

Proteome Sciences plc

**INTERIM
REPORT
2007**

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Proteome Sciences plc
Interim Statement
For six months to 30th June, 2007

R.S. Harris, BPharm, FR PharmS (Chairman)*
C.D.J. Pearce (Chief Executive)
J.L. Malthouse FCA (Finance Director)
(*non-executive Directors)

Dr. P. Schulz-Knappe (R&D Director)
Professor W. Dawson, DSc, FR PharmS, FRSC*
Dr. A. Lindberg, Md PhD*

Dear Shareholder,

I am pleased to set out below the full text of the Company's half yearly statement which was released to the Stock Exchange on 28th September, 2007. The main events of the period can be summarised as follows :

- **Commercialisation**
 - Notice of allowance for TMT[®] patent in US published, completing patent allowances for all TMT[®] product claims.
 - Actively engaged to complete TMT[®] commercialisation in second half 2007.
 - TMT[®] reagents manufactured and available for customer dispatch in Q4 2007.
 - New high value/high volume applications TMT[®] calibrator and TMT[®] Reference Materials launched.
 - Major increase in H1 revenue from ProteoSHOP[®] to continue in H2.
 - Industry sources predict biomarker growth to quadruple by 2012 to \$21.2bn. ProteoSHOP[®] strongly positioned to exploit this growth.
 - Conversion of stroke research licences in to full commercial licences expected to start in second half 2007.
 - Strong and additional data and new discoveries across all primary areas of biomarker research, particularly in brain damage and Alzheimer's disease.
 - ISO 9001 certification end of 2007.
- **Intronn**
 - VIRxSYS Corp acquired core technology and assets of Intronn Inc in all stock transaction. Proteome Sciences retains its 43% shareholding in Intronn.
 - Intronn to fully participate in the upside value of VIRxSYS through preferred stock.
 - Transaction secures future funding for Intronn and entry of its technology into clinical trials.
- **Corporate**
 - Dr Rainer Voegeli joined in August 2007 as Commercial Director.
- **Financial**
 - Reduced loss for period of £2.32million (2006: £2.83m).
 - Revenue of £198k (2006: £0.07k).
 - Level of costs expected to remain unchanged in second half 2007.
- **Outlook**
 - Expected TMT[®] licence agreements, full commercial licences for stroke and growing adoption of ProteoSHOP[®] set to provide strong and sustainable revenue stream.
 - There is now a firm basis on which to expect significant moves in commercialisation of research and IP portfolio.
 - Board looks forward to reporting further developments over next few months.

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

“With the TMT[®] patent allowances now complete we are progressing the final stages of the licensing of TMT[®] which we expect to announce before the end of the year. We are also confident of starting to convert the existing stroke licences into full commercial licenses in the same time frame. Together with the growing revenues we are already generating from ProteoSHOP[®], the Company is now in a position where it is well set to deliver a strong and sustainable revenue stream. The Board looks to the rest of the year and beyond with confidence.”

Chairman's Statement :

Reagents

The much awaited Notice of Allowance for the Company's US patent application in isobaric mass labelling for tandem mass tags (TMT[®]) TMT1 was published shortly after the AGM at the end of July, 2007. The US patent contains broad claims to sets of isobaric mass tags. This followed the grants of the corresponding cases in Australia, New Zealand, Canada, and most recently in Europe in May 2007. These allowances for TMT1 have been complemented by the Rule 51(4) Notice of Intention to grant from the European Patent Office for TMT2, that incorporates isobaric mass tags with peptide structures and various methods of use.

The US and European allowances for TMT1 patents now provide Proteome Sciences with the ability to exploit the broad claims across the fast growing market of isobaric tandem mass tagging, as a product in its own right, for third party licences and for the manufacture or use of any type of isobaric tandem mass tags. The latest patent grants should now enable us to complete the commercialisation of TMT[®] through outlicensing and to generate strong revenue through licence income, product sales and royalties. We are actively engaged to complete this process in the second half of the year.

In anticipation of the impending outlicensing of the TMT[®] product, Proteome Sciences has been producing substantial amounts of the TMT[®] reagents in order to enable licencees to have materials immediately available and to bring the product to the market in the 4th quarter of 2007. This will provide two significant benefits to our cashflow, both from the early sale of TMT[®] raw materials and also from the accelerated timing of royalty payments. Our prototype TMT[®] kit, first unveiled to shareholders at the AGM in the summer, will be despatched to customers in the fourth quarter of 2007.

The initial introduction of TMT[®] Reference Materials at the Biomarker World Congress has been substantively bolstered by major presentations and endorsement at the European Biomarker Summit in Amsterdam and the Biomarker Discovery Summit in Philadelphia this September. At these meetings, Proteome Sciences has been able to leverage the same stage and audiences with the launch of TMT[®] calibrator, a multipoint calibration method to quantify known peptides/proteins in a single LC-MS/MS experiment with a very high level of accuracy. This method can be used to validate multiple biomarker candidates and developed as an assay for the routine measurement of biomarkers in clinical trials. Proteome Sciences is now able to dramatically reduce the timescales to develop and manufacture calibration mixtures for customers when compared to conventional immunoassay approaches.

The new TMT[®] applications have substantially raised both the corporate and the TMT[®] profile in the life sciences industry, and this has already resulted in considerable positive feedback and activity from the pharma industry. These are high value, high volume revenue applications for TMT[®] that will address and open up substantial new markets and opportunities.

ProteoSHOP[®]

The increased emphasis placed on marketing ProteoSHOP[®] last year has been further expanded in 2007 and the successful introduction of TMT[®] isobaric tandem mass tags (TMT[®]zero, TMT[®]duplex and TMT[®]sixplex) has contributed to a major increase in revenue in the first half of the year. This should be further enhanced by the introduction of TMT[®] Reference Materials and, most recently, the launch of TMT[®] calibrator in September. Collectively these should be the main drivers behind ProteoSHOP[®] revenue moving into 2008 and beyond. New marketing materials for TMT[®] and TMT[®] products and applications were produced for the recent product launches. These are available on our website (www.proteomics.com).

Industry estimates have projected that growth in biomarkers will quadruple by 2012 to \$21.2bn. We believe that within that growth, biomarker validation using proteomic tools will be one of the fastest areas and, as a consequence, that Proteome Sciences with its core activities focussed on biomarker validation and portable assay development will be particularly well placed to exploit that market. The industry feedback from recent conferences and meetings has been most encouraging and this interest should convert into substantial additional ProteoSHOP[®] revenue.

The current commercial director, James Green, has reached retirement and will be resigning as a director of the Company on 2nd October, 2007. We would like to take this opportunity to thank him for his contribution and to wish him well in the future.

Dr. Rainer Voegeli has been recruited as his successor. Dr. Voegeli qualified with a PhD in biochemistry and developed considerable proteomics expertise in peptides and proteins before moving into technology and business development. He joined the Company in August from BioVision, AG, where he was Chief Business Officer and where he concluded deals with many major pharmaceutical companies including Merck, Abbott, Novartis and Astra Zeneca..

The excellent progress made in our application to obtain ISO 9001 certification for our facilities in Frankfurt is running ahead of its targeted completion in the first half of 2008, and means that the process may now be concluded by the end of 2007. ISO 9001 approval will provide further substance to our ProteoSHOP® workflows and will strengthen its ability to provide services to the pharmaceutical industry, CRO's and regulators with the appropriate international levels of certification.

Biomarkers

The main objective for our biomarker research activities has been to discover and validate differentially expressed protein biomarkers for diagnostic and prognostic uses in major human diseases, for the evaluation of new compounds and to monitor and assess the efficiency of treatment. Increasingly, the focus of interest and need for biomarkers is being affected by regulatory issues provoked to a great extent by the US FDA's Critical Path initiative. The likely requirements that such information will become mandatory in the near future has shifted the emphasis to biomarker validation and the need for effective, timely and robust methodologies.

Proteome Sciences has been at the forefront in the development and application of its ProteoSHOP® workflows in biomarker discovery and validation as illustrated by the proprietary research undertaken in stroke. This resulted in four research licences by the end of 2006 in high-throughput stroke with global leaders in clinical diagnostics. The research continues to generate excellent data and new biomarkers to enhance the IP position and to further improve the performance of our stroke panel for stroke treatment and management.

Against this background, we are confident that the stroke research licences previously announced should convert into full commercial licences as the testing and integration processes start to come to completion in the second half of the year.

Similar patterns of strong and additional data and new discoveries have flowed from the research across all our primary areas of proprietary biomarker research, in particular brain damage and Alzheimer's disease. Following the high profile publication in the journal *Brain* (co-authored with the Institute of Psychiatry, Kings College London) of a 500 patient study in Alzheimers disease (AD), considerable additional media attention has revolved around the earlier data generated and from the subsequent discoveries made from a later study using a combination of three different proteomic approaches. A total of 36 differentially expressed proteins were found in blood, and these are currently being evaluated for their utility for diagnosis and monitoring AD progression.

At the European Proteomics Society meeting in Pau, France held this September, Professor J-C Sanchez from the Hôpital Cantonal Universitaire de Genève presented results from our collaborative biomarker research programme in post-mortem CSF as a model of massive brain injury and cell death. A total of 299 proteins were identified, of which 172 proteins were not previously known to be present in CSF. Of these, more than 75% have been described as intra-cellular proteins suggesting that they were released from damaged cells. Five of these proteins have been validated as biomarkers in plasma for the early diagnosis of stroke, one for monitoring the thrombolytic treatment of ischemic stroke and one for neurodegenerative dementia. The identification of these proteins in CSF, when combined with validation in plasma, demonstrates the power of this approach to discover brain injury biomarkers in blood which span a range of different neurodegenerative disorders and the way to utilise such biomarkers for novel diagnostic, prognostic and therapeutic applications.

Intronn / Veri-Q

It was announced on 21st September that VIRxSYS Corporation acquired the core technology and assets of Intronn Inc. (a company in which Proteome Sciences retains a 43 percent shareholding) in exchange for the issuance of preferred stock in VIRxSYS. Through this holding, Intronn will fully participate in any upside value in VIRxSYS but at the same time benefiting with the downside protection conferred through the rights attaching to preferred stock.

VIRxSYS is a substantial private US biotechnology company founded in 1998 developing gene therapies for HIV and genetic disorders using a lentiviral vector delivery platform. VIRxSYS's initial focus was directed towards HIV and genetic diseases. Intronn brings advanced pre-clinical programmes in haemophilia and dyslipidemia that integrate extremely well and should significantly accelerate the programmes recently established by VIRxSYS in the same areas and with the ability to use SMaRT™ across a broad range of other disease applications.

VIRxSYS lead application, VRX496 (a CD4 T cell treatment against HIV), successfully completed Phase I trials in November 2006 and has now moved on to Phase II trials. VRX496 continues to be the only lentiviral vector currently administered in human ethical trials approved by the US Food & Drug Administration. Both companies recognise the considerable synergy between the two technologies, with SMaRT™ providing a strong pipeline of RNA products through the VIRxSYS lentiviral vector delivery platform and their clinical trials expertise.

By combining the two technologies in an all stock transaction, both companies will participate directly from the considerable upside potential of the combined platforms and remove duplication of costs and effort. Financial terms have not been disclosed.

Proteome Sciences will keep shareholders apprised of significant developments at VIRxSYS, in particular, news relating to the Phase II clinical trials. Further details can be found in the press release at www.virxsys.com.

No material events of significance have taken place at Veri-Q over the period, however, the programme to develop further antibodies against the deprotecting groups is well advanced and close to completion.

Financial Results

The financial results for the six months to the 30th June, 2007 have been prepared for the first time using policies consistent with International Financial Reporting Standards ("IFRS") and show a loss for the period of £2,320,876, compared with £2,832,478 in the corresponding period in 2006, the figures for which have also been re-stated to comply with the requirements of IFRS. Full details of the adjustments arising from this change are set out in the note 1 to these accounts.

Costs have remained close to those incurred in 2006, and the reduction in the loss for the period largely reflects a fall in the charge for share-based payment and a positive contribution from the group's associate company. The cash outflow for the period remained carefully controlled, and benefited not only from revenue of £198,718 in the period, but also from the continuing non-payment of certain directors' salaries. Subject to unforeseen circumstances, we expect the level of costs to remain broadly unchanged in the second half of the year.

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. The process appears to have moved along favourably for the Company in 2007, but there have been no major developments to date. Further news may be forthcoming in the second half of the year.

Current Outlook

Over the summer, the allowances of our TMT1 patents initially in Europe and most recently in the US are core elements in the commercialisation process to successfully conclude the licences in the field of isobaric tandem mass tags and for the TMT[®] product. With the final allowance published only this week at the United States Patent and Trademark Office, allowances have now been obtained for all the key TMT[®] product claims and we intend to complete the licence agreements and to have the TMT[®] product available as soon as possible in the second half of the year. The completion of the TMT[®] licences will generate substantial revenue for our Company and these will be further enhanced by new and additional high value/high volume applications.

With the anticipated conversion of the research licences in stroke into full commercial licences and the recent introduction of TMT[®] Reference Materials and TMT[®] calibrator into the ProteoSHOP[®] workflow, the Company should convert the considerable potential of its research into a strong and sustainable revenue stream.

By putting together the major global patent allowances of TMT, the production of TMT[®] chemical materials, the TMT[®] test kit and the impending completion of TMT[®] licences over the next three months, the changed emphasis and importance of our reagent activities and their entry into mainstream proteomic workflows and biomarker applications have become highly visible. These should generate substantial sources of revenue for our business and allow us to exploit the potential of both ProteoSHOP[®] and our proprietary biomarker programmes more fully. We have the right technology at the right time and we intend to maximise the commercial position for our shareholders.

The Company therefore views the future with confidence and looks forward to reporting further developments over the next few months.

R.S. Harris
Chairman

4th October, 2007

Unaudited consolidated income statement (IFRS)
For the six months ended 30th June, 2007

	Six months ended 30th June 2007 £	Six months ended 30th June 2006 £	Year ended 31st December 2006 £
Continuing operations			
Revenue	198,718	7,731	68,469
Cost of sales	<u>(109,295)</u>	<u>(5,412)</u>	<u>(47,928)</u>
	89,423	2,319	20,541
Gross profit			
Administrative expenses	(2,548,017)	(2,975,149)	(5,754,536)
Share of results of associates	<u>62,742</u>	<u>(126,103)</u>	<u>(282,002)</u>
Operating Loss	(2,395,852)	(3,098,933)	(6,015,997)
Investment revenues	4,021	40,304	44,835
Finance costs	<u>(104,045)</u>	<u>(1,028)</u>	<u>(36,637)</u>
Loss before taxation	(2,495,876)	(3,059,657)	(6,007,799)
Tax	<u>175,000</u>	<u>227,179</u>	<u>370,109</u>
Loss for the period from continuing operations	<u>(2,320,876)</u>	<u>(2,832,478)</u>	<u>(5,637,690)</u>
Attributed to shareholders of the company	<u>(2,320,876)</u>	<u>(2,832,478)</u>	<u>(5,637,690)</u>
Loss per share			
Basic and diluted	<u>(1.76p)</u>	<u>(2.15p)</u>	<u>(4.29p)</u>

Unaudited consolidated statement of recognised income and expense (IFRS)
For the six months ended 30th June, 2007

	Six months ended 30th June 2007 £	Six months ended 30th June 2006 £	Year ended 31st December 2006 £
Exchange differences on translation of foreign operations	<u>76,766</u>	<u>(13,881)</u>	<u>(92,375)</u>
Net income/(expense) recognised directly in equity	76,766	(13,881)	(92,375)
Loss for the period	<u>(2,320,876)</u>	<u>(2,832,478)</u>	<u>(5,637,690)</u>
Total recognised income and expense for the period	<u>(2,244,110)</u>	<u>(2,846,359)</u>	<u>(5,730,065)</u>

Unaudited consolidated balance sheet (IFRS)

As at 30th June, 2007

	Six months ended 30th June 2007 £	Six months ended 30th June 2006 £	Year ended 31st December 2006 £
Non-current assets			
Goodwill	4,218,241	4,218,241	4,218,241
Property, plant and equipment	468,187	668,271	546,509
Interest in associates	<u>818,767</u>	<u>818,565</u>	<u>652,813</u>
	<u>5,505,195</u>	<u>5,705,077</u>	<u>5,417,563</u>
Current assets			
Trade and other receivables	509,788	1,092,489	673,998
Cash and cash equivalents	<u>598,173</u>	<u>875,011</u>	<u>304,225</u>
	<u>1,107,961</u>	<u>1,967,500</u>	<u>978,223</u>
Total assets	<u>6,613,156</u>	<u>7,672,577</u>	<u>6,395,786</u>
Current liabilities			
Trade and other payables	(2,178,678)	(2,105,077)	(1,900,891)
Current tax liabilities	(13,254)	(6,572)	(34,762)
Short-term loans	<u>(3,738,644)</u>	<u>-</u>	<u>(1,634,637)</u>
	<u>(5,930,576)</u>	<u>(2,111,649)</u>	<u>(3,570,290)</u>
Net current liabilities	<u>(4,822,615)</u>	<u>(144,149)</u>	<u>(2,592,067)</u>
Non-current liabilities			
Deferred grant income	(188,043)	(188,043)	(188,043)
Long-term provisions	<u>(19,460)</u>	<u>(12,653)</u>	<u>(49,282)</u>
	<u>(207,503)</u>	<u>(200,696)</u>	<u>(237,325)</u>
Total liabilities	<u>(6,138,079)</u>	<u>(2,312,345)</u>	<u>(3,807,615)</u>
Net assets	<u>475,077</u>	<u>5,360,232</u>	<u>2,588,171</u>
Equity			
Share capital	1,314,654	1,314,512	1,314,654
Share premium account	29,150,563	29,145,773	29,150,563
Equity reserve	1,926,987	1,689,258	1,795,971
Other reserve	10,755,000	10,755,000	10,755,000
Translation reserve	(15,609)	(13,881)	(92,375)
Retained loss	<u>(42,656,518)</u>	<u>(37,530,430)</u>	<u>(40,335,642)</u>
Total equity	<u>475,077</u>	<u>5,360,232</u>	<u>2,588,171</u>

Unaudited consolidated cash flow statement (IFRS)
For six months 30th June, 2007

	Six months ended 30th June 2007 £	Six months ended 30th June 2006 £	Year ended 31st December 2006 £
Cash flows from operating activities			
Cash used in operations	(2,015,909)	(1,899,752)	(4,460,913)
Interest paid	(104,045)	(1,028)	(36,637)
Tax refunded	<u>300,000</u>	<u>485,391</u>	<u>891,968</u>
Net cash outflow from operating activities	<u>(1,819,954)</u>	<u>(1,415,389)</u>	<u>(3,605,582)</u>
Cash flows from investing activities			
Purchases of property, plant and equipment	(4,813)	(336,720)	(357,411)
Interest received	<u>4,021</u>	<u>40,304</u>	<u>44,835</u>
Net cash outflow from investing activities	<u>(792)</u>	<u>(296,416)</u>	<u>(312,576)</u>
Financing activities			
Proceeds on issue of shares	-	-	4,934
New loans raised	<u>2,113,848</u>	-	<u>1,634,637</u>
Net cash from financing activities	<u>2,113,848</u>	<u>-</u>	<u>1,639,571</u>
Net increase/(decrease) in cash and cash equivalents	293,102	(1,712,805)	(2,278,587)
Cash and cash equivalents at beginning of period	304,225	2,587,155	2,587,155
Effect of foreign exchange rate changes	<u>846</u>	<u>(339)</u>	<u>(4,343)</u>
Cash and cash equivalents at end of period	<u>598,173</u>	<u>875,011</u>	<u>304,225</u>

Accounting Policies

1. Basis of preparation of interim report

In the financial statements for the year ended 31st December, 2006, the directors reported that the Company's anticipated commercial income should provide significant cash inflows that would be appropriate to meet the cash requirements of the business; however, the timing of the cash inflows was considered important and therefore there could be no certainty regarding the availability of funding for the 12 months following the signing of the 2006 financial statements.

Further progress has been made with respect to commercialisation and whilst the directors remain confident that the anticipated commercial income will provide sufficient cash inflows, the timing of these cash inflows remains important. On this basis, the directors continue to adopt the going concern basis in preparing these interim statements, and accordingly these statements do not contain any adjustments that would result if sufficient commercial income were not to be received on a timely basis.

Given the above, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The information for the period ended 30th June 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The information in note 1 is derived from the statutory accounts for the year ended 31st December 2006 and adjusted for the adoption of IFRS. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, with an emphasis of matter paragraph relating to going concern.

2. Significant accounting policies

The interim financial report is unaudited and has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in note 1.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

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 30th June and 31st December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

Investment in associates

An associate is an entity over which the group is in a position to exercise significant influence, but no control or joint control, through participation in the financial and operating policy decisions of the investee.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The result and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the group's interests in those associates are not recognised.

Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (ie. discount on acquisition) is credited in profit or loss in the period of acquisition.

Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

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

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

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

Foreign Currencies

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

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

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

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

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

Operating profit

Operating profit is stated after the share of results of associates but before investment income and finance costs.

Retirement benefit costs

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

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG from Aventis Research & Technologies GmbH & Co. KG, the Group contributes to two defined benefit pension schemes in Germany. Both schemes are multi-employer defined benefit schemes administered by Pensions Kasse der Mitarbeiter der Hoechst-Gruppe. The schemes' assets are held in separately administered funds. The other employers who contribute to the schemes are not members of the Group. The Group has not been able to identify its share of the underlying assets and liabilities of the schemes. Accordingly the schemes have been accounted for as defined contributions schemes. The Group's contributions to the schemes are included within the amount charged to the profit and loss account in respect of pension contributions.

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

Taxation

The tax credit represents the estimated Research and Development tax credit receivable for the period.

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

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

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

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

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

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

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

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

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Internally-generated intangible assets – research and development expenditure

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

Development expenditure, where it meets certain criteria (given below), is capitalised and amortised on a straight-line basis over its useful life. Asset lives are subject to regular review and an impairment exercise carried out at least once a year. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

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

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

Patents

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

Impairment of tangible assets excluding goodwill

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

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

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

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

Financial instruments

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

Trade receivables

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

Investments in subsidiaries

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Borrowings

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

Trade payables

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

Provisions

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

Share-based payments

The group has applied the requirements of IFRS2 *Share-based Payment*. In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7th November 2002 that were unvested at 1st January 2006.

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

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the unaudited interim results

For six months 30th June, 2007

1. Explanation of Transition to IFRS

The Group has applied IFRS 1 “First Time Adoption of International Financial Reporting Standards” as a starting point for reporting under IFRS. The Group’s date of transition is 1st January, 2006 and comparative information has been restated to reflect the Group’s adoption of IFRS except where otherwise required or permitted by IFRS 1.

IFRS 1 requires an entity to comply with each IFRS and IAS effective at the reporting date for its first financial statements prepared under IFRS. As a general rule, IFRS 1 requires such standards to be applied retrospectively. However, the standard allows several optional exemptions from full retrospective application. The Group has elected to take advantage of the following exemptions:

- business combinations made prior to 1st January, 2006 will not be accounted for under IFRS 3 “Business Combinations” and as such the value of goodwill in the balance sheet at that date will be the same amount under IFRS as that recorded in the UK GAAP financial statements, subject to the completion of an annual impairment review; and
- on the basis that the optional exemption for business combinations under IFRS 3 is applied, the value of goodwill relating to the investment in associate will also be recorded at the same amount under IFRS as that recorded in the UK GAAP financial statements as at 1st January 2006, subject to the completion of an annual impairment review;
- the group will elect to apply the exemptions in IAS 32 ‘Financial Instruments: Presentation’ and IAS 39 ‘Financial Instruments: Recognition and Measurement’ to apply these standards from 1st January, 2006 only;
- the provisions of IFRS 2 “Share-based Payment” will be applied to share options issued after 7th November, 2002 and unvested at 1st January 2006; and
- the group will elect to take advantage of the exemption of IFRS 1 regarding translation differences. Accordingly the cumulative translation differences for its overseas operations are deemed to be nil at the date of transition.

The reconciliations of equity at 1st January 2006 (date of transition to IFRS) and at 31st December, 2006 (date of last UK GAAP financial statements) and the reconciliation of profit for 2006, as required by IFRS 1, including the significant accounting policies are set out below. The reconciliation of equity at 30th June, 2006 and the reconciliation of profit for the six months ended 30th June, 2006 are also included below to enable a comparison of the 2007 published interim figures with those published in the corresponding period of the previous financial year.

Notes to the unaudited interim results

For six months 30th June, 2007

1. Explanation of Transition to IFRS (continued)

Reconciliation of equity at 1st January, 2006

	Note	UK GAAP £	Effect of transition To IFRS £	IFRS £
Net-current assets				
Goodwill	(a)	4,218,241	-	4,218,241
Property, plant and equipment		489,058	-	489,058
Interests in associates	(a)	<u>954,837</u>	<u>-</u>	<u>954,837</u>
		<u>5,662,136</u>	<u>-</u>	<u>5,662,136</u>
Current assets				
Trade and other receivables		1,326,592	-	1,326,592
Cash and cash equivalents		<u>2,587,155</u>	<u>-</u>	<u>2,587,155</u>
		<u>3,913,747</u>	<u>-</u>	<u>3,913,747</u>
Total assets		<u>9,575,883</u>	<u>-</u>	<u>9,575,883</u>
Current liabilities				
Trade and other payables		(1,268,400)	-	(1,268,400)
Current tax liabilities		<u>(164,860)</u>	<u>-</u>	<u>(164,860)</u>
		<u>(1,433,260)</u>	<u>-</u>	<u>(1,433,260)</u>
Net current assets		<u>2,480,487</u>	<u>-</u>	<u>2,480,487</u>
Non-current liabilities				
Deferred grant income		(188,043)	-	(188,043)
Long term provisions		<u>(103,937)</u>	<u>-</u>	<u>(103,937)</u>
		<u>(291,980)</u>	<u>-</u>	<u>(291,980)</u>
Total liabilities		<u>(1,725,240)</u>	<u>-</u>	<u>(1,725,240)</u>
Net assets		<u>7,850,643</u>	<u>-</u>	<u>7,850,643</u>
Equity				
Share capital		1,314,512	-	1,314,512
Share premium account		29,145,773	-	29,145,773
Equity reserve		1,333,310	-	1,333,310
Other reserve		10,755,000	-	10,755,000
Retained loss		<u>(34,697,952)</u>	<u>-</u>	<u>(34,697,952)</u>
Total equity		<u>7,850,643</u>	<u>-</u>	<u>7,850,643</u>

Notes to the unaudited interim results (continued)
For six months 30th June, 2007

1. Explanation of Transition to IFRS (continued)

Reconciliation of equity as at 30th June, 2006

	Note	UK GAAP £	Effect of transition To IFRS £	IFRS £
Net-current assets				
Goodwill	(a)	3,893,761	324,480	4,218,241
Property, plant and equipment		668,271	-	668,271
Investments in associates	(a)	<u>773,322</u>	<u>45,243</u>	<u>818,565</u>
		<u>5,335,354</u>	<u>369,723</u>	<u>5,705,077</u>
Current assets				
Trade and other receivables		1,092,489	-	1,092,489
Cash and cash equivalents		<u>875,011</u>	<u>-</u>	<u>875,011</u>
		<u>1,967,500</u>	<u>-</u>	<u>1,967,500</u>
Total assets	(a)	<u>7,302,854</u>	<u>369,723</u>	<u>7,672,577</u>
Current liabilities				
Trade and other payables		(2,105,077)	-	(2,105,077)
Current tax liabilities		(6,572)	-	(6,572)
Short-term loans		<u>-</u>	<u>-</u>	<u>-</u>
		<u>(2,111,649)</u>	<u>-</u>	<u>(2,111,649)</u>
Net current liabilities		<u>(144,149)</u>	<u>-</u>	<u>(144,149)</u>
Non-current liabilities				
Deferred grant income		(188,043)	-	(188,043)
Long term provisions		<u>(12,653)</u>	<u>-</u>	<u>(12,653)</u>
		<u>(200,696)</u>	<u>-</u>	<u>(200,696)</u>
Total liabilities		<u>(2,312,345)</u>	<u>-</u>	<u>(2,312,345)</u>
Net assets	(a)	<u>4,990,509</u>	<u>369,723</u>	<u>5,360,232</u>
Equity				
Share capital		1,314,512	-	1,314,512
Share premium account		29,145,773	-	29,145,773
Equity reserve		1,689,258	-	1,689,258
Other reserve		10,755,000	-	10,755,000
Translation reserve	(b)	-	(13,881)	(13,881)
Retained loss	(a) (b)	<u>(37,914,034)</u>	<u>383,604</u>	<u>(37,530,430)</u>
Total equity	(a)	<u>4,990,509</u>	<u>369,723</u>	<u>5,360,232</u>

Notes to the unaudited interim results (continued)
For six months 30th June, 2007

1. Explanation of Transition to IFRS (continued)

Reconciliation of equity as at 31st December, 2006

	Note	UK GAAP £	Effect of transition To IFRS £	IFRS £
Net-current assets				
Goodwill	(a)	3,569,281	648,960	4,218,241
Property, plant and equipment		546,509	-	546,509
Investments in associates	(a)	<u>562,328</u>	<u>90,485</u>	<u>652,813</u>
		<u>4,678,118</u>	<u>739,445</u>	<u>5,417,563</u>
Current assets				
Trade and other receivables		673,998	-	673,998
Cash and cash equivalents		<u>304,225</u>	<u>-</u>	<u>304,225</u>
		<u>978,223</u>	<u>-</u>	<u>978,223</u>
Total assets	(a)	<u>5,656,341</u>	<u>739,445</u>	<u>6,395,786</u>
Current liabilities				
Trade and other payables		(1,900,891)	-	(1,900,891)
Tax liabilities		(34,762)	-	(34,762)
Short-term loans		<u>(1,634,637)</u>	<u>-</u>	<u>(1,634,637)</u>
		<u>(3,570,290)</u>	<u>-</u>	<u>(3,570,290)</u>
Net current liabilities		<u>(2,592,067)</u>	<u>-</u>	<u>(2,592,067)</u>
Non-current liabilities				
Deferred grant income		(188,943)	-	(188,943)
Long term provisions		<u>(49,282)</u>	<u>-</u>	<u>(49,282)</u>
		<u>(237,325)</u>	<u>-</u>	<u>(237,325)</u>
Total liabilities		<u>(3,807,615)</u>	<u>-</u>	<u>(3,807,615)</u>
Net assets	(a)	<u>1,848,726</u>	<u>739,445</u>	<u>2,588,171</u>
Equity				
Share capital		1,314,654	-	1,314,654
Share premium account		29,150,563	-	29,150,563
Equity reserve		1,795,971	-	1,795,971
Other reserve		10,755,000	-	10,755,000
Translation reserve	(b)	-	(92,375)	(92,375)
Retained loss	(a) (b)	<u>(41,167,462)</u>	<u>831,820</u>	<u>(40,335,642)</u>
Total equity	(a)	<u>1,848,726</u>	<u>739,445</u>	<u>2,588,171</u>

Notes to the unaudited interim results (continued)
For six months 30th June, 2007

1. Explanation of Transition to IFRS (continued)

Reconciliation of profit for the six months ended 30th June, 2006

	Note	UK GAAP £	Effect of transition To IFRS £	IFRS £
Continuing operations				
Revenue		7,731	-	7,731
Cost of sales		<u>(5,412)</u>	<u>-</u>	<u>(5,412)</u>
Gross profit		2,319	-	2,319
Administrative expenses	(a)	(3,299,629)	324,480	(2,975,149)
Share of results of associates	(a)	<u>(171,346)</u>	<u>45,243</u>	<u>(126,103)</u>
Operating loss	(a)	(3,468,656)	369,723	(3,098,933)
Investment revenues		40,304	-	40,304
Finance costs		<u>(1,028)</u>	<u>-</u>	<u>(1,028)</u>
Loss before taxation	(a)	(3,429,380)	369,723	(3,059,657)
Tax		<u>227,179</u>	<u>-</u>	<u>227,179</u>
Loss for the period	(a)	<u>(3,202,201)</u>	<u>369,723</u>	<u>(2,832,478)</u>

Reconciliation of profit for the year ended 31st December, 2006

	Note	UK GAAP £	Effect of transition To IFRS £	IFRS £
Continuing operations				
Revenue		68,469	-	68,469
Cost of sales		<u>(47,928)</u>	<u>-</u>	<u>(47,928)</u>
		20,541	-	20,541
Gross profit				
Administrative expenses	(a)	(6,403,496)	648,960	(5,754,536)
Share of results of associates	(a)	<u>(372,487)</u>	<u>90,485</u>	<u>(282,002)</u>
Operating loss	(a)	(6,755,442)	739,445	(6,015,997)
Investment revenues		44,835	-	44,835
Finance costs		<u>(36,637)</u>	<u>-</u>	<u>(36,637)</u>
Loss before taxation	(a)	(6,747,244)	739,445	(6,007,799)
Tax		<u>370,109</u>	<u>-</u>	<u>370,109</u>
Loss for the period	(a)	<u>(6,377,135)</u>	<u>739,445</u>	<u>(5,637,690)</u>

Notes to the unaudited interim results (continued)

For six months 30th June, 2007

1. Explanation of Transition to IFRS (continued)

a. IAS 38 – Goodwill

IAS 38 requires goodwill to be frozen as at the date of transition to IFRS, 1st January, 2006, and to be subject to review for impairment rather than regular amortisation. Previously amortised amounts for the period ended 30th June, 2006 and the year ended 31st December, 2006 of £324,480 and £648,960 respectively have been reversed in the transition to IFRS in the income statement. The effect of the transition on the balance sheets is £324,480 and £648,960 respectively.

In addition, the company has treated goodwill in respect of its investment in Intronn Inc. in a similar manner. Previously amortised amounts for the period ended 30th June, 2006 and the year ended 31st December, 2006 of £45,243 and £90,485 respectively have been reversed in the transition to IFRS in the income statement. The effect of the transition on the balance sheet is £45,243 and £90,485 respectively.

b. IAS 21 – Foreign exchange

In addition the group discloses from 1st January 2006 onwards the cumulative currency translation adjustment as part of the 'translation reserve'. The cumulative currency translation adjustments for 30th June 2006, 31st December 2006 and 30th June 2007 are £13,881 (loss), £92,375(loss) and £76,766 (gain) respectively. These adjustments have been transferred to the translation reserve from the retained loss.

Adjustments to cash flow statement

Apart from changes in format, the main change in presentation is (a) the reversal of previously amortised goodwill which has a net impact of nil on cash from operations.

Copies of this report are being sent to all shareholders and copies are available from the Company's registered office at Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP.

Notes to the unaudited interim results (continued)

For six months 30th June, 2007

2. Loss per share from continuing operations

The calculation of the basic and diluted loss per share is based on the following data:

	Unaudited first half 2007	Unaudited first half 2006	Unaudited full year 2006
Loss			
Loss for the purpose of basic loss per share being net loss attributable to equity holders of the parent	<u>(2,320,876)</u>	<u>(2,832,478)</u>	<u>(5,637,667)</u>
Number of shares			
	No.	No.	No.
Weighted average number of ordinary shares for the purpose of basic loss per share	131,465,447	131,451,147	131,467,466
Share options	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	<u>131,465,447</u>	<u>131,451,147</u>	<u>131,467,466</u>

IAS 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.

3 Note to the consolidated cash flow statement

	Unaudited first half 2007 £	Unaudited first half 2006 £	Unaudited full year 2006 £
Operating loss	(2,395,852)	(3,098,933)	(6,015,997)
Adjustments for:			
Depreciation of property, plant and equipment	83,132	157,923	291,682
Share of (profit)/loss of associates	(62,742)	126,103	282,002
Share-based payment expense	<u>131,016</u>	<u>355,948</u>	<u>462,661</u>
Operating cash flows before movements in working capital	(2,244,446)	(2,458,959)	(4,979,652)
Decrease/(increase) in receivables	39,211	(9,298)	(924)
Increase/(decrease) in payables	219,147	659,789	574,318
Decrease in provisions	<u>(29,821)</u>	<u>(91,284)</u>	<u>(54,655)</u>
Cash used in operations	<u>(2,015,909)</u>	<u>(1,899,752)</u>	<u>(4,460,913)</u>

Notes to the unaudited interim results (continued)
For six months 30th June, 2007

4 Consolidated statement of changes in equity

	Six months ended 30th June 2007 £	Six months ended 30th June 2006 £	Year ended 31st December 2006 £
Total recognised income and expense for the period	(2,244,110)	(2,846,359)	(5,730,065)
Effect of share-based payment adjustment	131,016	355,948	462,661
New share capital subscribed	-	-	4,932
Equity shareholders' funds brought forward	<u>2,588,171</u>	<u>7,850,643</u>	<u>7,850,643</u>
Equity shareholders' funds carried forward	<u>475,077</u>	<u>5,360,232</u>	<u>2,588,171</u>

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