

PROTEOME SCIENCES plc

PRESS RELEASE

For immediate release

30th September 2005

RESULTS FOR THE SIX MONTHS ENDED 30th JUNE 2005

HIGHLIGHTS

- Financial
 - Headline loss (excluding non-cash items and associates) £1.91m (2004 : £1.85m)
 - Cash balance at 30 June, 2005 of £4.9m (2004 : £4.3m).
 - Controlled cost base.

- Commercialisation
 - TMT® licence agreement expected to be concluded satisfactorily. Negotiations to be extended to other shortlisted parties.
 - This may result in enhanced deal value from three different revenue streams as market for TMT® tags greater than initially contemplated.
 - Stroke markers HTS discussions progressing well with major diagnostics companies.
 - Expansion and further robust validation of stroke data for high throughput screening.
 - Over 17 blood biomarkers in Alzheimer's available for diagnostic panels. This will accelerate the licensing process.
 - Validation of blood biomarkers in BSE and ELISA's being developed.
 - Other programmes in organ transplant rejection, Alzheimer's and oncology making strong progress.

- ProteoSHOP®
 - qPST® being deployed for routine use.
 - ProteoSHOP® toolbox actively marketed to global pharma to develop biomarkers for efficacy, safety, toxicity in clinical trials: now an FDA requirement.

- Reagents
 - New key feature and patents filed for CombiSMT for targeted analysis of multiple protein samples.

- Veri-Q Inc
 - Validated technology attracting significant interest; discussions with a number of prospective licensees underway.

- Intronn Inc.
 - Replicated high levels of improvement in the protein component of HDL – 'Good cholesterol'.
 - Active discussions to commercialise SMaRT® for dyslipidemia.
 - New SMaRT® applications in molecular imaging.
 - External valuations for SMaRT® through strategic partnering and licensing.

- Current Outlook
 - Conversion of research into revenue is the primary consideration for 2005.
 - Research strategy focused on major areas of disease progression.
 - Proteome Sciences well positioned to capitalise from commercial opportunities currently available.

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

“During this year we have so far completed the first signing of a ProteoSHOP® deal and we are confident that the licensing for TMT® reagents will be completed to everyone’s satisfaction, in a deal that will result in greater value to Proteome Sciences than originally anticipated.

Importantly, the global pharmaceutical industry is now paying significant attention to the value and essential role that accessible and highly validated biomarkers will play in the diagnosis and prognosis of and drug development for major diseases. This has been reflected in the considerable and rapidly growing interest that is now being paid to our ever broadening portfolio of biomarkers and chemical mass tags.

We expect to see the emergence of larger value and longer term relationships through further ProteoSHOP® alliances and biomarker deals, most immediately in stroke and Alzheimer’s disease where discussions are actively progressing. Our core focus remains the conversion of our scientific research into commercial revenue.”

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 :

Dear Shareholders,

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 30th September, 2005. The main events of the period can be summarised as follows :

Biomarkers

The goal of Proteome Sciences is to apply its proteomics toolbox to human diseases and to discover and validate new protein markers and targets. The global awareness of the importance and value of readily accessible and highly validated biomarkers has risen dramatically in the last 12 months throughout the pharmaceutical and diagnostics industries and this has been reflected by the number of presentations made to and attended by the pharmaceutical companies.

Proteome Sciences has positioned itself in anticipation of this shift and is strongly placed to capitalise on its established and future panels of biomarkers for diagnostic and prognostic uses in major human and veterinary diseases at the same time as leveraging its ProteoSHOP® toolbox for biomarker discovery both in internal and external programmes.

The major problem facing the pharmaceutical industry is the rapidly escalating cost of drug discovery and development and the high rates of attrition. Initiatives to reduce the rate of attrition during later phases are clearly desirable and if successfully implemented, will reduce development costs. With this objective in mind, a consortium has been put together led by the European Federation of Pharmaceutical Industries and Associates (EFPIA), of which Proteome Sciences is a key member in an EU Framework 6 grant application, InnoMed, with a budget of €20 million.

The consortium includes a number of major pharmaceutical companies (amongst them Roche, Merck, Bayer, Novo Nordisk and Eli Lilly) as well as several academic institutions. Proteome Sciences will undertake proteomic analysis of tissue from model systems and human clinical samples (brain, blood and CSF from Alzheimer's (AD) patients and relevant control samples) using our ProteoSHOP® toolkit. The three year programme has been successfully evaluated by the EU, and subject to final signature, has a proposed start date of October 1st, 2005. Proteome Sciences is scheduled to receive direct funding of €1.04 million for its work under the InnoMed project. A number of our AD biomarkers already discovered will be addressed by the InnoMed consortium and this should in turn facilitate further ProteoSHOP® biomarker discovery deals.

On 21st September, 2005, the Medical Research Council (MRC) announced £2.5m of new funding to establish the MRC Centre for Neurodegenerative Research at the Institute of Psychiatry (IoP) at King's College London to be directed by Professor Brian Anderton. The mission of the Centre is to further understand the mechanisms involved in neurodegenerative disease and to translate this into new treatments and diagnostics. Proteome Sciences established a core collaborative programme in neurodegeneration at the IoP in 2001 and should benefit from this additional funding which will expand the amount of personnel and equipment for discovery in the neurodegenerative programmes.

The strong ongoing commitment in the area of neurological diseases continues to thrive and further develop as reflected by collaborations with the University of Geneva on stroke and BSE, with the Medical Research Council Prion Unit, London on vCJD, with University College London on Huntington's disease and with the Institute of Psychiatry, Kings College, London on Alzheimer's disease, depression and BSE. A number of these collaborative projects are now being supported by grant funding and promising new data and results have emerged during 2005. Other disease areas which Proteome Sciences is either actively

pursuing or for which it has accumulated a portfolio of intellectual property for commercial exploitation include oncology, solid organ transplant rejection and diabetes/obesity.

In the Alzheimer's disease biomarker discovery collaboration with Kings College, further diagnostic patents have been filed following the discovery of new plasma protein markers in patients suffering from Alzheimer's disease and further biomarker validation is currently underway. Over 17 biomarkers with high sensitivity and specificity have now been discovered in blood and will be assembled into diagnostic panels for further evaluation. New preliminary data was presented at the joint Society of Pharmaceutical Medicine/ABPI Joint Collaboration Meeting 'Value of Biomarkers in Clinical Drug Development' on September 28th 2005. This will be used to accelerate the licensing process with the major diagnostics companies.

On the therapeutic side, Alzheimer's patents that were filed previously in relation to the discovery and identification of novel phosphorylation sites and related kinases in tau have been further strengthened and expanded with additional supporting data. Within both academia and the pharmaceutical industry there has been a recent and rapid rise in awareness of the pivotal role tau protein plays in the development and progression of Alzheimer's disease as described by recent scientific publications from some of the leading academic research groups. This has considerably increased attention to the kinases involved in the hyper-phosphorylation of tau and these are now becoming important new targets for therapeutic intervention.

Encouraging results have been obtained in the vCJD research programme with the MRC with patents filed for plasma protein markers discovered in patients suffering from vCJD and Huntington's disease, an incurable genetic disease of the human nervous system with an annual global cost of over \$2.5bn. The results for Huntington's are particularly pleasing as some of the plasma biomarkers appear to show a strong correlation with progression of the disease. Whilst diagnosis of the mutation causing HD is performed routinely, it is particularly difficult to detect the early degenerative processes. With a large number of new drug candidates currently in development for Huntington's, considerable commercial opportunities are available for biomarkers for the early detection of disease processes and for monitoring their progression both for use in clinical trials of new agents and to monitor the disease process and severity in patients undergoing existing treatments.

Since signing the license agreement with Idexx for diagnosis of TSE in animals in 2003, Proteome Sciences has been severely hampered by the lack of sample availability. This situation was resolved late in 2004 with the acquisition of a large set of BSE samples running into thousands and including time course sets. Good progress has been made on running batches of these samples both to validate and endorse existing biomarkers and to look for new proteins for the detection of BSE in live cattle from blood. Existing and new biomarkers are being further tested and ELISAs developed to complete that process. The recent announcement by the UK Government that it will again allow animals older than 30 months to be used for human foodstuffs if tested for BSE at the point of slaughter highlights the need for monitoring over their lifespan.

As discussed at the AGM, adequate supplies of high quality disease and control samples are essential to enable us to discover and commercialise biomarkers. Additional stroke and more recently stroke mimic samples were sourced during the summer. This has enabled us, in collaboration with the University of Geneva, to expand and provide robust validation of the data supporting our biomarkers in stroke and their application in high throughput screening (HTS). Discussions are actively underway, including the additional data and validation, with a number of the leading diagnostic companies to be out-licensed on a non-exclusive basis.

As the understanding of the complexities of most diseases and the impact of their heterogeneous nature on disease diagnosis and treatment is growing it has become evident that the widely commented "single biomarker paradigm" needs revision.

It seems more likely now that successful future disease diagnostic and prognostic assay systems will have to rely on a small panel of biomarkers rather than on individual markers. This was the way that Proteome Sciences had based and developed its strategy over the years, to which it has developed and added a set of powerful statistical tools that evaluate and predict the diagnostic utility of various combinations of biomarkers in addition to or in comparison with using the biomarkers on an individual basis. These panels provide superior sensitivity, specificity and performance of the biomarkers for diagnostic and prognostic applications.

ProteoSHOP®

Proteome Sciences has made considerable advances 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.

Impressive progress has been made during the last year with the quantitative Protein Sequence Tags (qPST) which are now being deployed for routine use. The robustness and reproducibility of the proprietary qPST procedure was demonstrated using a yeast model system grown under different culture conditions. The results of these studies were presented at several international scientific meetings and were recently accepted for publication in a peer-reviewed scientific journal. In a further validation step the qPST procedure was applied to the analysis of human plasma from Alzheimer's disease patients. With qPST becoming available for routine use Proteome Sciences has a highly competitive, proprietary technology in its ProteoSHOP® toolbox which is being actively marketed to the global pharmaceutical industry for use in discovering biomarkers of efficacy, safety and toxicity in clinical trials, something which is now required by the FDA. With this, Proteome Sciences is well positioned to secure additional ProteoSHOP® deals to build on the first alliance announced earlier in the year.

Reagents

As previously reported, the company is developing a Sensitizer family of reagents at its Frankfurt R&D site which consist of Sensitizer Tags (CombiSMT), quantitative Protein Sequence Tags (qPST) and Tandem Mass Tags® (TMT®). Each member of the family has its unique application but inherent to all is a common feature which enables an increase in the number of peptides and proteins that can be identified and quantified from complex protein mixtures.

The development of the CombiSMT is advancing in line with our expectations and the first proof of concept studies are very encouraging. Recently a new key feature of these tags has been discovered by the Proteome Sciences' team and patents have been filed. This has tremendous potential and could significantly increase the attractiveness of this tag for the targeted and simultaneous analysis of multiple proteome samples.

Commercialisation

We had previously reported that we anticipated concluding a number of licensing and collaboration deals during the year and subsequently announced the signing of our first ProteoSHOP® deal and the Heads of Agreement for the TMT® reagents in April 2005. Whilst it is now apparent that the process of concluding the TMT licence agreement is taking longer than we had expected, within the context of biotechnology licensing the timescales involved are not unusual.

We are particularly disappointed by the delays there have been with the party concerned to conclude the licence agreement and intend to have the situation resolved one way or the other shortly. We believe that either the licence will be concluded to everyone's satisfaction or, in the event that the licence negotiations were to be terminated, we remain very confident that the interest shown by the other prospective licensees shortlisted ahead of the Heads of Agreement continues to persist and would result in a strong licence agreement for TMT®. In the meantime, we intend to recommence negotiations immediately with the other relevant parties. There should be no adverse effect to Proteome Sciences since the market for TMT® tags across a wide range of settings now appears to be considerably greater than was initially contemplated and an alternative licensee could be secured expeditely, if necessary.

We remain confident that a TMT® licence agreement will be concluded satisfactorily and that the delays that have arisen may well enhance the deal value for Proteome Sciences over the levels originally contemplated.

Tandem Mass Tags® are a completely novel category of mass tags with many different applications, many of which are still to be fully developed. As a consequence Proteome Sciences has been able to identify three different and complementary streams of revenue:

- | | | |
|-------------------------|---|--|
| i) Principal License | } | manufacture, sale and use of products in research activities |
| ii) Sublicensing rights | | |
| iii) Commercial License | - | manufacture, sale and use of products in clinical applications |

Proteome Sciences will enter a single license which combines both a principal license and the sublicensing rights to third parties for reagents for research purposes but it will retain the commercial pre-license rights for clinical applications of the TMT® technology itself. This structure will enhance the value of TMT® to Proteome Sciences.

The outlicensing of our extensive panel of stroke markers has also been a key activity and this is being enhanced by the increasing amount of supporting data being generated both through our collaboration with the University of Geneva but also by independent research groups worldwide. Discussions with many of the major diagnostics companies continue to move ahead positively and our existing licensee continues to evaluate our markers for inclusion on its future stroke panels for point of care testing.

Further presentations of our biomarker portfolio have been made to a large number of companies in the US and Europe over the first half of the year, and these programmes are being actively reviewed by a broad spectrum of interested parties. Organ transplant rejection, Alzheimer's disease and oncology are attracting the most interest at this stage.

Further biomarker discovery deals based around the ProteoSHOP® toolbox are also being actively discussed and we sense a move within the industry towards larger value, longer term relationships in this area as biomarkers become high profile for drug development.

Veri-Q

Development of the Veri-Q technology has continued and has established strong proof-of-concept data for analysis of gene expression microarrays showing that the presence of contaminating protecting groups interferes with the accuracy of the results of these experiments. This is creating significant interest and Veri-Q has been invited to present its findings in a talk at the 'From Gene Expression Profiling to Validated Biology' conference in October 2005. Demonstrations of the technology are being made to various companies involved in the large-scale manufacture of synthetic oligonucleotides and have received favourable review. Commercial discussions with a number of prospective licensees have been instigated.

In exchange for the cancellation of its loan to the company, Proteome Sciences subscribed for further common stock in Veri-Q in May, increasing its shareholding to 76 per cent.

Intronn

Considerable progress has been made with Intronn's SMaRT™ technology in 2005. After achieving in-vivo proof of principle in dyslipidemia earlier than expected in March, Intronn then presented initial data in June which showed the successful stimulation of the production of the protein component of good cholesterol (HDL) which confirmed SMaRT™ trans-splicing at the RNA level.

Since that time, the data has been further replicated and has continued to reproduce the same high levels of improvement in the protein component of HDL. Active discussions are underway with a number of potential partners to develop and commercialise the dyslipidemia results.

Things have also moved ahead well for the AAT and haemophilia programmes with AAT having recently successfully completed in-vivo proof of principle with SMaRT™ trans-splicing for the first time. Further results and data are expected later in the year.

A new application, real-time in-vivo imaging of gene expression by SMaRT™ was presented at a molecular analysis and imaging meeting in San Diego which demonstrated the feasibility of mRNA repair, both in-vitro and in-vivo. This approach should eventually allow imaging of endogenous mRNA in living subjects, potentially imaging the expression of a wide variety of endogenous genes. This opens up the possibility of applying SMaRT™ in the rapidly growing field of molecular imaging.

External valuations for the differing applications of SMaRT™ technology will be progressively established through partnering and funding, where it is intended that significant amounts of clinical and commercial development, as well as upfront payments and sponsored research collaborations, will be provided by strategic partners and licensees.

Financial Results

The financial results for the six months to 30th June, 2005 show that costs have remained carefully controlled and the Headline Loss (being the operating loss excluding non-cash operating costs and share of associate's losses) of £1,911,083 compares with £1,846,850 in the corresponding period in 2004. Non-cash operating costs (amortisation of goodwill, depreciation and National Insurance on notional share option gains, as extracted from the profit and loss account) were £800,929 against £183,542 in 2004. The period to 30th June, 2005 also contains a share of associates' losses at Intronn Inc of £362,749 (30th June, 2004 : £229,223). The loss on ordinary activities after taxation for the six months to 30th June, 2005 was £3,074,761 (30th June, 2004 : £2,259,615). Cash at 30th June, 2005 stood at £4.9m.

Directors

Following her move back to Switzerland for personal reasons sixteen months ago, I am sorry to report to shareholders that Dr. Sandra Steiner has decided to resign from her position as Research and Development Director. She has played a significant role in the integration of the company's research activities in Frankfurt and at the King's College Laboratory in London, and we are grateful to her for her contribution and for the further strengthening of Group scientific disciplines that she has introduced. Discussions are taking place with her to establish a consultancy agreement during the search for a replacement. Over this process, the scientific direction of the company will be supervised by the Chief Executive / executive management team and the two heads of the company's research facilities.

Future Prospects

Our primary consideration for 2005 is to convert our scientific research into commercial revenue. In reagents, the market for our Tandem Mass Tags® is now looking to be greater than was initially contemplated and, whilst the license agreement has taken longer than expected, we remain confident that it will be concluded to everyone's satisfaction. The structure that has evolved now envisages three different and complimentary streams of revenue. These will enhance the value of TMT® to Proteome Sciences.

The global awareness of the importance and value of accessible and highly validated biomarkers has risen dramatically throughout the pharmaceutical and diagnostics industries. Our intellectual property portfolio continues to expand with the addition of new biomarkers across an ever wider range of disease applications and in the development of chemical mass tags, constituting an excellent springboard for current and future commercialisation.

The need for accurate, reliable and early diagnosis of disease, the monitoring of its progress and of therapeutic treatment remains as strong as ever. Our research strategy continues to be carefully focussed to address major areas in the stages of disease progression whilst at all times maintaining consistent and careful control of the cost base.

As noted above, we sense a move towards larger value longer term relationships as biomarkers become high profile and an essential part of drug development. This will be reflected through ProteoSHOP® alliances and biomarker agreements, in particular in stroke and Alzheimer's disease where discussions are actively in process.

We believe that the prospects for proteomics in biomarker discovery look outstanding and that Proteome Sciences is well positioned to capitalise from the commercial opportunities that are currently available.

R.S. Harris
Chairman

30th September 2005

Unaudited consolidated profit and loss account
For the Six Months ended 30th June, 2005

	Six months ended 30th June 2005	Six months ended 30th June 2004	Year ended 31st December 2004
	£	£	£
Turnover – continuing operations			
	16,200	47,342	72,971
Cost of sales	(11,340)	(35,879)	(40,801)
Gross profit	4,860	11,463	32,170
Administrative expenses excluding non-cash items	(2,208,442)	(2,158,079)	(4,655,426)
Amortisation of goodwill	(324,480)	(324,480)	(648,960)
Depreciation	(247,647)	(288,319)	(529,313)
National Insurance on notional share option gains	(228,802)	429,257	701,953
Administrative expenses	(3,009,371)	(2,341,621)	(5,131,746)
Operating loss – continuing operations	(3,004,511)	(2,330,158)	(5,099,576)
Share of associate’s operating loss	(362,749)	(229,223)	(593,366)
Group operating loss – continuing operations	(3,367,260)	(2,559,381)	(5,692,942)
Interest receivable and similar income	61,075	89,377	151,969
Interest payable and similar charges	(456)	(1,611)	(1,942)
Amounts written off fixed asset investment	-	-	(112,878)
Loss on ordinary activities before taxation	(3,306,641)	(2,471,615)	(5,655,793)
Tax credit on loss on ordinary activities	231,880	212,000	456,592
Loss for the financial period	(3,074,761)	(2,259,615)	(5,199,201)
Headline loss	(1,911,083)	(1,846,850)	(4,016,637)
Loss per share			
Basic and diluted loss per share (note 3a)	(2.42p)	(1.87p)	(4.27p)
Headline loss per share (note 3c)	(1.50p)	(1.53p)	(3.30p)

Unaudited consolidated balance sheet
As at 30th June, 2005

	30th June 2005 £	30th June 2004 £
Fixed Assets		
Intangible assets	5,356,832	6,096,534
Tangible assets	599,558	833,760
Investments in associates	372,340	1,048,611
Other investments	<u>112,878</u>	<u>225,756</u>
	<u>6,441,608</u>	<u>8,204,661</u>
Current Assets		
Debtors	902,095	1,180,177
Cash held on deposit as short term investment	3,300,000	3,300,000
Cash at bank and in hand	<u>1,642,061</u>	<u>1,007,280</u>
	<u>5,844,156</u>	<u>5,487,457</u>
Creditors : Amounts falling due within one year	(1,153,981)	(1,636,057)
	<u>4,690,175</u>	<u>3,851,400</u>
Net current assets		
	<u>4,690,175</u>	<u>3,851,400</u>
Total assets less current liabilities	11,131,783	12,056,061
Creditors : Amounts falling due after more than one year	(123,000)	(110,000)
Provisions for liabilities and charges	<u>(242,313)</u>	<u>(301,625)</u>
Net assets	<u>10,766,470</u>	<u>11,644,436</u>
Capital and reserves		
Called-up share capital	1,314,511	1,224,009
Share premium account	29,145,773	24,164,336
Other reserve	10,755,000	10,755,000
Profit and loss account	<u>(30,448,814)</u>	<u>(24,498,909)</u>
Equity shareholders' funds	<u>10,766,470</u>	<u>11,644,436</u>

Unaudited consolidated cash flow statement
For six months 30th June, 2005

	Six Months ended 30th June 2005 £	Six Months ended 30th June 2004 £
Net cash outflow from operating activities	(2,442,636)	(2,025,849)
Returns on investments and servicing of finance	60,619	87,766
Capital expenditure and financial investment	<u>(128,804)</u>	<u>(2,015,138)</u>
Cash outflow before use of liquid resources and financing	(2,510,821)	(3,953,221)
Management of liquid resources	(1,500,000)	1,495,161
Financing	<u>5,026,939</u>	<u>2,100,117</u>
Increase / (Decrease) in cash in the period	<u>1,016,118</u>	<u>(357,943)</u>

Reconciliation of operating loss to operating cash flows

	2005 £	2004 £
Operating loss	(3,004,511)	(2,330,158)
Depreciation charges	247,647	288,319
Amortisation charges	324,480	324,480
National Insurance on notional share option gains	228,802	(429,257)
Loss on sale of tangible fixed assets	680	2,816
Decrease in debtors	5,756	194,352
Decrease in creditors	<u>(245,490)</u>	<u>(76,401)</u>
Net cash outflow from operating activities	<u>(2,442,636)</u>	<u>(2,025,849)</u>

Notes to the Financial Information

1. There has been no change to any of the accounting policies set out in the 2004 statutory accounts.
2. Following the loss of £3,074,761 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 2005 is based on the loss for the financial period of £3,074,761 and on 126,999,658 Ordinary Shares, being the weighted average number of shares in issue and ranking for dividend during the period (six months ended 30th June 2004– loss £2,259,615, number of Ordinary Shares in issue and ranking for dividend, 120,826,460).
 - b. The calculation of the loss per share for the year ended 31st December 2004 is based on the loss for the year 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 year.
 - c. The losses used to calculate the headline loss per share are as follows :

	Six Months Ended 30 th June, 2005 £	2005 Loss per share p	Six Months Ended 30 th June, 2004 £	2004 Loss per share p	Year Ended 31 st December, 2004 £	2004 Loss per share p
Loss for the Financial Period	(3,074,761)	(2.42)	(2,259,615)	(1.87)	(5,199,201)	(4.27)
Deduct / (Add)						
Amortisation of Goodwill	324,480	0.26	324,480	0.27	648,960	0.53
Amounts written off fixed asset investment	-	-	-	-	112,878	0.09
Depreciation	247,647	0.19	288,319	0.24	529,313	0.44
National Insurance on notional share option gains	228,802	0.18	(429,257)	(0.36)	(701,953)	(0.58)
Share of associate's operating loss	<u>362,749</u>	<u>0.29</u>	<u>229,223</u>	<u>0.19</u>	<u>593,366</u>	<u>0.49</u>
Headline Loss	<u>(1,911,083)</u>	<u>(1.50p)</u>	<u>(1,846,850)</u>	<u>(1.53)</u>	<u>(4,016,637)</u>	<u>(3.30)</u>

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.

4. The preceding financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information for the year to 31st December 2004 is based on the statutory accounts for that year. Those 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.