

## PRESS RELEASE

For immediate release

3rd June, 2005

### RESULTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2004

#### HIGHLIGHTS

- Financial
  - Loss after tax reduced 23% to £5.20m (2003 : £6.78m)
  - Headline loss (excluding non-cash items and associates) £4.02m (2003 : £4.26m)
  - Cash balance £2.43m at year end. On 31<sup>st</sup> March, 2005, a further £4.93m raised from an institutional placing and the warrant exercise by the Chief Executive Officer, Christopher Pearce
  - Consistent low and predictable cash burn expected for the foreseeable future
  
- Biomarkers
  - **Stroke** - Existing license arrangements for point of care moved to a non-exclusive basis
  - Advanced discussions in high throughput stroke with major diagnostics players
  - **TSEs** – Significant progress across all programmes, with focus on BSE in live cattle and blood screening for CJD/vCJD
  - Large sample sets for BSE and CJD/vCJD in process
  - **Alzheimer's** – Implementing fast track strategy to expand value of therapeutic applications
  - In discussions with licensing partners for AD diagnostics and therapeutics
  
  - New biomarkers discovered and patents filed in Alzheimer's , stroke, vCJD, Huntington's disease and brain damage
  - Twelve patents granted including stroke, TSE, cancer, QC and reagents
  - Sample collections sourced in plasma for kidney transplantation, colorectal and breast cancer
  - Biomarkers in diabetes/obesity testing for therapeutic applications
  
- ProteoSHOP®
  - Further strategic alliances expected following first ProteoSHOP® deal announced in March 2005
  - Algorithms focus on addressing differential protein expression across panels of biomarkers rather than individual proteins
  
- Reagents
  - Definitive license agreement for TMT® tags imminent in line with previous announcements
  - Excellent progress being made across family of Sensitizer® reagents, in particular with respect to qPST (quantitative Protein Sequence Tags®)
  
- Veri-Q Inc.
  - Promising early results for DNA applications with Duke University
  - Outlicensing from QC reagents in RNAi and DNA microarrays
  
- Intronn Inc.
  - In vivo proof of principle in dyslipidemia established
  - SMART® successfully increased 'good protein components' of cholesterol
  - Good progress made in haemophilia and AAT
  - Funding in place through to clinical trials, with strategic partners to be brought in for clinical and commercial development. Commercial discussions are underway

- Current Outlook
  - Proteome Sciences is well placed to exploit considerable opportunities facing the life sciences industry
  - Strong expansion of commercial activity from all three legs of the business is anticipated
  - Commercial transactions currently envisaged should generate significant revenue through upfront payments, milestones and royalties

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

“Considerable progress has been made scientifically in our biomarker discovery programmes, in ProteoSHOP® and our Sensitizer® reagents activities and substantive advances with SMaRT® at Intronn Inc. in the USA, and this has been reflected through the commercial deals and announcements to date.

The focus of corporate strategy has been to shift the emphasis of our activities from cash consumption by our research activities, into sustainable and growing revenue, royalties and profit generation through commercialisation of our scientific programmes. That process has progressed considerably over the last eighteen months and at all times with a consistent and highly predictable pattern of cash burn. The ongoing commercialisation process will see an expanding pipeline of activity across all three legs of the business that will have a significant further impact.

We are delighted to have signed our first deal for ProteoSHOP®, and are very close to finalising the license agreement for TMT® tags in line with previous announcements. We are very actively progressing commercialisation by way of strategic alliances and outlicensing in each of the three main areas of the business, and are confident of a fast growing and expanding commercial revenue.

Proteome Sciences is right at the forefront of proteomics technology worldwide and we believe we are set to see substantial benefits arising as a result of the life sciences industry having to adopt a different approach to clinical risk management in response to a new regulatory paradigm. The commercial transactions currently envisaged should generate significant upfront payments, milestones and royalties.”

**ENDS**

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

**For further information please contact:**

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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 toolbox that offers high sensitivity and high throughput gel and gel-free proprietary technologies for the identification of potential biomarkers and drug targets. These include specialisation in membrane proteins and protein phosphorylation.

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

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

Proteome Sciences is headquartered in Cobham, Surrey in the UK and has laboratories at Kings College Hospital, London and in Frankfurt. It employs 40 full time scientists in addition to its corporate and business development staff, and has collaborative research agreements with leading academic institutes. The Company is listed on the Alternative Investment Market.

## **Chairman's Statement**

For the year ended 31<sup>st</sup> December 2004

Dear Shareholder,

I am pleased to report that the year ended 31<sup>st</sup> December, 2004 has been highly productive for Proteome Sciences and that this momentum has continued into 2005.

In summary, considerable progress has been made scientifically in our biomarker discovery programmes, in ProteoSHOP® and our Sensitizer® reagents activities, and substantive advances with the SMaRT® RNA therapeutic technology at Intronn Inc. in the USA, and this has been reflected through the commercial deals announced to date in 2005.

The focus of corporate strategy has been to shift the emphasis of our activities from cash consumption by our research activities, into sustainable and growing revenue, royalties and profit generation through commercialisation of our scientific programmes. As you can see, that process has progressed considerably over the last eighteen months and at all times with a consistent and highly predictable pattern of cash burn. The ongoing commercialisation process will see an expanding pipeline of activity across all three legs of the business that will have a significant further impact.

On the patent front, over the year twelve patents have been granted including stroke, TSE, cancer, oligonucleotides and chemical reagents and new patent applications have been filed for discoveries made in Alzheimer's disease, stroke, vCJD, brain damage disorders and Sensitizer® mass tags.

### **Biomarkers**

The main goals of our research programmes are to discover and commercialise biomarkers for diagnostic, prognostic and therapeutic applications in human diseases. In order to achieve this objective, it is essential that we have access to high quality samples that are age and sex matched and are obtained from groups of disease and control patients. The supply of such samples has become increasingly difficult to obtain and some of our programmes in the past have been hampered by the lack of sample availability. The impact of this was most apparent in TSE, both in samples for BSE in animals for the Idexx programme, and in samples for CJD/vCJD in humans.

These issues have now been resolved with Proteome Sciences receiving, late in the second half of 2004, a large set of BSE samples running into thousands and an increasing supply of CJD/vCJD samples. These sample sets are being actively processed and should hopefully provide further validation of the differentially expressed proteins already identified and covered by patent applications from our earlier research and should facilitate the discovery of a number of new biomarkers, with the benefit of advances made from our ProteoSHOP® toolbox.

From the most recent results, we have filed further patent applications for new markers in CJD/vCJD and these also cover novel biomarkers discovered in Huntington's disease, an incurable genetic disease of the human nervous system. The main priorities of the programmes are directed towards the development and outlicensing of a test for BSE in live cattle and for CJD/vCJD screening in blood banks. Significant research progress has been made across the TSE programmes, and shareholders will be updated with further commercial developments as they materialise.

A new agreement has recently been signed to provide the Company with a substantive set of stroke samples in blood, including a time course series with follow-ups. This will enable us to expand the scope of the existing biomarkers in stroke and to accelerate their application in high-throughput stroke screening (HTS).

## **Chairman's Statement (continued)**

For the year ended 31<sup>st</sup> December 2004

The existing license arrangements for Point of Care were moved to a non-exclusive basis. This will considerably simplify the commercial freedom to operate in HTS applications and should also expedite the process to effect a number of HTS non-exclusive licenses on more favourable terms with the major global players, with whom negotiations are well advanced.

In collaboration with external bioinformatics groups, we have developed and implemented panel algorithms that measure the performance of different combinations of individual stroke biomarkers and these, coupled with the continuous expansion of our discovery and validation processes, place us at the forefront of stroke biomarker research. These panel algorithms can also be applied in any other disease settings other than stroke.

In Alzheimer's disease, a strong position has been established, initially through a panel of CSF markers announced in March 2004, followed by the subsequent discovery of serum biomarkers in the summer for the early detection of Alzheimer's disease. These have been bolstered by the recent discovery of additional novel biomarkers, with further patent applications having been made and in progress. In parallel, in a separate programme, we presented the discovery of novel kinase activity in the early development of Alzheimer's disease as potential new drug targets to prevent and/or delay the progression of Alzheimer's disease. A thorough scientific and commercial review has been undertaken and we are implementing a fast track strategy to establish and further expand the proofs of principle and to more fully reveal the potential value of therapeutic applications in Alzheimer's. Discussions with potential licensing partners are ongoing for both the diagnostic and therapeutic programmes.

Last summer, we mentioned that we were negotiating a new collaboration to extend the organ transplant rejection programme into the renal area. That has been concluded and we recently received a large retrospective plasma sample set spanning up to 3 years post kidney transplantation from the Oxford Transplant Centre, part of the Oxford Radcliffe Hospitals NHS Trust. There is serious unmet need for a diagnostic test for kidney transplant rejection and this should generate considerable medical application and commercial value.

Further to the grant of certain cancer patents in 2004 for lung, breast, colon, neuroblastoma and glioma, additional disease and control samples have been aggressively pursued. As a result, sample collections and supporting data from colorectal and breast cancer patients have been successfully sourced for processing in our Frankfurt research facility. Additional disease samples for other conditions in neurodegeneration and cancer are currently being negotiated. In the diabetes/obesity research project, a selected group of biomarkers that have been discovered are being tested to assess their potential for therapeutic applications.

### **ProteoSHOP®**

At the Frankfurt R&D site, a research group has been established in the new laboratories equipped with state-of-the-art Western blotting and ELISA capabilities tailored towards the validation of candidate protein markers emerging from the internal discovery pipeline or from ProteoSHOP® strategic alliances. These take Proteome Sciences considerably higher up the value chain. Procedures have been implemented to extract high abundance proteins from body fluids to enable the analysis of lower abundance protein components. In addition to body fluids, Proteome Sciences has developed sub-cellular fractionation procedures for tissues and cells that allow for the enrichment of proteins present in nuclear, membrane or cytosolic cell fractions. Equally important, a method of enrichment of phospho-peptides for analysis in protein phosphorylation has been effected.

## **Chairman's Statement (continued)**

For the year ended 31<sup>st</sup> December 2004

The developments above significantly improve our ability to address differential protein expression in disease.

As the understanding of the complexity of disease and its impact on diagnosis and treatment is growing following the final publication of the surprising human genome sequence in October 2004, with a total of only 19599 genes discovered, it has become evident that the 'single biomarker paradigm' is being superseded and needs revision. Proteomics is playing a key role in this process.

Successful future disease diagnostic and prognostic assay systems have to rely increasingly on panels of biomarkers rather than on individual proteins. Proteome Sciences recognised this trend early and developed and validated a unique set of statistical tools that assess and predict the diagnostic and prognostic utility of varying combinations of biomarkers which can be used across its research activities.

The announcement of the first ProteoSHOP® deal at the end of March 2005 will be followed by a growing pipeline of further strategic alliances. These are likely to generate revenue in the 'low hundreds of thousands' each depending on the size and duration, rising to 'low millions' over a time span of several years, and with Proteome Sciences retaining an interest in the programme in addition to a royalty participation.

### **Reagents**

Proteome Sciences has made considerable progress in the development and validation of its proprietary next generation proteomics technologies which promise to accelerate the discovery of protein biomarkers and targets relevant to major human diseases.

The Sensitizer® family of reagents has been developed at the Frankfurt R&D facility which includes CombiSMT™, Protein Sequence Tags® (PST®), quantitative Protein Sequence Tags® (qPST®) and Tandem Mass Tags® (TMT®). Each member of the Sensitizer family has its unique application but inherent to all is a common feature which increases the numbers of peptides that can be identified from complex protein mixtures and the quality and quantity of data generated.

Impressive progress was made in the second half of last year for the ProteoSHOP® toolbox with the introduction of qPST® which has been deployed for routine use in 2005. The robustness and reproducibility of qPST® has been presented at a number of international scientific meetings using the yeast biological model system *S.cerevisiae*, published as a paper in Proteomics May 2005, and is currently being applied to the analysis of plasma from Alzheimer's Disease patients. With qPST®, Proteome Sciences has a highly competitive, proprietary technology to use across a wide range of applications, particularly in human diseases.

The development of CombiSMT™ is advancing in line with our expectations and the first proof of concept studies are very encouraging.

The documentation for an exclusive global license for the TMT® tags is in its final stages and the definitive license is expected to be concluded imminently in line with previous announcements.

The TMT® tags reduce sample complexity in a way that allows simultaneous accurate and sensitive quantification and identification of protein biomarkers in complex biological materials such as tissue and body fluids for applications in mass spectrometry, bioinformatics, statistics and pattern recognition.

## **Chairman's Statement (continued)**

For the year ended 31<sup>st</sup> December 2004

The Board believes that the market potential for isobaric mass tag reagents in proteomics is likely to grow extremely rapidly and is projected to generate sales into many hundreds of million dollars over the TMT® patent life, from which Proteome Sciences will receive substantial royalties.

### **Veri-Q Inc.**

Data and results to date in the research programme confirmed that many commercially manufactured oligonucleotides are not fully deprotected and this consequently leads to the generation of inaccurate and misleading results.

The Veri-Q collaboration with NCSU returned to a normal pattern in late 2004 when new antibodies were delivered and testing and development got back underway.

Early results from the collaboration with Duke University in Durham, North Carolina, USA for applications with DNA chips have shown some promising indications with further work to be undertaken in 2005 to expand their utility. Veri-Q proposes to submit the results for publication in the relevant scientific journals and, against this backdrop, to expedite outlicense the Veri-Q technology for application principally as QC reagents in RNAi and for DNA microarrays.

### **Intronn Inc.**

The main objective for Intronn's SMaRT® technology following the successful development of the high capacity screen, was to apply SMaRT® in RNA therapeutics for the liver. The goal was to try and demonstrate in-vivo proof of principle for one of its three primary programmes in haemophilia, dyslipidemia (hypercholesterolemia) or AAT deficiency.

We were delighted to report on 31<sup>st</sup> March, that Intronn had demonstrated, earlier than expected, in-vivo proof of principle for the dyslipidemia programme. In simple terms with cholesterol, there is good cholesterol (HDL) and bad cholesterol (LDL). To have healthy individuals, the objective is to increase the HDL levels and to lower the LDL levels or a combination of the two. Most encouragingly, early results from the current elements of the programme targeted to stimulating the production of the protein component of HDL have shown a significant increase in the level of HDL, and it is anticipated that data and results relating to the project will be presented at the appropriate scientific forums this year. The market for cholesterol drugs in the US in 2003 totalled close to \$24bn, \$10bn of which came from Lipitor, and considerable future growth is anticipated both in the US and for the global market.

Good progress continues to be made in the haemophilia and AAT projects, where further results are anticipated over the summer and the prospects for Intronn, both scientifically and commercially, look very favourable. The funding received in 2004 should enable Intronn to finance its progress into 2006 through to clinical trials, by which time Intronn intends to enter into external partnering where significant portions of clinical and commercial development, as well as upfront payments and sponsored research collaborations, will be provided by strategic partners

## **Chairman's Statement (continued)**

For the year ended 31<sup>st</sup> December 2004

### **Results**

The unaudited financial results for the twelve month period ended 31<sup>st</sup> December 2004, show a headline loss (being the loss for the financial year excluding non-cash costs and share of associate company's losses) of £4,016,637 compared with £4,259,998 in 2003. Non-cash costs (amortisation of goodwill, amounts written off fixed asset investment, depreciation and National Insurance on notional share option gains, as extracted from the unaudited profit and loss account), were £589,198 against £1,948,137 in 2003. The period to 31<sup>st</sup> December 2004 also contains a share of associates' losses at Intronn Inc. of £593,366 (2003 : £573,024). The loss on ordinary activities after taxation for the twelve month period ended 31<sup>st</sup> December 2004 was £5,199,201 (2003 : £6,781,159).

At the year end, cash at bank and cash held on deposit stood at £2,425,943 (2003 : £6,160,384). On 31<sup>st</sup> March 2005, the Company announced that it raised approximately £4.7 million (net of expenses) by way of a cash placing of 8,087,658 ordinary shares with an institutional investor. On the same date, the Company raised a further £225,000 through the exercise of warrants by Christopher Pearce, the Chief Executive.

With the cash raised in 2005, added to the existing cash resources, Proteome Sciences is well placed to undertake its business activities for the foreseeable future.

The commercial transactions currently envisaged should generate significant signature payments, milestones and royalties. With a similar pattern of cash burn expected by the Board for 2005 to previous years, this will make a considerable impact on the cashflow and future financial requirements of the Company.

### **Current outlook**

The recent major clinical problems experienced by major pharmaceutical groups across a broad range of existing drugs and drugs in development at the end of 2004, require a different approach to clinical risk management in response to new regulatory requirements.

We firmly believe that proteomics technology will be one of the major contributors and beneficiaries, and that Proteome Sciences, with its spread of activities in biomarkers, the ProteoSHOP® toolbox and its Sensitizer® chemical reagents is ideally placed to exploit the considerable opportunities facing the life sciences industry, post the sequence of the human genome. We expect to see a strong expansion of commercial activity from the three main legs of our business.

Against this background, the prospects look most promising.

Steve Harris  
Chairman

3<sup>rd</sup> June, 2005

## Unaudited consolidated profit and loss account

For the year ended 31<sup>st</sup> December 2004

	2004	2003
	£	£
<b>Turnover</b> – continuing operations	72,971	170,051
Cost of sales	(40,801)	(82,924)
<b>Gross profit</b>	32,170	87,127
Administrative expenses excluding non-cash items	(4,655,426)	(5,021,346)
Amortisation of goodwill	(648,960)	(648,960)
Depreciation	(529,313)	(585,234)
National Insurance on notional share option gains	701,953	(713,943)
Administrative expenses	(5,131,746)	(6,969,483)
<b>Operating loss</b> – continuing operations	(5,099,576)	(6,882,356)
Share of associate's operating loss	(593,366)	(573,024)
<b>Group operating loss</b> – continuing operations	(5,692,942)	(7,455,380)
Interest receivable and similar income	151,969	124,682
Interest payable and similar charges	(1,942)	(5,905)
Amounts written off fixed asset investment	(112,878)	-
<b>Loss on ordinary activities before taxation</b>	(5,655,793)	(7,336,603)
Tax credit on loss on ordinary activities	456,592	555,444
<b>Loss for the financial year</b>	(5,199,201)	(6,781,159)
<b>Headline loss</b>	(4,016,637)	(4,259,998)
<b>Loss per share</b>		
Basic and diluted loss per share	(4.27p)	(5.81p)
Headline loss per share	(3.30p)	(3.65p)

## Unaudited reconciliation of loss per share to headline loss per share

For the year ended 31<sup>st</sup> December 2004

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

	2004	2004	2003	2003
	£	Loss per share pence	£	Loss per share pence
Loss for the financial year	(5,199,201)	(4.27)	(6,781,159)	(5.81)
Add back:				
Amortisation of goodwill	648,960	0.53	648,960	0.55
Amounts written off fixed asset investment	112,878	0.09	-	-
Depreciation	529,313	0.44	585,234	0.51
National Insurance on notional share option gains	(701,953)	(0.58)	713,943	0.61
Share of associate's operating loss	593,366	0.49	573,024	0.49
<b>Headline loss</b>	(4,016,637)	(3.30)	(4,259,998)	(3.65)

## Unaudited consolidated balance sheet

As at 31<sup>st</sup> December 2004

	2004	2003
	£	£
<b>Fixed assets</b>		
Intangible assets	4,867,201	5,516,161
Tangible assets	740,662	1,073,029
Investments in associates	1,514,792	282,026
Other investments	112,878	225,756
	<u>7,235,533</u>	<u>7,096,972</u>
<b>Current assets</b>		
Debtors	680,924	1,169,824
Cash held on deposit as short term investment	1,800,000	4,795,161
Cash at bank and in hand	625,943	1,365,223
	<u>3,106,867</u>	<u>7,330,208</u>
<b>Creditors: Amounts falling due within one year</b>	<u>(1,387,097)</u>	<u>(1,742,403)</u>
<b>Net current assets</b>	<u>1,719,770</u>	<u>5,587,805</u>
<b>Total assets less current liabilities</b>	8,955,303	12,684,777
<b>Creditors: Amounts falling due after more than one year</b>	(123,000)	(110,000)
<b>Provisions for liabilities and charges</b>	<u>(28,929)</u>	<u>(730,882)</u>
<b>Net assets</b>	<u><u>8,803,374</u></u>	<u><u>11,843,895</u></u>
<b>Capital and reserves</b>		
Called-up share capital	1,225,418	1,205,522
Share premium account	24,207,928	22,049,294
Other reserve	10,755,000	10,755,000
Profit and loss account	<u>(27,384,972)</u>	<u>(22,165,921)</u>
<b>Equity shareholders' funds</b>	<u><u>8,803,374</u></u>	<u><u>11,843,895</u></u>

## Unaudited consolidated statement of total recognised gains and losses

For the year ended 31<sup>st</sup> December, 2004

	2004	2003
	£	£
Loss for the financial year	(5,199,201)	(6,781,159)
(Loss)/gain on foreign currency translation	<u>(19,850)</u>	<u>187,122</u>
<b>Total recognised losses relating to the year</b>	<u><u>(5,219,051)</u></u>	<u><u>(6,594,037)</u></u>

## Unaudited consolidated cash flow statement

For the year ended 31<sup>st</sup> December 2004

	2004	2003
	£	£
<b>Net cash outflow from operating activities</b>	(4,542,774)	(5,181,372)
Returns on investments and servicing of finance	150,027	118,777
Taxation	622,337	186,751
Capital expenditure and financial investment	<u>(2,121,149)</u>	<u>4,831</u>
<b>Cash outflow before use of liquid resources and financing</b>	(5,892,559)	(4,871,013)
Management of liquid resources	2,995,161	(1,445,906)
Financing	<u>2,158,118</u>	<u>6,529,975</u>
<b>(Decrease)/increase in cash in the year</b>	<u><u>(739,280)</u></u>	<u><u>213,056</u></u>

### Reconciliation of operating loss to operating cash flows

	2004	2003
	£	£
Operating loss	(5,099,576)	(6,882,356)
Depreciation charges	529,313	585,234
Amortisation charges	648,960	648,960
(Decrease)/increase in provisions	(701,953)	713,943
Loss on sale of tangible fixed assets	2,986	16,040
Decrease/(increase) in debtors	271,813	(68,364)
Decrease in creditors	<u>(194,317)</u>	<u>(194,829)</u>
<b>Net cash outflow from operating activities</b>	<u><u>(4,542,774)</u></u>	<u><u>(5,181,372)</u></u>

## Notes to the financial information

1. There has been no change to any of the accounting policies set out in the 2003 statutory accounts.
2. Following the loss of £5,199,201 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 year ended 31<sup>st</sup> December 2004 is based on the loss for the financial period of £5,199,201 and on 121,648,577 Ordinary Shares, being the weighted average number of shares in issue and ranking for dividend during the period (year ended 31<sup>st</sup> December 2003 – loss £6,781,159, weighted average number of Ordinary Shares in issue and ranking for dividend, 116,739,021).
  - b. The losses used to calculate the headline loss per share are as follows:

	Year Ended 31 <sup>st</sup> December 2004 £	Loss per share 2004 pence	Year Ended 31 <sup>st</sup> December 2003 £	Loss per share 2003 pence
Loss for the financial period	(5,199,201)	(4.27)	(6,781,159)	(5.81)
<b>Add back:</b>				
Amortisation of goodwill	648,960	0.53	648,960	0.55
Amounts written off fixed asset investment	112,878	0.09	-	-
Depreciation	529,313	0.44	585,234	0.51
National Insurance on notional share option gains	(701,953)	(0.58)	713,943	0.61
Share of associate's operating loss	<u>593,366</u>	<u>0.49</u>	<u>573,024</u>	<u>0.49</u>
<b>Headline loss</b>	<u>(4,016,637)</u>	<u>(3.30)</u>	<u>(4,259,998)</u>	<u>(3.65)</u>

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

4. The preceding financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the year to 31<sup>st</sup> December 2003 is based on the statutory accounts for that year. These accounts, upon which the auditors issued an unqualified opinion, and which did not contain any statement under Section 237(2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

The statutory accounts for the year ended 31<sup>st</sup> December 2004 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be posted to shareholders this month. After that time, they will also be available at the Company's registered office: Coveham House, Downside Bridge Road, Cobham, Surrey KT11 3EP.