31st December 2005

The market for the TMT[®] product is considered to be larger than was initially contemplated and the rapid acceptance of new tools for biomarker discovery and validation was clearly signposted as a key requisite in the March 2006 FDA Critical Path Guidelines. The second stream of revenue, the licence to the chemistry controlling isobaric mass labels, will potentially cover third party reagents/products in the market which come within the scope of the IP umbrella. Both activities should provide strong cashflow for the Group.

The development of isobaric mass labelling is now largely completed and the main focus of our efforts in chemistry has switched to applications in biology to accelerate the discovery and validation of biomarkers in human diseases.

Veri-Q Inc.

Synthetic oligonucleotides are widely used in biomedical research, in-vitro diagnostics (microarrays) and more recently as therapeutic agents in antisense drugs. These applications require exacting levels of product purity and quality. Quality control is essential to ensure the effective and reproducible performance of oligonucleotides and the FDA in the US has expressed concern about quality control of oligonucleotides. Oligonucleotide quality is often compromised by incomplete removal (de-protection) of chemical groups (protecting groups) which are required for the proper chemical synthesis of these polymers. The quality of oligonucleotides can also be decreased by the presence of incomplete products.

Veri-Q has developed a toolbox of antibodies against oligonucleotide protecting groups that can be used both for monitoring oligonucleotide quality and for the selective removal of impurities. Using this technology, Veri-Q has demonstrated that many commercially manufactured oligonucleotides are not fully deprotected and this creates inaccurate and misleading results. In the last 12 months, Veri-Q has shown that the presence of these impurities has a significant affect on the performance of gene expression analysis using microarrays. Two high profile scientific papers are in press awaiting publication.

Commercial discussions with prospective licencees started in 2005 and certain pilot projects have been undertaken and are in process. The prospects for these reagents look attractive and Veri-Q intends to outlicence the technology principally as QC reagents in RNAi and for DNA microarrays as soon as practicable.

In May 2005, Proteome Sciences converted its loan into further stock in Veri-Q, increasing its shareholding to 76.9 per cent.

Intronn Inc.

Following the development of the high capacity screen, the main objective was to apply SMaRT[®] successfully in RNA therapeutics in liver disease by demonstrating in-vivo proof of principle for one of its three primary programmes in haemophilia, dyslipidemia (hypercholesterolemia) or AAT deficiency.

Chairman's Statement

For the year ended 31st December 2005

Considerable progress was made in 2005, initially in March by confirming in-vivo proof of principle in dyslipidemia, followed in June by the successful stimulation of the production of the protein component of good cholesterol (HDL) which confirmed SMaRT[®] transplicing at the RNA level. To put this into context, there are two types of cholesterol, good cholesterol (HDL) and bad cholesterol (LDL). For a healthy population, the goal is to raise the HDL levels and to lower the LDL levels, and whilst statins (a high value class of drugs) are able to lower levels of LDL, they do not moderate HDL levels. The development of SMaRT[®] HDL may therefore provide a very positive improvement in increasing HDL levels, which may be further enhanced with the use of statins.

Having achieved significant increase in the level of HDL, further studies have been undertaken over the course of the year which have continued to reproduce the same high levels of improvement in the protein component of HDL. These results have provided the backcloth for Intronn to start to prepare the design for a human clinical trial to assess the ability to raise HDL levels, the timing of which will become more defined in the second half of 2006.

In the interim report, it was announced that the AAT programme had successfully completed in-vivo proof of principle with SMaRT[®] for the first time. Good progress has continued to be made with AAT and we are pleased to announce that exciting in-vivo proof of principle results have now also been generated in the haemophilia programme (Factor VIII) where the levels of Factor VIII have been significantly increased using SMaRT[®] transplicing. These results have subsequently been repeated with similar outcomes and have been achieved nearly twelve months ahead of schedule. Development of the pre-transplicing molecules (PTM) for human studies in haemophilia is straightforward, and with the benefit of the results and data from other programmes using SMaRT[®], it suggests that Phase 1 studies for haemophilia could be significantly earlier than previously considered.

As expected, the funding provided in 2004 has taken Intronn through into 2006 and up to the position where it can now prepare for clinical trials. Intronn has been in active discussions with a broad range of commercial parties to establish strategic partners/alliances for the clinical and commercial development of SMaRT[®] across its main programmes and in advanced negotiations to secure further funding to move SMaRT[®] RNA therapy into clinical trials for dyslipidemia and haemophilia. That process has not as yet been completed and, in order to protect the valuable SMaRT[®] technology/intellectual property, the US Board for the time being has downsized and focussed the scale of its research activities until the process is completed.

In conclusion, the science has moved on strongly last year and into 2006 with in-vivo proof of principle achieved in the three lead programmes, and with the design of clinical trials now underway for dyslipidemia and haemophilia.

Results

The financial results for the twelve month period ended 31st December 2005 show a headline loss (being the loss for the financial year excluding non-cash costs and share of associate company's losses) of £4,166,673 compared with £4,016,637 in 2004. Non cash costs (amortisation of goodwill, amounts written off fixed asset investment, depreciation and National Insurance on notional share option gains, as extracted from the profit and loss account) were £1,262,689 against £589,198 in 2004. The period to 31st December 2005 also contains a share of associate's losses at Intronn Inc. of £735,684 (2004 : £593,366).

Chairman's Statement

For the year ended 31st December 2005

The loss on ordinary activities after taxation for the twelve month period ended 31st December 2005 was £6,165,046 (2004: £5,199,201). The net cash outflow from operating activities for the year was £4,908,985 (2004 : £4,542,774).

At the year end, cash held on deposit stood at £2,587,155 (2004: £2,425,943).

The cash spend in 2005 was consistent with previous years and this pattern is expected to continue in 2006. The licences announced this year to date and the commercialisation anticipated, combined with grant income and the R&D tax credit, should provide significant cash inflows and have a positive effect on the financial requirements of the Company. In addition, in order to provide further working capital, a loan facility of up to £2 million has been made available to the Company from C.D.J. Pearce, the Chief Executive, details of which are disclosed in Note 6 to the Financial Information which accompanies this statement.

The directors have assumed that the timing of the cash inflows from the anticipated commercial income will be appropriate to meet the cash requirements of the business; however, the margin of cash available over the cash requirements is not large and, inherently, there can be no certainty in relation to these matters.

Having regard to the assumptions made in respect of the timing of receipt of the anticipated commercial income, combined with grant income, the R&D tax credit and other cash inflows including the loan facility of up to £2 million made available by C.D.J. Pearce, the directors continue to adopt the going concern basis in preparing the accounts, and accordingly the financial statements do not contain any adjustments that would result if sufficient commercial income were not to be received on a timely basis.

In relation to the loan facility from C.D.J. Pearce, the Directors of the Company, (with the exception of C.D.J. Pearce who, in view of his interest in the transaction, has taken no part in the consideration thereof), having consulted with its nominated adviser, consider that the terms of this transaction are fair and reasonable insofar as shareholders are concerned.

On 29th December 2005, the company filed a claim in the District Court of Frankfurt am Main ("the Court") against Sanofi-Aventis Deutschland GmbH ("Sanofi-Aventis") under which it is seeking damages, amongst other things, for the breach of certain warranties provided by Sanofi-Aventis at the time of the acquisition of Xzillion Proteomics GmbH & Co. KG (now Proteome Sciences R&D GmbH & Co. KG) on 4th July 2002. On 7th June 2006 Sanofi-Aventis filed a notice with the Court of its intention to defend the claim.

Full provision for all costs arising in 2005 in connection with the claim has been made in the 2005 financial statements. Whilst it is not possible to predict the outcome of this matter, the Directors intend to pursue this action vigorously and will keep shareholders informed of material developments.

Chairman's Statement

For the year ended 31st December 2005

Current Outlook

The recent text of the U.S. FDA's Critical Path Initiative has considerably raised the profile and potential to use biomarkers and biomarker data to accelerate and improve drug development and to expand the advancement of personalised medicine which has been reflected by the pharmaceutical industry's increasing awareness of the value and importance of biomarkers in improving clinical development.

At the same time, the FDA has clearly signalled its willingness to widen the scope of biomarker data that it will consider in voluntary submissions for new drug approval applications, specifically stating it is "open minded" to reviewing proteomic biomarkers. This is a significant and positive result which augurs well for the position and results that the company has established from its research.

The Board is encouraged by the recent progress that has been achieved in advancing and concluding licences and remains convinced that it will successfully commercialise the three main areas of the company's research: biomarkers, ProteoSHOP[®] and TMT[®]. It would also like to re-affirm to shareholders that it attaches the highest priority to the completion of further external licences and looks to the future prospects with increasing confidence.

Steve Harris
Chairman

29th June, 2006

Unaudited consolidated profit and loss account

For the year ended 31st December 2005

| | 2005 | 2004 |
|---|---------------------------|---------------------------|
| | £ | £ |
| Turnover – continuing operations | 16,200 | 72,971 |
| Cost of sales | <u>(11,340)</u> | <u>(40,801)</u> |
| Gross profit | 4,860 | 32,170 |
| Administrative expenses excluding non-cash items | <u>(4,764,026)</u> | <u>(4,655,426)</u> |
| Amortisation of goodwill | (648,960) | (648,960) |
| Depreciation | (425,843) | (529,313) |
| National Insurance on notional share option gains | <u>(75,008)</u> | <u>701,953</u> |
| Administrative expenses | <u>(5,913,837)</u> | <u>(5,131,746)</u> |
| Operating loss – continuing operations | (5,908,977) | (5,099,576) |
| Share of associate's operating loss | <u>(735,684)</u> | <u>(593,366)</u> |
| Group operating loss – continuing operations | (6,644,661) | (5,692,942) |
| Interest receivable and similar income | 140,628 | 151,969 |
| Interest payable and similar charges | (882) | (1,942) |
| Amounts written off fixed asset investment | <u>(112,878)</u> | <u>(112,878)</u> |
| Loss on ordinary activities before taxation | (6,617,793) | (5,655,793) |
| Tax credit on loss on ordinary activities | <u>452,747</u> | <u>456,592</u> |
| Loss for the financial year | <u>(6,165,046)</u> | <u>(5,199,201)</u> |
| Headline loss | <u><u>(4,166,673)</u></u> | <u><u>(4,016,637)</u></u> |
| Loss per share | | |
| Basic and diluted loss per share | (4.77p) | (4.27p) |
| Headline loss per share | <u><u>(3.22p)</u></u> | <u><u>(3.30p)</u></u> |

Unaudited reconciliation of loss per share to headline loss per share

The headline loss and headline loss per share is presented by the Directors as an additional measurement of financial performance. The calculations of headline loss per ordinary share are based on the following losses and on the numbers of shares shown above.

| | 2005 | 2005 | 2004 | 2004 |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | £ | Loss per share pence | £ | Loss per share pence |
| Loss for the financial year | (6,165,046) | (4.77) | (5,199,201) | (4.27) |
| Add back/(deduct): | | | | |
| Amortisation of goodwill | 648,960 | 0.50 | 648,960 | 0.53 |
| Amounts written off fixed asset investment | 112,878 | 0.09 | 112,878 | 0.09 |
| Depreciation | 425,843 | 0.33 | 529,313 | 0.44 |
| National Insurance on notional share option gains | 75,008 | 0.06 | (701,953) | (0.58) |
| Share of associate's operating loss | <u>735,684</u> | <u>0.57</u> | <u>593,366</u> | <u>0.49</u> |
| Headline loss | <u><u>(4,166,673)</u></u> | <u><u>(3.22)</u></u> | <u><u>(4,016,637)</u></u> | <u><u>(3.30)</u></u> |

Unaudited consolidated balance sheet

As at 31st December 2005

| | 2005 | 2004 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Fixed assets | | |
| Intangible assets | 4,218,241 | 4,867,201 |
| Tangible assets | 489,058 | 740,662 |
| Investments in associates | 954,837 | 1,514,792 |
| Other investments | - | 112,878 |
| | <u>5,662,136</u> | <u>7,235,533</u> |
| Current assets | | |
| Debtors | 1,326,592 | 680,924 |
| Cash held on deposit as short term investment | 1,900,000 | 1,800,000 |
| Cash at bank and in hand | 687,155 | 625,943 |
| | <u>3,913,747</u> | <u>3,106,867</u> |
| Creditors: Amounts falling due within one year | <u>(1,433,260)</u> | <u>(1,387,097)</u> |
| Net current assets | <u>2,480,487</u> | <u>1,719,770</u> |
| Total assets less current liabilities | 8,142,623 | 8,955,303 |
| Creditors: Amounts falling due after more than one year | (188,043) | (123,000) |
| Provisions for liabilities and charges | <u>(103,937)</u> | <u>(28,929)</u> |
| Net assets | <u><u>7,850,643</u></u> | <u><u>8,803,374</u></u> |
| Capital and reserves | | |
| Called-up share capital | 1,314,512 | 1,225,418 |
| Share premium account | 29,145,773 | 24,207,928 |
| Other reserve | 10,755,000 | 10,755,000 |
| Profit and loss account | <u>(33,364,642)</u> | <u>(27,384,972)</u> |
| Equity shareholders' funds | <u><u>7,850,643</u></u> | <u><u>8,803,374</u></u> |

Unaudited consolidated statement of total recognised gains and losses

For the year ended 31st December, 2005

| | 2005 | 2004 |
|---|---------------------------|---------------------------|
| | £ | £ |
| Loss for the financial year | (6,165,046) | (5,199,201) |
| Gain/(loss) on foreign currency translation | 73,840 | (19,850) |
| Gain on deemed part disposal of associate | 111,536 | - |
| Total recognised losses relating to the year | <u><u>(5,979,670)</u></u> | <u><u>(5,219,051)</u></u> |

Unaudited consolidated cash flow statement

For the year ended 31st December 2005

| | 2005 | 2004 |
|--|---------------|------------------|
| | £ | £ |
| Net cash outflow from operating activities | (4,908,985) | (4,542,774) |
| Returns on investments and servicing of finance | 139,746 | 150,027 |
| Taxation | - | 622,337 |
| Capital expenditure and financial investment | (181,334) | (2,122,149) |
| Cash outflow before use of liquid resources and financing | (4,950,573) | (5,892,559) |
| Management of liquid resources | (100,000) | 2,995,161 |
| Financing | 5,111,785 | 2,158,118 |
| Increase/(decrease) in cash in the year | <u>61,212</u> | <u>(739,280)</u> |

Reconciliation of operating loss to operating cash flows

| | 2005 | 2004 |
|---|--------------------|--------------------|
| | £ | £ |
| Operating loss | (5,908,977) | (5,099,576) |
| Depreciation charges | 425,843 | 529,313 |
| Amortisation charges | 648,960 | 648,960 |
| Increase/(decrease) in provisions | 75,008 | (701,953) |
| (Profit)/loss on sale of tangible fixed assets | (5,805) | 2,986 |
| (Increase)/decrease in debtors | (139,862) | 271,813 |
| Decrease in creditors | (4,152) | (194,317) |
| Net cash outflow from operating activities | <u>(4,908,985)</u> | <u>(4,542,774)</u> |

Notes to the financial information

1. There has been no change to any of the accounting policies set out in the 2004 statutory accounts.
2. Following the loss for the financial year of £6,165,046, the Directors do not recommend the payment of a dividend.
3.
 - a. The calculation of the loss per share for the year ended 31st December 2005 is based on the loss for the financial period of £6,165,046 and on 129,243,696 Ordinary Shares, being the weighted average number of shares in issue and ranking for dividend during the period (year ended 31st December 2004 – loss £5,199,201, weighted average number of Ordinary Shares in issue and ranking for dividend, 121,648,577).
 - b. The losses used to calculate the headline loss per share are as follows:

| | 2005 | 2005 | 2004 | 2004 |
|---|--------------------|----------------------------|--------------------|----------------------------|
| | £ | Loss per share pence | £ | Loss per share pence |
| Loss for the financial year | (6,165,046) | 4.77 | (5,199,201) | (4.27) |
| Add back/(deduct): | | | | |
| Amortisation of goodwill | 648,960 | 0.50 | 648,960 | 0.53 |
| Amounts written off fixed asset investment | 112,878 | 0.09 | 112,878 | 0.09 |
| Depreciation | 425,843 | 0.33 | 529,313 | 0.44 |
| National Insurance on notional share option gains | 75,008 | 0.06 | (701,953) | (0.58) |
| Share of associate's operating loss | 735,684 | 0.57 | 593,366 | 0.49 |
| Headline loss | <u>(4,166,673)</u> | <u>(3.22)</u> | <u>(4,016,637)</u> | <u>(3.30)</u> |

The headline loss per share is presented by the Directors as an additional measure of financial performance.

4. The preceding financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the year to 31st December 2004 is based on the statutory accounts for that year. These accounts, upon which the auditors issued an unqualified opinion, and which did not contain any statement under Section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

The statutory accounts for the year ended 31st December 2005 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be posted to shareholders this month. After that time, they will also be available at the Company's registered office: Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP.

Notes to the financial information

5. Whilst it is anticipated that the company will receive an unqualified audit report for the year ended 31st December, 2005, the audit report will contain the following additional paragraph:

“Emphasis of matter – Going Concern

Without qualifying our opinion, we draw attention to the disclosures made in note 2(b) of the financial statements concerning the Group’s ability to continue as a going concern. The Group incurred a net loss of £6,165,046 during the year ended 31st December 2005, with a headline loss of £4,166,673 (being the loss for the financial year excluding non-cash costs and share of associate company losses) and a net outflow from operating activities of £4,908,985. This, along with other matters as set forth in note 2(b), indicates the existence of a material uncertainty which may cast significant doubt about the company’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.”

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

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

- (i) C.D.J. Pearce ceasing to be an executive director of the company.
- (ii) A general offer to the shareholders of the company being announced to acquire its issued share capital.
- (iii) The occurrence of any of the usual events of default attaching to this sort of agreement.