24 April 2018

Proteome Sciences plc
("Proteome Sciences" or the "Company")
Preliminary results for the year ended 31 December 2017
Notice of AGM

The Company is pleased to announce its audited results for the year ended 31 December 2017.

Highlights:

- 23% revenue growth to £3.38m, underpinned by 79% increase in sales and royalties attributable to TMT® reagents.
- Appointment of our first Chief Commercial Officer in April 2017 to relaunch the biomarker services business which has led to the engagement of sales agents in our principal operating territories.
- Closure of the London laboratory in June 2017, with consolidation of all equipment and capabilities at our existing Frankfurt facility.
- Relocation of the Company headquarters from Cobham to the 'knowledge quarter' in central London
- Receipt of Good Clinical Laboratory Practice (GCLP) accreditation in October 2017 enabling our engagement in clinical stage contracts.
- Achievement of research milestone following the presentation of data from a prospective trial using the Randox Rapid Stroke Array.

Post year-end:

Extension of our exclusive licence agreement with Thermo Scientific to include patents relating to a new class of high-plex TMT® reagents.

Jeremy Haigh, Chief Executive Officer of Proteome Sciences plc, commented:

"2017 was a year of significant change inside the Company with the successful implementation of numerous strategic initiatives and steady progress towards our financial goals. With the benefits of a leaner organisation, a new model for commercial engagement deployed in both our principal operating territories, and the reassurance of robust demand for our TMT® reagents, we now have the platform necessary to realise the full value of our proteomic capabilities. We look forward to strong progress during 2018, particularly growth in our biomarker services business, and to providing further updates during the course of the year."

Report and Accounts and Notice of AGM:

Copies of the Annual Report and Accounts together with notice of the Annual General Meeting ("AGM") will be posted to shareholders by 27 April 2018 and made available on the Company's website (www.proteomics.com). The AGM will be held at the offices of finnCap, 60 New Broad Street, London EC2M 1JJ on 30 May 2018 at 12.00pm.

For further information:

Proteome Sciences plc
Jeremy Haigh, Chief Executive Officer Tel: +44 (0)20 7043 2116
Ian Pike, Chief Scientific Officer

finnCap Limited (Nominated Adviser & Broker)
Geoff Nash/James Thompson (Corporate Finance) Tel: +44 (0)20 7220 0500
Abigail Wayne (Broking)

About Proteome Sciences plc. (www.proteomics.com)

Proteome Sciences is a leader in applied proteomics offering high sensitivity, proprietary technologies and workflows for mapping cell signaling pathways (SysQuant®) and for the discovery, validation and assay development of protein biomarkers (TMTcalibrator™). The company has its headquarters in London, UK, with laboratory facilities in Frankfurt, Germany from where the PS Biomarker Services™ division provides outsourced proteomics services and proprietary biomarker assays to biopharmaceutical and diagnostics companies and to academia.

Proteome Sciences has patented several novel protein biomarkers for diagnostic and treatment applications in important areas of human therapeutics such as cancer, stroke and Alzheimer's disease, and these are available to license.

This announcement contains inside information for the purpose of Article 7 of EU Regulation 596/2014

Chief Executive Officer's Statement

After a year of significant change inside the company, and profound economic uncertainty outside, I am pleased to report a solid 12 months ending 31 December 2017. Revenue increased 23% to £3.38m, including a 79% increase in sales and royalties attributable to isobaric tandem mass tag (TMT®) reagents. Total costs reduced by 4.5% to £5.43m reflecting the early impact of consolidating our facilities and restructuring, which itself generated one-off costs of £0.14m from discontinued operations. Loss before tax was reduced to £2.05m but remained higher than planned. Cash reserves at the year-end were £0.91m owing to the payment of a material R&D tax credit being delayed into 2018.

In the first half of the year we implemented some important elements of the strategy which had underpinned our fundraise late in 2016, notably those affecting our physical footprint and internal capabilities. The decision to integrate all laboratory equipment and competencies at our existing facility in Frankfurt was difficult given our UK heritage, and unfortunately resulted in the redundancy of four staff members, but it has certainly enabled more efficient resource utilisation and clearer accountabilities. The associated relocation of the Company headquarters from Cobham to central London in June has afforded us much greater connectivity with the UK bioscience community and is a fundamental requirement for successful partnership and collaboration. I am pleased that the combination of these two transformational events was achieved with only minimal cost and business disruption.

Given the critical strategic importance of commercialising our proteomic services to the future success of the Company, I was delighted to appoint Richard Dennis as our first Chief Commercial Officer at the start of April. With a strong background in sales and marketing, and extensive technical experience gained at several competitor companies, Richard quickly transformed our commercial identity and ambition with his focus on face to face selling, account management, and an established client network across Europe. His arrival heralded a relaunch of our services business and inspired a complete review of our commercial practices resulting in the adoption of an agent-based sales model in our principal operating territories.

With the continuing growth of our TMT® reagents business, through an exclusive licence with Thermo Fisher Scientific, the Company is now well placed to deliver a hybrid model of product and service provision which is increasingly favoured in the bioscience community by customers seeking relationships with organisations capable of broader engagement.

Like most other sectors in 2017, the life sciences were affected by uncertainty surrounding Brexit, the unexpected outcome of the US election and impending tax reforms. The combination of these events saw many companies adopt a more conservative approach than in previous years and this caution was particularly evident in decision making around outsourcing and collaboration. As a small company trying to establish a services business we were not immune from the consequences and had to work hard building new relationships that could generate future revenues. Significant volatility in foreign exchanges throughout the year affected non-sterling denominated revenues, as well as those costs associated with our primary facility in Frankfurt, but the overall effect on EBITDA was neutral.

Staff turnover was higher than in previous years, in part a consequence of the dynamic environment in which we operate but also of a strategic decision to reduce our operating costs through natural and forced attrition. As we begin 2018 our budgeted headcount of 29 will be approximately 30% lower than at the start of 2017. This turnover included the departure in August of our Finance Director, Geoff Ellis, who had made a significant contribution to fiscal management and reporting during his three-year tenure. We are fortunate to have had established employees, in both Stefan Fuhrmann and Victoria Birse, who were well qualified to assume the roles of Finance Director and Company Secretary respectively.

After providing outstanding service and scientific insight over 20 years as a Director of the Company, Prof. William Dawson decided to stand down in the summer. We thank him for his unique contribution and are delighted to welcome Dr Ursula Ney to the Board in his place. Dr Ney's extensive experience of the bioscience industry in a range of senior positions within both large and small companies make her ideally suited to a role on the Board at this pivotal stage in the Company's evolution.

I would like to thank all the staff who worked for Proteome Sciences during the course of 2017, including those who have since left the Company, and trust that we can continue to realise the value of their collective contributions.

Services:

The wholescale repositioning of our proteomic services business was a basic tenet of the revised corporate strategy, and much of the year was spent establishing and communicating this. Active participation in the Alzheimer's Association International Conference (AAIC), held in London during July, served as an effective launch platform for this revised sales initiative as well as demonstrating a more externally focused agenda.

A new commercial model was adopted from August in the critical US market using United BioChannels (UBC) as our sales agent. UBC provides us with introductions to prospective new customers and broad coverage on both US coasts, replacing direct sales staff in the region. With the prospect of working primarily on a commission basis, this model represents a more cost-effective approach to sales generation, and has been replicated in Europe from the start of 2018 using Cenibra GmbH to access German speaking countries. We have also partnered with Science Exchange, a US company which facilitates rapid, no cost engagement of new customers using pre-negotiated legal agreements, and Scientist.com, a web-based sales portal. All market support activities have been moved outside the organisation and will now be purchased as required in London.

Central to our service provision is the creation of a quality culture which can reassure prospective customers and provide a distinctive selling feature. To that end, we were very pleased to receive Good Clinical Laboratory Practice (GCLP) accreditation in October, enabling us to compete effectively for clinical stage contracts which command routinely larger budgets. This, combined with our existing ISO 9001 recertification, makes our Frankfurt facility uniquely well qualified to provide mass spectrometric proteomic services to a broad range of clients; the advantages of this are becoming increasingly evident through unsolicited engagement via our website.

Of course, attracting and retaining new business will only succeed if project execution matches customer expectations of time and cost as well as quality. The introduction of a dedicated project management function was a deliberate action to ensure better cross functional integration, management and communication of our contract service work; a series of project delivery metrics has been established to reinforce this.

Progress, in terms of explicit revenue generation, was slow in the first half of the year as might have been predicted while the new commercial model was being introduced, but we were encouraged by the increasing number of active commercial projects during the second half. Starting from a very low revenue base we saw quarterly growth from the second quarter onwards in terms of sales and orders received. The pipeline certainly looks stronger in Q1'18 both for new customers, interested in proof of concept experiments, and for existing customers wishing to extend current projects or requesting targeted assay development in support of forthcoming clinical trials. These enquiries must now be routinely and quickly converted into substantive work orders so that we can draw positive conclusions about the longer-term commercial potential of our services strategy.

Licences:

Our exclusive licence to provide Thermo Scientific with isobaric tagging reagents (TMT®) continues to be mutually beneficial. Strong sales and associated royalty payments have been essential to our revenue growth and demand increased throughout the year as TMT® reinforced its market leadership position. Cumulative sales have now exceeded $25m worldwide, a milestone which triggered a significant additional payment that we received from Thermo Scientific in the fourth quarter. Scope remains for considerable further growth as adoption by key opinion leaders spreads to the wider research community, and key to this will be the introduction of 'higher plexing' reagents which enable even more efficient sample analyses. Work to identify such new tags has been conducted in close association with our partners at Thermo Scientific and we hope that these improvements will start to become available during 2018.

Data from a prospective trial using the Randox Rapid Stroke Array were presented at the EuroMedLab meeting in Athens in June. The array, which incorporated some of our biomarkers, showed excellent performance in identifying stroke from mimic conditions and healthy controls, and in differentiating between ischaemic and haemorrhagic strokes. These data were sufficient to trigger an important contractual milestone with Randox which was announced on 30 June and, more critically, to suggest the utility of a future diagnostic including stroke biomarkers covered by our intellectual property (IP). Given the global incidence of stroke, and the therapeutic liability associated with inaccurate clinical diagnosis, the market opportunity for such a diagnostic is considerable. However, a clinical validation study being supported by Randox, and necessary for their CE (Conformité Européene) marked application, will now take longer than originally communicated owing largely to the speed of patient recruitment; a timeline has yet to be set but is expected to extend into 2019.

Research:

The focus on service provision has inevitably constrained our own primary research activities as we aggressively manage finite resources, but we remain indisputably a science-based company with a commitment to research through partnerships and collaboration. We have retained a strong interest in neurodegeneration and oncology, continuing our investment in commercial assay development which is relevant to these therapeutic areas (e.g. Clusterin Glycoform; Tryptophan Metabolite) and reflects recent customer feedback for services which can be readily converted into standard GCLP tools for use in clinical trials.

Our IP portfolio remains central to the Company's valuation but continues to be the subject of review; deliberate rationalisation has been a goal over the last 18 months and the number of patent families and, importantly, the cost of their maintenance is now more in line with the expectations and resources of a company our size.

Outlook:

With the benefits of a leaner organisation, a new model for commercial engagement now fully deployed in both our principal operating territories, and the reassurance of robust and increasing demand for our TMT® reagents, we have the platform necessary to realise the full value of our proteomic capabilities. The recent extension of our exclusive license agreement with Thermo Scientific, to include patents relating to a new class of higher-plex TMT reagents currently under development, affords us further optimism.

I am conscious, however, that much remains to be done and that sentiment towards the Company will depend on positive news from our services business in the first half of 2018. As we continue to expand our range of enabling technologies we are confident that our long-term commitment to proteomics, combined with a renewed focus on the speed, cost and quality of our service delivery, will enable us to

remain competitive in a dynamic market which increasingly encourages companies with broader service platforms than our own.

Our goals are heavily focused on service revenue growth and establishing enduring partnerships and collaborations. Customer engagement showed genuine signs of improvement late in 2017, with an unprecedented number of unsolicited contacts and this has continued into 2018 with booked orders in the first quarter worth £0.33m, up 37% on the same period in 2017.

Quantitative proteomics is essential for translating knowledge about the genetic basis of disease into practical, targeted therapeutics. Its place in the rapidly evolving world of drug discovery and development is undeniable, and its relevance to future transformative technologies, such as those based on artificial intelligence, assured. We remain committed to that future.

I would like to thank our shareholders for their continued support and look forward to communicating further progress and significant revenue growth during 2018.

Strategic Report

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 manufacture these small, protein-reactive chemical reagents under exclusive license to Thermo Scientific for multiplex quantitative proteomics.

Proteome Sciences is a leading provider of contract research services for the identification, validation and application of protein biomarkers. Our clients are predominantly pharmaceutical 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, 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.

There were significant organisational developments in 2017 affecting what we do, where we do it and how we generate commercial contracts, all of which had positive impacts during the second half of the year. Closure of the UK research laboratory simplified project delivery and increased efficiency, leading to improved delivery times which are important for our customers. Equally, attainment of GCLP certification in October provides an additional source of business from targeted proteomics in the context of clinical trial support for our pharmaceutical clients; this has led to several new projects initiating in 2018.

The main research focus of the Group continues to be directed towards neurodegenerative and oncological diseases. While the increasing number of commercial projects inevitably affected the extent of our internal research, we have made progress in developing a Clusterin Glycoform Assay, for the assessment of Alzheimer's disease status, and a Tryptophan Metabolite Assay which has utility in assessing tumour growth and may serve as an important tool for monitoring immuno-oncology drug treatment. We have also implemented a substantially improved method for blood sample analysis, providing unparalleled coverage of low abundant proteins which, when combined with TMTcalibrator™, allowed us to quantify over 8,000 blood proteins and identify key disease-related biomarkers for one of our customers.

The complexity of our commercial projects is generally increasing, and we are seeing growth in repeat business from several clients although more work is clearly required for us to become established as a preferred supplier. One of the key drivers for customers in 2017 was our strong technical competence and the ability to perform sophisticated, bespoke projects.

Progress During 2017:

Biomarker Services
Revenue from Biomarker Services decreased by £0.35m to £0.90m in 2017. However, the slow start to the year, inevitably affected by the reorganisation of our research and sales organisations, was followed by sustained quarterly growth which is continuing into 2018 with booked orders in the first quarter worth £0.33m. Progress in the sale of targeted assays was also slower than anticipated due to delays in development of the Clusterin Glycoform and Tryptophan Metabolite assays. While the

development of these assays progresses well, we do not anticipate their availability within the certified GCLP laboratory until the second half of 2018.

We completed the Alzheimer's disease diagnostic assay validation project for Genting TauRx Diagnostics Centre with final results delivered in December. No further work relating to a companion diagnostic discovery project has yet been approved.

The majority of projects completed in 2017 utilised our core technologies of SysQuant®, TMTcalibrator™ and TMT®MS3. However, we also saw a growing demand for the development of targeted mass spectrometry assays for use in clinical trials. This was in part driven by our GCLP certification, the result of a considerable effort in 2017, and we are one of very few companies now able to offer this for protein mass spectrometry. This is a critical development for the Company and provides access to an additional client base which currently has few other options.

Building a New Commercial Process

As our market presence is becoming more widely recognised, we undertook a review of our sales and marketing processes and introduced a new commercial strategy in the middle of 2017 following the appointment of Richard Dennis as Chief Commercial Officer. The most significant change has been a switch from internal direct sales resources to the appointment of locally deployed, commission-based sales agents which we use as 'lead finders' for the Company. Currently we are using agents in the US and central Europe, territories which collectively represent around 80% of the global market for proteomic research services. Once leads have been identified by these agents, they are turned over to Proteome Sciences and we handle the face-to-face (or more often remote, e-based) meetings, presentations, webinars and technical discussions.

Our aim is to sell an analytical contract through which we first work with a client to establish their research needs, then develop a specific protocol, and finally perform proteomic studies on a fee for service basis using samples that they send us. Internal lines of communication that facilitate the transition from sales agent to company are now well established, alongside metrics to ensure this strategy is working. During 2017 we have worked on our response times, both to incoming project enquiries and to the submission of an agreed work contract back to the client. Overall project delivery time is also monitored, and we routinely deliver results on time and within budget. This certainly makes us a more professional service provider in the eyes of the client, who is rightly focused on time, cost and quality, and enables us to support ongoing clinical trials. Such opportunities demand reliable project delivery but have the advantage of predictably higher budgets.

The interface between internal research and the sales function has also been strengthened to ensure we are able to respond to changes in market demand for specific technologies. This is well illustrated by the timely introduction of a Super Depletion TMTcalibrator™ workflow (described below) as the market for blood biomarker discovery projects is experiencing a renaissance.

In addition to improving our sales process we have also started to re-engineer our marketing efforts. Through our US and European sales agents we have greater opportunity for regular mailshots and press releases, with a wider distribution network. We have also revamped our strategy for attending exhibitions and scientific meetings with a streamlined stand design and flexible, tailored literature appropriate to each event. Initial feedback is positive and has already provided a number of new projects and requests for proposals.

Such front-line changes have resulted in a significantly more efficient sales and marketing capability, better aligned with functional delivery, and demonstrating quarter by quarter revenue growth since the middle of 2017.

Taking Tissue to the Periphery
Proteomics research involves identifying blood biomarkers that reflect disease processes occurring in tissues and demonstrating how diseased tissue responds to drug treatment. Historically, these discovery efforts have studied blood protein expression independent of the relevant diseased tissue, thereby often failing in their primary objective. More recently we have introduced TMTcalibrator™ where the use of TMT® 10plex reagents allows tissue and blood samples to be combined, enhancing the detection rate of disease-related biomarkers.

In 2017 we extended the utility of TMTcalibrator™ by introducing a more powerful method for removing high and medium abundant blood proteins prior to analysis. Working with one of our clients, we applied the combined Super Depletion TMTcalibrator™ workflow to identify putative blood biomarkers of disease response to treatment. This study demonstrated unparalleled coverage of the plasma proteome and identified several potential new biomarkers related to the client's area of therapeutic interest. Compared to standard methods, Super Depletion alone increased coverage from around 1,500 to over 4,000 plasma proteins. With the enhanced sensitivity of TMTcalibrator™ a further two-fold increase was achieved, with over 8,000 plasma proteins quantified, including many not previously reported in plasma proteomics studies. Data from this study are scheduled for presentation at an international conference in May 2018.

Intelligent Insights
In addition to substantial gains in protein coverage obtained through our internal development efforts, we have further refined our bioinformatics tools to deliver better biological insights for customers. During the process of GCLP accreditation we had to validate our computational methods, affording us the opportunity to improve the speed and efficiency of processing. As a result, our modular bioinformatics workflow can process mass spectrometry data and perform detailed analyses of underlying biological pathways with fewer user interactions; this provides fast-track access to new drug targets and biomarkers.

Previously communicated plans to establish a bioinformatics business unit remain part of our longer-term strategy but have not yet been realised in the face of implementing other more immediate initiatives.

Tandem Mass Tags®
Sales of TMT® continued to show strong growth with revenues increasing by £1.10m to £2.48m, although this included a one-time sales milestone of £0.58m. Growth continues to be driven both by established users and the adoption of TMT® by new research groups. There was also an increase in the licensing of commercial TMT® users and we anticipate this adding sales value in 2018. In order to meet this growing demand, we started making an additional batch of standard TMT® 10plex reagents and this effort will be completed in the second quarter of 2018. We retain sufficient stocks to meet Thermo Scientific's requirements until then.

Development of higher plexing-rate tags continued in 2017 with promising results obtained from a prototype set of four tags. We have started synthesis of the remaining 12 tags required to deliver the full set of 16plex reagents and expect these to be available later in 2018. Patents covering these new reagents have been filed in the key commercial jurisdictions and we continue to prosecute them to ensure their earliest issuance.

Internal Research Activities
With an increased focus on commercial projects, efforts to attain GCLP certification and closure of the UK research laboratory, we have reduced the scale of our internal disease biomarker research. Our programs in Alzheimer's disease and liver cancer have reached a level of maturity where external groups can develop the evidence for utility of our patented biomarkers.

Our research programs in amyotrophic lateral sclerosis (ALS) have also been concluded and results are being prepared for publication. Through these projects we have gained new insights into potential disease mechanisms and peripheral biomarkers that may aid the management of this disease in the future.

External evaluation of our CK1d inhibitors in a new therapeutic indication was concluded in 2017 but the compounds were not found to be suitable. We continue to explore partners for their use in Alzheimer's disease and other neurodegenerative conditions.

Patent Applications and Proprietary Rights
We continue to manage our portfolio of patents to maximise its short, medium and longer-term value. Sixteen patents were granted in 2017 relating to nine separate families. We also filed 11 new patents relating to four families covering new panels of Alzheimer's disease biomarkers and casein kinase inhibitors. A further 151 individual cases from 33 families have either expired or been allowed to lapse as they no longer offered economic value.

Financial Review:

Results and Dividends
The loss after tax for the year was £2.50m (2016: £2.28m). The directors do not recommend the payment of a dividend (2016: Nil). The Group results are stated in the Consolidated Income Statement and reviewed in the Chief Executive Officer's Statement and this Strategic Report.

Key Performance Indicators (KPI's)

(i) The directors consider that revenue and loss before tax are KPI's in measuring Group performance; the profile of the Group is changing as a result of the licensing agreements that have already been entered into and as other commercial agreements and contracts are concluded. The performance of the group is set out in the Chief Executive Officer's Statement.

(ii) In a small business with a high proportion of well-qualified and experienced staff, the rate of staff turnover is seen as an important KPI. In FY2017 three members of staff resigned, including the Finance Director. The three resignees were not replaced as a cost containment measure and their responsibilities were redistributed within the organisation. In addition, four members of staff were made redundant as a consequence of the closure of the London laboratory, and two long-term contractors based in the US were not re-engaged in advance of changes to the commercialisation model.

(iii) The directors believe that a further important KPI is the Group's rate of cash expenditure and its effect on Group cash resources. Net cash outflows from operating activities for FY2017 were £1.70m (2016: £1.99m). Further details of cash flows in 2017 are set out in the Group's Consolidated Cash Flow Statement.

(iv) As a commercially oriented business, service-based contract revenues should increase in absolute terms as well as a proportion of total group revenues; however, this was not the case in 2017 (£0.90m; 27% vs £1.25m; 46% in 2016) while a new business model was being implemented. In these changing circumstances the average value of our service contracts is unlikely to provide a reliable measure of business performance as we had previously suggested. However, repeat business should indicate a level of customer satisfaction and in 2017, 50% of our new contracts (42% by value) were from existing clients compared with 42% (35% by value) in 2016.

(v) As the company establishes a primary contract research business a reliance on service-based metrics will reflect our focus on the time, cost and predictability of delivery. Response times for client inquiries and contract submissions, as well as overall project delivery timelines, are

relevant here. However, given the fundamental change in our commercialisation model during 2017 these KPI's have no adequate baseline or comparator from previous years and will therefore be a focus for the future.

Financial Performance
Compared to the previous year our revenues showed strong growth. Revenue for the twelve-month period ended 31 December 2017 increased 23% to £3.38m (2016: £2.74m).

- Sales and services revenue rose 28% to £3.38m (2016: £2.64m). This is comprised of two revenue streams: TMT® and Biomarker Services. TMT® revenues increased by 79% through a mix of increased sales of TMT® tags and a marked increase in the associated royalty and milestone payments due from our exclusive distribution partner Thermo Scientific. Biomarker Services revenue declined by 28%, due to the restructuring of the sales organisation.
- Grant services were £Nil (2016: £0.11m).

The loss before tax was £2.05m (2016: £2.94m).

As the recoverable assets of the company are significantly lower than the valuation of non-current assets due to the reduced market capitalisation, an impairment charge has been applied for a third consecutive year.

Owing to the changing nature of our services business, with a stronger focus on commercial activities, we have not recognised an R&D tax credit for 2017 which marks a change in accounting practice from previous years.

Costs and Available Cash
The Group maintained a positive cash balance in 2017 and continues to seek improved cash flows from commercial income streams. Despite the rise in revenues, our operating costs have largely been contained.
- Administrative expenses in 2017 were £4.01m (2016: £4.24m). This is a decrease of 5.4%, representing cost savings following the relocation of the UK Laboratory. The full benefit of this consolidation will take effect from 2018 onwards.
- Staff costs for the year stayed the same as 2016 due to redundancy payments resulting from the closure of the UK Laboratory; consequently, these costs are expected to reduce in 2018.
- Property costs of £0.3m were in line with previous years.
- Other overheads decreased by £0.23m as a result of cost containment initiatives driven by a review of patent obligations.
- Finance costs arise as a result of interest due to the Non-Executive Chairman, Christopher Pearce, from his loan to the company. Costs of £0.25m are in line with the prior year.
- Loss after tax for 2017 was £2.50m (2016: £2.28m). The net cash outflow from operating activities was £1.70m (2016: £1.99m). Cash at the year-end was £0.91m (2016: £2.88m).

Principal Risks and Uncertainties:

Commercialisation Activities
It is uncertain whether our range of contract proteomic services will be purchased in sufficient quantity for the Group ultimately to be successful in the commercial market. Progress in 2017 was initially slow after the complete revision of our service offering, but interest and orders were increasing by the end of the year.
Management of Risk: The Group has sought to manage this risk by recruiting a Chief Commercial Officer with extensive experience of sales and marketing in the sector, revising the overall commercialisation strategy in accordance with a niche contract services business, and utilising commission-based sales agents in the principal territories of the US and Europe.

Dependence on Key Personnel
The Group depends on its ability to attract and retain a limited number of highly qualified managerial and scientific personnel, the competition for whom is intense. While the Group has entered into conventional employment arrangements with key personnel aimed at securing their services for minimum terms, their retention cannot be guaranteed as evidenced by three resignations during 2017.
Management of Risk**:** The Group has a policy of organising its work so that projects are not dependent on any one individual, and the appointment of a full time Project Manager is intended to align the availability of limited functional resources more directly with customer commitments. Staff retention is also sought through annual, role-based reviews of remuneration packages, performance related bonus payments, and the opportunity for share option grants.

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 distributing available resources.

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 attracting new companies with increasingly broad and varied capabilities.
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.

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 protein-reactive, 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.
Management of Risk: The Group has an experienced patent capability which has established controls to avoid the release of patentable material before it has filed patent applications. Moreover, maintenance of the existing patent portfolio is subject to biannual review in order to ensure that its ongoing cost is proportional to its perceived value.

Consolidated income statement

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue			
Sales and services		3,378	2,636
Grant services		2	108
Revenue- total		3,380	2,744
Cost of sales		(1,180)	(1,196)
Gross profit		2,200	1,548
Administrative expenses		(4,008)	(4,235)
Operating loss		(1,808)	(2,687)
Finance income		1	1
Finance costs		(246)	(257)
Loss before taxation		(2,053)	(2,943)
Tax		(444)	663
Loss for the period attributable to shareholders of the company		(2,497)	(2,280)
Loss per share			
Basic and diluted	3	(0.85p)	(0.96p)

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Loss for the year	(2,497)	(2,280)
Other comprehensive income for the year		
Exchange differences on translation of foreign operations	37	84
Loss and total comprehensive expense for the year	(2,460)	(2,196)

Consolidated balance sheet

As at 31 December 2017

	2017 £'000	2016 £'000
Non-current assets		
Goodwill	4,218	4,218
Property, plant and equipment	281	592
	4,499	4,810
Current assets		
Inventories	946	600
Trade and other receivables	1,124	1,406
Cash and cash equivalents	908	2,884
	2,978	4,890
Total assets	7,477	9,700
Current liabilities		
Trade and other payables	(726)	(662)
Short-term borrowings	(8,946)	(8,700)
	(9,672)	(9,362)
Net current liabilities	(6,694)	(4,472)
Non-current liabilities		
Hire purchase payables	-	(166)
Long-term provisions	(363)	(361)
	(363)	(527)
Total liabilities	(10,035)	(9.889)
Net liabilities	(2,558)	(189)
Equity		
Share capital	2,952	2,943
Share premium account	51,466	51,451
Share-based payment reserve	3,503	3,436
Merger reserve	10,755	10,755
Translation reserve	(67)	(104)
Retained loss	(71,167)	(68,670)
Non-controlling interests	-	-
Total equity (deficit)	(2,558)	(189)

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Translation reserve £'000	Merger reserve £'000	Retained loss £'000	Equity attributable to owners of the parent £'000	Non-Controlling interest £'000	Total (deficit) £'000
At 1 January 2016	2,280	48,986	3,402	(188)	10,755	(66,390)	(1,155)	-	(1,155)
Loss for the year	-	-	-	-	-	(2,280)	(2,280)	-	(2,280)
Exchange differences on translation of foreign operations	-	-	-	84	-	-	84	-	84
Loss and total comprehensive income for the year	-	-	-	84	-	(2,280)	(2,196)	-	(2,196)
Issue of share capital	663	2,650	-	-	-	-	3,313	-	3,313
Share issue expenses	-	(185)	-	-	-	-	(185)	-	(185)
Credit to equity for share-based payment	-	-	34	-	-	-	34	-	34
At 31 December 2016	2,943	51,451	3,436	(104)	10,755	(68,670)	(189)	-	(189)

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share capital	Share premium account	Share based payment reserve	Translation reserve	Merger reserve	Retained loss	Equity attributable to owners of the parent	Non-Controlling interest	Total (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	2,943	51,451	3,436	(104)	10,755	(68,670)	(189)	-	(189)
Loss for the year	-	-	-	-	-	(2,497)	(2,497)	-	(2,497)
Exchange differences on translation of foreign operations	-	-	-	37	-	-	37	-	37
Loss and total comprehensive income for the year	-	-	-	37	-	(2,497)	(2,460)	-	(2,460)
Issue of share capital	9	15	-	-	-	-	24	-	24
Share issue expenses	-	-	-	-	-	-	-	-	-
Credit to equity for share-based payment	-	-	67	-	-	-	67	-	67
At 31 December 2017	2,952	51,466	3,503	(67)	10,755	(71,167)	(2,558)	-	(2,558)

Consolidated cash flow statement

For the year ended 31 December 2017

	Group Year ended 31 December 2017 £'000	Group Year ended 31 December 2016 £'000
Operating loss	(2,053)	(2,943)
Adjustments for:		
Net finance costs	245	257
Depreciation of property, plant and equipment	332	553
Share-based payment expense	67	34
Operating cash flows before movements in Working capital	(1,409)	(2,099)
(Increase) / Decrease in inventories	(346)	(309)
(Increase) / Decrease in receivables	(63)	(183)
Increase / (Decrease) in payables	118	(144)
Increase / (Decrease) in provisions	2	85
Cash used in operations	(1,698)	(2,650)
Tax refunded	-	656
Net cash outflow from operating activities	(1,698)	(1,994)
Cash flows from investing activities		
Purchases of property, plant and equipment	(23)	(33)
Interest received	1	1
Net cash outflow from investing activities	(22)	(32)
Financing activities		
Proceeds on issue of shares	23	3,313
Share issue costs	-	(185)
Repayment of HP creditors	(220)	(220)
Net cash inflow from financing activities	(197)	2,908
Net (decrease)/increase in cash and cash equivalents	(1,917)	882
Cash and cash equivalents at beginning of year	2,884	1,808
Foreign exchange differences	(59)	194
Cash and cash equivalents at end of year	908	2,884

Notes to the Financial Information

1. Basis of Preparation

The financial information set out in this document does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 31 December 2017. Statutory accounts for the years ended 31 December 2016 and 31 December 2017, which were approved by the Directors on 23 April 2018, have been reported on by the Independent Auditor. The Independent Auditors' reports on the accounts for the year ended 31 December 2017 and the year ended 31 December 2016 were unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006. However, while the year ended 31 December 2016 did not draw attention to any matters by way of emphasis, the audit report for the year ended 31 December 2017 contained a statement in respect of uncertainty over going concern, further details are included in Note 2 below.

Statutory accounts for the year ended 31 December 2016 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2017 will be delivered to the Registrar of Companies in due course and will be posted to shareholders shortly, and thereafter will be available from the Company's registered office at Hamilton House, Mabledon Place, London WC1H 9BB and from the Company's website http://www.proteomics.com/investors.

The financial information contained in these preliminary results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these preliminary results have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the financial statements for the year ended 31 December 2016. New standards, amendments and interpretations to existing standards, which have been adopted by the Group for the year ended 31 December 2017, have not been listed since they have no material impact on the financial information.

2. Liquidity and 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 CEO statement and Strategic Report and the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Group's Annual Report.

The Group's 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. If sales are not in line with cash flow forecasts then additional funding will be required. The Directors have reviewed the Group's going concern position taking account of current business activities, budgeted performance and the factors likely to affect its future development, are set out in the Annual Report, and include 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.

The Directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresees that the Group will be able to operate within its existing working capital facilities, however the timeline required to close sales contracts and the order value of individual sales continues to vary considerably, which constrain the ability to accurately predict revenue performance. Furthermore, certain of the Group's products are still in the research and development phase and as such the Directors consider that costs could exceed income in the short term. The Directors intend that the Group will continue to pursue its sales

strategy and focus its operational plans on the importance of achieving sustained positive cash flow generation.

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 Directors have received 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 12 months from the date of approval of these financial statements.

As such, there is a risk that the group's working capital may prove insufficient to cover both operating activities and the repayment of its debt facilities. In such circumstances, the group would be obliged to seek additional funding through a placement of shares or source other funding.

The directors have concluded that the circumstances set forth above represent a material uncertainty, which may cast significant doubt about the Company and Group's ability to continue as going concerns. However, they believe that taken, as a whole, the factors described above enable the Company and Group to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the Company and the Group were unable to continue as a going concern.

3. Loss per Share from Continuing Operations

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

	2017 £'000	**2016 £'000**
Loss for the financial year	(2,497)	(2,280)

	2017 Number of shares	**2016 Number of shares**
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share:	295,182,056	236,451,654

In 2017 and 2016 the loss attributed to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options that are out of the money would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of the International Financial Reporting Standard 33.

4. Cautionary Statement on Forward-looking Statements

Proteome Sciences ('the Group') has made forward-looking statements in this preliminary announcement. The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.