Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

02 April 2019

Proteome Sciences plc

("Proteome Sciences" or the "Company")
Results for the year ended 31 December 2018 and Notice of AGM

The Company is pleased to announce its audited results for the year ended 31 December 2018.

Highlights:

- Total revenues of £3.05m (FY17: £3.38m)
- Proteomic (biomarker) services revenues of £0.75m (FY17: 0.79m)
- TMT® sales and royalties of £2.10m (FY17: £1.90m) excluding exceptional payments
- Total costs of £4.71m (FY17: £5.43m); administrative expenses reduced by 19.2%
- Loss after tax of £1.31m (FY17: £2.50m)
- Cash reserves at 31 December 2018 of £0.96m (FY17:£0.91m)
- Extended exclusive TMT® licence agreement with Thermo Scientific to include higher-plex tags
- Introduced 'Super Depletion' work flow, transforming plasma protein quantification
- Grew services business quarter by quarter, winning 30 new projects
- Resolved R&D tax credit claims from previous years with HMRC

Post year-end:

- Completed synthesis of higher-plex TMT® tags ahead of 2019 launch
- Licensed GST-P stroke biomarker to Galaxy CCRO Inc., a US start up developing a point of care test for the diagnosis and timing of stroke onset

Jeremy Haigh, Chief Executive Officer of Proteome Sciences plc, commented:
"Our clear focus in 2018 was to establish a sustainable proteomics services platform, capitalising on the fiscal reliability of our TMT® reagent business and the operational clarity of a restructured organisation. Despite a much slower start to the year than anticipated, we made significant progress with our service proposition, demonstrating quarter on quarter growth in work orders and recognised revenues, an expanding customer base and receiving positive feedback among 30 projects initiated during the year. With the near-term availability of higher-plex TMT® set to add significant value to this asset, and the utility of quantitative proteomics increasing in response to diagnostic advances and disruptive technologies such as machine learning, there is good reason to be optimistic about the future. Moreover, the reliance on new operating models and external partnerships in bioscience affords us an important commercial opportunity providing that our service platform remains competitive.

After the efforts made last year, I am pleased to report that 2019 has started positively with an improving services business and continuing growth from TMT®. We look forward to translating such progress into shareholder value, and to providing further updates, during 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 03 April 2019 and made available on the Company's website (www.proteomics.com) by then. The AGM will be held at the offices of Allenby Capital, 5 St Helen's Place, London, EC3A 6AB on 30 April 2019 at 2.30pm.

For further information please contact:

Proteome Sciences plc

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

Proteome Sciences plc is a specialist provider of contract proteomics services to enable drug discovery, development and biomarker identification, and employs proprietary workflows for the optimum analysis of tissues, cells and body fluids. SysQuant® and TMT®MS2 are unbiased methods for identifying and contextualising new targets and defining mechanisms of biological activity, while analysis using Super-Depletion and TMTcalibrator™ provides access to over 8,500 circulating plasma proteins for the discovery of disease-related biomarkers. Targeted assay development using mass spectrometry delivers high sensitivity, interference-free biomarker analyses in situations where standard ELISA assays are not available.

The Company has its headquarters in London, UK, with laboratory facilities in Frankfurt, Germany.

Chief Executive Officer's Statement

At the end of a year marked by political uncertainty and economic restraint, both of which adversely affected the biopharmaceutical sector in the second half, I can report a steady 12 months ending 31 December 2018. Revenues for the full year decreased by 9.8% to £3.05m. Year on year sales and royalties attributable to isobaric tandem mass tag (TMT®) reagents grew 10.2% to £2.10m, excluding contributions from a significant milestone payment late in 2017 and a research collaboration during 2018. Proteomics (biomarker) services decreased 5.5% to £0.75m and were below expectations as the result of a slow first half to the year. Total costs of £4.71m were 13.3% lower reflecting the ongoing impact of restructuring and cost containment performed in recent years, and losses after tax were significantly reduced to £1.31m. Cash reserves at the year-end were £0.96m, similar to the previous year, benefitting from the timely resolution of R&D tax credit payments for both 2016 and 2017, and from drawing down a share of the £1.00m loan facility made available by Vulpes Investment Management in July 2018.

Services

Our clear focus in 2018 was to build a sustainable proteomics (biomarker) services business. Conscious that much needed to be done to establish our place as a preferred provider, particularly in an environment favouring companies with broader technology platforms than our own, progress was slower than we had hoped. Revenues from a strengthening order book carried through from 2017 took longer to realise than anticipated, resulting in a weak first half performance and negatively affecting our full year results which were also materially reduced by the decision of Genting TauRx Diagnostic Centre to discontinue a potentially valuable biomarker assay development project in Alzheimer's disease (AD).

As predicted, the fourth quarter was the strongest for our proteomics services, during which we recognised about 40% of the annual service revenues and generated work orders to the value of £0.25m. Momentum is certainly developing and, although it could not make up for the disappointingly slow adoption of our services platform at the start of the year, we remain encouraged by recent progress, by the number and diversity of more than 30 new projects which we won during 2018, and by the value of 14 work orders contributing to a positive start in 2019. Just as importantly, feedback from many of our customers has endorsed the inherent value that can be realised from our proprietary proteomics workflows. Our intention is to convert these projects into reliable, follow-on business at greater scale, and to improve our operational efficiency so that revenues can be generated more quickly from committed work orders; we continue to reshape and consolidate the business to achieve this.

A sales agent model was introduced in Europe at the start of 2018, akin to that initiated in the US during 2017. Cenibra GmbH signed a contract covering German speaking countries and quickly broadened our client base, allowing us to complete the transition from direct sales staff in our primary commercial territories and expand our sales activities without relinquishing cost control. Although our original US agent has since been withdrawn, this was not a reflection of the operating model which we continue to believe offers the most efficient approach to commercialising our services business.

As the proteomics market expands, and with it interest in using unbiased methods to measure large numbers of proteins in biological samples, our mass spectrometric (MS)-based techniques and workflows continue to attract attention as a logical precursor to the development of targeted assays. Extending our service offering, for example by introducing new workflows such as Super

Depletion, will of course be fundamental to the future of this business. Good Clinical Laboratory Practice (GCLP) accreditation has been an important driver of increasing project interest, and re-accreditation (now valid for 2 years) was completed in November without major findings. Our annual ISO (International Organisation for Standardisation) 9001:2015 certificate was also reissued earlier in the year, confirming our commitment to quality standards.

Promotional activities have increased despite a limited budget, with attendance at many exhibitions in our primary markets of the US and Europe as well as high volumes of customer calls leading to requests for quotations. Currently, our customer base is predominantly small and medium sized enterprises (SMEs) but we have started engaging larger biopharmaceutical companies in discussion and expect that this will translate into more substantial work orders and preferred provider agreements of the sort recently established with e-therapeutics plc. Converting such interest into formal projects, and then efficiently into recognised revenues, remains our primary objective and we are employing standard metrics of service delivery to monitor and improve throughput. Importantly, we retain the capacity to increase our workload by increasing our existing MS utilisation rates without the need for significant additional capital investment in our Frankfurt laboratory.

Licences

An amendment to our exclusive License and Distribution Agreement with Pierce Biotechnology Inc. (a division of Thermo Fisher Scientific Inc.) announced in April extended the current licence to include intellectual property (IP) relating to a new class of higher-plex TMT® reagents currently in development and on schedule for launch in 2019. Such higher-plex technology represents the next phase in the evolution of isobaric tagging, which will enable further advances in the efficiency and utility of MS protein analyses and has been a long-standing objective for both companies in response to a clear customer need. Through this extension of our exclusive relationship we see the potential to expand further a market in which we are already dominant, with TMT® the established standard for multiplex, quantitative proteomic experiments. In addition to completing synthesis of these higher-plex tags early in 2019, significant resources were directed towards restocking our 10-plex supplies which should now provide for anticipated commercial needs until late 2020.

TMT® sales and royalties remained predictably strong during the year. There was continued growth of 20% in Thermo Scientific's core market; however, this only translated into approximately 10% growth in our underlying business, in part a consequence of unfavourable exchange rates. This was insufficient to replace fully the substantial milestone payment we received from Thermo Scientific late last year resulting in a 11% reduction in our overall TMT®-associated revenues. While a change in the ordering pattern for stock reagents to support more flexible TMT® kit manufacture may have led to somewhat slower growth in the early months of the year, there is also some suggestion that orders in the second half may have been delayed awaiting the availability of higher-plex tags in 2019.

The Company is pleased to report that during the fourth quarter Randox initiated the clinical validation study required for CE (Conformité Européene) marked approval of its stroke diagnostic array (based in part on the Company's IP) and anticipates good progress in the coming months. Timelines for this trial have not been provided by Randox, as sponsor, although completion should not be expected until 2020. In addition, I am pleased that a further non-exclusive licence to the Company's GST-P stroke biomarker IP was concluded in January 2019 with Galaxy CCRO Inc. ("Galaxy"), a recently formed US clinical contract research organisation, which intends to develop a point of care test for the diagnosis and timing of stroke onset in order

to guide the use of specialist thrombolytic treatment. Under the terms of the licence the Company will receive equity in Galaxy as an initial fee, with subsequent development milestones and a running royalty on any product sales. Although the ultimate value of this licence is wholly dependent on the performance of Galaxy, this deal demonstrates again the value that may reside in our IP portfolio as we continue to seek future collaborators and partners.

Research

Research investments were again limited to those directly relevant to our commercial services. We chose to focus on productivity improvements to our principal proteomics workflows, the development of the clusterin blood test for neurodegeneration and, particularly, the introduction of high-performance plasma proteomics. The latter was in partnership with Pliant Therapeutics, Inc., one of our customers, with whom we presented data at the American Thoracic Society meeting in May. This was the first report of our new Super Depletion method for abundant plasma proteins combined with TMTcalibrator™ where we were able to quantify over 8,000 proteins and identify potential new biomarkers for idiopathic pulmonary fibrosis (IPF). Super Depletion has subsequently become an important and frequently requested element of our service offering, demonstrating again the continuing importance of basic research activities to ensure that we can refresh and update our range of services.

Characterisation of the Clusterin Glycoform Assay has been completed and provides early assessment of the level of brain damage in neurodegeneration. We have developed a new quantitative method to allow its use in assessing patients prior to their enrolment in, and during, clinical trials. We will be evaluating its final performance shortly and aim to launch it as our first clinical-grade test under the GCLP certification. A tryptophan metabolite assay is also scheduled for launch during 2019.

Among our publications in 2018 was the report of a collaboration with the University of Eastern Finland, combining our SysQuant® protein and phosphopeptide analysis with transcriptomics in order to stage AD pathology. This has the potential to be a landmark publication and we will maximise its value for commercial activities.

Operating Environment

The positive environment created by US tax cuts at the start of the year, encouraging sector-wide investment in several areas important to us such as immuno-oncology, precision medicine and digital health, quickly gave way to pre-Brexit speculation and general market weakness following a series of high-profile clinical stage failures. The resulting risk-averse environment significantly slowed collaborative activities which, although having little direct effect on our trading, forced many companies to focus internally and retain strong cost containment measures. For our part we continued a policy of cost reduction established in the previous year by choosing not to replace staff who left the Company through retirement and resignation, and recently removing two further roles from the organisation. These reductions have:

- minimised internal resources deployed in maintaining our IP portfolio, which we continue to support but have narrowed in line with our budget;
- increased cross functional efficiencies by fundamentally changing our approach to project management and leadership; and
- enabled us to complete the transition to a sales agent model in central Europe which is our preferred route to commercialisation.

Costs were reduced as anticipated, with significant full year savings from Company restructuring being partially offset by investment in the development of our new, higher-plex TMT® tags. These containment efforts will continue into 2019 in the full expectation that we can further improve our organisational efficiency.

Uncertainties surrounding the eligibility of our commercial projects for R&D tax credits have been resolved after a prolonged period of discussion with HMRC and claims for years 2016-17 have now been settled. As such, and to ensure that prospective credit claims are positively received, the Company will take forward its 2018 claim during 2019. We are grateful to Vulpes Investment Management for showing confidence in our service proposition to provide a loan facility of £1.00m, giving us some additional working capital to start investing in a sustainable services business.

Volatility in foreign exchanges during the year affected non-sterling denominated revenues as well as costs associated with the Frankfurt laboratory, but the overall effect on EBITDA was neutral.

Like many other small organisations, implementation of the General Data Protection Regulation (GDPR) 2016/679 in May created a disproportionate workload but, as a result, our data protection activities have been fully reviewed both internally and externally to ensure we remain compliant. Updated policies for Social Media, Data Protection and Anti-bribery, released throughout the organisation, address the minimum requirements for a listed company.

I was pleased to welcome Richard Dennis, our Chief Commercial Officer, to the Board in April, and Allenby Capital as our broker and AIM nominated adviser in December. I also want to thank our customers for their valuable business and all the staff who worked for Proteome Sciences during 2018, including those who have since left the Company; our continued development as an organisation is a direct consequence of their individual and collective efforts.

Outlook

The global proteomics market has been estimated at more than $35 billion by 2021, driven by factors such as the increasing importance of companion diagnostics and precision medicine, advances in digital health and rising R&D expenditure. Although only a small proportion of this market is specifically directed towards MS-based protein analysis, an opportunity clearly exists in the post-genomic era to develop a successful services business if the growing needs of biopharmaceutical customers can be addressed predictably and efficiently. In particular, interest in adaptive artificial intelligence (AI)-driven healthcare solutions could become fundamental to the value of this proteomics market as the success of such disruptive approaches will increasingly rely on the provision and linkage of new data sets from novel technology platforms and services such as our own.

We continue to broaden our range of services and are optimistic that these, combined with a commitment to reliability, cost and quality, will allow us to develop our presence in this important and expanding market (particularly as the legitimate provision of TMT®-based services in association with GCLP accreditation is rare among our contract research competitors). Further investment is vital, however, if we are to compete successfully and win business, not just for the development of new assays and workflows, but also for marketing campaigns, sales resources and website development. Financial strength remains an important feature of any vendor assessment process and will need to be carefully monitored if we want to grow our business with larger companies involved in clinical stage assets. The demand for our

TMT® reagents remains strong, providing reliable revenues, and we are confident that the launch of higher-plex tags later in 2019 will further grow the overall market for MS-based quantitative proteomics and specifically for isobaric tags at the expense of label-free methods.

In a year with more recognised unknowns than previously, it is likely that volatility in the markets, political instability and weakness in the bioscience sector carried over from 2018 will continue to undermine investment. That being said, some high-profile acquisitions by large pharmaceutical companies at the start of this year suggested a strategic change at corporate level after a quiet 2018 with renewed interest in consolidating technologies and integrating services. The importance of new partnerships and operating models as a means of accessing external expertise and technology has never been greater in bioscience and remains an active area of interest for us as we look to broaden our service platform.

I would like to thank our shareholders for their continuing support and patience, and look forward to communicating further progress and meaningful revenue growth during 2019.

Jeremy Haigh
Chief Executive Officer
1 April 2019

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 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 MS-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 2018

Building a Competitive Services Business
The prevailing biopharmaceutical sector strategy to outsource analytical needs rather than purchase the technology and personnel to perform work in-house affords us a significant opportunity. In addition, many smaller, virtual organisations are being created from the site closures of larger companies and rely solely on outsourced research and analysis. As MS can identify many more proteins and post translational modifications (PTMs) than detected with other laboratory-based technologies (e.g. ELISA), the quest to find protein biomarkers which are predictive for disease status or drug activity provides a clear focus for our sales and marketing effort.

The US and Europe account for up to 80% of the total available market in the field of proteomics and our current commercial activities have therefore been directed towards these territories. The use of the web, direct marketing programmes, attendance/presentations at scientific conferences and, most importantly, sales prospecting have all generated suitable leads for business follow up and increased the number of quotes we issued in 2018 to 57, more than a threefold increase on the previous year. Commission-based agents and direct sales activity provide valuable face-to-face connection with potential customers, and this personalised approach allows us to demonstrate our high level of technical competence which is essential in order to win contracts for larger proteomic studies in both pre-clinical and ongoing clinical trials.

Our ambition is to sell a high value analytical contract through which we work with a client to establish their research needs, develop a specific protocol to address them, and then process samples they send us on a fee for service basis. Collaborations usually start with a pre-clinical project to identify suitable protein biomarkers which, in the absence of a suitable antibody-based assay, drives an MS-based biomarker validation project leading to the development of a targeted assay for use in on-going clinical trials. More than half of our clients initiate a pilot study that

leads into either a larger protein discovery project or a more valuable protein-based assay validation before adopting the assay as part of a clinical trial, potentially involving much larger sample numbers than in the initial protein discovery phase.

Many smaller service-based companies offer MS capabilities to this market, but very few retain the product licence required to support TMT®-based commercial services. Using our superior knowledge of TMT®, with a combination of Super Depletion and our proprietary TMTcalibrator™, has enabled our services to quantify sample protein numbers that are unachievable with other methods. For the customer, this increases the chances that a protein-based biomarker relevant to disease progression or drug treatment can be identified. Such biomarkers are increasingly important in a clinical programme, or for use as a companion diagnostic, and we plan to promote this approach heavily in the future.

The Opportunity of Artificial Intelligence

There can be no doubt that advances in AI, or more specifically machine learning, have the potential to revolutionise healthcare provision and the efficiency of drug discovery and development. Fundamental to the creation and validation of predictive algorithms are the provision of high quality, well curated data, the establishment of durable collaborations between digital health companies and data generators, and the availability of data scientists and bioinformaticians who are equipped to aggregate disparate data sets and identify patterns which will generate biological insights. MS proteomics is ideally placed for this revolution, which therefore offers us a distinct opportunity to address a new customer segment with our service platform. Rather than being seen conventionally as just an extension of genomics, protein analytics can become part of a solution through which the growing ranks of AI companies can prove the utility of their approach. We believe that the next phase of disruptive technology in biopharmaceuticals is most likely to come from AI-driven analysis of high quality, 'big data' proteomics.

The Rebirth of Plasma Proteomics - TMTcalibrator™ and Super Depletion

Blood is one of the most commonly sampled body fluids, used widely in diagnosing and monitoring disease. Unfortunately, the presence of a few high-abundance proteins in large volumes of circulating fluid makes new biomarker discovery particularly challenging. We have been working to overcome these difficulties, and thereby transform plasma proteomics, by combining extensive protein depletion, TMT® labelling and tissue triggering.

At the American Thoracic Society in May, we presented results from a study performed for Pliant Therapeutics Inc. that was the first to combine our TMTcalibrator™ workflow with Super Depletion – the removal of about 70 higher abundant proteins in plasma. Remarkably, we could quantify a total of over 8,000 proteins in each sample, with 5,600 being quantified in all 30 patient samples studied. Previously, we would have expected protein numbers in the region of 800 – 1,000. Such a significant increase was further enhanced by new computational approaches that allowed us to identify many PTM proteins which had direct relevance to lung disease. Based on these results, a panel of 36 proteins that differentiated diseased patients from healthy controls was identified which may offer clinicians a better tool for diagnosing lung disease and monitoring the effects of treatment.

The twin advantages of TMTcalibrator™ and Super Depletion in increasing the number of disease-associated proteins detected in body fluids are being recognised by our clients. We are actively engaged in a number of these projects, supporting a range of pre-clinical and clinical studies that should provide strong revenues in 2019.

Targeting Clusterin

One of our earliest biomarker discoveries was the changed level of plasma clusterin protein in patients with AD. While this has become a promising biomarker candidate, there have been widely conflicting reports describing clusterin level changes in AD patients. We set out to explain how plasma clusterin could be subject to such extreme differences and identified the extensive modification of the protein by glycosylation (i.e. adding complex sugar structures) as a likely reason. In particular, we identified one site on the protein where eight different sugar structures were being added, with levels that varied in patients with AD and, importantly, which could distinguish rapidly progressing AD cases from slower progressing disease or mild cognitive impairment (MCI).

However, the methods used in our discovery experiments could not be employed for screening thousands of individuals, so we had to develop a simpler way to measure these eight different clusterin glycoforms. Using well-established Selection Reaction Monitoring (SRM) MS we have now developed the first test capable of routinely measuring the levels of all eight clusterin glycoforms and are setting up a validation study to replicate our initial discovery and support the launch of the Clusterin Glycoform SRM Assay later this year. In line with the development of other targeted therapeutics, screening patients for their clusterin glycoform levels prior to enrolment in clinical trials is likely to define a better population for demonstrating drug efficacy.

Expanding the TMT® Product Portfolio

TMT® is now widely recognised as delivering the best combination of quantitative accuracy and depth of proteome coverage required by modern proteomics researchers. In a recent publication from Harvard University, TMT® experiments were found to be substantially better than label-free quantification in detecting regulated proteins and this benefit was strongest for peptides showing small changes in expression between samples. This advantage was mostly explained by the ability to include many samples in a single TMT® experiment where overall sensitivity is boosted and there are fewer missing data points.

Other initiatives, such as our TMTcalibrator™ workflow and Super Depletion (see above), are transforming the level of sensitivity that can be achieved, and even being adopted with some success to analyse samples of just a few cells. However, the need to use several of the TMT® channels for the tissue trigger reduces the number of individual samples that can be studied.

In response to this challenge, we have been working to increase the number of tags in our TMT® reagent sets and have now completed the production of a second-generation product. These new TMT® reagents have 16 different channels providing a 60% increase in sample multiplexing over the current TMT® 10plex reagents (i.e. for standard workflows, analysis of 90 samples can be achieved in only six sets of experiments compared with 10 sets using standard TMT®). For TMTcalibrator™ studies, the opportunity to analyse 12 individual samples with a four-point calibration curve or tissue trigger makes population-based studies of plasma biomarkers viable for the first time.

Patent Applications and Proprietary Rights

Given ongoing cost containment and the changing focus of the Company we continue to manage our portfolio of patents aggressively to maximise its short, medium and longer-term value. In the fourth quarter we undertook a strategic review of our patent portfolio and will focus our investment in 22 families that cover our key licensed technologies (TMT®, stroke biomarkers) and biomarkers under development (AD, oncology). Seven patents were granted in 2018 relating to five separate families. We filed 16 new patents relating to three families covering tryptophan metabolite assays and TMT® tags.

Board Changes

On 24 April 2018 the Company announced that Mr Richard Dennis, Chief Commercial Officer, had been appointed as an executive director. Mr Dennis has over 30 years' experience in the sector and prior to joining Proteome Sciences had held positions of increasing responsibility and diversity in companies such as Quanterix Corp. and Bioscale Inc.

Financial Review

Results and Dividends
The loss after tax for the year was £1.31m (2017: £2.50m). The directors do not recommend the payment of a dividend (2017: Nil). The Group results are stated in the Consolidated Income Statement and reviewed in the Chief Executive Officer's Statement.

Key Performance Indicators (KPI's)

(i) The directors consider that revenue and loss before/after tax are important in measuring Group performance. The profile of the Group has changed as a result of ongoing licensing agreements and with the adoption/conclusion of other commercial agreements and service contracts. The performance of the Group is set out in the Chief Executive Officer's Statement.

(ii) The directors believe that the Group's rate of cash expenditure and its effect on Group cash resources are important. Net cash outflows from operating activities for FY2018 were £0.50m (2017: £1.70m). Further details of cash flows in 2018 are set out in the Group's Consolidated Cash Flow Statement.

(iii) In a small business with a high proportion of well-qualified and experienced staff, the rate of staff turnover is vital. In FY2018 two members of staff resigned, and one retired. These individuals were not replaced as a cost containment measure and their responsibilities were redistributed within the organisation. In addition, strategic decisions were made to remove three unique roles from the business resulting in the redundancy of three members of staff, two of whom only left in January 2019.

(iv) As a commercially oriented service-based business, contract revenues from our proteomics (biomarker) services should increase in absolute terms and as a proportion of total Group revenues; this was not the case in 2018 (£0.75m; 25% vs £0.79m; 23% in 2017) as it took longer than anticipated to recognise revenues from new service orders, and total revenues were also down. Repeat business always provides an important measure of customer satisfaction, although in an expanding company it is arguable whether this metric should necessarily be increasing: in 2018, 44% of our contracts (56% by value) were from existing clients compared with 50% (42% by value) in 2017.

(v) As the Company transitions to a primary contract research business, conventional service-based metrics reflect our focus on the time, cost and predictability of data delivery. We measure and review customer response times from initial contact through to generation of a final report and invoice, comparing these times with our internal standards and to the delivery times provided in final client proposals. For example, in 2018 our ambition was for potential customers to receive formal statements of work from us within 5 days of engagement, and our annual conversion rate into fully executed projects was 66%.

Financial Performance
For the twelve-month period ending 31 December 2018 revenue decreased 9.8% to £3.05m (2017: £3.38m).

- Licences, sales and services revenue declined 12.4% to £2.96m (2017: £3.38m). This is comprised of two revenue streams: TMT® related revenue and Proteomic (Biomarker) Services. Although core sales and royalties for TMT® tags increased by 10.2% to £2.10m, total TMT® related revenue actually decreased by 11.1% (2017: £2.48m) because a significant milestone payment in late 2017 from our exclusive distribution partner Thermo Scientific could not be fully replaced through market growth and research collaboration.
- Grant income was £0.09m (2017: Nil).

The loss after tax was £1.31m (2017: £2.50m).

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 2018, and such amounts are only recognised when reasonably assured.

Costs and Available Cash
The Group maintained a positive cash balance in 2018 and continues to seek improved cash flows from commercial income streams. Our operating costs have been significantly reduced.

- Administrative expenses in 2018 were £3.24m (2017: £4.01m). This is a decrease of 19.2%, representing full year cost savings following the relocation of the UK Laboratory in 2017, and further consolidation and restructuring during the year.
- Staff costs for the year were £2.25m (2017: £2.54m).
- Property costs of £0.32m 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 on loans from two major investors in the Company. Costs of £0.29m are marginally higher than the prior year.
- Loss after tax for 2018 was £1.31m (2017: £2.50m). The net cash outflow from operating activities was £0.50m (2017: £1.70m). Cash at the year-end was £0.96m (2017: £0.91m).

By order of the Board
Hamilton House
Mabledon Place
London WC1H 9BB

V Birse
Company Secretary
1 April 2019

Consolidated income statement

For the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017
Revenue			
Licences, sales and services		2,958	3,378
Grant services		- 91	- 2
Revenue- total		3,049	3,380
Cost of sales		(1,180)	(1,180)
Gross profit		1,869	2,200
Administrative expenses		(3,239)	(4,008)
Operating loss		(1,370)	(1,808)
Finance income		-	1
Finance costs		(289)	(246)
Loss before taxation		(1,659)	(2,053)
Tax		346	(444)
Loss for the period attributable to shareholders of the Company		(1,313)	(2,497)
Loss per share			
Basic and diluted	3	(0.44p)	(0.85p)

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss for the year	(1,313)	(2,497)
Other comprehensive income for the year		
Exchange differences on translation of foreign operations	24	37
Loss and total comprehensive expense for the year	(1,289)	(2,460)

Consolidated balance sheet

As at 31 December 2018

	2018 £'000	2017 £'000
Non-current assets		
Goodwill	4,218	4,218
Property, plant and equipment	56	281
	4,274	4,499
Current assets		
Inventories	1,147	946
Trade and other receivables	320	1,124
Contract assets	328	
Cash and cash equivalents	958	908
	2,753	2,978
Total assets	7,027	7,477
Current liabilities		
Trade and other payables	(541)	(726)
Contract liabilities	(25)	-
Borrowings	(9,936)	(8,946)
	(10,502)	(9,672)
Net current liabilities	(7,749)	(6,694)
Non-current liabilities		
Provisions	(343)	(363)
	(343)	(363)
Total liabilities	(10,845)	(10,035)
Net liabilities	(3,818)	(2,558)
Equity		
Share capital	2,952	2,952
Share premium account	51,466	51,466
Share-based payment reserve	3,532	3,503
Merger reserve	10,755	10,755
Translation reserve	(43)	(67)
Retained loss	(72,480)	(71,167)
Total equity (deficit)	(3,818)	(2,558)

Consolidated statement of changes in equity

For the year ended 31 December 2018

	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	Total (deficit) £'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
Total comprehensive income for the year	-	-	-	37	-	-	(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 statement of changes in equity

For the year ended 31 December 2018

	Share capital	Share premium account	Share based payment reserve	Translation reserve	Merger reserve	Retained loss	Equity attributable to owners of the parent	Total (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2018	2,952	51,466	3,503	(67)	10,755	(71,167)	(2,558)	(2,558)
Loss for the year	-	-	-	-	-	(1,313)	(1,313)	(1,313)
Exchange differences on translation of foreign operations	-	-	-	24	-	-	24	24
Total comprehensive income for the year	-	-	-	24	-	(1,313)	(1,289)	(1,289)
Issue of share capital								
Share issue expenses	-	-	-	-	-	-	-	-
Credit to equity for share-based payment	-	-	29	-	-	-	29	29
At 31 December 2018	2,952	51,466	3,532	(43)	10,755	(72,480)	(3,818)	(3,818)

Consolidated cash flow statement

For the year ended 31 December 2018

	Group Year ended 31 December 2018 £'000	Group Year ended 31 December 2017 £'000
Operating loss	(1,659)	(2,053)
Adjustments for:		
Net finance costs	289	245
Depreciation of property, plant and equipment	229	332
Share-based payment expense	29	67
Operating cash flows before movements in Working capital	(1,112)	(1,409)
(Increase) / Decrease in inventories	(201)	(346)
(Increase) / Decrease in receivables	77	(63)
Increase / (Decrease) in payables	6	118
Increase / (Decrease) in provisions	(20)	2
Cash used in operations	(1,250)	(1,698)
Tax refunded	746	-
Net cash outflow from operating activities	(504)	(1,698)
Cash flows from investing activities		
Purchases of property, plant and equipment	(4)	(23)
Interest received	-	1
Net cash outflow from investing activities	(4)	(22)
Financing activities		
Proceeds on issue of shares/Borrowings	700	23
Share issue costs	-	-
Repayment of HP creditors	(166)	(220)
Net cash inflow from financing activities	534	(197)
Net (decrease)/increase in cash and cash equivalents	26	(1,917)
Cash and cash equivalents at beginning of year	908	2,884
Foreign exchange differences	24	(59)
Cash and cash equivalents at end of year	958	908

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 2017 or 2018. Statutory accounts for the years ended 31 December 2017 and 31 December 2018, which were approved by the directors on 1st April 2019, have been reported on by the Independent Auditors. The Independent Auditor's reports on the Annual Report and Financial Statements for years ended 31 December 2017 and 2018 were unqualified, did draw attention to a matter by way of emphasis, being going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 December 2018 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 set out in these results has been prepared using the recognition and measurement principles of International Accounting Standards, and International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The accounting policies adopted in these 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 2017, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018. New standards impacting the Group that have be adopted in the annual financial statements for the year ended 31 December 2018 are IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*. Other new standards, amendments and interpretations to existing standards, which have been adopted by the Group have not been listed, since they have no material impact on the financial statements.

2. Liquidity and Going Concern

The directors have reviewed the Group's going concern position taking into account its current business activities, budgeted performance and the factors likely to affect its future development, 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.

The Group's financial statements have been prepared on a 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 prepared cash-flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, which foresee that the Group will be able to operate within its existing 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, the Group's services are still in the development phase and as such, the directors consider that costs could exceed income in the short term.

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 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.

On 2 July 2018, The Company secured a loan facility of £1.0m, of which £0.7m was drawn at 31 December 2018, 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 on 31 December 2019. The Company has received confirmation from VIM that they will not seek repayment before May 2020.

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.

	2018 £'000	**2017 £'000**
Loss for the financial year	(1,313)	(2,497)

	2018 Number of shares	**2017 Number of shares**
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share:	295,182,056	295,182,056

In 2018 and 2017 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.