

## PRESS RELEASE

28<sup>th</sup> September 2006

### RESULTS FOR THE SIX MONTHS ENDED 30<sup>th</sup> JUNE 2006

#### HIGHLIGHTS

- Commercialisation
  - TMT<sup>®</sup> licence negotiations at advanced stage and close to conclusion
  - Isobaric mass tags highlighted at Siena : raised profile and perceived economic value of TMT<sup>®</sup>
  - Further stroke licence announced, taking the total to 4
  - Targeted global top twenty IVD companies. Discussions underway
  - NDKA – new blood biomarker for early diagnosis, treatment and management of stroke
  - Highly accurate quantitative six-plex TMT<sup>®</sup> data from plasma samples of kidney transplant rejection
  - Novel biomarkers in colorectal cancer
  - Discovery of novel AD biomarkers in blood using qPST<sup>®</sup>
  - Patents filed in vCJD and Huntingtons for plasma protein markers
  - BSE candidate biomarkers assessed for suitability on panels
- ProteoSHOP<sup>®</sup>
  - Extensive marketing campaign to raise profile
  - Strong level of enquiries with new contracts under discussion
  - Cross platform validation increases coverage and data confidence
- Veri-Q Inc
  - Two high profile scientific papers in Analytical Biochemistry and Nucleic Acids Research
  - Scientific articles and pilot projects to accelerate and support outlicensing
- Intronn Inc.
  - SMaRT<sup>®</sup> in-vivo proof of principle in haemophilia
  - Seeking the right strategic partner/alliances for clinical and commercial development
  - In negotiations to secure funding for clinical trials
  - NIH grant awarded for SMaRT<sup>®</sup> with RNAi
  - Issuance of SMaRT<sup>®</sup> patents in US, Europe, Australia and Canada
- Financial
  - Headline Loss (excluding non-cash items and associates) £2.28m (2005 : £1.91m)
  - Loss after tax £3.20m (2005 : £3.34m)
  - Cash balance at 30<sup>th</sup> June, 2006 of £0.9m (2005 : £4.9m)
  - Loan facility of £2.0m in place
  - Warranty claim expected to move forward 2<sup>nd</sup> half 2006
- Current Outlook
  - No evidence of any technology breakthroughs that undermine the company's position
  - Quantitative mass spectrometry a critical requirement for future research
  - Completing the TMT<sup>®</sup> licence the short term commercial priority which should transform the financial basis of the Company

- Other commercialisation to come from licensing biomarkers and from ProteoSHOP® alliances/contracts

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

“The commercialisation of our TMT® quantitative mass spectrometry technology, which remains our primary objective, is progressing well with advanced stage negotiations being close to conclusion. The completion of a deal should transform the financial outlook for the Company.”

“We are encouraged by the progress made across the business since the beginning of the year, with a fourth licence having been signed today for testing stroke, new biomarkers having been identified in relation to stroke, Alzheimer’s disease, kidney transplant rejection and colorectal cancer and with patents filed in vCJD and Huntingdon’s disease. Our ProteoSHOP® suite of products continues to receive an increasing level of interest and following a major marketing drive a number of new contracts and strategic alliances are under discussion.”

“The development and application of our technology achieved considerable recognition at the recent global proteomics conference held in Siena and this together with a growing requirement for biomarkers to accelerate drug development, to improve the early diagnosis of disease and the development of personalised medicine, leads the Board to look to the future with confidence.”

**ENDS**

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

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**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 tool box 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 being 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 King's College Hospital, London and in Frankfurt. It employs 40 full time scientists, in addition to its

corporate and business development staff. The Company is listed on the Alternative Investment Market.

## **Chairman's Statement :**

### **Reagents**

Currently, the principal commercial priority for our company in the short term, and the main focus of shareholder interest is concentrated on TMT<sup>®</sup> and the commercialisation of the two streams of revenue that TMT<sup>®</sup> will generate, one from the reagent products and the other from the intellectual property relating to the field of isobaric mass labelling.

The TMT<sup>®</sup> patent position continues to make excellent progress, and over the same period the TMT<sup>®</sup> isobaric mass labelling technology has advanced considerably. A duplex reagent was initially developed and this has now been superseded by a fully functioning six-plex set of mass tags. These permit accurate differential quantification of protein expression in six samples simultaneously. Strong data using six-plex TMT<sup>®</sup> in complex samples of human plasma in renal transplant rejection was publicly presented for the first time at the 7<sup>th</sup> Siena Meeting, 'From Genome to Proteome: Back to the Future', in September.

Considerable interest has been received from a shortlisted group of prospective licencees, all of which are suitable to commercialise TMT<sup>®</sup> globally with negotiations at an advanced stage and close to conclusion. We would reiterate our belief that the TMT<sup>®</sup> licence agreement will be concluded satisfactorily and that the delays that have arisen should enhance the deal value for Proteome Sciences over the levels originally contemplated. This was clearly reflected at the Siena meeting earlier this month where isobaric mass tagging featured as one of the key highlights, with extensive objective third party recognition and endorsement of the technology through presentations, publications and posters. In addition, many of the keynote speakers at the meeting talked about the critical requirement to move things forward with quantitative mass spectrometry, and this is achieved using isobaric mass labels.

This has substantially raised the profile and the perceived economic value of isobaric mass tags, in particular, TMT<sup>®</sup>.

### **Biomarkers**

Proteome Sciences has continued to apply its research primarily to discover and validate a large portfolio of biomarkers for diagnostic and prognostic uses in major human and veterinary diseases, the evaluation of new compounds and for measuring and monitoring the efficiency of treatment.

### **Stroke/Neurology**

In stroke, two licences were announced in high throughput screening HTS in the first half of 2006 with two of the top ten global companies in clinical diagnostics. We announced a further research licence agreement with another global diagnostics player, taking the total licences to date in stroke to four. We have targeted the remaining IVD (in-vitro diagnostics) companies in the global top twenty, and discussions are actively underway.

Stroke and stroke mimic samples sourced over the summer are generating good new data to provide further validation of the existing biomarkers and allowing identification of additional markers for inclusion on HTS stroke panels.

A new blood biomarker for the early diagnosis of stroke NDKA was presented by our collaborators at the Biomedical Proteomics Research Group, Medical University Center, Geneva at the Siena meeting, for which Proteome Sciences has the commercial rights. NDKA discriminates stroke from a range of mimic pathologies, correlates with the clinical outcome of patients and may well further improve the performance of our stroke panel for stroke treatment and management.

We have extended the research effort in brain disease, identifying around 200 novel candidate biomarkers in cerebrospinal fluid. A targeted approach to address and leverage this valuable resource across a diverse range of brain disorders has been started. This should provide outstanding opportunities for commercial exploitation over many years to come through research reagents and disease specific diagnostic and prognostic markers.

### **Transplant Rejection**

Data was presented at the 7<sup>th</sup> International Siena Proteomics meeting using our proprietary ProteoSHOP<sup>®</sup> platform which was the first public demonstration of the power of the six-plex TMT<sup>®</sup> isobaric mass tags to optimise the power of mass spectrometry in plasma for biomarker discovery. This provided highly accurate relative quantitation across several hundred proteins and revealed further novel differentially expressed biomarkers. These confirmed and extended the validation of the results previously announced and added significantly to the candidate biomarkers discovered from the earlier 2-DE study.

In comparison with the 2DE study of the same samples, the six-plex TMT<sup>®</sup> took considerably less time, provided direct quantitative comparison of protein abundance and identified a greater number of novel candidate biomarkers of renal transplant rejection. The data presented will be submitted for publication in the relevant scientific journals and will provide the first published reports of six-plex TMT<sup>®</sup> isobaric mass tags.

This clearly demonstrates the potential and utility of isobaric mass labels to rapidly discover and validate biomarkers and the impact that they will have on the future of proteomics.

### **Cancer**

The latest annual report mentioned the results of a collaborative agreement in colon cancer and the discovery of 22 differentially expressed proteins in tissue, half of which appeared to be novel biomarkers of colorectal cancer. Further validation work is continuing and plasma samples have now been received and are currently under evaluation.

Following the immunohistochemistry validation study earlier this year of Annexin 1 and 2 expression in lung and oesophageal cancer, we have developed a quality-controlled immunohistochemical assay for assessing the levels of Annexin 1 and 2 protein expression in tissue from patients with various lung cancers. From this, the expression of Annexins in non-small cell lung cancers may offer a valuable new diagnostic tool for the early identification of tumour cells from lung biopsies compared to normal cells and to inflammatory cells migrating to the lung in response to conditions such as COPD and lung fibrosis.

### **Neurodegeneration / TSE**

In a new study, using a combination of 2-DE and multi-dimensional chromatographic protein separations using proprietary qPST<sup>®</sup> isotopically labelled mass tags with multiple mass spectrometry systems, a number of proteins discovered from the 30 plus candidate markers disclosed are now being evaluated for their utility in diagnosing and monitoring disease progression in Alzheimer's disease (AD).

The identification of 37 different phosphorylation sites in tau, 12 of which were entirely novel, has enabled Proteome Sciences to use proteomics in a completely different setting to find novel tau kinase activity in AD, a discovery which may be of considerable importance in the development and activity of AD drugs. The design of a virtual library of small molecule 'hits' has been built to validate these new targets. The first part of the programme has been completed and has delivered a selection of compounds with drug-like properties. The second part will involve testing the compounds activities.

From the vCJD research programme, patents have been filed for plasma protein markers in plasma for vCJD and Huntington's disease, with a patent also being filed for a novel test looking for disease specific peptide fragmentation. These protein markers are being further validated as are the large set of BSE samples, where candidate biomarkers are being assessed for suitability for panels.

### **ProteoSHOP®**

With qPST® developed and available for routine use, we launched an extensive marketing campaign to raise the profile of ProteoSHOP® to customers in the second quarter. This has resulted in a strong level of enquiries and new contracts under discussion. qPST® increases the coverage of proteins in combination with 2-DE by 50% and provides a high level of confidence in the data and results. It also provides independent secondary validation of 50% of the total number of proteins identified using two separate and different approaches.

A co-marketing agreement was announced in March with Medical Solutions plc, a company specialising in immunohistochemistry with automated image analysis in histopathology. The combination of the two companies' complementary technologies provide customers with a one-stop-shop from biomarker discovery through to implementation in diagnostics and drug development.

We are strongly encouraged by the interest generated and expect to convert this into ProteoSHOP® strategic alliances and contracts.

### **Veri-Q**

The quality of oligonucleotides is often compromised by the incomplete removal (deprotection) of certain chemical groups required for proper chemical synthesis which creates inaccurate and misleading results. Veri-Q has shown that the presence of these impurities also has a substantial effect on the performance of gene expression analysis using microarrays.

Two high profile scientific papers are in process of publication, one in Nucleic Acids Research 'Assessing incomplete deprotection of microarray oligonucleotides in situ' and the second, in Analytical Biochemistry entitled 'Quality assessment of commercial small interfering RNA and DNA : Monoclonal antibodies and a high-throughput chemiluminescence assay'. The backcloth of these articles, and the pilot projects undertaken and in process, highlight the prospects of these QC reagents and should accelerate the outlicencing process for RNAi and DNA microarrays.

### **Intronn**

After the outstanding performance of the science last year with in-vivo proof of principle for dyslipidemia, AAT and most recently haemophilia nearly 12 months ahead of schedule, progress has continued in the current year.

With the development of the high throughput screen and the in-vivo proof of principles completed for SMaRT®, the research was focused accordingly to contain costs by moving to smaller facilities and to make Intronn self sufficient from grants and its other resources to concentrate on the preparation and design of clinical trials for two high-value lead programmes, dyslipidemia and haemophilia.

Intronn is working hard to establish the right strategic partners/alliances for the clinical and commercial development of SMaRT®, and is in negotiations to secure further funding to move it into clinical trials. This process will be assisted by the recent issuance of SMaRT® patents in the US, Europe, Australia and Canada. Intronn has also been awarded a NIH grant to use SMaRT® in combination with RNAi and has submitted a major NIH grant application in July.

### **Financial Results**

The financial results for the six months to 30<sup>th</sup> June, 2006 confirm a continuing tight control of costs and the Headline Loss (being the operational loss excluding non-cash operating costs and share of associate's losses) of £2,283,788 compares with £1,911,083 in the corresponding period in 2005. Non-cash operating costs (amortisation of goodwill, depreciation and National Insurance on notional share option gains and share based payment, as extracted from the profit and loss account) were £747,067 against £1,112,693 in 2005. The period to 30<sup>th</sup> June, 2006 also contains a share of associates' losses at Intronn Inc. of £171,346 (30<sup>th</sup> June, 2005 : £362,749). Under FRS 20 Share Based Payment the Company is required to recognise an expense in the profit and loss account in respect of share options and awards under the Long-Term Incentive Plan. The charge is based on the fair value of the option at the time of grant, calculated using the Black Scholes option pricing model, and expensed to the profit and loss account over the related vesting period of the option. The resulting charge in the first half of 2006 was £355,948 compared to £311,764 in the first half of 2005. The loss on ordinary activities after taxation for the six months to 30<sup>th</sup> June, 2006 was £3,202,201 (30<sup>th</sup> June, 2005 : £3,386,525). Cash at 30<sup>th</sup> June, 2006 stood at £875,011.

The cash spend in the first half of 2006 was consistent with previous years and this is expected to continue. The licences announced this year to date, the anticipated commercialisation, combined with grant income and the R&D tax credit, should provide significant cash inflows and provide a positive impact on the financial requirements of the Company.

As previously announced, a loan facility of up to £2 million was made available from C.D.J. Pearce, the Chief Executive, from August 2006. In addition, certain of the directors have agreed not to draw salaries until the group finances have been further strengthened. This will reduce the level of costs in the business, and preserve cash.

### **Warranty Claim**

On 29<sup>th</sup> 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 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 4<sup>th</sup> July, 2002. On 7<sup>th</sup> June, 2006, Sanofi-Aventis filed a notice with the Court of its intention to defend the claim.

There have been no major developments since that time, but it is expected that things will move forward in the second half of 2006. Shareholders will be informed of any material developments.

### **Appointment of Research & Development Director**

We were delighted to announce the appointment of Dr. Peter Schulz-Knappe to the Board of the Company on 5<sup>th</sup> September, 2006, having joined the group on 1<sup>st</sup> August. He is based in Frankfurt and splits his responsibilities between the Head Office in Cobham and the laboratories in Frankfurt and London.

Dr. Schulz-Knappe has been one of the pioneers in the development of peptidomics, concentrating on the use of mass spectrometry to quantify and sequence biomarkers in pharmacogenomics and personalised medicine through differential peptide display.

Formerly Head of the Department of preparative Peptide Chemistry at the Lower Saxony Institute of Peptide Research, then founder, managing director and CSO of BioVision AG, Hannover, Germany, Dr. Schulz-Knappe worked in cell biology and peptide and protein related science, and he established a large network within the pharma, diagnostics and biotech industries. These have included strategic research alliances with many majors including Abbott, Novartis, Novo Nordisk, Astra Zeneca and Roche.

Dr. Schulz-Knappe is already making a considerable contribution to the science and commercial development of the group.

### **Future Prospects**

In technology, a constant concern is whether a new invention or process has been developed which may overtake and replace existing methodologies and applications. The bi-annual Siena proteomics meeting is the main global forum for proteomics at which the latest developments are presented and discussed and there was no evidence of major new breakthroughs at this September's meeting that undermined or compromised Proteome Sciences position in the field.

Quantitative mass spectrometry using tandem mass tags was highlighted as a critical requirement by many of the speakers, and this has substantially raised the profile and the perceived economic value and utility of isobaric mass labelling, in particular TMT<sup>®</sup>.

The TMT<sup>®</sup> licence agreement is the highest short term commercial priority for our company. Considerable interest has been received from the short-listed group of prospective licencees with negotiations at an advanced stage and close to conclusion. Completion of the TMT<sup>®</sup> licence should provide a long, sustainable and rising revenue stream as the requirement for isobaric mass tags increases with quantitative mass spectrometry. This should transform the financial basis of our company and will demonstrate commercial revenue from all three main areas of our business.

Further licence agreements are expected in high-throughput stroke and from the growing number of biomarkers discovered and validated from our other research programmes. We are strongly encouraged by the interest generated on the back of the extensive marketing campaign in the first half of 2006 and we would expect to convert this into significant ProteoSHOP<sup>®</sup> strategic alliances and contracts.

The US FDA's Critical Path Initiative earlier this year raised the profile to use biomarkers and biomarker data to accelerate and improve drug development and the advancement of early diagnosis and personalised medicine. This is where Proteome Sciences has developed and applied its research and why the Board looks to the future with confidence and expectation.

R.S. Harris  
Chairman

28<sup>th</sup> September, 2006

**Unaudited consolidated profit and loss account**  
**For the Six Months ended 30th June, 2006**

	Six months ended 30th June 2006	Six months ended 30th June 2005 (as re-stated)*	Year ended 31st December 2005 (as re-stated)*
	£	£	£
<b>Turnover – continuing operations</b>			
	7,731	16,200	16,200
Cost of sales	(5,412)	(11,340)	(11,340)
<b>Gross profit</b>	2,319	4,860	4,860
Administrative expenses excluding non-cash items	(2,552,562)	(2,208,442)	(4,764,026)
Amortisation of goodwill	(324,480)	(324,480)	(648,960)
Depreciation	(157,923)	(247,647)	(425,843)
National Insurance on notional share option gains	91,284	(228,802)	(75,008)
Share based payment	(355,948)	(311,764)	(731,659)
Administrative expenses	(3,299,629)	(3,321,135)	(6,645,496)
<b>Operating loss – continuing operations</b>	(3,297,310)	(3,316,275)	(6,640,636)
Share of associate's operating loss	(171,346)	(362,749)	(735,684)
Group operating loss – continuing operations	(3,468,656)	(3,679,024)	(7,376,320)
Interest receivable and similar income	40,304	61,075	140,628
Interest payable and similar charges	(1,028)	(456)	(882)
Amounts written off fixed asset investment	-	-	(112,878)
<b>Loss on ordinary activities before taxation</b>	(3,429,380)	(3,618,405)	(7,349,452)
Tax credit on loss on ordinary activities	227,179	231,880	452,747
<b>Loss for the financial period</b>	(3,202,201)	(3,386,525)	(6,896,705)
<b>Headline loss</b>	(2,283,788)	(1,911,083)	(4,166,673)
<b>Loss per share</b>			
<b>Basic and diluted loss per share (note 3a)</b>	(2.44p)	(2.67p)	(5.34p)
<b>Headline loss per share (note 3c)</b>	(1.74p)	(1.50p)	(3.22p)

\* Refer to Note 1 for details of the restatement

**Unaudited consolidated balance sheet**  
**As at 30<sup>th</sup> June, 2006**

	<b>30th June 2006</b>	<b>30th June 2005 (as re-stated)*</b>
	£	£
<b>Fixed Assets</b>		
Intangible assets	4,617,643	5,356,832
Tangible assets	668,271	599,558
Investments in associates	49,440	372,340
Other investments	<u>-</u>	<u>112,878</u>
	<u>5,335,354</u>	<u>6,441,608</u>
<b>Current Assets</b>		
Debtors	1,092,489	902,095
Cash held on deposit as short term investment	250,000	3,300,000
Cash at bank and in hand	<u>625,011</u>	<u>1,642,061</u>
	<u>1,967,500</u>	<u>5,844,156</u>
<b>Creditors : Amounts falling due within one year</b>	(2,111,649)	(1,153,981)
<b>Net current (liabilities)/assets</b>	<u>(144,149)</u>	<u>4,690,175</u>
<b>Total assets less current liabilities</b>	5,191,205	11,131,783
<b>Creditors : Amounts falling due after more than one year</b>	(188,043)	(123,000)
Provisions for liabilities and charges	<u>(12,653)</u>	<u>(242,313)</u>
<b>Net assets</b>	<u>4,990,509</u>	<u>10,766,470</u>
<b>Capital and reserves</b>		
Called-up share capital	1,314,511	1,314,511
Share premium account	29,145,773	29,145,773
Equity reserve	1,542,369	913,415
Other reserve	10,755,000	10,755,000
Profit and loss account	<u>(37,767,144)</u>	<u>(31,362,229)</u>
<b>Equity shareholders' funds</b>	<u>4,990,509</u>	<u>10,766,470</u>

\* Refer to Note 1 for details of the restatement

**Unaudited consolidated cash flow statement**  
**For six months 30<sup>th</sup> June, 2006**

	<b>Six Months ended 30<sup>th</sup> June 2006</b>	<b>Six Months ended 30<sup>th</sup> June 2005 (as re-stated)*</b>
	£	£

<b>Net cash outflow from operating activities</b>	(1,900,091)	(2,442,636)
Returns on investments and servicing of finance	39,276	60,619
Taxation	485,391	=
Capital expenditure and financial investment	<u>(336,720)</u>	<u>(128,804)</u>
<b>Cash outflow before use of liquid resources and financing</b>	(1,712,144)	(2,510,821)
Management of liquid resources	1,650,000	(1,500,000)
Financing	<u>-</u>	<u>5,026,939</u>
<b>(Decrease) / Increase in cash in the period</b>	<u>(62,144)</u>	<u>1,016,118</u>

#### Reconciliation of operating loss to operating cash flows

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>(as re-stated)*</b>
		<b>£</b>
Operating loss	(3,297,310)	(3,316,275)
Depreciation charges	157,923	247,647
Amortisation charges	324,480	324,480
Non-cash share based payment	355,948	311,764
National Insurance on notional share option gains	(91,284)	228,802
Loss on sale of tangible fixed assets	-	680
(Increase) / Decrease in debtors	(9,298)	5,756
Increase / (Decrease) in creditors	<u>659,450</u>	<u>(245,490)</u>
<b>Net cash outflow from operating activities</b>	<u>(1,900,091)</u>	<u>(2,442,636)</u>

\* Refer to Note 1 for details of re-statement

## Notes to the Financial Information

1. In preparing the unaudited figures for the six months to the 30<sup>th</sup> June, 2006, the company has applied the provisions of FRS 20, Share Based Payment. The comparative figures for the six months to the 30<sup>th</sup> June, 2005 and the year to the 31<sup>st</sup> December, 2005 have been re-stated on a comparable basis.

The effect of these re-statements is as follows:

	As Originally Stated £	Share based Payment £	Re-stated Loss £
i) Loss for the six months to 30 <sup>th</sup> June, 2005	(3,074,761)	(311,764)	(3,386,525)
Loss for the year to the 31 <sup>st</sup> December, 2005	(6,165,046)	(731,659)	(6,896,705)
ii) Retained earnings at 30 <sup>th</sup> June, 2005	(30,448,814)	(913,415)	(31,362,229)
Retained earnings at 31 <sup>st</sup> December, 2005	(33,364,642)	(1,333,310)	(34,697,952)

There has been no other change to any of the accounting policies set out in the 2005 statutory accounts.

2. Following the loss of £3,202,201 incurred in the period, the Directors do not recommend the payment of a dividend.
3. a. The calculation of the loss per share for the six months ended 30th June 2006 is based on the loss for the financial period of £3,202,201 and on 131,451,147 Ordinary Shares, being the number of shares in issue and ranking for dividend during the period (six months ended 30th June 2005 re-stated loss £3,386,525, weighted average number of Ordinary Shares in issue and ranking for dividend, 126,999,658).
- b. The calculation of the loss per share for the year ended 31st December 2005 is based on the re-stated loss for the year of £6,896,765 and on 129,243,696 Ordinary Shares, being the weighted average number of shares in issue and ranking for dividend during the year.
- c. The losses used to calculate the headline loss per share are as follows :

	Six Months Ended 30 <sup>th</sup> June, 2006 £	2006 Loss per share p	Six Months Ended 30 <sup>th</sup> June, 2005 (as re-stated)* £	2005 Loss per share p	Year Ended 31 <sup>st</sup> December, 2005 (as re-stated)* £	2005 Loss per share p
Loss for the Financial Period	(3,202,201)	(2.44)	(3,386,525)	(2.67)	(6,896,705)	(5.34)
<b>Deduct / (Add)</b>						
Amortisation of Goodwill	324,480	0.25	324,480	0.26	648,960	0.50
Amounts written off fixed asset investment	-	-	-	-	112,878	0.09
Depreciation	157,923	0.12	247,647	0.19	425,843	0.33
National Insurance on notional share option gains	(91,284)	(0.07)	228,802	0.18	75,008	0.06
Share-based payment	355,948	0.27	311,764	0.25	731,659	0.57
Share of associate's operating loss	<u>171,346</u>	<u>0.13</u>	<u>362,749</u>	<u>0.29</u>	<u>735,684</u>	<u>0.57</u>
<b>Headline Loss</b>	<b><u>(2,283,788)</u></b>	<b><u>(1.74)</u></b>	<b><u>(1,911,083)</u></b>	<b><u>(1.50)</u></b>	<b><u>(4,166,673)</u></b>	<b><u>(3.22)</u></b>

The Headline loss per share is considered by the Directors to be a more meaningful measurement of financial performance than the basic loss per share as it excludes goodwill amortisation and other non-cash items and better reflects the cash outflow of the business.

\* Refer to Note 1 for details of the re-statement

4. The preceding financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

The comparative figures for the financial year ended 31<sup>st</sup> December, 2005 are extracted from the company's statutory financial statements for that financial year, and adjusted for the adoption of FRS 20 Share-Based Payment. Those financial statements have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The comparative figures for the six months ended 30<sup>th</sup> June, 2005 have been adjusted for the adoption of FRS 20 Share-Based Payment. Copies of the Annual Report for 2005 are available from the company's registered office.