



iQUR LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST MARCH 2008

Registered Number 04665665

THURSDAY



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COMPANIES HOUSE



Accredited Medical Laboratory
Reference No 2838

IQUR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008

The Directors present their report and financial statements for the year ended 31st March 2008

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is involved in ongoing research and development and diagnostic testing for chronic liver disease, focusing mainly on viral hepatitis and fatty liver disease. The Company is very well positioned to offer the best in class service to the NHS, with partial reimbursement by its pharmaceutical partners.

During the year a number of key events occurred

- In May 2007 iQur terminated its European licensing and distribution agreement and sold iQur Pharmaceuticals Limited and its interests in certain regulatory approval applications to Three Rivers Pharmaceuticals for US\$1 million, with a potential future revenue stream of royalties once sales of the anti-viral drug commence. The initial application for this approval has been unsuccessful, and the process is currently awaiting Three Rivers' decision on how they wish to proceed.
- In June 2007, together with academic and industrial partners, the company was successful in raising grant funding from the BERR for a £1.1 million development project linked to iQur's vaccine platform technology.
- In July 2007 iQur closed a round of fundraising from existing and new investors raising £3.3 million, of which £2.6 million was new cash and the balance being the conversion of debts due to the University of Southampton and IP Group plc.

Continuing research has led to significant advances in iQur's three therapeutic programs

- An anti-viral drug is in development with a US pharmaceutical partner. Several rounds of synthesis and formulation have been completed and it is hoped that a compound will be selected that can then progress rapidly into *in vivo* testing and clinical trials.
- iQur's vaccine platform technology has been greatly expanded and a programme of industrial development is underway. We have identified several target antigens and have a lead product which is being scaled for *in vivo* testing. iQur has entered into a consortium agreement with two other industrial partners to develop the technology further and, post year end, have been successful in raising grant funding from the BERR (see post balance sheet events below).
- The development of a novel anti-fibrotic therapy has been partnered by another biotechnology company that is sharing the cost of *in vivo* testing.

iQUR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

RESULTS

The results for the year and the Company's position at 31st March 2008 are set out in the attached financial statements. The Company made a loss, including the effect of FRS 20 "Share Based Payments", of £2,329,231 (2007 £2,040,484). Of this, £1,219,899 (2007 £65,043) was due to the effect of the Share Based Payments charge under FRS20, the remainder was, as in the previous years, largely due to research and development work and administration against which there was no sales income.

The Directors do not recommend the payment of a dividend.

DIRECTORS

The Directors who served during the year and to the date of this report were as follows:

Mr J B Boyer	(Chairman)
Dr D B Campbell	
Prof W M C Rosenberg	
B Reynolds	(Appointed 13th June 2007)
P Woodford	(Appointed 1 September 2007)

AUDITORS

All of the current Directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purpose of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

A resolution to re-appoint BDO Stoy Hayward LLP will be proposed at the next Annual General Meeting.

IQUR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

DIRECTORS' RESPONSIBILITIES

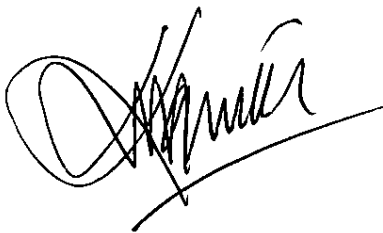
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to -

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Board of Directors on 1 August 2008



Vic Laville,
Secretary,
1 August 2008

MP811, Level D, South Block,
Southampton General Hospital
Tremona Road
Southampton,
SO16 6YD

iQUR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF iQUR LIMITED

We have audited the financial statements of iQur Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

iQUR LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
iQUR LIMITED (cont'd)**

Opinion

In our opinion -

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 March 2008 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton

1 September 2008

IQUR LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2008**

	Note	2008 £	2007 £
TURNOVER	2	995,681	207,178
Cost of sales		811,658	(378,639)
		<hr/>	<hr/>
GROSS PROFIT / (LOSS)		184,023	(171,461)
Administrative costs			
FRS20 Share Based Payments		(1,219,899)	(65,043)
Other		(1,579,402)	(2,087,634)
		<hr/>	<hr/>
Total Administrative Costs		(2,799,301)	(2,152,677)
		<hr/>	<hr/>
		(2,615,278)	(2,324,138)
OTHER OPERATING INCOME	3	5,524	-
		<hr/>	<hr/>
OPERATING LOSS	4	(2,609,754)	(2,324,138)
Interest receivable		105,658	37,965
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,504,096)	(2,286,173)
TAXATION	7	174,865	245,689
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED DEFICIT FOR THE FINANCIAL YEAR	14	£(2,329,231)	£(2,040,484)
		<hr/>	<hr/>

There are no recognised gains and losses other than the above
All activities of the Company are continuing operations

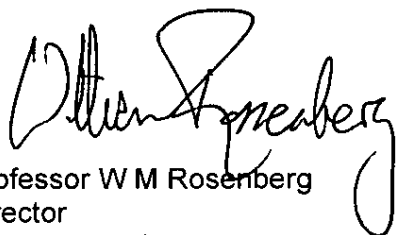
The notes on pages 9 to 23 form part of these financial statements

iQUR LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	8	264,437	78,556
Tangible assets	9	99,543	86,521
Investments in subsidiaries	10	102	103
		<hr/>	<hr/>
		364,082	165,180
		<hr/>	<hr/>
CURRENT ASSETS			
Debtors and prepayments	11	460,757	616,539
Investments Short term deposits		1,745,000	243,142
Cash at bank and in hand		87,837	3,870
		<hr/>	<hr/>
		2,293,594	863,551
CREDITORS: Amounts falling due within one year	12	(505,953)	(1,262,597)
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		1,787,641	(399,046)
		<hr/>	<hr/>
TOTAL ASSETS			
LESS CURRENT LIABILITIES		£2,151,723	£(233,866)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	13	2,557	2,175
Share premium account	14	7,926,251	4,431,712
Profit and loss account	14	(5,777,085)	(4,667,753)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	14	£2,151,723	£(233,866)
		<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board of Directors on 1 August 2008



Professor W M Rosenberg
Director
1 August 2008

The notes on pages 9 to 23 form part of these financial statements

IQUR LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2008**

		2008 £	2007 £
Net cash outflow from operating activities	15(a)	(1,433,613)	(1,592,256)
Returns on investments and servicing of finance			
<i>Interest received</i>		105,658	37,965
Taxation		411,405	85,871
Capital expenditure and financial Investment	15(b)	(100,577)	(68,031)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(1,017,127)	(1,536,451)
Management of liquid resources		(1,501,858)	1,536,858
Financing	15(b)	2,602,952	158
		<hr/>	<hr/>
Increase in cash		£83,967	£565
		<hr/>	<hr/>

The notes on pages 9 to 23 form part of these financial statements

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements

(a) Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards on a going concern basis and under the historical cost convention

The accounting policies used in preparing the financial statements have been applied consistently throughout all periods presented

(b) Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 248 of the Companies Act 1985 as the group it heads qualifies as a small group. These financial statements therefore present information about the company as an individual undertaking and not about its group.

(c) Going Concern

The Company's cash position at 31st March 2008 was £1,832,837 (2007 £247,012). The directors believe that the company will have adequate resources to continue operations for the foreseeable future and accordingly they consider that the going concern basis of preparation continues to be appropriate.

(d) Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of VAT. It also includes the proceeds received from the assignment of the Company's drug distribution agreement to 3 Rivers Pharmaceuticals division during the year.

Turnover is recognised only to the extent that the Company has performed its contractual obligations, principally as certain technical or clinical targets are reached, based on the fair value of the right to consideration for each component of the agreement.

(e) Deferred tax

Deferred taxation is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax that have been enacted or substantially enacted by the balance sheet date. Deferred tax balances are not discounted.

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

1 ACCOUNTING POLICIES (cont'd)

(f) Intangible fixed assets

Intangible fixed assets comprise of trademarks, acquired patents and know-how directly relating to current and future licensing and distribution activities. These are recorded at cost on the date of purchase. The purchase of intangible fixed assets can be for consideration other than cash, in which event cost is calculated by reference to the market value of the non-cash consideration.

Intangibles are amortised in equal instalments over their anticipated economic working life of seven years, subject to reviews for impairment.

(g) Depreciation

Equipment is depreciated on a straight-line basis over its estimated useful life of between three and five years. Leasehold Improvements are depreciated over three years.

(h) Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- The project is clearly defined and related expenditure is separately identifiable,
- The project is technically feasible and commercially viable,
- Current and future costs are expected to be exceeded by future sales, and
- Adequate resources exist for the project to be completed.

Any capitalised amounts are subsequently amortised over the Directors' estimate of their useful economic life.

(i) Share based payments

In accordance with FRS 20 "Share based payments", share options are measured at fair value at their grant date. The fair value is calculated using the Black-Scholes formula and charged to the income statement on a straight-line basis over the expected vesting period. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable.

IQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)**

1. ACCOUNTING POLICIES (cont'd)

(j) Cash and liquid resources

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash)

(k) Foreign currencies

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

(l) Government Grants

Grants of a revenue nature are credited to the profit and loss account so as to match them with the expenditure to which they relate. These amounts are disclosed as other operating income.

iQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

2. TURNOVER

	2008 £	2007 £
Liver Diagnostic Testing UK	388,881	122,852
USA	32,342	84,326
	<hr/>	<hr/>
	421,223	207,178
Assignment of Drug Distribution agreement	495,986	-
Funded Research	78,472	-
	<hr/>	<hr/>
	£995,681	£207,178
	<hr/>	<hr/>

In May 2007 iQur terminated its European licensing and distribution agreement and sold iQur Pharmaceuticals Limited and its interests in certain regulatory approval applications to Three Rivers Pharmaceuticals for US\$1 million, with a potential future revenue stream of royalties once sales of the anti-viral drug commence

In June 2007, together with academic and industrial partners, the company was successful in raising grant funding from the BERR for a £1 1 million development project linked to iQur's vaccine platform technology

3. OTHER OPERATING INCOME

Other operating income represents Government Grants received and taken to income during the year

4. OPERATING LOSS

	2008 £	2007 £
The operating loss is stated after charging -		
Auditors' remuneration -		
- audit services	11,594	8,673
Research and development	838,576	927,567
Share based payments	1,219,899	65,043
Depreciation	47,825	78,636
Amortisation of intangible assets	27,250	9,354
Loss on disposal of intangible assets	-	41,034
	<hr/>	<hr/>

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)**

5. DIRECTORS' EMOLUMENTS

	2008 £	2007 £
Directors' emoluments	241,367	291,850

The emoluments of the highest paid director were £160,117 (2007 £120,000)

6. STAFF COSTS

	2008 £	2007 £
Wages and salaries	1,058,355	910,906
Social security costs	111,350	102,498
Share based payments	1,219,899	65,043
	<u>£2,389,604</u>	<u>£1,078,447</u>

The average monthly number of employees (including directors) directly employed by the Company during the year was 21 (2007 22), comprised as follows -

	2008	2007
Administration	4	5
Research and Development	8	10
Diagnostic Testing	9	7
	<u>21</u>	<u>22</u>

7. TAXATION

(a) Tax on profit on ordinary activities -	2008 £	2007 £
UK corporation tax	(175,560)	(213,937)
Adjustment in respect of previous periods	695	(31,752)
	<u>£(174,865)</u>	<u>£(245,689)</u>

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

7. TAXATION (cont'd)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 30%. The differences are reconciled below -

	2008 £	2007 £
Loss on ordinary activities before tax	(2,504,096)	(2,286,173)
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 30%	(751,229)	(685,852)
Expenses not deductible for corporation tax	2,091	30,706
R&D enhancement relief	(113,877)	(133,711)
Fixed asset timing differences	775	20,887
Losses carried forward	188,115	366,838
Losses surrendered for R&D tax credit	153,614	187,195
Over provision in respect of previous years	695	(31,752)
Other timing differences	344,951	-
Current tax charge for the year	(174,865)	(245,689)

There are tax losses available for carry forward against future trading profits of approximately £3,747,000 (2007 £3,173,000). A deferred tax asset in respect of these losses of approximately £1,035,000 (2007 £952,000), and in respect of other timing differences of £375,000 (2007 £59,000), has not been recognised in the accounts as the full utilisation of these losses in the foreseeable future is uncertain.

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)**

8. INTANGIBLE FIXED ASSETS

	Patents & Trademarks £
Cost	
At 1 st April 2007	90,533
Additions	213,131
	<hr/>
At 31 st March 2008	303,664
	<hr/>
Amortisation	
At 1 st April 2007	11,977
Charge for the year	27,250
	<hr/>
At 31 st March 2008	39,227
	<hr/>
Net Book Value	
At 31 st March 2008	£264,437
	<hr/>
At 31 st March 2007	£78,556
	<hr/>

IQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)**

9. FIXED ASSETS

	Leasehold Improvements £	Equipment £	Total £
Cost			
At 1 st April 2007	53,192	185,417	238,609
Additions	-	60,847	60,847
	<hr/>	<hr/>	<hr/>
At 31 st March 2008	53,192	246,264	299,456
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 st April 2007	41,337	110,751	152,088
Charge for the year	11,855	35,970	47,825
	<hr/>	<hr/>	<hr/>
At 31 st March 2008	53,192	146,721	199,913
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 st March 2008	£-	£99,543	£99,543
	<hr/>	<hr/>	<hr/>
At 31 st March 2007	£11,855	£74,666	£86,521
	<hr/>	<hr/>	<hr/>

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

10. INVESTMENTS IN SUBSIDIARIES

Cost as at 1 April 2007	£103
Disposal during year	£(1)
	<hr/>
Cost as at 31 March 2008	£102
	<hr/>

The principal undertakings in which the Company's interest at the year end is 20% or more are as follows

Subsidiary undertaking	Proportion of voting rights and ordinary share capital held	Nature of business
Convention Associates Limited	100%	Dormant
iQur Diagnostics Limited	100%	Dormant
iQur Therapeutics Limited	100%	Dormant
iQur Services Limited	100%	Dormant

All companies are registered in England

iQur Pharmaceuticals Limited was sold during the year. The disposal formed part of the sale of the Company's interests in certain regulatory approval applications to Three Rivers Pharmaceuticals.

11. DEBTORS

	2008 £	2007 £
Trade debtors	180,104	58,160
Prepayments and accrued income	101,319	83,267
Other debtors	3,774	63,012
Corporation tax recoverable	175,560	412,100
	<hr/>	<hr/>
	£460,757	£616,539
	<hr/>	<hr/>

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

12. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	177,296	589,914
Other tax and social security	9,980	29,846
Accruals and deferred income	318,677	142,837
Loan from related party	-	500,000
	<hr/>	<hr/>
	£505,953	£1,262,597
	<hr/>	<hr/>

The Company converted £218,567 of its trade creditors and the £500,000 loan from a related party into equity as part of the funding round closed in July 2007

13. SHARE CAPITAL

	2008 £	2007 £
Authorised		
350,000 (2007 - 250,000) ordinary shares of £0 01	£3,500	£2,500
	<hr/>	<hr/>
Allotted, called-up and fully-paid		
255,676 (2007 - 217,499) ordinary shares of £0 01	£2,557	£2,175
	<hr/>	<hr/>

The Authorised Share Capital was increased as part of the funding round closed in July 2007, and was approved in the AGM held on 11 July 2007

Share Options

At 31 March 2008 the Company had granted options over 5,500 ordinary shares of £0 01. These options had all vested at this date and are exercisable at any time before 23 April 2013 at a price of £10 00 per share.

Further share options of 42,574 exist at year end and have been accounted for under FRS 20 as disclosed in Note 17.

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Share Premium £	Profit & Loss Account £	Total Shareholders Funds £
At 1 st April 2006 restated	2,175	4,431,712	(2,692,312)	1,741,575
Loss for the year	-	-	(2,040,484)	(2,040,484)
Share based payment	-	-	65,043	65,043
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 st April 2007	2,175	4,431,712	(4,667,753)	(233,866)
Loss for the year	-	-	(2,329,231)	(2,329,231)
Share issue	382	3,512,042	-	3,512,424
Costs of Share issue	-	(17,503)	-	(17,503)
Share based payment	-	-	1,219,899	1,219,899
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 st March 2008	£2,557	£7,926,251	£(5,777,085)	£2,151,723
	<hr/>	<hr/>	<hr/>	<hr/>

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities	2008 £	2007 £
Operating loss	(2,609,754)	(2,324,138)
Decrease / (increase) in debtors	(80,756)	53,405
(Decrease)/ increase in creditors	(38,077)	484,411
Depreciation	47,825	78,635
Amortisation of intangible assets	27,250	9,354
Loss on disposal of intangible fixed assets	-	41,034
FRS 20 charge for fair value of share options	1,219,899	65,043
	<hr/>	<hr/>
Net cash outflow from operating activities	£(1,433,613)	£(1,592,256)
	<hr/>	<hr/>

During the year the company converted £718,567 of creditors into equity as part of the financing round

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)**

15. NOTES TO THE STATEMENT OF CASH FLOWS (cont'd)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2008 £	2007 £
<i>Capital expenditure and financial investment -</i>		
Payments to acquire tangible fixed assets	(60,847)	(11,206)
Payments to acquire intangible fixed assets	(39,730)	(56,825)
	<hr/>	<hr/>
	£(100,577)	£(68,031)
	<hr/>	<hr/>

During the year the Company issued 1,885 shares of £0.01 to the University of Leeds as part of its contract for vaccine development. The University paid cash for the nominal value of the shares. The shares were valued at £92 per share in the accounts. The value of the premium is not reflected in the above movement as it was a non-cash item.

	2008 £	2007 £
<i>Financing -</i>		
Issue of ordinary shares		
- for cash	2,620,455	158
Share issue costs	(17,503)	-
	<hr/>	<hr/>
	£2,602,952	£158
	<hr/>	<hr/>

(c) Analysis of changes in net funds

	At 31 st March 2007 £	Cash Flow £	At 31 st March 2008 £
Investments	243,142	1,501,858	1,745,000
Short-term deposits			
Cash at bank and in hand	3,870	83,967	87,837
	<hr/>	<hr/>	<hr/>
	£247,012	£1,585,825	£1,832,837
	<hr/>	<hr/>	<hr/>

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

16 RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31st March 2008, the Company paid fees and expenses of £25,221 (2007 £20,154) to IP Group Plc for the provision of business consultancy services. In addition the loan of £500,000 granted to the Company by IP Group Plc in February 2007 plus £37,801 of invoices that were also due, was converted into equity as part of the funding round that closed in July 2007. IP Group Plc has an interest in the Company.

During the year ended 31st March 2008, the Company incurred costs of £131,798 (2007 £268,803) with the University of Southampton in connection with research and development activities, including the purchase of capital items. At the balance sheet date the amount unpaid in respect of these costs was £36,072 (2007 £331,477). During the year £180,766 of invoices that were due to the University of Southampton were converted into equity as part of the funding round that closed in July 2007. The University of Southampton is the controlling shareholder of Southampton Asset Management Limited, which has an interest in the Company, and Mr J B Boyer is a Director of Southampton Asset Management Limited.

17. SHARE BASED PAYMENT

The following options are within the scope of FRS 20 'Share-based payments'. All of these options are capable of being exercised once vested. Options over 26,250 shares (those granted to the Directors) must be exercised within a fixed period following the change of control of the company, the remaining options have no such restriction unless the Directors decide that one should exist. All options must be exercised at the latest within ten years of the date of grant.

In November 2004 the Company granted options over 3,956 ordinary shares of £0.01 at an exercise price of £27.27 per share which had already vested by year end.

In August 2005 the Company granted options over 2,970 ordinary shares of £0.01 at an exercise price of £27.27 per share which had already vested by year end.

In July 2006 Bruce Campbell was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £62.47 per share which had already vested by year end.

In June 2007 Brenda Reynolds was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92 per share which are to vest equally on 13 June 2008 and 13 June 2009.

In July 2007 Jack Boyer was granted options over 910 ordinary shares of £0.01 which are to vest on 19 July 2008 and 909 ordinary shares of £0.01 which are to vest on 19 July 2009. The options were granted at an exercise price of £27.27 per share.

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (cont'd)

17. SHARE BASED PAYMENT (cont'd)

In September 2007 Peter Woodford was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92 per share which are to vest equally on 1 September 2008 and 1 September 2009

In September 2007 the Company granted options over 450 ordinary shares of £0.01 at an exercise price of £30.00 per share which had already vested by year end

In October 2007 the Company granted options to its employees over 13,462 ordinary shares of £0.01 at an exercise price of £30.00 per share. Of these options 1,631 are to vest on 29 May 2008, 1,000 to vest on 11 October 2008, 1,631 to vest on 29 May 2009, 1,000 to vest on 11 October 2009, and the remainder (8,200 options) had already vested by the year end

In December 2007 the Company granted options over 2,412 ordinary shares of £0.01 at an exercise price of £30.00 per share which are to vest equally on 18 December 2008 and 18 December 2009

In January 2008 William Rosenberg was granted options over 10,875 ordinary shares of £0.01 at an exercise price of £62.47 per share. Of these options 5,738 had vested by the year end and the remainder (5,137 options) are to vest pro-rata monthly through until August 2009

	2008 Weighted average exercise price £	2008 Number	2007 Weighted average exercise price £	2007 Number
Outstanding at 1 April	35.83	9,136	27.27	6,926
Granted during the year	48.61	33,438	62.67	2,210
		<hr/>		<hr/>
Outstanding at 31 March	45.85	42,574	35.83	9,136
		<hr/>		<hr/>

Of the total number of options outstanding at the end of the year 23,524 shares (2007 – 6,219) were exercisable at the end of the year and their weighted average contractual life was 9.5 years (2007 – 8.4 years)

The weighted average fair value of each option granted during the year was £51.00 (2007 – £15.84)

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2008 (continued)

17. SHARE BASED PAYMENT (cont'd)

The following information is relevant in the determination of the fair value of options granted during the year under the equity settled option schemes operated by iQur Limited

	2008	2007
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date	£92 00	£64 74
Exercise price	£27 27 - £92 00	£62 67
Weighted average life (years)	0 74	2 2
Expected volatility	32 00%	32 00%
Risk-free interest rate	5 75%	4 5-4 75%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices in comparable companies in the bio-technology industry

	2008 £	2007 £
The share-based remuneration expense (Note 4) comprises		
Equity-settled schemes	1,219,899	65,043

18. CONTINGENT LIABILITIES

The Company is currently defending a legal case against one of its former employees for which the Tribunal date has been set in November 2008. The Directors completely reject the accusations made against the Company. It is not possible to quantify the outcome of the case at the current point in time.