

Proteome Sciences plc
(“Proteome Sciences” or the “Company”)

Preliminary results for the year ended 31 December 2008

For immediate release

18 June 2009

Highlights

- Commercialisation
 - Global license with Thermo Fisher Scientific Inc. for TMT[®] reagents.
 - License for lung cancer biomarkers with Oncimmune Inc.
 - License with Axela Inc. for brain damage biomarkers.
 - Strong quarterly compound growth in TMT[®] revenue.
 - Three important grants in the EU awarded totalling €1.0m.
 - ISO 9001 : 2008 accreditation obtained.

- Financial
 - Reduced pre-tax loss for period £4.79m (2007 : £5.46m).
 - Revenue increase 320% to £0.85m.
 - Cash used in operations £3.82m (2007 : £4.17m).
 - Consistent and predictable cash burn.

- Current Outlook
 - TMT[®] license key milestone to provide strong cash flow from reagents through to 2021.
 - Further expansion of TMT[®] reagents and applications.
 - First blood test for lung cancer, the leading cause of cancer death globally, launched in the USA in May 2009 using Proteome Sciences' biomarkers.
 - Recent biomarker licenses reflect IP value and revenue potential of other research programmes.
 - Strong interest and tenders for PS Biomarker Services.
 - Confidence underpinned by sustainable and rising revenue from all areas of activity set against a strong market background for biomarkers and biomarker services.

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

“2008 was a year of considerable success for the Company, highlighted by the license agreement for TMT[®] reagents with Thermo Fisher Scientific Inc. This has enabled us to convert a key part of our research into a long term and expanding revenue flow and importantly to concentrate our resources on the commercial exploitation of biomarker programmes and our substantial intellectual property portfolio.

In respect of the current year, the momentum established in 2008 has continued with the launch of the first blood test for lung cancer in May 2009 that uses our annexin biomarkers, followed shortly thereafter by the license for our brain damage biomarkers.

Our objectives are to drive revenue growth as biomarkers are increasingly a key part of early disease detection, drug development and disease management. We believe that this will be achieved from our proprietary biomarkers through further commercial licenses in Alzheimer's disease, stroke and in cancers. Continued strong growth and uptake is expected from TMT[®] isobaric tags as publications and product acceptance continues to build and PS Biomarker Services is ideally positioned to provide biomarker discovery/validation and tagging services to the pharmaceutical and biotechnology industries.

With the emerging profile and importance of biomarkers, we are exceptionally placed to capitalise on this through rapid revenue growth from all aspects of our business.

We remain committed to executing our objectives and delivering sustainable shareholder value and look forward to the future with confidence.”

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.

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Notes to Editors:

About Proteome Sciences:

Proteome Sciences is a leading biomarker CRO providing protein biomarker discovery, validation and assay development services. The Company's MS Biomarker Assay system (MBA) uses its proprietary isobaric Tandem Mass Tags (TMT[®]) and reference materials combined with isotope dilution mass spectrometry. Highly multiplexed assays can be developed in weeks and are suitable for screening 10's to 100's of candidate biomarkers in validation studies. Assays for validated biomarkers can be rapidly developed using the same isotope dilution mass spectrometry format, or can be transferred for immunoassay development.

The Company's own research is focused on neurological and neurodegenerative conditions and it has discovered and patented blood biomarkers in stroke and brain damage as well as several cancers, solid organ transplant rejection and Alzheimer's disease. Proteome Sciences is based in Cobham, UK with facilities in London and Frankfurt.

Chairman's Statement

For the year ended 31st December 2008

Dear Shareholder,

The year ended 31st December 2008 saw the Company achieve major milestones in its corporate development with the start of long term revenue generation from the successful commercialisation of TMT[®] isobaric tags with Thermo Fisher Scientific Inc. and a further two strategically significant grant awards from the EU Framework 6 programme, with a third from the German Ministry of Research, totalling €1.0m.

That momentum has continued into 2009 with the conclusion of a license in lung cancer with Oncimmune Inc. for our annexin biomarkers and the subsequent launch of the first blood test for lung cancer in May 2009, followed by the license with Axela Inc. for our brain damage biomarkers at the end of May. The potential for our research and intellectual property portfolio is now being realised from all three main areas of our business and the prospects for the Company against the rapid growth of biomarkers in healthcare looks outstanding. Against this background, we anticipate sustainable and rising revenue from all areas of the Company's activities.

In 2008, over 24 patents were granted across 9 patent families including TMT[®], stroke, organ transplant rejection, Alzheimer's and cancer and new patent applications have been filed for mass labels, Alzheimer's, brain damage, renal rejection/damage, oligonucleotides, TMT[®], vCJD and colorectal cancer.

Biomarkers

Lung cancer

Lung cancer is the most common cancer globally and the leading cause of cancer death.

The first blood test for lung cancer, launched in May 2009 in the USA, includes Proteome Sciences' annexin auto-antibodies that were licensed to Oncimmune Inc. in January 2009.

The test picks up proteins in blood that are produced as a reaction to the presence of lung cancer cells and the response to annexin proteins has been shown to change a year ahead of any clinical symptoms. Until now, lung cancer has typically been discovered too late and at a stage when tumours are relatively advanced.

With a specificity of 90% (an 80% improvement over the performance of CT scans) specialists believe that this revolutionary new test will greatly improve survival rates. The potential for the test is considerable with a US screening population alone of 71.5m people and an estimated market size for a lung cancer blood test in excess of \$1bn. At \$500, the test is competitively priced against a CT Scan, with a limited introductory offer at \$200. The test is planned to be reimbursable in the USA and is expected to be available in the UK in 2010.

Financially, Proteome Sciences will start to receive royalty payments from tests sold in the second half of 2009, and the level of royalties is expected to increase sharply in 2010 and beyond. Further terms of the license agreement were not disclosed.

Annexins have recently started to attract considerable new attention outside lung cancer, principally in breast cancer and also for oesophagus cancer.

The differential expressions of the annexin proteins in breast cancer have been highlighted in recent abstracts and presentations showing novel utility and applications for early diagnosis, for assessing the suitability of chemotherapy and as a target for therapy. Proteome Sciences' patents cover these uses and we are actively exploring licenses across a range of different applications.

Chairman's Statement

For the year ended 31st December 2008

Stroke

In stroke, two new strong sets of data were presented in Siena at the 8th Genome to Proteome meeting in September 2008 by our collaborators from the BPRG, Geneva in aneurismal subarachnoid haemorrhage, a devastating event that accounts for 5% of stroke incidence and for a novel approach using human microdialysates. The rapid discovery of biomarkers for cerebral injury using a proteomics platform highlighted the value of such a multi-parameter panel with early specificity and sensitivity of 100% and 70% respectively, and re-confirmed a number of proteins previously discovered and patented by Proteome Sciences for stroke, including H-FABP, B-FABP, GFAP and cystatin-C.

Stroke is the 2nd largest cause of death with 15m strokes globally. There is currently no test. The market for a stroke blood test, for which Proteome Sciences has biomarkers in advanced development with third parties, is estimated at between \$500m - \$1bn.

The external evaluation of the stroke panel through the earlier research licences has progressed convincingly with recent data further supporting the excellent results already provided. We are committed to expedite and convert the research licenses with the major clinical diagnostics companies into full commercial licenses that should generate substantial long term revenue from licensing fees and royalties. We have been frustrated by the delay from these third party programmes but nevertheless firmly believe that the value and performance of our stroke biomarkers will more than justify the wait.

Alzheimer's disease

Considerable media attention has centered around Alzheimer's disease since the fourth quarter of 2008, in particular relating to the news and results coming from our programmes with KCL, London and the biomarker assay panel that has been assembled. The panel incorporates up to 9 biomarkers in blood and is in the final stages of development/testing for Alzheimer's.

Globally, 30m people suffer from Alzheimer's disease and the annual cost is \$150bn for the 5m cases in the USA. There is currently no objective test for Alzheimer's. The estimated market size for an Alzheimer's blood test is in excess of \$1bn per annum. Proteome Sciences has high expectations for its Alzheimer's biomarkers and is in advanced licensing discussions.

In parallel to our own research, GSK (GlaxoSmithKline) had two scientific papers in Alzheimer's disease published in respected peer review journals in 2008. The first in Proteomics Clinical Applications followed the same lines as the earlier studies undertaken by Proteome Sciences and from which patents on 36 biomarkers in blood were filed. The GSK papers provided independent endorsement of the significance and utility of the proteins we had previously discovered. Of even greater interest, the second paper in Biomarkers 2008 showed that GSK completed Phase IIb clinical trials demonstrating the discovery and validation of plasma biomarkers in mild to moderate Alzheimer's patients responding to treatment with the diabetes drug Avandia. From the results, four proteins were singled out and three of these are covered by Proteome Sciences' patents.

The GSK papers and results are excellent examples of the importance of biomarkers and how they can be rapidly used from discovery through to the clinic. In the same way, they clearly demonstrate how biomarkers can be monetized for three different applications: diagnosis, prognosis and treatment. Proteome Sciences is actively involved in exploiting each of these aspects through outlicences with major pharma and diagnostics companies.

Chairman's Statement

For the year ended 31st December 2008

During its research into brain damage-related disorders, Proteome Sciences had filed patents covering over 200 novel biomarkers with the objective of exploiting the results commercially through new research reagents and from disease specific diagnostic, prognostic and therapeutic applications covering a wide range of different neurological and neurodegenerative diseases. The license agreement announced in May 2009 for Proteome Sciences' brain damage biomarkers with Axela Inc. fulfils this objective.

Axela and Proteome Sciences will jointly complete the development of the tests and Axela will sell these exclusively on their dotLab™ testing system. Proteome Sciences has provided the biomarker content, Axela the testing platform and format in a way where both companies should gain substantial commercial benefit by accelerating revenue and cutting time and cost to market. Similar arrangements on other platforms can be anticipated.

Whilst Proteome Sciences will receive royalties on tests sold for research or diagnostic purposes, financial terms of the license were not disclosed.

Reagents

In April 2008, Proteome Sciences achieved the most important milestone to date in its commercial development by completing an exclusive license with Thermo Fisher Scientific Inc. for its isobaric mass tagging technology TMT®.

This was a transformational deal that will provide long term revenue and royalties for an expanding range of applications and products principally aligned to the requirements in biomarkers for rapid MS (mass spectrometry) based assays. The earliest of the TMT® patents does not expire until 2021.

Following the successful TMT® launch, TMT® tags have enjoyed a high level of acceptance and publication from the major players in industry and academia (Pfizer, Novartis and Cellzome) showing the excellent performance of TMT®. This has been reflected in strong quarterly compound growth in TMT® revenue.

TMT® tags work in much the same way as a car tracking system but tag proteins and peptides. By harnessing the power of mass spectrometry, biomarker discovery and validation has been revolutionised through TMT® isobaric mass tagging, with timelines reduced from years to weeks. This will provide revenue streams from healthcare, life sciences, biotechnology and environmental applications.

In 2008, the patent process for TMT® isobaric mass tags was largely completed in the major jurisdictions, including Europe, following the allowance of TMT® in the USA in June. These patents not only cover the TMT® product, but also the entire field of isobaric mass tagging. As part of the license arrangements, Thermo Scientific undertook responsibility for and have been actively encouraged to exploit and regularise commercial licenses for use of any type of isobaric mass tags. The recent acquisition of ABI by Life Technologies may accelerate the uptake of third party isobaric mass tag licenses and these would provide substantial additional revenue in addition to TMTcalibrator™ and TMT Reference Materials™.

In January 2009, Proteome Sciences announced that it had successfully increased the plexing rates for its TMT® tags and that 12 and 18-plex TMT® will be available in 2009 to complement the existing TMT0™, TMTduplex™ and TMTsixplex™ tags. There has been a considerable increase in the amount of scientific publications in 2009 reflecting the use of isobaric tags, with a near doubling of such papers at the recent ASMS meeting, in particular with papers presented by major pharma/leading academia featuring leading-edge research such as stem cells.

Chairman's Statement

For the year ended 31st December 2008

Thermo Scientific has implemented a strong global advertising/marketing programme with roadshows to support the TMT[®] product range which is rapidly increasing awareness and understanding of the utility of TMT[®] isobaric tags and thereby building market presence and market share.

We are confident that there will be strong growth in revenue from our TMT[®] franchise.

PS Biomarker Services

In order to more accurately reflect the services provided (rather than the technology), ProteoSHOP[®] services has been rebranded PS Biomarker Services. This clarifies our market position and offering.

In March 2009, Proteome Sciences received ISO 9001:2008 certification for its facilities in Frankfurt. The certification covers Proteome Sciences' biomarker activities, rapid assay development, chemical and peptide synthesis and isobaric tagging development and production. We believe that we were the first company globally to be awarded the ISO 9001:2008 certification in biomarkers and this was an important milestone to support the global marketing strategy and to support and expand our high quality service offering and products based from our proprietary TMT[®] isobaric mass tag platform. This has been reflected with a sharp increase in the levels of enquiries, tenders and quotations.

Following the TMT[®] license with Thermo Scientific, Proteome Sciences can focus its full attention on the bespoke application of TMTcalibrator[™] and TMT Reference Materials[™]. These are projected to add considerable additional revenue as the pharmaceutical industry and its regulators require increasing access to technology that improves the quality and throughput of biomarker discovery, validation and MS based assay development. Custom applications historically have not been available and these should considerably expand the market for isobaric mass tags, opening up substantial new markets and opportunities, and should also provide appreciably higher returns than the TMT[®] catalogue products licensed to Thermo Scientific.

Like TMT[®], the revenues from custom applications should become increasingly evident in 2009 and beyond. We have demonstrated that multiplex assays using TMT[®]-MRM can be developed rapidly and inexpensively in only several months and they provide a highly cost-effective alternative to traditional antibody based immunoassays.

Over the period, the skills and technology within PS Biomarker Services has resulted in three successful grant applications totalling €1.0m. In May 2008 we were awarded a grant of €285,500 for the Framework 6 EU programme SENS-IT-IV to replace animal experimentation by in-vitro assays for skin and respiratory responses relating to the use of safe ingredients by the chemical, cosmetic and pharmaceutical industries to comply with new EU legislation for classification and labelling.

Diogenes, a second Framework 6 EU grant contributing €360,000 to Proteome Sciences is targeting obesity from a dietary perspective and seeking new insights and routes to prevention. The third grant, BioTag, for €351,777 was awarded by the German Ministry of Research to develop high sensitivity TMT[®] based assays to discover and validate biomarkers in oncology for drug development and individual patient therapy.

Grant awards make a useful contribution towards research costs, and are strategically important as they generate high-profile scientific data and publications and provide participation in prospective future commercial revenue. Proteome Sciences will continue its policy of seeking and applying for grants in areas complementary to our existing research and further applications are in progress.

Chairman's Statement

For the year ended 31st December 2008

On 21st September, 2007 it was announced that Intronn Inc. had disposed of its core technology and assets to VIRxSYS Corporation in exchange for the issuance of preference stock in VIRxSYS. In December 2008 the Group's share of the preference stock in VIRxSYS Corporation was registered in the Company's name and on the 19th December, 2008 Intronn Inc. was formally dissolved. VIRxSYS provided a very positive scientific update to its Phase 2b clinical trial in HIV during 2008 and was awarded a Maryland State Stem Cell grant award in June 2009. Shareholders will be notified of further developments that impact on the value of the investment in VIRxSYS.

No material events of significance have taken place at Veri-Q over the period, however certain licensing opportunities are being actively explored in 2009.

Results

I am pleased to report that the financial results for the twelve month period ended 31st December 2008 show a reduced loss before taxation of £4.786m compared with £5.464m in 2007, reflecting the effects of an increase in revenue from £0.266m to £0.849m, and a reduction of administrative expenses which fell by £0.561m. Non cash costs, (depreciation and a charge under IFRS 2 for share-based payment costs) were £0.593m against £0.647m in 2007.

The loss on ordinary activities after taxation for the twelve month period ended 31st December 2008 was £4.624m (2007 : £5.252m). Cash used in operations for the year fell to £3.823m (2007 : £4.166m).

At the year end, cash in hand and held on deposit stood at £0.274m (2007 : £0.530m).

The reduced cash spend in 2008 was particularly welcome and this level of expenditure is expected to continue in 2009. The licences announced and the commercialisation of our intellectual property and grant income anticipated should continue to provide significant cash inflows for the Company and have a positive effect on its financial requirements. However, to date these cash inflows have fallen short of the Board's expectations and as a result the Board has moved to extend the terms of the facility available to the Company from C.D.J. Pearce, the Chief Executive, to £10 million. In relation to the additional 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.

Whilst recognising the current uncertain economic climate, the directors consider that the timing of the cash inflows from the anticipated commercial income will be appropriate to meet the cash requirements of the business; however, due to the current rate of cash expenditure, the timing of receipt of the aforementioned cash inflows remains important and gives rise to a material uncertainty as there can be no certainty as to the timing of cashflows in the next 12 month period.

Having regard to the assumptions made in respect of the timing of receipt of the anticipated commercial income, combined with grant income, and other cash inflows, including the loan facility 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 or financing were not to be received on a timely basis.

Chairman's Statement

For the year ended 31st December 2008

As previously announced, the Company filed a claim on 29th December 2005 in the District Court of Frankfurt am Main ("the Court") against Sanofi-Aventis Deutschland GmbH ("Sanofi-Aventis") under which it is seeking damages of up to €30 million for, amongst other things, the breach of certain warranties provided by Sanofi-Aventis at the time of the acquisition of Xzillion Proteomics GmbH & Co KG (now Proteome Sciences R&D GmbH & Co KG) on 4th July 2002. Having filed for a declaratory judgement that was initially dismissed, an appeal has been lodged and has been set down for a hearing this month. Full provision of all costs arising in 2008 in connection with the claim has been made in the 2008 financial statements. Whilst it is not possible to predict the outcome of this matter, the Directors are continuing to pursue this action vigorously and will keep shareholders informed of material developments.

Current Outlook

The conversion of parts of Proteome Sciences' substantial intellectual property position in biomarkers into commercial licenses and revenue has gained considerable momentum in 2009. We expect that trend to continue as biomarkers are increasingly a key part of early disease detection, drug development and disease management and Proteome Sciences' expertise addresses all of these applications.

From our proprietary biomarkers, we look forward to concluding further commercial licenses for Alzheimer's disease, stroke and in cancers. For TMT[®] isobaric tags, we expect continued strong growth and uptake for the existing products as publications and product acceptance continue to build. PS Biomarker Services is ideally placed to offer customized TMT[®] tagging and biomarker discovery and validation services to satisfy the data necessary for regulatory needs and to accelerate the development of faster, cheaper and more effective drugs and diagnostics.

Against this background, the prospects for our biomarker activities appear highly encouraging.

Steve Harris
Chairman

18th June, 2009

Unaudited consolidated profit and loss account

For the year ended 31st December 2008

	Year ended 31st December 2008 £	Year ended 31st December 2007 £
Continuing operations		
Revenue	849,487	265,593
Cost of sales	(225,874)	(112,976)
Gross profit	<u>623,613</u>	<u>152,617</u>
Administrative expenses	(4,888,371)	(5,449,722)
Share of results of associates	(14,538)	123,928
Operating loss	<u>(4,279,296)</u>	<u>(5,173,177)</u>
Investment revenues	9,073	10,839
Finance costs	(516,060)	(302,095)
Loss before taxation	<u>(4,786,283)</u>	<u>(5,464,433)</u>
Tax	161,815	212,404
Loss for the year from continuing operations	<u>(4,624,468)</u>	<u>(5,252,029)</u>
Attributed to shareholders of the Company	<u>(4,624,468)</u>	<u>(5,252,029)</u>
Loss per share		
Basic and diluted	<u>(3.49p)</u>	<u>(3.99p)</u>

Unaudited consolidated statement of recognised income and expense

For the year ended 31st December 2008

	Year ended 31st December 2008 £	Year ended 31st December 2007 £
Exchange differences on translation of foreign operations	223,133	30,773
Net income recognised directly in equity	<u>223,133</u>	<u>30,773</u>
Loss for the period	(4,624,468)	(5,252,029)
Total recognised income and expense for the year	<u>(4,401,335)</u>	<u>(5,221,256)</u>

Unaudited consolidated balance sheet

As at 31st December 2008

	2008	2007
	£	£
Non-current assets		
Goodwill	4,218,241	4,218,241
Property, plant and equipment	397,680	438,413
Interest in associates	-	777,577
Other investments	763,502	-
	<u>5,379,423</u>	<u>5,434,231</u>
Current assets		
Inventories	188,080	106,529
Trade and other receivables	600,699	562,410
Cash and cash equivalents	273,810	530,195
	<u>1,062,589</u>	<u>1,199,134</u>
Total assets	<u>6,442,012</u>	<u>6,633,365</u>
Current liabilities		
Trade and other payables	(821,826)	(1,097,784)
Current tax liabilities	(48,944)	(42,673)
Short-term borrowings	(9,087,662)	(5,936,599)
Short-term provisions	(1,972,232)	(1,235,039)
Deferred grant income	-	(261,663)
	<u>(11,930,664)</u>	<u>(8,573,758)</u>
Net current liabilities	<u>(10,868,075)</u>	<u>(7,374,624)</u>
Non-current liabilities		
Deferred grant income	-	(188,043)
Long-term provisions	(135,606)	(36,531)
	<u>(135,606)</u>	<u>(224,574)</u>
Total liabilities	<u>(12,066,270)</u>	<u>(8,798,332)</u>
Net liabilities	<u>(5,624,258)</u>	<u>(2,164,967)</u>
Equity		
Share capital	1,328,036	1,314,654
Share premium account	29,660,338	29,150,563
Equity reserve	1,769,922	1,834,832
Other reserve	10,755,000	10,755,000
Translation reserve	161,531	(61,602)
Retained loss	(49,299,085)	(45,158,414)
Total deficit	<u>(5,624,258)</u>	<u>(2,164,967)</u>

Unaudited consolidated cash flow statement

For the year ended 31st December 2008

	Year ended 31st December 2008 £	Year ended 31st December 2007 £
Cash flows from operating activities		
Cash used in operations	(3,823,233)	(4,166,151)
Interest paid	(516,060)	(302,094)
Tax refunded	217,678	375,010
Net cash outflow from operating activities	<u>(4,121,615)</u>	<u>(4,093,235)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(31,346)	(23,277)
Interest received	9,073	10,839
Net cash outflow from investing activities	<u>(22,273)</u>	<u>(12,438)</u>
Financing activities		
Proceeds on issue of shares	523,157	-
New loans raised	3,151,063	4,301,962
Net cash from financing activities	<u>3,674,220</u>	<u>4,301,962</u>
Net (decrease)/increase in cash and cash equivalents	(469,668)	196,289
Cash and cash equivalents at beginning of year	530,195	304,225
Effect of foreign exchange rate changes	213,283	29,681
Cash and cash equivalents at end of year	<u>273,810</u>	<u>530,195</u>

Notes to the financial information

1. 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 2007 (the comparative financial information) is extracted from the statutory accounts for that year. These accounts, upon which the auditors issued an unqualified opinion including an emphasis of matter paragraph in relation to a material uncertainty, 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 2008 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be posted to shareholders later this week. After that time, they will also be available at the Company's registered office: Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP.

2. As set out in the results section of the Chairman's Statement in this preliminary announcement, a material uncertainty is identified regarding the Company's ability to continue as a going concern. Whilst it is anticipated that the Company will receive an unqualified audit report for the year ended 31st December, 2008, 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 3 of the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a net loss of £4,624,468 during the year ended 31st December 2008, and a net cash outflow from operating activities of £4,121,615. This, along with other matters as set forth in note 3 (which are set out in the results section of this preliminary announcement), indicates the existence of a material uncertainty which may cast significant doubt about the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.”

3. Following the loss for the year of £4,624,468, the Directors do not recommend the payment of a dividend.
4. The calculation of the loss per share for the year ended 31st December, 2008 is based on the loss for the financial period of £4,624,468 and on 132,405,718 Shares, being the number of shares in issue and ranking for dividend during the period (year ended 31st December 2007 – loss £5,252,029, weighted average number of Ordinary Shares in issue and ranking for dividend, 131,465,447.

International Financial Reporting Standard 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. For a loss making company with outstanding share options, net loss would only be increased by the exercise of out-of-the-money options. Since it seems inappropriate to assume that the option holders would act irrationally, no adjustment has been made to diluted EPS for out-of-the-money share options.

Notes to the financial information

5. Notes to the unaudited consolidated cash flow statement

	2008	2007
	£	£
Operating loss	(4,279,296)	(5,173,177)
Adjustments for:		
Depreciation of property, plant and equipment	174,291	172,060
Share of loss/(profit) of associates	14,538	(123,928)
Share-based payment expense	418,887	468,118
	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	(3,671,580)	(4,656,927)
Decrease/(Increase) in inventories	45,118	(106,529)
Increase in receivables	(57,228)	(19,096)
(Decrease)/Increase in payables	(486,237)	629,152
Increase/(Decrease) in provisions	346,694	(12,751)
	<u> </u>	<u> </u>
Cash used in operations	<u><u>(3,823,233)</u></u>	<u><u>(4,166,151)</u></u>

6. Unaudited consolidated statement of changes in equity

	2008	2007
	£	£
Loss for the financial year	(4,624,468)	(5,252,029)
Gain on foreign currency translation	223,133	30,773
New share capital subscribed (net of issue costs)	523,157	-
Share-based payment charge	418,887	468,118
	<u> </u>	<u> </u>
Net reduction in equity	(3,459,291)	(4,753,138)
Equity at 1st January	<u>(2,164,967)</u>	<u>2,588,171</u>
	<u> </u>	<u> </u>
Equity at 31st December	<u><u>(5,624,258)</u></u>	<u><u>(2,164,967)</u></u>