Proteome Sciences plc

Registered number: 02879724

Report and Financial Statements

for the year ended 31 December 2021

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CHIEF EXECUTIVE OFFICER'S STATEMENT

for the year ended 31 December 2021

Despite a generally improving situation for most of the year, the COVID-19 pandemic continued to impact international business including ours. Participation in conferences, visiting clients and interacting within our organisation remained largely virtual with some face-to-face conferences possible in the second part of the year. Whilst recent events in Ukraine are of great concern, they do not currently affect our business and we do not expect any impact to our customers' ability to provide samples for analysis. Supply chain problems however cannot be ruled out (consumables and instruments). Against these difficulties we have been able to continue to gain further strong growth in our services business and TMT® revenues remained solid. A record number of contracts were closed during 2021 including a substantial contract with a major pharmaceutical company with a value in excess of £1m, with the majority of this revenue expected to be generated in 2022. Group revenues for the full year increased by 8% to £5.13m (2020: £4.75m). Services increased 32% to £1.90m (2020: £1.44m). Sales and royalties attributable to TMT® and TMTpro™ reagents were £3.23m (2020: £3.27m).

Having made good progress and turning profitable last year, we embarked on a wider strategic analysis, invested in new staff, and instruments to add capacity to our key workflows and awarded options which resulted in a share based payment charge of £0.57m (2020: Nil). Consequently, total costs rose to £4.72m (2020: £4.20m) and this has resulted in an operating profit of £0.41m (2020: £0.55m) and a profit after tax of £0.07m (2020: £0.29m). Cash reserves at the year-end increased to £2.39m (2020: £2.21m). In addition, Adjusted EBITDA (a non-GAAP company specific measure which is considered to be a key performance indicator of the Group's financial performance) increased as set out below:

	2021	2020
	£'000	£'000
Revenue	5,124	4,712
Gross profit	2,960	2,584
Administrative expenses	(2,334)	(1,868)
EBITDA	626	716
Other non-cash items and non-recurring costs	729	8
Adjusted EBITDA	1,355	725

Adjusted EBITDA increased 87% on prior year due to increased sales and tight operational cost control.

Services

Our services business continued to show strong performance over the year. The COVID-19 pandemic continued to impact on face-to-face client meetings even though the majority of our clients were back to full time working in their facilities. We also experienced some delays in the availability of samples for analysis primarily due to the pandemic affecting the conduct of on-going clinical trials. Cold chain shipping availability was also a source of some sample delay as capacity was prioritised for COVID related samples and vaccines. Direct marketing in respect to scientific and trade conferences and exhibitions that we use to promote our services to new accounts continued to be in virtual format but nevertheless, we succeeded to develop both new accounts and to win repeat business from our current and new customers. The strength of our H1 performance continued during the second half of the year, with record sales invoiced and orders received. In total, we took orders worth £3.75m a 139% increase over the previous year (2020: £1.57m). A particular highlight was the in excess of £1m order received from a major pharmaceutical partner for the analysis of samples from their pending phase 3 clinical trial.

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Our results underline the increasing use of outsourced proteomics in pharmaceutical and biotechnology research, and we expect this to continue well into 2022 as companies look to add more functional value to their genomic data and the general awareness that the proteome is the more important factor to consider in drug development. Last year we expanded our activities in the analysis of clinical research samples to discover new pharmacodynamic biomarkers, signing up new clients and applying our TMTcalibrator™ combined with abundant protein depletion to address novel therapeutic areas. We also performed several targeted assay development programs across a range of matrices. These should lead to the analysis of larger volume clinical trial samples in the future and we expect further larger scale clinical trial related orders to be placed.

Our sales in Europe have continued to grow and order values are now on a par with what we receive from North America. We were particularly encouraged to receive multiple repeat orders from several clients as we establish ourselves as the preferred partner for mass spectrometry-based proteomic services.

Licences

Revenues from sales of TMT® and TMTpro™ reagents were our source of licensing income in 2021 as no further payments relating to biomarker licenses were received.

Tandem Mass Tags®

The overall sales pattern for TMT® reagents remained steady with similar revenue of £3.23m compared to 2020 (2020: £3.27m) in spite of the ongoing challenges associated with COVID. On a constant currency basis this represents growth of 3.7%.

Sales of the 11plex TMT® reagents continued to be robust and still account for around 50% of total value, down from 57% in 2020 as the demand for the newer generation TMTpro™ tags with higher plexing rates overtook sales of 11plex TMT® reagents. In the second half of this year we saw TMTpro™ 18plex tags overtaking standard TMT® accounting for 59% of all sales and we have adapted our manufacturing and stock levels accordingly. In March this year the first TMT® patent expired in all territories except the USA where it remains in force until late 2022. We have seen no evidence of commercial development of competing tags because the cost and lead time of manufacturing and distribution of complex reagents remain a significant barrier to entry. We have a total of 8 other TMT®-related patent families stretching out to the mid-2030s which prevent the manufacture of generic TMT® and TMTpro™ reagents by third parties. We expect sales of all TMT® products to show good growth in 2022 and we continue to work closely with our licensee Thermo Scientific to further develop and expand the market for TMT® products.

Stroke Biomarkers

Inevitably the ongoing COVID-19 pandemic is affecting the ability of our licensees Randox Laboratories (UK) and Galaxy CCRO (USA) to further the development and clinical testing of their stroke diagnostic tests. Randox remain fully committed to completing their first clinical trial to support Conformité Européene (CE) marking and this remains open to new patients, but a firm completion date is not yet available. Galaxy have made good progress in developing new anti-Glutathione-s-Transferase Pi (GSTP) antibodies and this has greatly improved performance of the lateral flow test. In parallel, they have commissioned Proteome Sciences to develop a 'gold standard' mass spectrometry assay to quantify GSTP in clinical samples and this work is nearing completion.

Research

The continued strong growth in biomarker services has restricted the time available to perform basic research and development activities though we have retained active links with several academic groups following completion of the BioCapture and PROMETOV grants this year. We have also not yet completed an assessment of a claim under the UK R&D Tax Credit scheme as we clarify the impact of group profitability on eligibility for the small- and large-entity components of such a claim. Nevertheless, we are focusing development into new higher value workflow services that provide excellent opportunities for future growth.

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for the year ended 31 December 2021

Single Cell Proteomic Analyses
We have performed an initial assessment of the ability to deliver single cell proteomics analysis at commercial scale and are encouraged by the early results. We will be actively pushing this forward in the first half of 2022 and hope to be able to launch a new workflow in H2 2022. As the process of single cell preparation becomes standardised on automated platforms, the potential to analyse several hundred cells per week is becoming practical and is of great interest to the pharmaceutical industry as they look to better understand heterogeneity of disease process and response to treatment. This is mostly happening in the area of cancer drug development, but we have also received interest from groups in other therapeutic areas.

SysQuant analysis of ubiquitin modified proteins
We have also successfully introduced a second SysQuant® workflow for analysis of proteins modified with ubiquitin which signals them for degradation. Recently, many pharmaceutical companies have developed methods to selectively target proteins by recruiting this ubiquitination machinery, and monitoring effects through mass spectrometry is a significant new market for us. We have already delivered several projects in this area following our initial development activities and see this as a major growth opportunity.

Fluid biomarker Discovery
Our expertise in fluid biomarker discovery using TMTcalibrator™ has been recognised by many of our clients who are using this to support their drug development programs in pre-clinical research and clinical trials, particularly in the neurology field and we are actively pursuing new grant-funded research with academic partners. We were also able to present the results of a TMTcalibrator™ project performed for INmuneBIO to identify response biomarkers in a Phase 1 trial of XPro1595, a novel sTNF agonist. Our CSO Dr. Ian Pike presented the results at the recent Clinical Trials on Alzheimer's Disease (CTAD) meeting held virtually in November 2021. The proteomics data generated, allowed a number of protein and phospho-peptide biomarkers to be identified that supported the proposed therapeutic effect of XPro1595, including re-activation of myelination, regulation of neuroinflammation and reduction of tau phosphorylation. Further aspects of the research were presented at the AD/PD congress being held in Barcelona in March 2022.

Operating Environment
The COVID-19 vaccination programs have led to very different vaccination levels internationally. Even in our main markets (US, EU, UK) this did not lead to an alleviation of various restrictions in travel, customer contacts, home working regulations etc. We were also strongly affected by the delayed arrival of samples from our clients whether directly pandemic related or not. We started the year with a strong order book which partly helped to compensate for such delays.

We continued to perform the majority of our sales and marketing activities in a virtual manner as the normal mix of on-site meetings and trade shows was severely affected. Based on our experience during the year, we have identified several trade shows and conferences where the virtual format is effective and virtual booths led to strong customer interest. In addition, we have developed an effective virtual marketing activity through directed e-marketing and we expect this to remain part of the mix of activities for at least the first half of 2022.

Overall, the strong level of interest in our services and number of project proposals written reflects the continued high demand for outsourced proteomics services as shown in the further growth of revenues achieved in 2021. We performed a very thorough review of strategic options accessible to us based on the analysis of growth areas where the company has deep expertise already or where such areas are a logical expansion of our current business. We have reached out to the international markets (primarily the USA) to evaluate our options. Based on the outcome of this review we have devised a plan to, in the short term, develop Proteome Sciences organically by adding the high need, high value services that we identified (like single cell proteomics see Research Section above) to our portfolio and expanding our capacity

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for the year ended 31 December 2021

to meet the continued growth in demand for high level proteomics services. Building from this new base the company will be in a stronger position in the medium term to establish further internationalisation of the business.

Volatility in foreign exchanges during the year affected non-sterling denominated revenues as well as costs associated with the Frankfurt laboratory, the overall effect on operating profit was slightly negative.

In this again most challenging year, we are extremely grateful to the dedication and hard work of all staff who have remained focused on delivering the highest volume and value of customer projects in our history. We have managed to sustain the positive progress of 2020 with good growth in our service revenue. Bolstered by the continued growth of revenues from TMT®/TMTpro™ the business is well set for further growth.

Outlook

As we start the transition towards a sustained relaxation of COVID-related restrictions, we expect the pace of business to accelerate throughout 2022. We successfully managed ongoing relationships in 2021 and also attracted a solid group of new customers undertaking pilot studies with good potential for expansion in the coming year. The high demand for services in the fourth quarter, combined with the record value of orders carried into 2022 required us to make strategic investments in new equipment and additional staff that have increased our capacity and revenue generating potential.

We have also seen the value of repeat projects increasing, and we received a significant order worth over £1m for analysis of clinical trials samples that will be performed over the coming 12 months. We are also working on a substantial commercial opportunity from single cell proteomics where automated sample preparation combined with TMTpro™ can deliver high throughput analysis. We are also seeing that the return to on-site working in academia and the pharmaceutical industry is driving sales of TMTpro™ reagents and we have ensured we have sufficient stocks on hand to meet this growing demand.

The Board is confident that the progress over the last three years has created an excellent platform for the further development of the company. The strong order book and cash position in early 2022 provide a strong starting point. Proteome Sciences is well set following the strategic investments we are and have been making to achieve a step-change in growth and revenue and gives the Board increased confidence that the business can grow the profit in 2022.

We would like to thank our shareholders and employees for their continuing support and we look forward to communicating further progress during 2022.

Dr. Mariola Söhngen
Chief Executive Officer

31 March 2022

STRATEGIC REPORT

for the year ended 31 December 2021

Review of the Business

The principal activities of the Group involve protein biomarker research and development. As a leader in applied proteomics, we use high sensitivity proprietary techniques to detect and characterise differentially expressed proteins in biological samples for diagnostic, prognostic and therapeutic applications. In addition, we invented and developed the technology for TMT® and TMTpro™, and manufacture these small, protein-reactive chemical reagents which are sold for multiplex quantitative proteomics under exclusive license by Thermo Scientific.

Proteome Sciences is a major provider of contract research services for the identification, validation and application of protein biomarkers. Our clients are predominantly pharmaceutical and biotechnology companies, but we also perform services for other sectors including academic research. While we have several well-established workflows that meet the needs of many customers, we retain our science-led business focus wherever possible, developing new analytical methods and data analysis tools to provide greater flexibility in the types of studies we can deliver. Our contract service offering remains centred on mass spectrometry-based proteomics, and this is becoming more widely implemented in drug development projects as the pharmaceutical industry seeks to expand biological knowledge beyond genomics. These services are fully aligned with the drug development process, can be used in support of clinical trials and in vitro diagnostics, and include proprietary bioinformatics capabilities.

Progress during 2021

Growing Our Services Business

The use of outsourcing to specialist service laboratories within the biopharmaceutical sector continues to grow in value, particularly in the area of proteomics. To ensure we can offer our clients the best service, we continue to invest significantly in direct sales activities with intensive virtual meetings e-marketing, participation in virtual conferences and trade shows to attract clients to our offerings.

The competitive landscape for proteomics services has grown considerably through this year, and there has been significant funding invested in companies providing new products for proteomic analysis. Initial public offerings have triggered interest in financial markets. This reflects the growing recognition of the importance of protein biomarkers in precision healthcare. Our services are well positioned in the proteomics spectrum and we are exploring ways to leverage our experience and reputation in the service sector to build synergies with emerging technologies and maximising value for existing shareholders.

Despite the significant restrictions on travel throughout the year, we have further improved our methods of virtual engagement and secured the highest level of orders with a record £2.5m of value carried over into 2022.

Proteomics is becoming the defining technology for enabling drug development

In 2020 we saw a sizeable shift of focus from genomics towards proteomics in the activities of pharmaceutical research and development groups. In part this reflects the mature nature of genomics research and the dawning realization that the lack of predictability from gene sequencing studies requires a more granular approach. In accordance with this realization, the demand for both total protein expression and more importantly for deep quantification of specific post-translational modifications has grown substantially through the last year.

Virtually all processes within cells that keep us healthy, and which are disrupted in disease are the result of a complex set of protein functions and interactions. Proteins provide the scaffold to allow cells to form specific shapes, and to change their morphology when needed, e.g., extended neurons, or for immune cells to squeeze between tissue layers to get to the site of disease. Other proteins convert sugar and other nutrients to provide energy, whilst others regulate how fast or slow processes run and guide the maintenance and replication of DNA to ensure accurate copies of cells are formed on division. How these proteins interact is affected by the addition and removal of modifying chemicals such as phosphates, nitrates, small organic groups and occasionally other proteins. Drug developers now realize that understanding each target in this context of complex post-translational modifications (PTMs) is essential to improve productivity and maximal responses to treatment.

Fluid biomarker discovery
We were already well established in the deep profiling of changes in protein phosphorylation in cells and tissues and have previously extended this to analysis of cerebrospinal fluid in neurodegenerative disease. This year, we have demonstrated the utility of TMTcalibrator™ phosphoproteomic analysis in blood plasma and serum, making this a key technology for the discovery of biomarkers in other diseases including cancer, inflammatory and metabolic disorders. We have also expanded our capability to monitor other PTMs relevant to fibrotic disorders and have delivered several biomarker studies in this emerging therapeutic area.

SysQuant for the detection of ubiquitylated proteins
This year we launched new services for analysis of ubiquitylation, a PTM that signals proteins for degradation. This is particularly useful for assessing the performance of a new class of drugs called proteolysis-targeting chimera (PROTAC, or molecular glues) that enhance ubiquitylation of specific target proteins that are causing disease. Once ubiquitylated, these proteins are destroyed and their disease-causing activity is reduced and in some cases fully removed.

Whilst there are other options for monitoring PTMs than our mass spectrometry methods, most suffer from a lack of specificity and/or sensitivity. Only mass spectrometry is able to perform a proteome-wide assessment of these complex protein modifiers at a scale and specificity required for drug development applications and we will continue to invest in adding additional capacity and workflows to our service business to meet this growing demand.

Single Cell Proteomics
As with last year, we have prioritized commercial project delivery and the level of internal research has been relatively low. Nevertheless, we have initiated a project to evaluate the current feasibility of performing single cell proteomics at scale. This has the potential to deliver strong revenues and is an area of intense interest to both academic and commercial scientists with significant barriers to entry. Critical to the success of quantitative single cell proteomics is the use of TMTpro™ reagents as the benefits of mixing tiny amounts of protein from 16 individual cells allows greater sensitivity and more protein identifications. We have performed preliminary analysis of the technology for single cell preparation and obtained promising results with quantification of approximately 750 to 1,000 proteins. We have now installed a new mass spectrometer (Thermo Exploris 480) which we expect to improve performance, as well as increasing throughput and overall capacity.

Status of the Tandem Mass Tag® Product Portfolio
Sales of TMT® and TMTpro™ reagents stood up well to the ongoing challenges for researchers operating under COVID restrictions during the year. Total revenues were £3.23m (2020 £3.27m) (3.7% increase on constant currency basis). It has also to be taken into account that some 2021 TMT® and TMTpro™ orders were placed in late 2020 which artificially reduces the revenues in 2021. Whilst there was a continued market demand for increased plexing rates enabling higher-throughput experiments and more reproducible data, sales of the 11plex TMT® reagents remained strong in the first half of the year before dropping in the second half that reflected the launch of the final pair of TMTpro™ tags (completing the 18plex set), and we expect to see a continued upward shift in use of the higher plexing tags now available.

In March 2022 we saw the first of the TMT® patent families expiring in all territories except the United States, where it remains in force until the second half of 2022. We are not aware of any competing products having been launched in the last 9 months and will retain a watching brief with our licensee Thermo Scientific. Other patents in the

TMT® portfolio that cover several alternate tag designs as well as our TMT® and TMTpro™ products remain in full effect with the TMTpro™ patents extending out to the mid-2030s.

We continue to monitor the commercial use of TMT® and TMTpro™ by third-party Contract Research Organisations and work closely with our colleagues at Thermo Scientific to maximise the licensing of these entities, which brings us additional revenues through their activities.

Stroke biomarkers
Unfortunately, the rate of patient recruitment in the clinical trial of Randox's stroke diagnostic test continues to be extremely affected by COVID. Randox is also deeply involved in COVID test manufacture and provision of testing services and this will inevitably be impacting on resources available for stroke test development. However, they remain committed to concluding the trial and we expect more news in the first half of 2022. Similarly, Galaxy CCRO (USA) has experienced delays in initiating a trial of its GSTP Lateral Flow Device. They are working with their first trial site to resolve these issues and in the meantime have been able to improve the sensitivity and linearity of the test having developed new proprietary antibodies which will be used in all new product development. In addition to this activity, Galaxy has contracted Proteome Sciences to develop a target mass spectrometry assay for GSTP to serve as a gold-standard method for accurate quantification of trial samples, an important benchmark for clinical trial interpretation. This work is proceeding well and a final test format is expected to be available in H1 2022.

Patent Applications and Proprietary Rights
Patents and intellectual property rights underpin several key aspects of our business and we received allowance of 9 patents during the year, including cases covering several biomarker panels relating to Alzheimer's disease, the tryptophan metabolite assay and our TMTcalibrator™ workflow. The costs of prosecution and maintenance of our portfolio remains closely controlled and was in line with expectations.

Strategic evaluation
We performed a very thorough review of strategic options accessible to us based on the analysis of growth areas where the company has deep expertise already or where such areas are a logical expansion of our current business. We have reached out to the international markets to evaluate our options. Based on the outcome of the review, we have concluded that initially the best way to develop Proteome Sciences is to build organically by adding high need services (like single cell proteomics) to our portfolio and expanding capacity to meet the continued growth in demand and this process has already begun. In the mid-term we plan to evaluate further options to internationalise our business.

Financial Review

Results and Dividends

Key Performance Indicators (KPI's)

- The directors consider that revenue, Adjusted EBITDA, and profit before/after tax are important in measuring Group performance. The performance of the Group is set out in the Chief Executive Officer's Statement on page 2.

- The directors believe that the Group's rate of cash expenditure and its effect on Group cash resources are important. Net cash inflows from operating activities for 2021 were £0.79m (2020: £1.59m). The costs in 2021 were higher when compared to 2020 due to the investment in our strategic process, building internal capacity, investment in new instrumentation and share option awards resulting in a share based payment charge. We achieved strong growth in biomarker services revenues with TMT® revenues remaining broadly in line with 2020. We did not require draw down from the arranged loan from Vulpes. Cash at 31 December is £2.39m (2020: £2.21m).

- Contract revenues from our proteomics (biomarker) services should increase both in absolute terms and as a proportion of total Group revenues; in 2021 we increased service income by 32% to £1.90m (2020: £1.44m). As a proportion of total group revenue service income in 2021 was 37% compared to 30% in 2020.

Financial Performance
For the twelve-month period ended 31 December 2021 revenue increased 8% to £5.13m (2020: £4.75m).

- Licences, sales and services revenue increased 9% to £5.12m (2020: £4.71m). This is comprised of two revenue streams: TMT®-related revenue and Proteomic (Biomarker) Services. Sterling values of our sales and royalties received for TMT® tags decreased by 1% to £3.23m (2020 £3.27m).
- Grant income was £0.01m (2020: £0.04m).
- Adjusted EBITDA increased to £1.35m (2020: £0.72m).
- The profit after tax was £0.07m (2020: £0.29m).

Taxation
Owing to the changing nature of our services business, with a stronger focus on commercial activities, we have not fully assessed our available R&D tax credit for 2021, and such amounts are only recognised when reasonably assured.

Costs and Available Cash
- The Group maintained a positive cash balance in 2021 and continues to seek improved cash flows from commercial income streams. Our operating costs have remained stable which enabled positive cash flows throughout the year. Administrative expenses in 2021 were £2.55m (2020: £2.04m).
- Staff costs for the year were £2.99m (2020: £2.15m) of which £0.57m was a share based payment charge (2020: £0.01m).
- Property costs without charges on rent of £0.17m were slightly below previous years.
- Other administrative costs remained stable at £0.14m (2020: £0.14m) mainly due to lower travel expenses due to COVID-19 restrictions.
- Finance costs relate to interest due on loans from two major investors in the Company and lease interest. Costs of £0.29m were lower than the prior year (2020: £0.30m).
- Loans from related parties were £10.83m (2020: £10.55m) which includes interest.
- Trade and other payables were £0.60m (2020: £0.77m).
- Trade and other receivables were £0.60m (2020: £0.79m).
- Profit after tax for 2021 was £0.07m (2020: £0.29m).
- Adjusted EBITDA for the year was £1.35m (2020: £0.72m).
- Adjusted EBITDA conversion to operating cash inflows before working capital movements was 86% (2020: 100%).
- The net cash inflow from operating activities was £0.79m (2020: £1.59m).
- Cash at the year-end was £2.39m (2020: £2.21m).

Principal Risks and Uncertainties

Commercialisation Activities
It is uncertain whether our range of contract proteomic services will generate sufficient revenues for the Group ultimately to be successful in an increasingly competitive commercial market which generally favours companies with a broader technology platform than our own. Progress in 2021 was encouraging as both interest and orders increased substantially when compared to the previous year. This reflects the growing recognition that proteomics requires a high level of expertise only generally available in specialised service providers.

Management of Risk: The Group has sought to manage this risk by broadening its proteomic services offering by increasing the coverage of unbiased discovery experiments and broadening capabilities for analysis of very small samples including single cells, investing in our own sales by dedicating more staff time to direct business development activities in our principal commercial territories and adopting conventional service-based metrics directed at speed, cost and quality.

Adding new services bears the risk that competitors are already more advanced and it will be difficult to find and retain new customers.

Management of risk: We believe the technology we are developing for single cell proteomics has a high demand in the market and hence we believe there is sufficient room for many players to satisfy the demand. Moreover, Proteome Sciences has a USP as we are the owner of TMT® which gives us a number of advantages (including cost control) vis a vis competitors.

Dependence on Key Personnel
The Group depends on its ability to retain a limited number of highly qualified scientific, commercial and managerial personnel, the competition for whom is strong. While the Group has entered into conventional employment arrangements with key personnel and staff turnover is low, their retention cannot be guaranteed as evidenced by 1 resignation during 2021.

Management of Risk: The Group has a policy of organising its work so that projects are not dependent on any one individual, and we have strong managerial oversight and support for our laboratory-based staff. Retention is also sought through annual, role-based reviews of remuneration packages, performance related bonus payments, and the opportunity for share option grants.

Investment Limitations
Sales and royalties from TMT® have historically been key to revenue and working capital for the group to invest in the business. Over the last 3 years the development and compound growth in proteomics services revenues are starting to generate additional working capital for further investment through internationalisation and expansion of the business activities. Despite remaining cash positive, making a small profit and seeing strong growth in our proteomics services revenues in 2021 we are still currently reliant on TMT® sales and royalties for the majority of our revenues and working capital to invest in growing the business remains limited.

Management of Risk: In addition to previous cost reduction and ongoing containment measures which have significantly changed the cost profile of the business over the last three years, we also actively engage with our major creditors to manage the Company's debt.

Competition and Technology
The international bioscience sector is subject to rapid and substantial technological change. There can be no assurance that developments by others will not render the Group's service offerings and research activities obsolete or otherwise uncompetitive. Proteomics remains a growth area where increasing demand from the pharmaceutical industry remains ahead of the growth in service provider capacities.

Management of Risk: The Group employs highly experienced research scientists and senior managerial staff who monitor developments in technology that might affect the viability of its service business or research capability. This is achieved through access to scientific publications, attendance at conferences and collaboration with other organisations.

Licensing Arrangements
The Group intends to continue sub-licensing new discoveries and products to third parties, but there can be no assurance that such licensing arrangements will be successful.

Management of Risk: The Group manages this risk by a thorough assessment of the scientific and commercial feasibility of proposed research projects which is conducted by an experienced management team. Risk has also been reduced by decreasing the overall number of research projects and re-distributing available resources.

Patent Applications and Proprietary Rights
The Group seeks patent protection for identified protein biomarkers which may be of diagnostic, prognostic or therapeutic value, for its chemical mass tags, and for its other proprietary technologies. The successful commercialisation of such biomarkers, chemical tags and proteomic workflows is likely to depend on the establishment of such patent protection. However, there is no assurance that the Group's pending applications will result in the grant of patents, that the scope of protection offered by any patents will be as intended, or whether any such patents will ultimately be upheld by a court of competent jurisdiction as valid in the event of a legal challenge. If the Group fails to obtain patents for its technology and is required to rely on unpatented

proprietary technology, no assurance can be given that the Group can meaningfully protect its rights. All patents have a limited period of validity and competing products may be sold by third parties on expiry in each territory. We have seen expiry of the first patents covering TMT® in most territories in the last year, although in the US the main patent is valid until mid-September 2022.

Management of Risk: The Group retains limited but experienced patent capability in house, supplemented by external advice, which has established controls to avoid the release of patentable material before it has filed patent applications. Maintenance of the existing patent portfolio is subject to biannual review ensuring that its ongoing cost is proportional to its perceived value. We seek to prolong the value of our proprietary technologies by patenting improved chemical tags and superior biomarker panels when we are able to do so, and we monitor the impact of patent expiry by monitoring of market share of licensed products such as TMT® and TMTpro™.

Coronavirus (COVID-19) Pandemic
The world in general is learning to live with COVID and high vaccination rates and availability of new drugs are dramatically reducing burdens on healthcare systems allowing society to re-open. We continue to support staff with the provision of a safe working environment through the use of safety measures according to national regulations and control of visitors. Whilst we still have contingency planning in case of further temporary restrictions, we are expecting all aspects of our business to continue getting back to pre-pandemic modalities.

Management of Risk: We have implemented social distancing and enhanced cleaning measures for our laboratories and implemented home working for all UK staff and those capable of doing so in Frankfurt. Site visits were restricted to only essential visitors, distancing measures were in place and the compulsory wearing of personal protective equipment.

Section 172 statement
The Board recognises the importance of the Group's wider stakeholders when performing their duties under Section 172(1) of the Companies Act and their duties to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term,

(b) the interests of the company's employees,

(c) the need to foster the company's business relationships with suppliers, customers and others,

(d) the impact of the company's operations on the community and the environment,

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

(f) the need to act fairly as between members of the company.

The Board considers that all their decisions are taken with the long-term in mind, understanding that these decisions need to regard the interests of the company's employees, its relationships with suppliers, customers, the communities and the environment in which it operates. It is the view of the Board that these requirements are addressed in the Corporate Governance Statement on page 14, which can also be found on the company's website www.proteomics.com.

For the purpose of this statement detailed descriptions of the decisions taken are limited to those of strategic importance. The Board believes that three decisions taken during the year fall into this category and were made with full consideration of both internal and external stakeholders as follows:

- Annual General Meeting

The Board encourages engagement with the Group's shareholders but as in 2020 the Board took the difficult decision that the Annual General Meeting would be held as a closed meeting to comply with the COVID-19 regulations and in the best interests of shareholders and employees.

- Vulpes Investment Management Loan Agreement Amendment to enable conversion into ordinary shares

The Board made the decision to agree to an amendment to the Loan Agreement with Vulpes Investment Management on the 17 June 2021 to enable conversion of the loan into ordinary shares. The Board considered that by doing so it would promote the success of the Company for the benefit of the members as a whole.

- Investment in new instruments

The Board made the decision during 2021 to invest in new instruments which included a new Mass Spectrometer. The Board considered that this was necessary to maintain the Group's competitive advantage would improve performance, by increasing throughput and overall capacity in the interests of its customers.

By Order of the Board
5 Dashwood Lang Road
Bourne Business Park
Addlestone, Surrey KT15 2HJ

V Birse
Company Secretary

31 March 2022

BOARD OF DIRECTORS

for the year ended 31 December 2021

Dr Mariola Söhngen

Chief Executive Officer

Mariola Söhngen has established a strong and successful career in the pharmaceutical industry both in the US and Europe. She was a co-founder of Paion AG which developed a clinical-stage asset for the treatment of stroke and subsequently delivered a novel anaesthetic that received FDA and other national approvals in 2020. She was instrumental in the acquisition of UK listed CeNeS Pharmaceuticals plc by Paion AG. She has also held roles as CEO at Mologen AG and Convert Pharmaceuticals and most recently ran a pharmaceutical consultancy with a strong focus on supporting Chinese companies and investors trying to enter the European pharmaceuticals research and development market.

Dr Ian Pike

Chief Scientific Officer

Ian Pike has over 30 years' experience working in the diagnostics and biotechnology sectors and joined Proteome Sciences plc in November 2002. Having gained a PhD in medical microbiology, he joined Wellcome Diagnostics as a research group leader and spent eight years working on new diagnostic assays, particularly for hepatitis. In December 1999, he joined the Technology Transfer Office of the UK Medical Research Council with responsibility for patents and commercialisation of a wide portfolio of technologies related to the biomedical sector. Most recently, Ian worked for Cancer Research Ventures managing intellectual property and performing business development activities in Europe and the US.

Richard Dennis

Chief Commercial Officer

Richard Dennis joined the Group in April 2017. He has a commercial background spanning over 30 years in the global life sciences research sector. Throughout his career he has held positions based in both the UK and US managing international sales teams. Prior to joining Proteome Sciences, he had held positions of increasing responsibility and diversity in companies such as Meso Scale Discovery, BioScale Inc., and most recently Quanterix Corp. During 2021 he became the chair of the board of trustees of Kidscan Children's Cancer Research, a charity based in Manchester.

Christopher Pearce

Non-executive Chairman

Christopher Pearce has built the Group since inception and been responsible for the formulation and implementation of strategy, collaborative and licensing agreements, and IP. He was co-founder and Executive Chairman of Fitness First plc.

Roger McDowell

Non-executive Director (i) (ii)

Roger McDowell has a highly successful career as a businessman and entrepreneur. He was Chief Executive of Oliver Ashworth Group plc for eighteen years before its sale to St Gobain. He is currently the Chairman or a non-executive director of seven listed companies, namely Avingtrans plc, Brand Architekts Group plc, Flowtech Fluidpower plc and Hargreaves Services Plc as Chairman, British Smaller Companies VCT2 Plc and Tribal Group plc as non-executive director. He brings considerable commercial experience with him and is a keen exponent of growing shareholder value.

Martin Diggle

Non-executive Director

Martin Diggle has worked in finance for over 30 years. He was a director and partner of UBS/Brunswick in Russia until 2003, after which he joined Vulpes Investment Management, where he is currently a director and partner. He is an experienced specialist investor in life sciences and manages the Vulpes Life Sciences Fund, the registered holder of 22.30% of Proteome Sciences' ordinary share capital.

Dr Ursula Ney

Non-executive Director (i) (ii)

Ursula Ney has more than 30 years' experience in the pharmaceutical and biotech industry, with 20 years in leadership roles in the biotech sector. She was director of Development and on the Board of Celltech plc, and later COO and executive director of Antisoma plc. More recently she was CEO of the private company Genkyotex SA and a non-executive director on the board of Discuva, a Cambridge, UK based start-up. She is currently also a non-executive director at Scancell plc and a Trustee of the University of Plymouth She has broad experience of drug development across a range of therapeutic areas and products.

(i) Member of Audit Committee
(ii) Member of Remuneration Committee

CORPORATE GOVERNANCE

for the year ended 31 December 2021

The Chairman's Statement on Corporate Governance

I am pleased to present this year's Corporate Governance Statement.

The Company is committed to maintaining high standards of corporate governance. It is the responsibility of the Board and me as Chairman to ensure that the Company has in place the structure, strategy and people to deliver value to shareholders in the medium to long term. The Board recognises that an effective corporate governance framework is important to help achieve this aim and is fundamental to the long-term success of the Company.

The Company adopted the Quoted Companies Alliance Corporate Governance Code (QCA Code) during 2018 and continues to comply with each of the ten principles of the QCA Code. The remainder of this statement sets out how the Company applies the Code. Further information on the Company's compliance is published on our website (www.proteomics.com/investors).

Compliance with the Quoted Companies Alliance Corporate Governance code

The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the "QCA Code"). The Directors of Proteome Sciences plc comply with the QCA Code. The QCA Code sets out ten principles which should be applied. These are listed below together with a short explanation of how the Company applies each of the principles. Where the Company does not fully comply with a principle an explanation as to why has also been provided.

1. Establish a strategy and business model which promote long-term value for shareholders

Proteome Sciences plc is a contract research organisation specializing in the analysis of proteins by mass spectrometry, providing both discovery and targeted proteomics services and proprietary biomarker assays to biopharmaceutical and diagnostic companies engaged in the discovery and development of precision medicines.

Proteomics is an enabling biotechnology platform for an increasing number of companies invested in the identification of targeted therapeutics for the future provision of healthcare. Offering a service to such companies, in addition to the synthesis of specialty chemical tags for mass spectrometry, is an essential part of the strategy to deliver shareholder value in the medium to long-term.

2. Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders on a regular basis.

All shareholders are encouraged to attend the Company's Annual General Meeting and any other General Meetings that are held throughout the year. Investors also have access to current information on the Company through its website, https://proteomics.com. Requests from institutional and retail shareholders are addressed directly whenever possible by members of the Executive team.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that for the long-term success of the Company their decisions must consider a wider stakeholder group and the Company's social responsibilities. The Company is reliant upon the efforts of the employees of the Company, its subsidiaries, contractors, suppliers and regulators, and upon relationships with customers and licensees. Feedback from all these stakeholders is shared with, and reviewed by, the executive team on a regular basis and, where appropriate, actions are documented. The executive team, led by the CEO, is also responsible for identifying the resources and relationships necessary for developing the business, and sharing these needs with the Board.

An agreed procedure exists for directors in the furtherance of their duties to take independent professional advice. With the prior approval of the Chairman, all directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient. Newly appointed directors are made aware of their responsibilities through the Company Secretary.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk management

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company (see page 18). Duties in relation to risk management that are conducted by the directors include, but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels
- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate
- Inform investors of material changes to the Company's risk profile.

Conflicts of interest

The Board has instituted a process for reporting and managing any conflicts of interest held by directors. Under the Company's Articles of Association, the Board has the authority to approve such conflicts.

Company materiality threshold

The Board acknowledges that assessment on materiality and subsequent appropriate thresholds are subjective and open to change. As well as the applicable laws and recommendations, the Board has considered quantitative, qualitative and cumulative factors when determining the materiality of specific relationships of directors.

5. Maintain the board as a well-functioning, balanced team led by the chair

The Board recognises that the Company needs to deliver growth in long-term shareholder value and that this requires an efficient, effective and dynamic management framework. This should be accompanied by good communication which helps to promote confidence and trust.

The Board currently comprises three Executive Directors:

Dr Mariola Söhngen (Chief Executive Officer)

Dr Ian Pike (Chief Scientific Officer)

Richard Dennis (Chief Commercial Officer)

and four Non-Executive Directors;

Christopher Pearce (Chairman)

Roger McDowell

Martin Diggle

Dr Ursula Ney

Details of the qualifications, background and responsibilities of each director are described on page 13 and provided on the Company's website (https://proteomics.com/leadership).

The board is supported by Audit and Remuneration Committees, details of which are summarised under Principle 9 below.

– The Board considers Roger McDowell and Dr Ursula Ney to be independent.

– Martin Diggle, a director of Vulpes Investment Management which manages the Vulpes Life Sciences Fund (the largest shareholder in the Company) is not remunerated for his role on the Board and is not a member of any Board sub-committee.

Non-Executive Directors are expected to devote such time as is necessary for the proper performance of their duties, but it is anticipated that they will spend approximately one day a month on work for the Company. This will include attendance of Board meetings (usually 8 per year), see page 19 for the attendance during the year, the AGM, committee meetings and sufficient time to consider relevant meeting papers.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

All members of the Board bring relevant experience. The Board believes that its blend of experience, skills, personal qualities and capabilities is suitable to ensure it successfully executes its strategy. The existing spectrum of differing entrepreneurial skills continues to be represented on the Board together with considerable knowledge and expertise from scientific research and the pharmaceutical industry. The Board will continue to ensure that Directors receive appropriate support and training as required to keep them up to date with current practices. The Board's biographies are set out on page 13.

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board considers that it is appropriate to evaluate the performance of the Board and its Committees annually. The 2021 evaluation is detailed below. This is intended to make sure that the Board remains effective, well-informed and able to make high quality and timely decisions for the benefit of all stakeholders in the Company with regular meetings to discuss the strategic direction and the terms of reference for the Committees. Areas covered include Board structure, Board arrangements, frequency and time, content of Board meetings, Board culture and succession planning. It is recognised that there continues to be more regulation about which Directors need to be informed and aware. The Board will continue to ensure that Directors receive appropriate support and training as required to keep them up to date with current practices.

The Chairman led an annual performance assessment of the Board and its Committees at the end of 2021. The performance effectiveness process included each Director completing a performance evaluation questionnaire, the results and feedback from which were collated into a summary and discussed by the Board.

The Chairman concluded that the Board operated effectively and efficiently to deliver the business goals set out for 2021 against the difficult background of the ongoing Covid pandemic. There was active engagement combining challenge and support that permitted the management to operate within a framework of agreed parameters set in place by the Board. Practical measures were applied to risk management with the Board and executives working closely together to ensure regular communication with staff and shareholders.

8. Promote a corporate culture that is based on ethical values and behaviours

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders
- compliance with laws and regulations
- relations with customers and suppliers
- ethical responsibilities
- employment practices
- responsibility to the environment and the community.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

Chairman

The current Chairman of the Company is Christopher Pearce who has been a director of the Company since July 1994. The responsibilities of the Chairman are to:

- Lead the Board, ensuring its effectiveness on all aspects of its role
- Ensure that the directors receive accurate, timely and clear information
- Ensure effective communication with shareholders
- Facilitate the effective contribution of non-executive directors
- Act on the results of board performance evaluation.

Chief Executive Officer

The responsibilities of the Chief Executive Officer are to:

- Provide leadership and day to day management of the business within the authorities delegated by the Board.

Board meetings

The Board meets on average 8 times a year and usually by way of both face to face and teleconference meetings but during 2021 all Board meetings were held via teleconference. Decisions concerning the direction and control of the business are made by the Board, and a formal schedule of matters specifically reserved for the Board is in place. Matters reserved for the Board include:

- Approval of overall strategy and strategic objectives;
- Oversight of operations (including accounting, planning and internal control systems);
- Compliance with legal and regulatory requirements;
- Management/operational performance review;
- Changes in corporate or capital structure;
- Approval of the risk appetite of the Company;
- Approval of the half-year and annual report and accounts;
- Declaration of any interim dividend and recommendation of a final dividend;
- Approval of formal communications with shareholders;
- Approval of major contracts and investments; and
- Approval of policies on matters such as health and safety, corporate social responsibility (CSR) and the environment.

Generally, the powers and obligations of the Board are governed by the Companies Act 2006, and the other laws of the jurisdictions in which the Company operates. The Board is responsible, *inter alia*, for setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

Board Committees

There are two board committees:

- Audit Committee - members are Roger McDowell (Chair), and Dr Ursula Ney. This committee met twice during 2021.
- Remuneration Committee - members are Dr Ursula Ney (Chair) and Roger McDowell. This committee met four times during 2021.

Audit Committee

The Committee provides a forum for reporting by the Company’s external auditors. Meetings are held on average two times a year and are attended, by invitation, by the Executive Directors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports before their submission to the Board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders. Audit Committee Terms of Reference are provided on the Company’s website.

Remuneration Committee
The Committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Remuneration Committee determines the contract terms, remuneration and other benefits for the Executive Directors, including performance related bonus schemes, compensation payments and option schemes. The Board itself determines the remuneration of the Non-Executive Directors. Remuneration Committee Terms of Reference are provided on the Company's website.

Nominations Committee and internal audit
The Directors consider that the Company is not currently of a size to warrant the need for a separate Nominations Committee or internal audit function, although the Board has put in place internal financial control procedures as summarised below.

Internal financial control
The Board is responsible for establishing and maintaining the Group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by their very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors are conscious of the need to keep effective internal financial control, particularly in view of the cash resources of the Group. The Directors have reviewed the effectiveness of the procedures presently in place and consider that they remain appropriate to the nature and scale of the operations of the Company.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
Shareholders are regularly advised of any significant developments in the Company through announcements via the Regulated News Service and are encouraged to participate in the Annual General Meeting and any other General Meetings that may take place throughout the year.

Copies of the annual returns, general meeting notices and announcements made to the London Stock Exchange are published on the Company's website.

Risk management
The Board has ultimate responsibility of the Group's risk management controls. The risk and control management system framework includes:

- close management of the day-to-day activities of the Group by the Executive Directors and the Senior Leadership Team;
- a comprehensive annual budgeting process, which is approved by the Board;
- detailed monthly reporting of performance against budget; and
- central control over key areas such as capital expenditure authorisation and banking facilities.

Internal controls
The Board has overall responsibility for ensuring that the Group maintains a system of internal control, to provide its members with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of accurate financial information and the safeguarding of assets.

The key features of the internal control system that operated throughout the year are described under the following headings:

- Control environment: particularly the definition of the organisation structure and the appropriate delegation of responsibility to operational management.
- Identification and evaluation of business risks and control objectives: particularly through a formal process of consideration and documentation of risks and controls which is periodically undertaken by the Board.

CORPORATE GOVERNANCE

for the year ended 31 December 2021

- Main control procedures: which include the setting of annual and longer-term budgets and the monthly reporting of performance against them, agreed treasury management and physical security procedures, formal capital expenditure and investment appraisal approval procedures and the definition of authorisation limits (both financial and otherwise).
- Monitoring: particularly through the regular review of performance against budgets and the progress of research activities undertaken by the Board.

The Board reviews the operation and effectiveness of this framework on a regular basis. The directors consider that there have been no weaknesses in internal controls that have resulted in any losses, contingencies or uncertainties requiring disclosures in the financial statements.

Board operation
The Board is responsible for formulating, reviewing and approving the Group's strategy, budgets and corporate actions. The Board held eight scheduled meetings during the financial year, together with an additional eight meetings held to discuss specific matters. The Board has established two Committees; the Audit Committee and Remuneration Committee each having written terms of reference. The Board consider that the Company is not currently of a size to warrant the need for a separate Nominations Committee or internal audit function. Reports by the Chairpersons of the two Committees are reported separately on pages 21 for the Audit Committee and 22 for the Remuneration Committee.

Board effectiveness
The Board and Committee meetings are scheduled in advance for each calendar year. Additional meetings are arranged as necessary. Board and Committee meetings and attendance during the year ended 31 December 2021 were as follows:

Director	Board Meeting	Audit Committee	Remuneration Committee
C.D.J. Pearce	8/8	2/2	–
R. McDowell	7/8	2/2	4/4
M. Diggle	8/8	1/2	–
Dr U. Ney	8/8	2/2	4/4
Dr M Söhngen	8/8	2/2	–
Dr I. Pike	8/8	2/2	–
R. Dennis	8/8	2/2	–

The Executive Directors were all employed by the Company. The Non-Executive Directors have commitments outside the Company. These are summarised in the Board biographies on page 13. All the Non-Executive Directors give sufficient time to fulfil their responsibilities to the Company.

CORPORATE GOVERNANCE

for the year ended 31 December 2021

The Annual General Meeting (AGM)

The Annual General Meeting of the Group will take place on 16 May 2022. Full details are included in the Notice of Meeting on page 82 and will be published on our website (www.proteomics.com)

The Board also strongly encourages all shareholders to vote on the AGM resolutions by following the instructions set out in the Notice of Meeting Notes, please note that no Proxy Form accompanies this document this year.

Christopher Pearce
Chairman

31 March 2022

AUDIT COMMITTEE REPORT

for the year ended 31 December 2021

I am pleased to present the report on behalf of the Audit Committee.

The Committee is responsible for monitoring the quality of internal controls and for ensuring that the financial performance of the Group is properly reviewed and reported. The Board considers that the Company is not currently of the size to warrant the need for an internal audit function although the Board has put in place internal financial procedures to ensure close internal controls.

Committee Composition

The members of the Audit Committee are myself, Roger McDowell, as Chair and Ursula Ney. We are both independent Non-Executive Directors. The Board is of the view that we have recent and relevant experience. Meetings are held at least twice a year. The Chief Executive Officer, the Finance Director and the Group's auditors attend by invitation. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

Committee Duties

The main duties of the Committee are set out in its terms of reference, which are available on the Company's website. In this period the main items of business included:

- reviewing and recommending to the Board in relation to the appointment and removal of the external auditor;
- recommending the external auditor's remuneration and terms of engagement;
- reviewing the independence of the external auditors, objectivity and the effectiveness of the audit process, taking into account relevant professional and regulatory requirements;
- reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditor;
- reviewing a wide range of financial matters including the annual and half year results, financial statements and accompanying reports;
- monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

Financial reporting

The Committee reviews reports provided by the external auditor on the annual results which highlight any observation from the work they have undertaken.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

External Auditor

BDO was re-appointed as the Group's auditor at the Annual General Meeting held on the 5 May 2021. The Committee considers that its relationship with the auditor is working well and is satisfied with their effectiveness. The Committee is responsible for ensuring there is a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed to ensure it will not impact their independence and objectivity. The breakdown of fees between audit and non-audit services is provided in note 8 on page 55 of the Group's financial statements. The non-audit fees primarily relate to Group taxation compliance.

As necessary the Committee held private meetings with the auditor to review key items in its responsibilities. Taking into account the auditor's knowledge of the Group and experience, the Committee has recommended to the Board that the auditor is re-appointed for the period ending 31 December 2022.

Roger McDowell

Chair of the Audit Committee

31 March 2022

REMUNERATION COMMITTEE REPORT

for the year ended 31 December 2021

I am pleased to present the report on behalf of the Remuneration Committee.

The Committee is responsible for setting the remuneration policy of the Executive Directors and other senior staff, including terms of employment, salaries, any performance bonuses and share option awards.

Committee Composition
The members of the Remuneration Committee are myself Ursula Ney as Chair and Roger McDowell. We are both independent Non-Executive Directors.

Committee Duties
The Company has established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director is involved in deciding their own remuneration.

Remuneration policy
The key principles of the Remuneration Policy include:

- the need to attract, retain and motivate executives who have the capability to ensure the Company achieve its strategic objectives;
- the need to ensure that short term benefits and long-term incentive plans are aligned with the interests of shareholders;
- the need to take into account the competitive landscape in the UK and German biotechnology/service industry and current best practice in setting appropriate levels of compensation.
- the Committee to meet at least once per year.

Director's Remuneration
The following table summarises the total gross remuneration for the qualifying services of the directors who served during the year to 31 December 2021.

Directors' remuneration and transactions
The directors' emoluments in the year ended 31 December 2021 were:

	Basic salary 2021 £'000	**National Insurance Contributions 2021 £'000**	**Benefits in kind 2021 £'000**	**Pension Costs 2021 £'000**	**Total 2021 £'000**	Total 2020 £'000
Executive Directors						
Dr M Söhngen	235	23	–	–	258	77
Dr I. Pike	208	27	4	15	254	224
R. Dennis	186	24	–	15	225	184
Non-Executive Directors						
C.D.J. Pearce	80	6	6	–	92	131
R. McDowell	27	3	–	–	30	27
M. Diggle	–	–	–	–	–	–
Dr U. Ney	20	2	–	–	22	21
	756	85	10	30	881	664

REMUNERATION COMMITTEE REPORT

for the year ended 31 December 2021

Directors and their interests

The Directors who served during the year are as shown below:

Dr M Söhngen	Chief Executive Officer
Dr I.H. Pike	Chief Scientific Officer
R. Dennis	Chief Commercial Officer
C.D.J. Pearce	Non-Executive Chairman
R. McDowell	Non-Executive
M. Diggle	Non-Executive
Dr U. Ney	Non-Executive

In accordance with the Company's articles Dr I Pike and M Diggle retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election. The directors at 31 December 2021 and their interests in the share capital of the Company were as follows:

a) Beneficial interests in Ordinary Shares:

Name of Director	**31 December 2021 Number of Ordinary Shares of 1p each**	**% shareholding**
Dr M. Söhngen	–	–
Dr I.H. Pike	165,583	0.05
R. Dennis	625,000	0.21
C.D.J. Pearce	36,915,059	12.53
R. McDowell	3,400,000	1.15
M. Diggle	–	–
Dr U. Ney	–	–

Note

M. Diggle is a Director and partner in Vulpes Investment Management and manages the Vulpes Life Sciences Fund which is the registered holder of 22.30% of Proteome Sciences' ordinary share capital.

b) Directors' interests in the Long-Term Incentive Plan ("LTIP"):

The maximum number of shares to be allocated to the Directors under the 2004 and 2011 LTIP schemes, in each case for an aggregate consideration of £1 are as follows:

		Number at 31 December 2021		Number at 31 December 2020
(i) Dr M. Söhngen	(a)	9,000,000	(b)	–
(ii) Dr I.H. Pike	(a)	2,500,000	(b)	–
(iii) R. Dennis	(a)	2,500,000	(b)	–

The options (a)(i),(ii) and (iii) were awarded to Dr M Söhngen, Dr I Pike, R Dennis on the 8 June 2021.

REMUNERATION COMMITTEE REPORT

for the year ended 31 December 2021

Executive Directors' service contracts
The Executive Directors signed service contracts on their appointment. These contracts are not of fixed duration. Executive Directors' contracts are terminable by either party giving three months' written notice with the exception of the Chief Executive Officer's contract which is terminable by either party giving six month's written notice.

Non-Executive Directors
The Non-Executive Directors signed letters of appointment with the Group for the provision of Non-Executive Directors' services, which may be terminated by either party giving one months' written notice. The remuneration of the Non-Executive Directors is determined by the Board as a whole.

The Committee has met four times during the financial year to 31 December 2021.

Ursula Ney
Chair of the Remuneration Committee

31 March 2022

DIRECTORS' REPORT

for the year ended 31 December 2021

The Directors present their annual report and financial statements for the year ended 31 December 2021. An indication of likely future developments in the business is set out in the Strategic Report.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mariola Söhngen
Ian Pike
Richard Dennis
Christopher Pearce
Roger McDowell
Martin Diggle
Ursula Ney

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Financial instruments and liquidity risks

Information about the use of financial instruments by the Company and its subsidiaries and the Group's financial risk management policies are given in note 24 of the financial statements (page 73).

a) As set out in note 18(b) (i) to (iii) in these financial statements, C.D.J. Pearce has made a loan facility available to the Company which can be converted, at Mr. Pearce's option, into Ordinary Shares of the Company at the lower of market price on the date of conversion or the average price over the lowest consecutive 10 day trading period since 29 June 2006 (the date on which details of the original loan agreement were disclosed). Interest accrues at 2.5% per annum above the UK sterling base rate of Barclays Bank plc.

b) On 2 July 2018, Proteome Sciences plc secured a loan facility of £1.0m from Vulpes Investment Management (VIM). Interest accrues at 2.5% per annum above the UK sterling base rate of Barclays Bank plc and is repayable alongside the principal loan. The Company signed the Second Amendment to the Agreement on the 29 March 2021 which extended the term of the loan to 1 May 2022. On the 17 June 2021 the Loan Agreement was amended to allow for conversion into ordinary shares such that until 30 April 2022, VIM may convert part (being not less than £50,000 or a multiple thereof) or all of the Drawn Loan and accrued interest to 31 December 2020 (being £51,538) into new ordinary shares of the Company. The conversion price is 7.16p per share, which is the average of the closing middle market price for the ordinary shares of the Company during the five consecutive trading days immediately prior to entering into the Loan Amendment. This loan is deemed a related party transaction by nature of a common director being on both the boards of Proteome Sciences plc and VIM. On 30 March 2022, the Company signed the Third Amendment to the VIM Loan Agreement which extended the term of the loan to 30 June 2023.

c) The market price of the Ordinary Shares at 31 December 2021 was 5.13p and the range during the year was 3.5p to 9.9p.

Substantial shareholdings

As at 30 March 2022, the Company had received notification of the following significant interests in the ordinary share capital of the Company:

Name of holder	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
C.D.J. Pearce	36,915,059	12.53
Vulpes Life Science Fund	65,826,157	22.30

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Statement on page 2 and Strategic Report on page 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement on page 43 and in notes 18(b) (Financial liabilities) and 24 (Financial instruments).

These financial statements have been prepared on the going concern basis which remains reliant on the Group achieving an adequate level of sales in order to maintain sufficient working capital to support its activities. The directors have reviewed the Company's and the Group's going concern position, taking account of current business activities, budgeted performance and the factors likely to affect its future development, as set out in the Annual report, and including the Group's objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.

DIRECTORS' REPORT

for the year ended 31 December 2021

In particular, the directors' have considered the potential ongoing impacts of COVID-19 may have on the ability to achieve adequate level of sales.

The COVID-19 pandemic has reached a status where it hits the world in waves, particularly in the colder seasons. The vaccination rates have generally not reached a status to allow herd immunity to develop with the developing countries showing very low vaccination rates. But even in countries with high acceptance of vaccination and resulting high vaccination rates the pandemic waves are continuing on a high level due to the fact that the virus is mutating quickly, and new variants are less likely to be kept under control with the currently available vaccines. The highly contagious omicron variant is the prevalent virus form in Q1 2022. It seems to be a less malignant mutation, but the sheer number of cases bears the risk that the healthcare systems will be overwhelmed by cases plus system relevant parts of our societies (police, health system, fire brigades, schools, water and electricity supply etc) might be severely affected. Every nation is responding differently to these challenges all with one aim: to keep the systems going. Controlling the infection rates does not seem to be possible without better vaccination rates and the development of new vaccines to which the new virus variants would be more sensitive. These activities are ongoing internationally. The expectation of experts is that the development of the pandemic will lead to waves which will show reduced amplitudes over time (as it happened with the influenza outbreaks 100 years ago) and we will move into an endemic situation (as with influenza). This process might still take a couple of years. It is impossible to judge on the impact this will have on our business or businesses in general. The health and safety of our staff remains our highest priority

Despite the continuing effects of COVID-19, Group revenues for the year ended 31 December 2021 increased by 8% to £5.13m (2020: £4.75m). Proteomics services increased 32% to £1.90m (2020: £1.44m). Sales and royalties attributable to TMT® and TMTpro™ reagents were £3.23m (2020: £3.27m). Total costs were £4.72m (2020: £4.20m) and resulted in Operating Profits decreasing by 25% to £0.41m (2020: £0.55m) and a profit after tax of £0.07m (2020: £0.29m). Adjusted EBITDA increased to £1.35m (2020: £0.72m). Cash reserves at the year-end increased to £2.39m (2020: £2.21m)

The Group is also dependent on the unsecured loan facility provided by the Chairman of the Group, which under the terms of the facility, is repayable on demand. The amount owed as of 31 December 2021, including interest, was £10,054k (2020: £9,795k). Further details of this facility are set out in note 18(b) to the financial statements.

The directors have received a legally binding written confirmation from the Chairman that he has no intention of seeking its repayment, with the facility continuing to be made available to the Group, on the existing terms, for at least 15 months from the date of approval of these financial statements or until at least 30 June 2023.

On 29 March 2021, the loan facility with Vulpes Investment Management Private Limited ("VIM") (the "Loan") was amended such that the Loan and all accrued interest is now repayable on 1 May 2022 (previously 1 May 2021). On the 17 June 2021 the Loan Agreement was amended to allow for conversion into ordinary shares such that until 30 April 2022, VIM may convert part (being not less than £50,000 or a multiple thereof) or all of the Drawn Loan and accrued interest to 31 December 2020 (being £51,538) into new ordinary shares of the Company. The conversion price is 7.16p per share, which is the average of the closing middle market price for the ordinary shares of the Company during the five consecutive trading days immediately prior to entering into the Loan Amendment. The amount owed as of 31 December 2021, including interest, was £771k (2020: £751k). The directors have received a legally binding written confirmation from VIM that they will not seek repayment for at least 15 months from the date of approval of these financial statements or until at least 30 June 2023. On 30 March 2022, the Company signed the Third Amendment to the VIM Loan Agreement which extended the term of the loan to 30 June 2023.

DIRECTORS' REPORT

for the year ended 31 December 2021

Following a detailed review of forecasts, budgets, sales order book and with the knowledge of how the Group has traded in the first year post the global pandemic, the directors have a reasonable expectation the Group as a whole, has adequate financial and other resources to continue in operational existence for the period of at least twelve months post approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Events after the balance sheet date

The Company signed the Third Amendment to the Loan Agreement with Vulpes Investment Management on the 30 March 2022 which extended the term of the loan to 30 June 2023.

Research and development

Details of the Group's activities on research and development during the year are set out in the Chief Executive Officer's Statement (page 4) and Strategic Report (page 8).

Auditor

Each of the persons who are directors of the Company at the date when this report was approved confirms that:

- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the director has taken all steps that they ought to have taken as a director to make themself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The directors will place a resolution before the Annual General Meeting to appoint BDO LLP as auditor for the following year.

Liability insurance for Company officers

As permitted by section 233 of the Companies Act 2006, the Company has purchased insurance cover for the directors against liabilities that might arise in relation to the Group.

By order of the Board

5 Dashwood Lang Road
Bourne Business Park
Addlestone
Surrey
KT15 2HJ

V. Birse

Company Secretary

31 March 2022

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

Independent auditor's report to the members of Proteome Sciences plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Proteome Sciences plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting is set out in the key audit matters section below.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	97% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 99% (2020:99%) of Group total assets
Key audit matters	2021 2020 Revenue Recognition ✓ ✓ Going Concern ✓ ✓
Materiality	Group financial statements as a whole £77,000 (2020: £59,000) based on 1.5% (2020: 1.25%) of revenue

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting unit in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results. We identified three individually significant components.

To this extent:

- The Group audit team performed full scope audits for Proteome Sciences plc and its subsidiaries Electrophoretics Limited and Proteome Sciences R&D GmbH & Co. KG; and
- The financial information of the remaining non-significant components was subject to analytical review procedures performed by the Group audit team for Group reporting purposes.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2021

Key audit matter		*How the scope of our audit addressed the key audit matter*
Revenue recognition (Note 3, Note 5 & Note 6)	The key audit matters related to revenue recognition are as follows: • There is a risk that Group's revenue streams have not been recognised appropriately in line with their respective performance obligations (existence and accuracy), and that the revenue policy itself is not in accordance with appropriate accounting standards. • The risk of a material misstatement was focused on checking revenue around the year end, particularly in relation biomarker services recognised in accordance with stage of completion, was accurate.	We assessed whether the revenue recognition policies adopted by the Group comply with accounting standards. We tested each revenue stream including the following: • We verified a sample of biomarker services revenue recognised in the year to underlying agreements, evidence of delivery of the performance obligation and cash receipt from the customer; • We tested a sample of biomarker sales transactions either side of the reporting date and checked that revenue was only recognised at the time the milestone event in the agreement had been achieved; • We agreed a sample of product sales through to supporting sales invoice, delivery order confirmation and cash receipt; • We agreed a sample of royalties recognised through to supporting invoice, external royalty statements and cash receipt; • We checked a sample of revenue transaction amounts recognised in December 2021, January 2022 and February 2022 against the date the performance obligation was satisfied to check that revenue was recorded in the correct period. **Key observations:** Based on the work performed we consider that the Group's revenue recognition accounting policy is appropriate, and that revenue has been recognised in accordance with the Group's revenue policy.

Key audit matter		*How the scope of our audit addressed the key audit matter*
Going concern (Note 3)	The Group and Parent Company are reliant on the continued availability of loans from related parties. The Directors' assessment of going concern involves a number of highly subjective judgements and because of the significance of this matter we determined it to be a key audit matter.	We performed the following procedures: • We analysed management's assessment of going concern based upon the Group's cash flow forecasts through to 30 June 2023. This included assessing and challenging assumptions with reference to historic experience and recent contract wins made in relation to revenues, expenses, and the associated cash flows and any other cash related assumptions. Further, we checked actual results for FY 2021 against budget to review the accuracy of management's historic forecasts and we compared the forecast against available post year-end trading and cash flow results. • We performed sensitivity analyses, and reviewed management's reverse stress testing analysis, to consider cash flow changes if the revenue forecasts were not achieved and the resulting impact on going concern. • We reviewed the terms of the Group and Parent Company's borrowings, including loans from Mr C.D.J Pearce (Chairman and a related party) and Vulpes Investment Management Private Limited (a related party) and checked the confirmations obtained by the Group and Parent Company that these loans will not be recalled within the period to 30 June 2023, including the Directors' conclusion that these confirmations are legally binding. • We made inquiries of the Directors as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern. • We considered whether any post-balance sheet events had occurred, which may impact going concern. • We assessed the adequacy of the disclosures in the financial statements (see note 3) with reference to our knowledge of the business and information obtained in performing our procedures. **Key observations:** Our observations in respect of going concern are set out in the Conclusions relating to going concern section above.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	77,000	59,000	23,000	17,700
Basis for determining materiality	1.5% of group revenue	1.25% of group revenue	30% of Group Materiality	30% of Group Materiality
Rationale for the benchmark applied	Revenue has been determined to be the most relevant performance measure to the stakeholders of the Group given the directors' current focus on revenue growth, The increase of percentage applied against the benchmark is due to the reducing volatility in results.		3.5% of net assets capped at 30% (2020: 30%) of Group materiality given the assessment of aggregation risk	
Performance materiality	54,000	44,000	16,000	12,000
Basis for determining performance materiality	70% of materiality -– this was set with reference to the level of adjustments identified in the prior year, level of sampling work required and the number of components.		70% of parent company materiality – this was set with reference to the level of adjustments identified in the prior year and the level of sampling work required.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £23,000 to £69,000 (2020: £17,700 to £53,100). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,800 (2020: £2,900). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, rules of the London Stock Exchange for companies trading securities on AIM, the Companies Act 2006 and relevant tax compliance regulations.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements and the susceptibility of the entity's financial statements to material misstatement including fraud. As part of planning procedures undertaken and discussions with management, we obtained an understanding of the legal and regulatory framework applicable to the entity. Our tests included, but were not limited to:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, rules of the London Stock Exchange for companies trading securities on AIM, the Companies Act 2006 and relevant tax compliance regulations. We made enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud;
- Our audit planning identified fraud risks in relation to management override of controls and inappropriate or incorrect recognition of revenue (revenue recognition assessed as a Key Audit Matter above) across the Group. We obtained an understanding of the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls; and
- With regards to the fraud risk in management override of controls, our procedures included journal transaction testing, across the group, with a focus on large or unusual transactions based on our knowledge of the business. We also performed an assessment on the appropriateness of key judgements and estimates, for example going concern (the risk associated with going concern has been assessed as a Key Audit Matter above), which are subject to managements' judgement and estimation, and could be subject to potential bias.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were all deemed to have appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Leighton Thomas (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
31 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	5, 6		
Licences, sales and services		5,124	4,712
Grant services		5	41
Revenue – total		5,129	4,753
Cost of sales		(2,169)	(2,168)
Gross profit		2,960	2,585
Administrative expenses		(2,548)	(2,036)
Operating profit	8	412	549
Finance costs	7	(294)	(304)
Profit before taxation		118	245
Tax (charge)/credit	11	(46)	50
Profit for the year		72	295
Profit per share			
Basic	12	0.02p	0.10p
Diluted		0.02p	0.10p

The accompanying notes 1 to 27 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the year	72	295
Other comprehensive income for the year		
Items that will or may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(37)	18
Re-measurements of Defined Benefit Pension Schemes (see note 19)	(22)	(27)
Profit and total comprehensive income for the year	13	286
Owners of parent	13	286

The accompanying notes 1 to 27 are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	13	4,218	4,218
Property, plant and equipment	14	219	58
Right-of-use asset	14	1,050	484
		5,487	4,760
Current assets			
Inventories	16	1,088	878
Trade and other receivables	17(a)	604	788
Contract assets	5	479	457
Cash and cash equivalents	17(b)	2,387	2,210
		4,558	4,333
Total assets		10,045	9,093
Current liabilities			
Trade and other payables	18(a)	(599)	(768)
Contract liabilities	5	(35)	(153)
Borrowings	18(b)	(10,825)	(10,547)
Lease liabilities	26	(260)	(132)
		(11,719)	(11,600)
Net current liabilities		(7,161)	(7,267)
Non-current liabilities			
Lease liabilities	26	(602)	(359)
Pension provisions	19	(499)	(492)
Total non-current liabilities		(1,101)	(851)
Total liabilities		(12,820)	(12,451)
Net liabilities		(2,775)	(3,358)
Equity			
Share capital	20	2,952	2,952
Share premium	22	51,466	51,466
Share-based payment reserve	22	4,193	3,623
Merger reserve	22	10,755	10,755
Translation and others reserve	22	(128)	(91)
Retained loss		(72,013)	(72,063)
Total (deficit)		(2,775)	(3,358)

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 31 March 2022 They were signed on its behalf by:

Dr M. Söhngen Director

Dr I. Pike Director
31 March 2022

The accompanying notes 1 to 27 are an integral part of the financial statements.

COMPANY BALANCE SHEET

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investment in subsidiaries	15	9,035	8,489
		9,035	8,489
Current assets			
Cash and cash equivalents	17(b)	464	406
		464	406
Total assets		9,499	8,895
Current liabilities			
Payables owed to other group entity	18(a)	(696)	(607)
Borrowings	18(b)	(2,460)	(2,397)
Total liabilities		(3,156)	(3,004)
Net assets		6,343	5,891
Equity			
Share capital	20	2,952	2,952
Share premium account		51,466	51,466
Share-based payment reserve		4,193	3,623
Retained loss		(52,268)	(52,150)
Total equity		6,343	5,891

The Company generated a loss for the year ended 31 December 2021 of £0.12m (2020: loss £0.15m).

The financial statements of Proteome Sciences plc, registered number 02879724, were approved by the board of directors and authorised for issue on 31 March 2022. They were signed on its behalf by:

Dr M. Söhngen Director

Dr I. Pike Director
31 March 2022

The accompanying notes 1 to 27 are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Translation reserve £'000	Merger reserve £'000	Retained loss £'000	Equity attributable to owner of the parent £'000	Total (deficit) £'000
At 1 January 2020	2,952	51,466	3,615	(109)	10,755	(72,331)	(3,652)	(3,652)
Profit for the year	–	–	–	–	–	295	295	295
Exchange differences on translation of foreign operations	–	–	–	18	–	–	18	18
Re-measurements of Defined Benefit Pension Schemes	–	–	–	–	–	(27)	(27)	(27)
Profit and total comprehensive income for the year	–	–	–	18	–	268	286	286
Credit to equity for share-based payment	–	–	8	–	–	–	8	8
At 31 December 2020	2,952	51,466	3,623	(91)	10,755	(72,063)	(3,358)	(3,358)
At 1 January 2021	2,952	51,466	3,623	(91)	10,755	(72,063)	(3,358)	(3,358)
Profit for the year	–	–	–	–	–	72	72	72
Exchange differences on translation of foreign operations	–	–	–	(37)	–	–	(37)	(37)
Re-measurements of Defined Benefit Pension Schemes	–	–	–	–	–	(22)	(22)	(22)
Profit and total comprehensive income for the year	–	–	–	(37)	–	50	(13)	(13)
Credit to equity for share-based payment	–	–	570	–	–	–	570	570
At 31 December 2021	**2,952**	**51,466**	**4,193**	**(128)**	**10,755**	**(72,013)**	**(2,775)**	**(2,775)**

The accompanying notes 1 to 27 are an integral part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

Company	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Retained Loss £'000	Total equity £'000
At 1 January 2020	2,952	51,466	3,615	(51,999)	6,034
Loss and total comprehensive income for the year	–	–	–	(151)	(151)
Credit to equity for share-based payment	–	–	8	–	8
At 31 December 2020	2,952	51,466	3,623	(52,150)	5,891
At 1 January 2021	2,952	51,466	3,623	(52,150)	5,891
Loss and total comprehensive income for the year	–	–	–	(118)	(118)
Credit to equity for share-based payment	–	–	570	–	570
At 31 December 2021	**2,952**	**51,466**	**4,193**	**(52,268)**	**6,343**

The accompanying notes 1 to 27 are an integral part of the financial statements.

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

as at 31 December 2021

	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Profit /(loss) after tax		72	295	(118)	(151)
Adjustments for:					
Finance costs	7&18c	294	304	63	65
Depreciation of property, plant and equipment	14	213	165	–	–
Revaluation of lease	26	(28)		–	
Tax charge/(credit)		46	(50)	–	–
Share-based payment expense	21	570	8	–	–
Operating cash flows before movements in Working capital		1,168	722	(55)	(86)
Increase in inventories		(211)	(6)	–	–
Decrease in receivables		163	571	–	–
(Decrease)/Increase in payables		(287)	158	89	140
Increase in provisions		7	88	–	–
Cash generated from operations		840	1,533	34	54
Tax (paid)/received		(46)	50	–	–
Net cash inflow from operating activities		793	1,583	34	54
Cash flows from investing activities					
Purchases of property, plant and equipment	14	(204)	(13)	–	–
Loans advanced to subsidiary undertakings		–	–	24	133
Net cash (outflow)/inflow from investing activities		(204)	(13)	24	133
Financing activities					
Lease payments	18c	(400)	(146)	–	–
Net cash outflow from financing activities		(400)	(146)	–	–
Net increase in cash and cash equivalents		189	1,424	58	187
Cash and cash equivalents at beginning of year		2,210	799	406	219
Effect of foreign exchange rate changes		(12)	(13)	–	–
Cash and cash equivalents at end of year	17b	2,387	2,210	464	406

The accompanying notes 1 to 27 are an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

1 GENERAL INFORMATION

Proteome Sciences plc is a company incorporated in the United Kingdom. These financial statements are the consolidated financial statements of Proteome Sciences plc and its subsidiaries (“the Group”) and the Company financial statements for Proteome Sciences plc (“the Company”). The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2 CHANGES IN ACCOUNTING POLICIES

Adoption of new and revised standards

Proteome Sciences plc has applied the same accounting policies and methods of computation in its financial statements as in its 2020 annual financial statements. No new and revised standards were adopted for the period commencing 1 January 2021.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with, UK adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer’s Statement on page 2 and Strategic Report on page 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement on page 43 and in notes 18(b) (Financial liabilities) and 24 (Financial instruments).

These financial statements have been prepared on the going concern basis which remains reliant on the Group achieving an adequate level of sales in order to maintain sufficient working capital to support its activities. The directors have reviewed the Company’s and the Group’s going concern position, taking account of current business activities, budgeted performance and the factors likely to affect its future development, as set out in the Annual report, and including the Group’s objectives, policies and processes for managing its working capital, its financial risk management objectives and its exposure to credit and liquidity risks.

In particular, the directors have considered the ongoing impacts of COVID-19 may have on the ability to achieve adequate level of sales. The vaccination rates have generally not reached a status to allow herd immunity to develop with the developing countries showing very low vaccination rates. But even countries with high acceptance of vaccination and resulting high vaccination rates the pandemic waves are continuing a high level due to the fact that the virus is mutating quickly, and new variants are less likely to be kept under control with the currently available vaccines. The highly contagious omicron variant is the prevalent virus form in Q1 2022. It seems to be a less malignant mutation, but the sheer number of cases bears the risk that the healthcare systems will be overwhelmed by cases plus system relevant parts of our societies (police, health system, fire brigades, schools, water and electricity supply etc) might be severely affected. Every nation is responding differently to these challenges all with one aim: to keep the systems going. Controlling the infection rates does not seem to be possible without better vaccination rates and the development of new vaccines to which the new virus variants would be more sensitive. These activities are ongoing internationally. The expectation of experts is that the development of the pandemic will lead to waves which will show reduced amplitudes over time (as it happened with the influenza outbreaks 100 years ago) and we will move into an endemic situation (as with influenza). This process might still take a couple of years. It is impossible to judge on the impact this will have on our business or businesses in general. The health and safety of our staff remains our highest priority.

3 SIGNIFICANT ACCOUNTING POLICIES continued

The COVID-19 pandemic continued to impact on face-to-face client meetings even though the majority of our client accounts were back to full time working in their facilities. We also experienced some delays in the availability of samples for analysis primarily due to the pandemic affecting the conduct of on-going clinical trials. Cold chain shipping availability was also a source of some sample delay as capacity was prioritised for COVID related samples and vaccines. Direct marketing in respect to scientific and trade conferences and exhibitions that we use to promote our services to new accounts continued to take the more virtual format but nevertheless, we succeeded to develop both new accounts and to win repeat business from our current and new customers.

Despite the continued backdrop of COVID-19, Group revenues for the year ended 31 December 2021 increased by 8% to £5.13m (2020: £4.75m). Proteomic (biomarker) services increased 32% to £1.90m (2020: £1.44m). Sales and royalties attributable to TMT® and TMTpro™ reagents were £3.23m (2020: £3.27m).

Total costs were £4.72m (2020: £4.20m) and resulted in Operating Profits of £0.41m (2020: £0.55m) and a profit after tax of £72k (2020: £295k). Cash reserves at the year-end increased to £2.39m (2020: £2.21m).

The Group is also dependent on the unsecured loan facility provided by the Chairman of the Group, which under the terms of the facility, is repayable on demand. Further details of this facility are set out in note 18(b) to the financial statements.

The directors have received a legally binding written confirmation from the Chairman that he has no intention of seeking its repayment, with the facility continuing to be made available to the Group, on the existing terms, for at least 15 months from the date of approval of these financial statements or until at least the 30 June 2023.

On 29 March 2021, the loan facility with Vulpes Investment Management Private Limited ("VIM") (the "Loan") was amended such that the Loan and all accrued interest is now repayable on 1 May 2022. On the 17 June 2021 the Loan Agreement was amended to allow for conversion into ordinary shares such that until 30 April 2022, VIM may convert part (being not less than £50,000 or a multiple thereof) or all of the Drawn Loan and accrued interest to 31 December 2020 (being £51,538) into new ordinary shares of the Company. The conversion price is 7.16p per share, which is the average of the closing middle market price for the ordinary shares of the Company during the five consecutive trading days immediately prior to entering into the Loan Amendment. On 30 March 2022, the Company signed the Third Amendment to the VIM Loan Agreement which extended the term of the loan to 30 June 2023.

Following a detailed review of forecasts, budgets, sales order book and with the knowledge of how the Group has traded in the first full year post the global pandemic, the directors have a reasonable expectation the Group as a whole, has adequate financial and other resources to continue in operational existence for the period of at least twelve months past approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the Financial Statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. The Company controls an investee if, and only if the Company has the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

3 SIGNIFICANT ACCOUNTING POLICIES continued

- Exposure of rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

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

Revenue recognition

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

The majority of the Group's revenue is derived from selling TMT® products, end customer sales-based royalties, which are paid on a quarterly retrospective basis, milestone payments for development work and revenue milestone payments.

TMT® product sales

TMT® revenues are recognised at the point at which the customer obtains control of the asset. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. In relation to TMT® product sales this occurs at the point that the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, revenue can be reliably measured and it is probable that the economic benefits will flow to the Company. The standard payment terms for TMT® product invoices are 45 days from receipt.

TMT® royalties

Royalty revenues are recognised on a quarterly basis at the end of each quarter retrospectively as soon as the calculation of the royalty amount is available. Royalties are earned when other parties generate sales that use the Group's TMT® IP. This variable revenue is subject to the sales/usage restriction in IFRS 15 and, as such, it is only recognised when that underlying sale of the third-party product is made. The price is a fixed percentage of the underlying sale and payment is due on a quarterly basis, based on the sales made in that quarter. Royalty payments are received the month following the quarter end.

TMT® revenue milestones

Milestone revenues are due on cumulative sales-related revenues. The milestone revenue is recognised at a point in time when the revenue milestone has been achieved. This is because the milestone revenue is deemed variable consideration and is constrained due to factors outside the Company's influence. There is uncertainty as regards the variable consideration amount.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Biomarker services

Proteomics (biomarker) services represent a third revenue stream for the Group, with revenue recognised typically on an over time basis. Performance obligations are described for larger service orders in the form of work packages, which identify individual deliverable services, and each represent a value on its own to the customer. The nature of the Group's work is that our biomarker contracts create an asset with no alternative use and contracts are worded in such a way that the Group has an enforceable right to be paid for the performance completed to date including an appropriate profit margin. Revenue is recognised over time as the biomarker services are performed. On partially complete biomarker projects, the Group recognises revenue based on stage of completion of the project which is estimated by reviewing the individual deliverable services stipulated in the work package. The stage of completion is estimated based on costs to date over total expected costs. This is considered a faithful depiction of the transfer of services as the contracts are initially priced on the basis of individual work packages and therefore represent the amount to which the Group would be entitled based on its performance to date.

Determining the transaction prices and allocation of amounts to performance obligations

Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. For TMT® products sold there is a fixed unit price, which is applied. For the royalties a percentage charge per product unit sold is fixed and used as the transaction price. Transactions prices for biomarker services and grant services are determined on the basis of contractual agreements within the purchase order / contract with fixed prices stipulated in advance.

For biomarker services revenues the Company does not use any discount or bonus schemes. Revenue is allocated at the transaction price specified in the contract for the individual work orders representing a distinct performance obligation.

The Group does not operate a returns or refunds policy due to the bespoke nature of its products and services.

Research grants

Research grant income is received following the Group reporting the number of working hours carried out on a research project at the allowable rate. Where retention of a grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated income statement.

Leasing

All leases are accounted for by recognising a right-of-use asset and a lease liability except for the UK office.

The rental for the UK office amounted in 2021 to £30k and is not considered a lease under IFRS 16.

In the case of the Group there are two leases recognised under IFRS 16 one for the Frankfurt operation of the Group, which started in August 2019 and ends after 5 years at the end of July 2024. Its asset class is land and building as a rental lease. The second lease is for equipment and the lease commenced on the 1 November 2021 and will end in November 2025. Its asset class is machinery and equipment. It does not contain variable elements or break out options. Similarly, there are no special restoration clauses attached, there are no restrictions or covenants in place and it does not include an option for a sale and lease back transaction.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Information of the right of use asset and its amortisation are disclosed in note 14. Information of future lease payments can be found in note 23 and 26 and about financial commitments and their timing in note 24.

Details of the Group's leases existing at the balance sheet date can be found in note 26.

Foreign Currencies

The individual financial statements of each Group company are prepared in the currency of their primary economic environment in which they operate, their functional currency. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling.

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

Exchange differences arising on the settlement of monetary items, are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains, and losses are recognised directly in equity.

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

Retirement benefit costs

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

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG during financial year 2002, the Group makes contributions in Germany to a funded defined contribution plan and to a funded defined benefit plan. These plans are operated in their entirety by the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG (Hoechst Group), an independent German mutual insurance company which is required to comply with German insurance company regulations.

The schemes' assets are held in multi-employer funds, and the other employers who contribute to the schemes are not members of the Group. The Group has not been able to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly it has also been accounted for as a defined contribution scheme. The Group's contributions to the schemes are included within the amount charged to the income statement in respect of pension contributions. Funding contributions paid by the Group are based on annual contributions determined by Hoechst Group, the administrator for the pension plans. The Group does not have any information about any

3 SIGNIFICANT ACCOUNTING POLICIES continued

deficit or surplus in the defined benefit plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any for the entity.

The Group also has a direct pension obligation (defined benefit obligation) for its German subsidiary for which it provides in full at the balance sheet date. This scheme has no separable assets. The Company uses the projected unit credit method to determine the present value of its unfunded defined benefit obligation.

Taxation

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

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

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

Research and development tax credit

Companies within the Group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits, which means that they are recognised when it is probable that the benefit will flow to the Group and that benefit can be reliably measured. R&D tax credits are measured on a cash basis due to the uncertainty over the amount and timing of receipt. R&D tax credits reduce current tax expense and, to the extent the amounts due in respect of them are not settled by the balance sheet date, reduce current tax payable.

Property, plant and equipment

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

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

Laboratory equipment, fixtures and fittings	20%
Mass spectrometers	33%

3 SIGNIFICANT ACCOUNTING POLICIES continued

Internally-generated intangible assets – research and development expenditure

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

Development expenditure, where it meets certain criteria (given below), is capitalised and amortised on a straight-line basis over its useful life. Asset lives are subject to regular review and an impairment exercise carried out at least once a year.

Where no internally generated intangible asset can be recognised, development expenditure is written-off in the period in which it is incurred.

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

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

The directors do not consider that any Research and Development intangible assets have been created in 2021 or the prior year on the basis that it is uncertain whether the intangible assets will generate future cash flows.

Impairment of tangible and intangible assets excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense through profit or loss.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Any impairment is recognised through the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

The Group classifies its financial assets into one of three measurement categories (fair value through profit or loss, fair value through other comprehensive income or amortised cost) depending on the purpose for which the asset was acquired and the nature of the contractual cash flows. As all of the Group's financial assets are held in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest, all financial assets are measured at amortised cost.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Amortised cost

Financial assets classified under the amortised cost model are Trade and other receivables, Cash and cash equivalents, Trade and other payables and Loans to subsidiaries.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit loss. During this process the probability of the non-payment of the trade receivable is assessed and multiplied by expected amount of credit loss resulting from credit default. The Company has set up a matrix using the time a debtor is overdue as a criterion to determine the default probability using five categories ranging from 0% to 90% probability. Provisions are recorded in a separate provision account and the movements in the ECL provision are recognised in profit or loss. On notice of a realised default the gross carrying amount of the asset is written off against the provision.

The Company's loans to its subsidiaries are interest free and under terms which would technically provide the Company the right to demand immediate repayment. The current financial situation of the subsidiaries is such that they would be unable to repay the amounts due if demanded and, in consequence, they are considered to be credit-impaired and lifetime expected credit losses are recognised. As part of the assessment of the lifetime expected credit losses of these intercompany loan receivables, the directors have considered the cash flows that may be generated from a number of different scenarios, including through an orderly sale of the underlying business.

Contract assets

Contract assets are recognised on the face of the balance sheet and are defined as the right to consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time (for example, the entity's future performance). Contract assets are considered within the expected loss calculation under IFRS 9, but usually do not fulfil the recognition criteria.

Cash and cash equivalents

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

Borrowings

Interest-bearing loans are recorded initially at fair value, net of direct issue costs and subsequently at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material. Further details of the pension provision policy are set out in the paragraph above headed Retirement benefit costs.

3 SIGNIFICANT ACCOUNTING POLICIES continued

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest based on the effect of non-market vesting conditions. Share based payments are recognised as an additional cost of investment in subsidiary undertakings in the Company where the Company issues share options to executives employed by its subsidiaries.

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

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP company specific measure which is considered to be a key performance indicator of the Group's financial performance. Adjusted EBITDA is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, non-recurring costs, and employee share-based payment.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Internally-generated intangible assets – research and development expenditure

The directors do not consider that any Research and Development intangible assets have been created in 2021 or the prior year on the basis that it is uncertain whether the intangible assets will generate future cash flows due to economic feasibility not being established until late in the process.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the fair value less costs to sell the cash-generating units to which goodwill has been allocated. The fair value less costs to sell calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit. As the recoverable amount of goodwill at the balance sheet date exceeded the goodwill amount as shown in the balance sheet of £4.22m an impairment was not undertaken. Details of the estimates used in the calculation are set out in note 13.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY continued

Investments in subsidiary companies

The carrying cost of the Company's investments in subsidiary companies is reviewed at each balance sheet date by reference to the income that is projected to arise therefrom. From a review of these projections the directors have not made a provision against their carrying values as shown in note 15 to the financial statements and the directors therefore believe that the investments concerned will generate sufficient economic benefits to justify their revised carrying values, despite the inevitable uncertainties over timing of the receipt of income and the size of the markets from which income is anticipated.

Leases

Leases accounted under IFRS16 require judgement in respect of interest rates applied. The Group uses the internal rate of return equating to the interest rate agreed for the Group's major loans granted by the shareholders of the Group and considers this to be most appropriated discount rate as the Group does not use other external financing.

Share based payment charge

The award of share options in 2021 resulted in a share based payment charge. The valuation of these options was determined by the Company using the Black Scholes model and applying the parameters in the grant documents of the share option awards. Details of the calculations are set out in note 21.

Pension

The Group operates for its German employees a defined benefit retirement scheme and treats, where appropriate, payments to the scheme similar to payments to a defined contribution scheme. Valuation of the scheme is based on the annual report of an independent actuary. The Group considers this is sufficient to guarantee appropriate valuation of the scheme and to consider all resulting financial liabilities.

5 REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue

Year to 31 December 2021	Biomarker services £'000	TMT Sales £'000	TMT Royalties £'000	Grant income £'000	Total £'000
Primary Geographic Markets					
US	987	1,745	1,483	–	4,215
UK	189	–	–	–	189
EU	517	–	–	5	522
Other	203	–	–	–	203
	1,896	1,745	1,483	5	5,129
Revenue recognised at a point in time	–	1,745	1,483	–	3,228
Revenue recognised over a period	1,896	–	–	5	1,901
	1,896	1,745	1,483	5	5,129

5 REVENUE FROM CONTRACTS WITH CUSTOMERS continued

Disaggregation of Revenue

Year to 31 December 2020	Biomarker services £'000	TMT Sales £'000	TMT Royalties £'000	Grant income £'000	Total £'000
Primary Geographic Markets					
US	810	2,066	1,202	–	4,078
UK	62	–	–	–	62
EU	572	–	–	41	613
	1,444	2,066	1,202	41	4,753
Revenue recognised at a point in time	–	2,066	1,202	–	3,268
Revenue recognised over a period	1,444	–	–	41	1,485
	1,444	2,066	1,202	41	4,753

Contract Balances

	Contract Assets 2021 £'000	Contract Assets 2020 £'000	**Contract Liabilities 2021 £'000**	Contract Liabilities 2020 £'000
At 1 January/accrued in the period	**457**	1,331	**(153)**	(26)
Transfer in the period from contract assets to trade receivables	**(457)**	(1,331)	**–**	–
Amounts included in contract liabilities that were recognised as revenue during the period	**–**	–	**153**	26
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**479**	457	**–**	–
Cash received in advance of performance and not recognised as revenue during the period	**–**	–	**(35)**	(153)
	479	457	**(35)**	(153)

Contract assets

Contract assets and contract liabilities arise from the Group's Biomarker services where contracts may not be completed at the year end and because payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. The Group expects to recognise this revenue in 2022.

Remaining performance obligations

The vast majority of the Group's contracts are for the delivery of goods within the next 12 months for which the practical expedient of IFRS 15 applies.

6 SEGMENT INFORMATION

For executive management purposes, the Group has one reportable segment which is the sale of goods and biomarker services. All revenue from its operations is reported to this one segment and the two income streams form the two categories reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. These two categories are TMT® revenues and Biomarker services and other license income. In identifying the operating segments, management has considered internal reports about components of the Group that are used by the Chief Executive, who is the Chief Operating Decision Maker, to determine allocation of resources and to assess their performance.

Revenues from major products and services

The Group's revenues from its major products and services were as follows:

	2021 £'000	2020 £'000
TMT® revenues	**3,228**	3,268
Biomarker services and other licence income	**1,896**	1,444
Grant income	**5**	41
Total	**5,129**	4,753

Revenues from one customer totalled £3,228k (2020: £3,268k) representing all revenues from the TMT® income stream.

7 FINANCE COSTS

	2021 £'000	2020 £'000
Interest on related party loans (note 18)	**279**	284
Lease Interest	**15**	20
Finance costs	**294**	304

8 OPERATING PROFIT

	2021 £'000	2020 £'000
Operating profit is stated after charging/(crediting):		
Depreciation charge	**213**	165
Research and development costs	**287**	202
Operating lease rentals		
– other	**30**	63
Auditor's remuneration (see below)	**119**	90
Foreign exchange loss/(gain)	**105**	(55)
Net increase in inventories	**211**	6

The analysis of auditor's remuneration is as follows:

Fees payable to the Company's auditor for the audit of the Company's annual accounts	**87**	61
Fees payable to the Company's auditor for other services to the Group		
– The audit of the Company's subsidiaries pursuant to legislation	**3**	2
Total audit fees	**90**	63
Tax compliance services	**29**	27
Total non-audit fees	**29**	27
Total fees	**119**	90

8 OPERATING PROFIT continued

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP company specific measure which is considered to be a key performance indicator of the Group's financial performance. Adjusted EBITDA is calculated as operating profit before depreciation (including right-to-use assets amortisation), amortisation, non-recurring costs, and employee share-based payment.

As these are non-GAAP measures, they should not be considered as replacements for IFRS measures. The Group's definition of these non-GAAP measures may not be comparable to other similarly titled measures reported by other companies.

	£'000	£'000
Operating profit	412	549
Depreciation	40	33
Depreciation on leases	173	134
EBITDA	626	716
Other non-cash items- Share based payments (see note 21)	570	8
Non-recurring costs (cash relevant)	159	–
Adjusted EBITDA	1,355	724

Non-recurring costs relate to professional services costs associated with the assessment of strategic options in the year (2020: £nil).

9 STAFF COSTS

The Group average monthly number of employees (including executive directors) was:

	2021 Number	2020 Number
Research and development	**21**	19
Administration	**6**	5
	27	24

Their aggregate remuneration (including that of executive directors) comprised:

	£'000	£'000
Wages and salaries	**1,958**	1,673
Social security costs	**333**	300
Other pension costs	**136**	174
Share based payments	**570**	8
	2,997	2,155

No staff costs are incurred in the parent company, Proteome Sciences Plc.

10 DIRECTORS' REMUNERATION AND TRANSACTIONS

The directors' emoluments in the year ended 31 December 2021, were:

	Basic salary 2021 £'000	National Insurance Contributions 2021 £'000	Benefits in kind 2021 £'000	Pension Costs 2021 £'000	Total 2021 £'000	Total 2020 £'000
Executive Directors						
Dr M Söhngen	235	23	–	–	258	77
Dr I. Pike	208	27	4	15	254	224
R. Dennis	186	24	–	15	225	184
Non-Executive Directors						
C.D.J. Pearce	80	6	6	–	92	131
R. McDowell	27	3	–	–	30	27
M. Diggle	–	–	–	–	–	–
Dr U. Ney	20	2	–	–	22	21
Total	756	85	10	30	881	664

(i) The remuneration of the executive directors is decided by the Remuneration Committee.

(ii) Aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for Ordinary Shares in the Company granted to or held by the directors.

(iii) Details of the options in place and of awards under the Company's Long-Term Incentive Plan are given in note 21.

(iv) The number of directors in pension schemes is as follows:

	2021	2020
Defined contribution pension schemes	2	2

Pension costs in the year ended 31 December 2021 were as follows:

	2021 £'000	2020 £'000
Dr I. Pike	15	16
R. Dennis	15	13
	30	29

Directors' transactions

(a) Other than as disclosed note 18(b) no director had a material interest in any contract of significance with the Company in either year.

(b) C.D.J. Pearce has a consultancy agreement with the Company at a rate of £70,000 per annum; this amount is included in the salary of £80,000 noted above. The balance of the fees relating to the consultancy agreement at the year end was £280k (2020: £321k). This decrease during the year represents the charge for consultancy during the year. According to terms the consultancy agreement ended in May 2021.

11 TAX

Tax (charge)/credit on profit before taxation on ordinary activities

The Group is entitled to make claims for UK tax credit income on qualifying R&D expenditure each year under the Corporation and Taxes Act 2009. As an SME qualifying entity, tax credits can be claimed in respect of the tax effect of tax losses generated from qualifying R&D expenditure. From 2018 the Group recognised R&D tax claims on a receipt basis.

	2021 £'000	2020 £'000
UK Corporation tax	–	–
Overseas tax charge	(46)	(90)
Group tax charge for the year	(46)	(90)
R&D tax credit received	–	140
Group tax (charge)/credit for the year	(46)	50

The UK Corporation tax credit relates to research and development tax credits claimed under the Corporation Taxes Act 2009.

At 31 December 2021 there were gross tax losses available for carry forward of approximately £44.8m (2020: £45.7m)

The tax credit and trading losses to be carried forward for the year are subject to the agreement of HM Revenue & Customs.

Factors affecting the tax credit for the year

R&D tax credit entitlements are lower than in the previous year, due to the stronger commercial focus of the Company's research services revenue stream. As such the Company has not recognised any tax credit in respect of 2021. The differences are explained below:

	2021 £'000	2020 £'000
Profit before tax	118	245
Income tax credit calculated at 19.00% (2020: 19.00%)	(22)	(47)
Effects of:		
Fixed asset timing differences	(8)	(11)
Unrecognised tax losses carried forward	30	58
Effect of overseas tax	(46)	(90)
R&D tax received	–	140
	(46)	50

Tax Unrecognised deferred tax	2021 £'000	2020 £'000
The following deferred tax assets have not been recognised at the balance sheet date:		
Tax losses	11,190	7,774
Depreciation in excess of capital allowances	8	1
Provisions	–	2
Total	11,198	7,777

The deferred tax assets have not been recognised as the directors are uncertain of their recovery. The assets will be recovered if the Group makes sufficient taxable profits in the future against which losses can be utilised.

12 PROFIT PER ORDINARY SHARE

The calculations of basic and diluted loss per ordinary share are based on the following losses and numbers of shares.

	Basic and Diluted	
	2021	2020
	£'000	£'000
Profit for the financial year	**72**	295

	2021 Number of shares	2020 Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share:	**295,182,056**	295,182,056
Weighted average number of ordinary shares and outstanding options for the purposes of calculating diluted earnings per share:	**301,850,775**	295,182,056

The profit attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are not identical to those used for basic earnings per ordinary share. This is because the options are in the money from the vesting date of the 15 September 2021 onwards and are therefore dilutive as of 31 December 2021.

The weighted average number of ordinary shares outstanding was calculated applying the treasury stock method to an amount of 14.3m shares options which were in the money (see note 21 on page 69) on the 31 December 2021.An average share price for 2021 of 5.522 p per share added by the outstanding service amounts for these options and resulting in a number of shares of 6,668,719 added to the existing issued share stock for the purpose to calculate the diluted EPS. A number of 714.000 shares were not considered in the calculation of the weighted number of outstanding shares used for the diluted EPS calculation as these options were at the 31 December 2021 not dilutive.

13 GOODWILL

	Goodwill £'000
Cost and carrying amount	
1 January 2021 and 31 December 2021	4,218

The Group comprises a single CGU, which comprises the business carried out by Electrophoretics Limited and Proteome Sciences R&D GmbH & Co KG. For the purpose of testing goodwill, the recoverable value of the CGU is determined from fair value less estimated costs of disposal. In assessing the fair value of the CGU, management and the directors have considered and assessed the following evidence:

As at 31 December 2021, the market capitalisation for the Group was £15.1m based on the quoted share price of the Company of 5.13p per ordinary share.

The directors have concluded that based on the above, recoverable value (on a fair value less cost to sell basis) of the goodwill exceeds the carrying value of the goodwill at 31 December 2021.

14 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSET

Property, plant and equipment comprise laboratory equipment, fixtures and fittings and motor vehicles held by and equipment on loan to the Group. The movement in the year was as follows:

	Laboratory Equipment £'000	Right of use Asset Building £'000	Right of use Asset Equipment £'000	Total £'000
Cost				
1 January 2020	2,344	633	–	2.977
Exchange adjustments	79	37	–	116
Additions during the year	13	–	–	13
Disposals during the year	(607)	–	–	(607)
31 December 2020	1,829	670	–	2,500
1st January 2021	1,829	670	–	2,500
Exchange adjustments	(52)	(43)	(4)	(100)
Additions during the year	204	28	762	994
Disposals during the year	(495)	–	–	(495)
31 December 2021	1,486	655	758	2,899
Depreciation				
1 January 2020	2,269	52	–	2,321
Exchange adjustments	75	1	–	76
Charge for the year	32	133	–	165
Depreciation relating to disposals	(605)	–	–	(605)
At 31 December 2020	1,771	186		1,958
At 1 January 2021	1,771	186	–	1,958
Exchange adjustments	(48)	3	(1)	(47)
Charge for the year	40	141	32	213
Depreciation relating to disposals	(495)	–	–	(495)
At 31 December 2021	1,268	330	31	1,629
Net book value				
At 1 January 2021	58	484	–	542
At 31 December 2021	219	325	726	1,270

In August 2019 the Group entered into in a 5-year lease contract for the Frankfurt operation, which is due to finish in July 2024.

15 INVESTMENT IN SUBSIDIARIES

Company	Cost of shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
At 1 January 2020	112	8,501	8,613
Share based payment expense	8	–	8
Repayment of loan by subsidiary	–	(133)	(133)
At 31 December 2020	121	8,368	8,489
At 1 January 2021	121	8,368	8,489
Share based payment expense	570	–	570
Repayment of loan by subsidiary	–	(24)	(24)
At 31 December 2021	691	8,344	9,035

(i) The increase in the cost of shares in subsidiary undertakings of £570k (2020: £8k) represents a capital contribution between the Company and certain of its subsidiaries, reflecting the provision of equity instruments in the Company to subsidiary company employees.

(ii) The decrease in loans to subsidiary companies in 2021 of £24k (2020: £133k) arose from the return of funds by the Company's trading subsidiary.

(iii) The Company's loans to its subsidiaries are interest free and under terms which would technically provide the Company the right to demand immediate repayment. The current financial situation of the subsidiaries is such that they would be unable to repay the amounts due if demanded and, in consequence, they are considered to be credit-impaired and lifetime expected credit losses are recognised. As part of the assessment of the lifetime expected credit losses of these intercompany loan receivables, the directors have considered the cash flows that may be generated from a number of different scenarios, including through an orderly sale of the underlying business.

The Company's loans to subsidiaries were assessed as credit impaired at the date of initial application of IFRS 9, 1 January 2018, and again at the current year-end. As a consequence of the improved financial situation of the subsidiaries no further impairment in 2020 and 2021 were undertaken. Paragraphs (i) and (ii) above provide a reconciliation of movements in relation to the carrying value of the investments at year-end.

The carrying amount of the Company's loans to subsidiaries was £8,344k (1 January 2020: £8,368k).

15 INVESTMENT IN SUBSIDIARIES continued

Company investments

The Company has investments in the following subsidiary undertakings, which contribute to the net assets of the Group:

Subsidiary undertakings	Country of incorporation and operation	Principal activity	Description and proportion of shares held by the Company	Group
Proteome Sciences R&D Verwaltungs GmbH	Germany	Administrative Company	100% Share Capital	100% Share Capital
Proteome Sciences R&D GmbH & Co. KG	Germany	Research Company	100% Partnership Interest	100% Partnership Interest
Proteome Sciences, Inc.	U.S.A.	Research Company	100% Common Stock	100% Common Stock
Electrophoretics Limited	United Kingdom	Administrative and Research Company	100% Ordinary Shares	100% Ordinary Shares
Veri-Q Inc.	U.S.A.	Research Company	76.9% Common Stock	76.9% Common Stock
Phenomics Limited	United Kingdom	Dormant	100% Ordinary Shares	100% Ordinary Shares

(i) The investments in Proteome Sciences, Inc., Electrophoretics Limited and Phenomics Limited comprise the entire issued share capital of each subsidiary undertaking and carry 100% of the voting rights.

The registered offices of the companies above are:

Proteome Sciences R&D Verwaltungs GmbH, Proteome Sciences R&D GmbH & Co. KG, -

Altenhöferallee 3, 60438 Frankfurt am Main, Germany

Proteome Sciences plc, Electrophoretics Limited and Phenomics Limited, 5 Dashwood Lang Road, Bourne Business Park, Addlestone, Surrey KT15 2HJ UK

Proteome Sciences Inc PO Box 2767 Humble, Texas, 77347. USA

Veri-Q Inc 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808-1645, USA

16 INVENTORIES

	Group 2021 £'000	Group 2020 £'000
Work-in-progress	368	161
Finished goods	720	717
	1,088	878

17 OTHER CURRENT ASSETS

(a) Trade and other receivables

	Group 2021 £'000	Group 2020 £'000
Trade receivables	473	685
Less: provision for impairment of trade receivables	(25)	(13)
Trade receivables – net	448	672
Other Debtors	53	63
Prepayments	103	53
Total	604	788

At 31 December 2021 the lifetime expected loss provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	More than 364 days past due	Total £'000
Expected loss rate %	0	10	15	–	–	
Gross carrying amount	247	180	46	–	–	473
Loss provision	–	18	7	–	–	25

At 31 December 2020 the lifetime expected loss provision for trade receivables is as follows:

	Current	More than 30 days past due	More than 90 days past due	More than 270 days past due	More than 364 days past due	Total £'000
Expected loss rate %	0%	10 %	15%	60%	90%	
Gross carrying amount	555	130	–	–	–	685
Loss provision	–	13	–	–	–	13

As at 31 December 2021 trade receivables of £226,002 (2020: £130,085) were past due and partially impaired.

The main factors considered by the finance function in determining that the amounts due are impaired are the length of time outstanding and additionally background information provided by the sales and production department.

The maturity profile of any due debt is presented below.

	2021 £'000	2020 £'000
0 to 3 months	426	130
3 to 9 months	46	–
9 to 12 months	–	–
> 12 months	–	–

17 OTHER CURRENT ASSETS continued

(b) Cash and cash equivalents

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Cash and cash equivalents	2,387	464	2,210	406

The directors consider that the carrying amount of trade receivables and cash and cash equivalents approximates their fair value.

18 FINANCIAL LIABILITIES

(a) Trade and other payables

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Due within one year				
Trade and other payables	375	–	519	–
Accruals	224	–	249	–
Payables due to group entities	–	696	–	607
	599	696	768	607

Trade creditors and other payables principally comprise amounts outstanding for trade purchases and continuing costs. The average credit period taken for trade purchases is between 30 and 45 days. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The directors consider that the carrying amount of trade payables approximates to their fair value.

(b) Short term borrowings

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Loans from related parties	10,825	2,460	10,547	2,397

The directors consider that the carrying amount of borrowings approximates to their fair value.

Note:

(i) The loan from related parties includes a loan of £10,054k (2020: £9,795k) including interest, represents a loan from Mr C. D. J. Pearce, Non-Executive Chairman of the Company. The loan is secured by a fixed charge over the Company's patent portfolio and a floating charge over the Company's inventory. The loan bears interest at 2.5% above the base rate of Barclays Bank plc. Interest accrued on the loan was £258k for the FY2021 (2020: £266k). Loan amounts representing £5m may be converted into ordinary share capital at the option of Mr Pearce at the lower of market price on the date of conversion or the average price over the lowest consecutive ten day trading period since 29 June 2006. The conversion option is immaterial to the financial statements. The balance owed by the Group was £10,054k (2020: £9,795k) of which £1,688k is owed by the Company (2020: £1,645k).

18 FINANCIAL LIABILITIES continued

The loan is repayable on seven days' notice, or immediately in the event of:

(a) A general offer to the shareholders of the Company being announced to acquire its issued share capital, or

(b) The occurrence of any of the usual events of default attaching to this sort of agreement.

The Company has received a legally binding written confirmation from Mr Pearce that he will not seek repayment for 15 months from signing of these financial statements or until at least 30 June 2023.

(ii) On 2 July 2018, Proteome Sciences plc secured a loan facility of £1.0m from Vulpes Investment Management (VIM). Interest accrues at 2.5% per annum above the UK sterling base rate of Barclays Bank plc and is repayable alongside the principal loan. The Company signed the First Amendment to the Agreement on the 17 April 2020 which extended the term of the loan to 1 May 2021. On 29 March 2021, the loan facility with Vulpes Investment Management Private Limited ("VIM") (the "Loan") was amended such that the Loan and all accrued interest is now repayable on 1 May 2022 (previously 1 May 2021). On the 17 June 2021 the Loan Agreement was amended to allow for conversion into ordinary shares such that until 30 April 2022, VIM may convert part (being not less than £50,000 or a multiple thereof) or all of the Drawn Loan and accrued interest to 31 December 2020 (being £51,538) into new ordinary shares of the Company. The conversion price is 7.16p per share, which is the average of the closing middle market price for the ordinary shares of the Company during the five consecutive trading days immediately prior to entering into the Loan Amendment. On 30 March 2022, the Company signed the Third Amendment to the VIM Loan Agreement which extended the term of the loan to 30 June 2023.

This loan is deemed a related party transaction by nature of a common director being on both the boards of Proteome Sciences plc and Vulpes Investment Management. At 31 December 2021 amounts drawn down and owed by the Company were £700k, and interest of £71k was accrued (2020: loan £700k, interest £51k).

(iii) The amounts shown above as outstanding under short term for both loans include accrued interest.

(c) Changes in liabilities arising from financing activities

Group

Note supporting the cash flow statement - movement in net debt

	1 January 2021 £,000	Cash Flow £,000	Non-cash addition £,000	Interest accruing in the period £,000	Foreign exchange £,000	31 December 2021 £,000
Short term borrowings	10,547	–	–	278	–	10,825
Lease Liabilities	491	(400)	784	16	(28)	862
Total	11,037	(400)	784	294	(28)	11,687

18 FINANCIAL LIABILITIES continued

Company

Note supporting the cash flow statement – movement in net debt

	1 January 2021 £,000	Cash Flow £,000	Interest accruing in the period £,000	31 December 2021 £,000
Short term borrowings	2,397	–	63	2,460
Total	2,397	–	63	2,460

Group

Note supporting the cash flow statement - movement in net debt

	1 January 2020 £,000	Cash Flow £,000	Non-cash addition £,000	Interest accruing in the period £,000	Foreign exchange £,000	31 December 2020 £,000
Short term borrowings	10,262	–	–	284	–	10,547
Lease Liabilities	584	(146)	–	20	33	491
Total	10,846	(146)	–	304	33	11,037

Company

Note supporting the cash flow statement – movement in net debt

	1 January 2020 £,000	Cash Flow £,000	Interest accruing in the period £,000	31 December 2020 £,000
Short term borrowings	2,331	–	65	2,397
Total	2,331	–	65	2,397

19 PENSION PROVISIONS

Group	2021 £'000	2020 £'000
At 1 January	**492**	403
Additional provision in the year	**39**	89
Exchange movement	**(32)**	–
At 31 December	**499**	492

(i) Pension Provision

The pension provision relates to pension costs which may become payable in connection with the Group's Frankfurt employees, under the pension scheme arrangements set out in note 19 (iii). This provision will be utilised as members of the scheme reach retirement age and draw down their pensions.

(ii) Pension arrangements

As a result of the acquisition of Proteome Sciences R&D Verwaltungs GmbH and Proteome Sciences R&D GmbH & Co KG from Aventis Research & Technologies GmbH & Co KG, the Group makes contributions in Germany to a funded defined contribution plan and to a funded defined benefit plan. These plans are operated in their entirety by the Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG (Hoechst Group), an independent German mutual insurance company, which is required to comply with German insurance company regulations.

The schemes assets are held in multi-employer funds and the other employers who contribute to the schemes are not members of the Group. The Group has not been able to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly it has also been accounted for as defined contribution scheme. The Group's contributions to the scheme are included within the amount charged to the income statement in respect of pension contributions.

Funding contributions paid by the Group are based on annual contributions determined by Hoechst Group, the administrator for the pension plans. For the year ending 31 December 2021, funding contributions payable by the Group are based on employee contributions at the rate of 1.5 % - 2.5% (2020:1.5% - 2.5%) of wages and salaries and employer contributions at the rate of 6 times (2020: 6 times) employee contributions. The Company expects pension costs for 2022 in relation to the defined benefit scheme of £40,742 (2020: £25,159).

The amount charged to the income statement in respect of the contributions to the scheme in 2021 was £100,300 (2020: £136,496).

As at 31 December 2021, an actuarial deficit did not exist for the multi-employer scheme. The Group's contributions to the scheme during 2021 represented 0.05% of total contributions to the scheme by employers and employees (2020: 0.01%). Under the terms of the multi-employer plan, the Group's obligations are limited to the original promise/commitment that it has given to its own employees. The Group does not have an exposure to liability in relation to other third-party employers' obligations. The Group does not have any information about how the actuarial status of the plan may affect the amounts of future contributions to the plan.

19 PENSION PROVISIONS continued

The Group also has a direct pension obligation for which it provides in full at the balance sheet date. This scheme has no separable assets. The Company uses the projected unit credit method to determine the present value of its unfunded defined benefit obligation. Demographic assumptions are based on Prof. Klaus Heubeck's mortality table "Richttafeln 2005 G", the standard German actuarial table, with full recognition for fluctuations in mortality rates on account of gender and current age. Pensionable age has been set at 60.

The Company has applied a discount rate for the year of 1.2% (2020: 0.7%). The Company has assumed an income increase of 2.5% (2020: 2.25%) and German inflation of 2.0 % (2020: 1.5%).

Provisions for future unfunded pension liabilities at 31st December 2021 amounted to £498,687 (2020: £491,743). Amounts recognised through the consolidated income statement for the year to 31st December 2021 included service costs of £14,697 (2020: £35,892), interest costs of £3,218 (2020: £4,243) and an actuarial loss of £21,511 (2020: £26,939) excluding any exchange effects.

Other pension costs in relation to defined contribution schemes for United Kingdom employees amounted to £35,458 (2020: £38,682).

20 SHARE CAPITAL

	2021 **£'000**	2020 £'000
(i) Allotted and called-up		
Ordinary Shares of 1p each	**2,952**	2,952

The number of shares in issue in 2021 was:

	2021 **Number**	2020 Number
As at 1 January 2021 and 31 December 2021	**295,182,056**	295,182,056

21 SHARE OPTIONS AND SHARE BASED PAYMENTS

(i) Options

Options under the schemes noted below may be exercised from the date on which any shares in the Company are first admitted to the Official List of the London Stock Exchange.

(ii) 2011 Long-Term Incentive Plan ("LTIP")

At 31 December 2021, the maximum number of the Company's Ordinary Shares of 1p each to be potentially allocated or issued under the LTIP was as follows:

Number at 31 Dec 2020	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31 Dec 2021	Number of Options	Vesting Date	Latest Exercise Date
–	9,000,000	–	–	9,000,000	3,000,000	15 September 2021	8 June 2031
					3,000,000	15 September 2022	8 June 2031
					3,000,000	15 September 2023	8 June 2031
–	2,500,000	–	–	2,500,000	1,000,000	15 September 2021	8 June 2031
					1,000,000	15 September 2022	8 June 2031
					500,000	15 September 2023	8 June 2031
–	2,500,000	–	–	2,500,000	1,000,000	15 September 2021	8 June 2031
					1,000,000	15 September 2022	8 June 2031
					500,000	15 September 2023	8 June 2031
–	100,000	–	–	100,000	100,000	8 June 2024	8 June 2031
–	100,000	–	–	100,000	100,000	8 June 2024	8 June 2031
–	100,000	–	–	100,000	100,000	8 June 2024	8 June 2031
–	14,300,000	–	–	14,300,000			

At 31 December 2020, the maximum number of the Company's Ordinary Shares of 1p each to be potentially allocated or issued under the LTIP was as follows:

Number at 31 Dec 2019	Awarded in the year	Exercised in the year	Lapsed in the year	Number at 31 Dec 2020	Vesting Date	Latest Exercise Date
4,000,000	–	–	4,000,000	–	1 June 2019	3 April 2027
5,000,000	–	–	5,000,000	–	1 June 2019	3 April 2027
7,000,000	–	–	7,000,000	–	3 April 2020	3 April 2027
16,000,000	–	–	16,000,000	–		

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

(iii) 2011 Share Option Plan

At 31 December 2021 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of shares	Amount of Capital (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
63,000	630	36.50	17.2.15	17.2.15 – 17.2.22
43,000	430	49.87	25.6.16	25.6.16 – 25.6.23
48,000	480	16.75	18.3.19	18.3.19 – 18.3.26
560,000	5600	7.83	8.6.24	8.6.24 -8.6.31
714,000	7,140			

At 31 December 2020 options had been granted and were still outstanding in respect of the Company's Ordinary Shares of 1p each under the Company's 2011 Share Option Plan as follows:

Number of shares	Amount of Capital (£)	Exercise Price (p)	Vesting Date	Dates Exercisable
73,000	730	36.50	17.2.15	17.2.15 – 17.2.22
43,000	430	49.87	25.6.16	25.6.16 – 25.6.23
48,000	480	16.75	18.3.19	18.3.19 – 18.3.26
164,000	1,640			

The Company issues equity-settled share-based payments under the 2011 Share Option Plans. The vesting period is three years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are usually forfeited if the employee leaves the Group before the options vest.

At the 31 December 2021, awards over 154,000 shares (2020: 164,000) had vested and were capable of exercise.

A Long-Term Incentive Plan was introduced in 2011. Awards made during the year are stated in note 21(ii) and are on the condition of continued employment. Any exercised options are settled by the Company issuing shares. As a result of the awards a charge to the income statement of £570k, (2020: £8k) was recognised during the year in respect of all schemes. The 2011 Plans closed in July 2021 and no further awards will be made under that scheme.

A new Long-Term Incentive Plan was introduced in 2021.

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

Before awards vest the Remuneration Committee will satisfy itself that the TSR performance is a genuine reflection of the Company's underlying performance over the three-year performance period.

	2011 Share Option Plan	
	Options	Weighted average exercise price (p)
Outstanding at 1 January 2020	164,000	34.23
Granted in the year	–	–
Forfeited during the year	–	–
Outstanding at 31 December 2020	164,000	34.23
Granted in the year	560,000	7.83
Lapsing in the year	10,000	36.50
Outstanding at 31 December 2021	714,000	34.01
Exercisable at 31 December 2021	154,000	34.01
Exercisable at 31 December 2020	164,000	34.23

	2011 LTIP	
	Maximum Number of Shares	Weighted average fair value per share (p)
Outstanding at 1 January 2020	–	–
Granted in the year	–	–
Lapsing in the year	–	–
Outstanding at 31 December, 2020	–	–
Granted in the year	–	–
Lapsing in the year		
Outstanding at 31 December, 2021	14,300,000	1.00
Exercisable at 31 December, 2021	5,000,000	1.00
Exercisable at 31 December, 2020	–	–

The options outstanding at 31st December 2021 had a weighted average remaining contractual life as follows:

	2021 No. of months	2020 No. of months
2011 Share Option Plan	93	46.8
LTIP	113	87.0

21 SHARE OPTIONS AND SHARE BASED PAYMENTS continued

The inputs into the Black-Scholes model were:

	2021	2020
Weighted average share price	7.80p	4.9p
Weighted average exercise price	1.59p	4.9p
Expected volatility	86.02% - 56.05%	63.56% - 56.05%
Expected life	9 years	4 years
Risk free rate	1.13% - 0.01%	1.13% - 0.15%

Notes

(i) Expected volatility is a measure of the tendency of a security price to fluctuate in a random, unpredictable manner and is determined by calculating the historical volatility of the Company's share price over the previous years.

(ii) The expected life has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(iii) The Company has used the Monte Carlo model to value the LTIP awards granted before 2021, which simulates a wide range of possible future share price scenarios and calculates the average net present value of the option across those scenarios and which captures the effect of the market-based performance conditions applying to such awards.

For the LTIP awards granted during 2021 the Black Scholes model was used as there was only one performance condition attached.

22 RESERVES DESCRIPTION AND PURPOSE

Share premium

Amount subscribed for share capital in excess of nominal value.

Translation reserve

Gains/losses arising on retranslating the net assets of overseas operations into Sterling.

Retained earnings

All other net gains and losses and transactions with owners (e.g., dividends) not recognised elsewhere.

Share based payment Reserve

The amounts transferred to the Equity Reserve are for charges recognised in respect of the requirements of IFRS 2 "Share-based payments".

Merger Reserve

The merger reserve arose in the period to the 11 November 1994 and represented the premium on the allotment of new ordinary shares issued in a share exchange agreement entered into by the shareholders of Monoclonetics International Inc, (now Proteome Sciences Inc.).

23 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Operating lease arrangement

The Group leases one office space on a short-term operating lease which renews on a six monthly basis ending in May 2021 and there is no control over the asset. The Group pays insurance, maintenance and repairs of this property.

At the balance sheet date 31 December 2021, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Within 1 year	4	4	27	27
Within 2-5 years	–	–	–	–
> 5 years	–	–	–	–
	4	4	27	27

24 FINANCIAL INSTRUMENTS

Capital risk management

The Group monitors "adjusted capital" which comprises all components of equity (i.e., share capital, share premium translation reserve and merger reserve, retained earnings, and revaluation reserve).

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group does not pay dividends to shareholders.

Due to recent market uncertainty the Group's strategy is to preserve a strong cash base and to maintain a positive cash flow for at least 15 months in advance.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly management reports from the Group's finance function and bi-monthly cash flow calculations through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The capital structure of the Group consists of the financial instruments listed below which determine the financial risk and an according risk management.

24 FINANCIAL INSTRUMENTS continued

Financial instruments for the Group comprise:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowing from major investors of the Company at floating rate
- Leases liability

For the Company:

- Cash and cash equivalents
- Investment in quoted and unquoted securities
- Borrowing from major investors of the Company at floating rate

Categories of financial instruments

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Financial assets				
Cash and cash equivalents*	2,387	464	2,210	406
Trade and other receivables *	503	–	735	–
Total financial assets	2,890	464	2,945	406
Financial liabilities				
Trade and other payables and accruals*	(634)	–	(921)	–
Short-term borrowings*	(10,825)	(2,460)	(10,547)	(2,397)
Lease liabilities	(862)	–	(491)	–
Total financial liabilities	(12,321)	(2,460)	(11,959)	(2,397)

The described financial instruments are measured applying the following methodologies:

* measured at amortised cost through the consolidated income statement

The Group is exposed to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price risk
- Liquidity risk

24 FINANCIAL INSTRUMENTS continued

Credit risk

Group

Electrophoretics Limited, the main trading company in the Group, has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers as deemed necessary based on the nature of the prospective customer and size of order.

To minimize any credit risk upfront payment for service orders are requested when they require larger pre-financing of consumables needed for order fulfilment. Further for any larger service orders interim payments are requested based on work order related performance obligations. The overall structure of our client base with the majority being B2B and to a lesser extent institutional customers like universities or state funded research institutions minimizes credit risk as well.

For trade receivables and other receivables further explanation and calculation of ECL (Expected credit loss) provisions relating to credit risk are presented in note 17.

At the reporting date, the largest exposure was represented by the carrying value of trade receivables and contract assets of £1.08m (2020: trade receivables and contract assets £1.24m). A minor provision for impairment was recognised for 2021 £25k (2020: £13k) on the basis that the Company's customers are typically large companies and there is a long-standing relationship and history of payment by customers so there is a very low history of credit defaults. The Group does have significant concentrations of credit risk on its trade receivables, with the largest debtor/contracted asset amounting to £479k (2020: £552k).

Credit risk arising from cash and cash equivalents held with banking institutions is controlled by using only good rated Institutions as presented in the table. Nevertheless, the economic challenges created by global events such as the COVID-19 pandemic and the Russian-Ukraine conflict might result in a strain on the liquidity of the individual banking institutions. As such the company follows the developments in the financial markets closely. As a consequence, a more even allocation of funds between the different banks might be adopted and we will consider reallocation of funds to better rated institutions in case of larger changes in credit rating by more than one of the big credit rating agencies (such as Moody's, S&P, Fitch). Due to fluctuating cash flows we inevitably need to hold a larger amount of cash deposits to fund the operational business requirements and only limited risk mitigation is possible here.

	Group 2021 £'000	Company 2021 £'000	Group 2020 £'000	Company 2020 £'000
Barclays plc	2,182	464	2,005	406
Commerzbank AG	201	–	200	–
Other	5	–	5	–
	2,387	464	2,210	406

24 FINANCIAL INSTRUMENTS continued

Company

The Company is exposed to credit risk on loans provided to related parties. At the reporting date, the largest exposure was represented by the carrying value of loans to Proteome Sciences R&D GmbH & Co. KG of £8.0m. At 31 December 2021, the carrying value of loans owed by Electrophoretics Limited to the Company was £0.38m (2020: £0.5m), of loans owed by subsidiaries to the Company was £8.4m (2020: £8.5m). Refer to Note 15 for further detail.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below).

Fair value and cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from long term borrowings. The level of borrowings is determined by the capital requirements of the Group as it was operational in a net cash outflow position. As such usual gearing ratios to assess debt risk levels are not applicable.

Borrowings are managed centrally under direct involvement and supervision of the Board. All borrowings are in the functional currency of the Group.

Interest rate risk management

The Group is exposed to interest rate risk arising from its short-term borrowings, details of which are set out in note 18(b).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The Group analyses interest sensitivity on a yearly basis. The sensitivity analysis below has been determined based on the exposure to floating rate liabilities. The analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher and all other variables were held constant, the Group's profit for the year ended 31 December 2021 would have decreased by £56,489 (2020: £34,163), for a decrease of 0.5% in interest rate the profit would have increased by the same amount.

The Group's sensitivity to interest rates has remained stable due to the rise in the amount being offset by lower interest rates.

Foreign exchange risk

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group's principal exposure is to movement in the Euro exchange rate, but it anticipates that a significant proportion of its future income will be received in this currency, thus helping to reduce its exposure in this area.

24 FINANCIAL INSTRUMENTS continued

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Germany (the Euro) and of the US (the US dollar).

The Group's companies hold asset and liabilities denominated in different currencies than their functional currency. As the nature of these assets is in their majority short term and usually any assets held in a foreign currency are used to match liabilities denominated in this currency the overall effect of any currency fluctuations does not result in a material exposure to foreign exchange risk. Therefore, a foreign currency sensitivity analysis is not considered to be appropriate.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group and Company's remaining contractual maturity for its non-derivative financial liabilities including both interest and principal cash flows and the interest rates applied. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. Payments relating to lease liabilities under IFRS 16 are shown under note 26.

As at December 2021	Up to 3 Months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	632	–	–	–	–
Loans and borrowings	10,825	–	–	–	–
Short term lease	2	2	–	–	–
Total	11,459	2	–	–	–

Liquidity risk management

As at December 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Trade and other payables	921	–	–	–	–
Loans and borrowings	10,547	–	–	–	–
Short term lease	17	10	–	–	–
Total	11,485	10	–	–	–

There are pension provisions existing for the German entity of the Group, which amounted at 31 December 2021 to £0.50m (2020: £0.49m), which can result in future Cash outflows from the Group.

25 RELATED PARTY TRANSACTIONS

(a) Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and were as follows:

1) Loans advanced to subsidiary undertakings:

	Proteome Sciences R&D £'000	Electrophoretics Ltd £'000	Total £'000
At 1 January 2020	7,549	952	8,501
Provision for impairment	–	(133)	(133)
At 31 December, 2020	7,549	819	8,368
At 1 January 2021	7,549	819	8,368
Loan repayment in the year	–	(24)	(24)
At 31 December, 2021	7,549	795	8,344

2) Loan from subsidiary undertaking:

	Proteome Sciences R&D £'000	Electrophoretics Ltd £'000	Total £'000
At 1 January, 2020	589	–	589
Exchange adjustment	18	–	18
At 31 December, 2020	607	–	607
At 1 January, 2021	321	287	607
Loan advances during the year	–	102	102
Exchange adjustment	(20)	–	(20)
At 31 December, 2021	301	389	690

Further details of the Company's shares in and loans to its subsidiary undertakings are set out in note 15.

(b) C.D.J. Pearce, a Director of the Company and therefore a related party, has made a loan facility available to the Company full details of which are set out in note 18 on page 64.

(c) M Diggle, a Director of the Company, a Director of Vulpes Investment Management (VIM) and is therefore a related party, VIM has made a loan facility available to the Company full details of which are set out in note 18 on page 64.

(d) Details of the remuneration of the directors is set out in note 10, including details of pension contributions made by the Company and information in connection with their long-term benefits is shown in the Directors' Report under the heading 'Directors and their interests'.

(e) Key management personnel compensation.

25 RELATED PARTY TRANSACTIONS continued

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel for the year-ended 31 December 2021 and the comparative period were as follows:

Mariola Söhngen (Chief Executive Officer)

Ian Pike (Chief Scientific Officer)

Richard Dennis (Chief Commercial Officer)

Stefan Fuhrmann (Finance Director)

Christopher Pearce Chairman (Non-Executive Director)

Roger McDowell (Non-Executive Director)

Martin Diggle (Non-Executive Director)

Ursula Ney (Non-Executive Director)

Key management personnel remuneration was as follows:

	2021 £'000	2020 £'000
Salary	917	679
National Insurance Contributions	98	71
Other long-term benefits	–	–
Defined benefit scheme costs	–	–
Share based payment expense	570	8
Consultancy fee	30	70
	1,615	828

The amounts charged to the income statement relating to Directors in respect of the share-based payment charge were as follows:

	2021 £'000	2020 £'000
	570	8

26 LEASES

In the case of the Group there are two leases recognised under IFRS 16 comprising the lease for the Frankfurt operation of the Group, which started in August 2019 and ends after 5 years at the end of July 2024 and a lease for a mass spectrometry instrument located in Frankfurt starting in November 2021 and ends after 4 years in November 2025.

The rental lease and the resulting right-of-use asset is classified as land and buildings the laboratory instrument lease is classified as fixture and fittings. Both leases do not contain variable elements or break out options. Similarly, there are no special restoration clauses attached, there are no restrictions or covenants in place and they do not include an option for a sale and lease back transaction.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the term of the lease term, with the discount rate determined by reference to the Groups internal rate of return, as there is no inherent rate to the lease readily determinable. The internal rate of return (ICR) which is the average Barclays interbank rate for the year + 0.75%, (overall 3.25%) which will be applied over the duration of the lease reflects the refinancing rate agreed for the loans made available by its major shareholders, which are its main source of external finance and reflects the incremental borrowing rate.

Right-of-use asset

	Land and buildings £'000	Equipment £'000	Total £'000
At January 2021	484	–	484
Additions	28	762	790
Amortisation	(141)	(32)	(173)
Foreign exchange movements	(46)	(3)	(49)
At 31 December 2021	324	726	1,050

Right-of-use asset

	Land and buildings £'000	Equipment £'000	Total £'000
At January 2020	581	–	581
Additions	–	–	–
Amortisation	(134)	–	(134)
Foreign exchange movements	37	–	37
At 31 December 2020	484	–	484

Interest on lease liability for the period amounted to £15k (2020: £20k). This results in slightly higher costs at the beginning of the lease and lower costs at the end of the lease in comparison to the actual lease payments.

26 LEASES continued

Lease Liability

	Land and buildings £'000	Equipment £'000	Total £'000
At January 2021	491	–	491
Additions	22	762	784
Interest accruing for the year	13	3	16
Lease payments	(144)	(256)	(400)
Foreign exchange movements	(30)	2	(28)
At 31 December 2021	352	510	862

	Land and buildings £'000	Equipment £'000	Total £'000
At January 2020	584	–	584
Interest accruing for the year	20	–	20
Lease payments	(146)	–	(146)
Foreign exchange movements	33	–	33
At 31 December 2020	491	–	491

Maturity analysis of discounted lease payments

As at December 2021	Up to 3 Months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	66	199	265	332	–

Maturity analysis of undiscounted lease payments

As at December 2020	Up to 3 Months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
Lease liabilities	37	110	147	233	–

Information of the right-of-use asset and its amortisation are represented in note 14 as well.

The rent for the UK office, which amounts to a total liability of £4k, is not considered a lease under IFRS 16 because there is no control over the asset.

27 EVENTS AFTER THE BALANCE SHEET DATE

The Company signed the Third Amendment to the Loan Agreement with Vulpes Investment Management on the 30 March 2022 which extended the term of the loan to 30 June 2023.

NOTICE OF ANNUAL GENERAL MEETING

(Registered in England No: 02879724)

Notice is hereby given that the 28th Annual General Meeting of Proteome Sciences plc will be held at Allenby Capital Limited, 5 St Helen's Place, London, EC3A 6SB on Monday 16 May 2022 at 12 noon and the Company will also provide access online through the Investor Meet Company platform (see notes) for the purpose of considering and, if thought fit, passing the following Resolutions of which numbers 1 to 5 will be proposed as Ordinary Resolutions and number 6 will be proposed as a Special Resolution.

ORDINARY RESOLUTIONS

1 To receive the financial statements and the reports of the directors and of the auditors for the year ended 31 December 2021.

2 To re-appoint Dr I Pike as a director of the Company in accordance with Article 109(b) of the Articles of Association of the Company

3 To re-appoint M Diggle as a director of the Company in accordance with Article 109(b) of the Articles of Association of the Company.

4 To re-appoint BDO LLP as auditors of the Company in accordance with section 489 of the Companies Act 2006 until the conclusion of the next general meeting of the Company at which audited accounts are laid before the members and to authorise the directors to fix their remuneration.

5 THAT in substitution for all existing authorities the directors of the Company be and are hereby authorised generally and unconditionally pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £983,940.19 until the conclusion of the next Annual General Meeting of the Company or 30 June 2023, whichever is the earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would, or might, require shares to be allotted or rights to subscribe for or to convert securities into shares to be granted after such expiry.

SPECIAL RESOLUTION

6 THAT subject to, and upon Resolution 5 above, having been passed and becoming effective, the directors be and are hereby authorised and empowered pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities, as defined in section 560 of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer by way of a rights issue, or any other pre-emptive offer, to the holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of ordinary shares on a record date fixed by the directors and to the holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the law of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment (otherwise than pursuant to sub- paragraph (a) of equity securities which are or are to be wholly paid up in cash up to an aggregate nominal amount of £590,364.11.

and provided further that the authority and power conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company or on 30 June 2023, whichever is the earlier, unless such authority is renewed or extended at or prior to such time, save that the Company may before such expiry make any offer, agreement or other arrangement which would or might require equity securities to be allotted after the expiry of this authority and the directors may then allot equity securities in pursuant of such an offer or agreement as if the authority and power hereby conferred had not expired.

By order of the Board

V. Birse
Company Secretary
31 March 2022

Registered office
5 Dashwood Lang Road
Bourne Business Park
Addlestone
Surrey
KT15 2HJ

NOTICE OF ANNUAL GENERAL MEETING

(Registered in England No: 02879724)

Notice of Meeting Notes:
To ensure that shareholders are able to follow the proceedings of the AGM, the Company will provide access online through the Investor Meet Company platform. However, shareholders will not be able to vote online during the Meeting and are therefore urged to submit their votes via proxy as early as possible. Shareholders are also invited to submit questions for the Board to consider. Questions can be pre submitted in advance of the AGM via the Investor Meet Company Platform up to 9am on 12 May 2022, or via the Investor Meet Platform at any time during the AGM itself. The Board will respond to key questions during the meeting and will provide all such answers on the Investor Meet Company as soon as possible thereafter.

Shareholders who wish to attend the AGM online should register for the event in advance via the following Investor Meet link:

https://www.investormeetcompany.com/proteome-sciences-plc/register-investor

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf

1. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of trading on 12 May 2022. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
2. Executive directors' service agreements and copies of the terms and condition of appointment of non-executive directors will be available for inspection at the registered office of the Company from the date of this notice and at the AGM venue for 15 minutes prior to the commencement of the meeting.
3. Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
6. You can vote either:
   - by logging on to www.signalshares.com and following the instructions;
   - You may request a hard copy form of proxy directly from the registrars, Link Group 0371 664 0300 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales.
   - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

(Registered in England No: 02879724)

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Group, PXS, Central Square, 29 Wellington Street, LEEDS, LS1 4DL by 12 noon 12 May 2022.

7. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8. The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 11 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12 Noon on 12 May 2022. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13. As at 31 March 2022 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 295,182,056 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 31 March 2022 are 295,182,056.

14. Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

15. You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) provided in either this Notice or any related documents to communicate with the Company for any purposes other than those expressly stated.

Explanatory notes on the resolutions:

Resolution 1

The directors must present to members the accounts and the reports of the directors and auditors in respect of each financial year.

Resolution 2

Under the provisions of Article 109(b) of the Articles of Association of the Company directors are required to retire at the third Annual General Meeting after they were last elected or re-elected. Accordingly, Dr I Pike is due to retire at this Annual General Meeting and offers himself for re-appointment.

Resolution 3

Under the provision of Article 109(b) of the Articles of Association of the Company directors are required to retire at the third Annual General Meeting after they were last elected or re-elected. Accordingly, M Diggle is due to retire at this Annual General Meeting and offers himself for re-appointment.

Resolution 4

BDO LLP are being proposed for re-appointment as the auditors of the Company until the conclusion the next general meeting at which accounts are presented. The directors are to be given authority to fix the remuneration of the auditors.

Resolution 5

The Company's power to issue additional securities is exercised by the directors. The directors must be authorised by ordinary resolution of the shareholders to exercise that power. The resolution will give the directors a general authority to allot shares up to an aggregate nominal value of £983,940.18 being the equivalent of one-third of the Company’s issued ordinary share capital at the date of this notice. The authority shall expire at the next Annual General Meeting or on 30 June 2023, whichever is earlier.

Resolution 6

The directors are seeking the annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing its capital resources.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 provides that existing shareholder have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the directors to allot shares of up to an aggregate nominal amount of £590,364.11 otherwise than on a pro-rata basis. This represents approximately 20% of the Company’s issued share capital at the date of this notice. The authority shall expire at the next Annual General Meeting or on 30 June 2023, whichever is earlier.

The directors are seeking the annual renewal of this authority in line with the authorities granted to dis-apply the pre-emption provisions in previous years and to ensure the Company has maximum flexibility in managing its capital resources.