

iQur Limited

Report and Financial Statements

Year Ended

31 March 2011

Company Number 04665665

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iQur Limited

Report and financial statements for the year ended 31 March 2011

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Directors

Prof W M C Rosenberg
Mr J B Boyer
Dr D B Campbell
B Reynolds
Dr J Tite

Secretary and registered office

Dr M A Whelan, The London Bioscience Innovation Centre, 2 Royal College Street, London, NW1 0NH

Company number

04665665

Auditors

BDO LLP, Arcadia House, Maritime Walk, Ocean Village, Southampton, SO14 3TL

iQur Limited

Report of the directors for the year ended 31 March 2011

The directors present their report together with the audited financial statements for the year ended 31 March 2011

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year

Principal activities, review of business and future developments

The Company is involved in ongoing research and development of therapies for chronic liver disease, focusing mainly on viral hepatitis. The Company is focused on progressing the development of its vaccine platform and specific vaccines towards entry into clinical trials in man.

During the year a number of key events occurred

- iQur validated the Tandem Core vaccine platform using material expressed in bacteria and then transferred the manufacturing process to yeast expression in preparation for the production of material that can be used in man. Using this yeast derived material, further preclinical testing has been conducted to refine the lead candidate vaccine and to validate the yeast derived material. Final candidate selection will be completed in Q3 2011 leading to GMP manufacture in Q1 2012. The development plans progress to a Phase I proof of concept trial in man in 2012. Outlicensing of the vaccine technology in applications beyond viral hepatitis will be explored and early negotiations with pharmaceutical companies have begun. The company remains focused on developing vaccines for the prevention and treatment of liver disease.
- The company has successfully husbanded funds raised in June 2009, extending their use well beyond the anticipated date at which they were expected to run out. This accomplishment was the result of careful cash-management and continuous review of scientific development plans. It was also assisted by a stronger than budgeted performance of the Diagnostics business which achieved turnover of £228,000 (2010 £126,000) in the year. At year-end cash on hand of £334,000 (2010 £636,000) was available to fund the on-going development of therapeutic programmes.
- Notwithstanding the careful use of funds in the year, management anticipate a further round of funding will be required in future to complete additional work required prior to achieve value opportunities for shareholders.

Directors

The directors of the company during the year were

Prof W M C Rosenberg
Mr J B Boyer
Dr D B Campbell
B Reynolds
Dr J Tite

iQur Limited

Report of the directors for the year ended 31 March 2011 (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes 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.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the board



Dr M A Whelan

Secretary

Date 21 JULY 2011

iQur Limited

Independent auditor's report

TO THE MEMBERS OF IQUR LIMITED

We have audited the financial statements of iQur Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the ability of the company to continue as a going concern which depends on its ability to raise further funding to continue in operational existence. Although the directors are confident of raising such funds there is no guarantee that they will be able to do so. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

iQur Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime



Kier White (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Southampton
United Kingdom

Date 22/7/11

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

iQur Limited

Profit and loss account for the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	2	233,025	126,335
Cost of sales		82,144	117,852
Gross profit		150,881	8,483
Administrative expenses		641,795	914,055
		(490,914)	(905,572)
Other operating income		53,231	55,821
Operating loss	3	(437,683)	(849,751)
Profit on disposal of operation		-	5,000
Loss on ordinary activities before interest and other income		(437,683)	(844,751)
Other interest receivable and similar income		1,812	4,697
Loss on ordinary activities before taxation		(435,871)	(840,054)
Taxation on loss on ordinary activities	6	69,071	85,675
Loss on ordinary activities after taxation		(366,800)	(754,379)

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

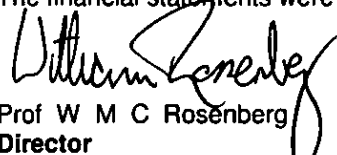
The notes on pages 8 to 22 form part of these financial statements

iQur Limited

Balance sheet at 31 March 2011

Company number 04665665	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Intangible assets	7		165,944		203,079
Tangible assets	8		3,741		15,731
Fixed asset investments	9		102		102
			169,787		218,912
Current assets					
Debtors	10	225,306		134,807	
Investments Short term deposits		-		632,550	
Cash at bank and in hand		333,908		3,476	
		559,214		770,833	
Creditors: amounts falling due within one year	11	162,878		105,611	
Net current assets			396,336		665,222
Total assets less current liabilities			566,123		884,134
Capital and reserves					
Called up share capital	12		2,576		2,576
Share premium account	13		7,982,782		7,982,782
Convertible debt option reserve	13		491,000		491,000
Profit and loss account	13		(7,910,235)		(7,592,224)
Shareholders' funds	14		566,123		884,134

The financial statements were approved by the board of directors and authorised for issue on 21 July 2011


Prof W M C Rosenberg
Director

The notes on pages 8 to 22 form part of these financial statements

iQur Limited

Cashflow statement for the year ended 31 March 2011

	Note	2011 £	2011 £	2010 £	2010 £
Net cash outflow from operating activities	17		(385,404)		(789,178)
Returns on investments and servicing of finance					
Interest received			1,812		4,697
Taxation					
Corporation tax received			85,807		104,512
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets			(4,333)		(19,693)
Acquisitions and disposals					
Sale of business operations			-		5,000
Cash outflow before use of liquid resources and financing			(302,118)		(694,662)
Management of liquid resources					
Decrease in short term deposits			632,550		167,450
Financing					
Share capital issued		-		19	
New loans		-		491,000	
Net cash inflow from financing			-		491,019
Increase/(Decrease) in cash	18		330,432		(36,193)

The notes on pages 8 to 22 form part of these financial statements

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention

The following principal accounting policies have been applied

Going concern

The Company's cash position at 31st March 2011 was £334,000 (2010 £636,000). At the date of signing these accounts the Directors recognise that the company will need to raise additional funds in due course. The directors intend to raise £250,000 of funding in the 2nd quarter of 2011/2012 to develop a lead candidate vaccine and then undertake a further major fundraising round in the 4th quarter of 2011/2012, as well as maintaining careful management of the company's cost base.

The Directors believe that this funding will be available and as a consequence that the company will have adequate resources to continue its operations for the foreseeable future. Although there is some inherent uncertainty, the Directors believe that the company's prior success in raising similar funding enables the company to continue to operate as normal, and accordingly they believe that the going concern basis of preparation continues to be appropriate. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the going concern basis were no longer appropriate.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales.

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. Revenue in respect of diagnostic testing is recognised on completion of the relevant tests.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Equipment	- Between three and five years
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Foreign currency

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

Convertible debt

The proceeds received on issue of the Company's convertible debt have been classified as equity in the balance sheet as the debt is only convertible into equity and not refundable.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

1 Accounting policies (*continued*)

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

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure

Share-based payment

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

Government grants

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

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 installments over their anticipated economic working life of seven years, subject to reviews for impairment.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (continued)

1 Accounting policies (continued)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements by virtue of section 399 of the Companies Act 2006 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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

2 Turnover

	2011 £	2010 £
Analysis by class of business		
Diagnostic sales	228,025	121,951
Therapeutic sales	5,000	4,384
	<hr/>	<hr/>
	233,025	126,335
	<hr/>	<hr/>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (continued)

2 Turnover (continued)

	2011 £	2010 £
Analysis by geographical market		
United Kingdom	47,942	51,195
Europe	6,660	11,790
Rest of the world	178,423	63,350
	<u>233,025</u>	<u>126,335</u>

3 Operating loss

	2011 £	2010 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	11,990	26,448
Amortisation of other intangible fixed assets	41,468	39,573
Loss on disposal of tangible fixed assets	-	13,202
Hire of other assets - operating leases	26,819	50,060
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	6,827	6,000
Exchange differences	(867)	10
Share-based payment (see note 15)	48,789	74,388
Research and development	493,912	504,620
	<u></u>	<u></u>

There are no commitments under the operating lease held for rent of the office at University College London. This is due to the fact that the agreement does not provide a minimum agreement period or length of notice required to exit and therefore there are no commitments to disclose.

4 Employees

Staff costs (including directors) consist of

	2011 £	2010 £
Wages and salaries	325,449	413,009
Social security costs	35,463	46,022
Share based payment charge	48,789	74,388
	<u>409,701</u>	<u>533,419</u>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

4 Employees (*continued*)

The average number of employees (including directors) during the year was as follows

	2011 Number	2010 Number
Administration	5	2
Research and Development	6	4
Diagnostic Testing	1	2
	<u>12</u>	<u>8</u>

5 Directors' remuneration

	2011 £	2010 £
Directors' emoluments	<u>122,298</u>	<u>122,789</u>

6 Taxation on loss on ordinary activities

	2011 £	2010 £
<i>UK Corporation tax</i>		
Current tax on loss of the year	(68,939)	(85,675)
Adjustment in respect of previous periods	(132)	-
	<u>(69,071)</u>	<u>(85,675)</u>
Total current tax		

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (continued)

6 Taxation on loss on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applied to loss before tax. The differences are explained below.

	2011 £	2010 £
Loss on ordinary activities before tax	(435,871)	(840,054)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28%)	(122,044)	(235,215)
Effect of		
Expenses not deductible for tax purposes	13,661	20,829
Adjustment to tax charge in respect of previous periods	(132)	(133)
R&D enhancement relief	(61,893)	(76,602)
Fixed asset timing differences	1,861	5,412
Losses carried forward	30,537	114,492
Losses surrendered for R&D tax credit	68,939	85,542
Current tax credit for the year	(69,071)	(85,675)

There are tax losses available for carry forward against future trading profits of approximately £5,060,000 (2010 £4,949,000). A deferred tax asset in respect of these losses of approximately £1,366,000 (2010 £1,386,000), and in respect of other timing differences of £13,173 (2010 £26,233), has not been recognised in the accounts as the full utilisation of these losses in the foreseeable future is uncertain.

iQur Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

7 Intangible fixed assets

	Concessions, patents, licences, trade marks and similar rights and assets £	Other intangible fixed assets £	Total £
<i>Cost or valuation</i>			
At 1 April 2010	58,536	229,932	288,468
Additions	4,333	-	4,333
	<hr/>	<hr/>	<hr/>
At 31 March 2011	62,869	229,932	292,801
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 April 2010	19,468	65,921	85,389
Provided for the year	8,620	32,848	41,468
	<hr/>	<hr/>	<hr/>
At 31 March 2011	28,088	98,769	126,857
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2011	34,781	131,163	165,944
	<hr/>	<hr/>	<hr/>
At 31 March 2010	39,068	164,011	203,079
	<hr/>	<hr/>	<hr/>

iQur Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

8 Tangible fixed assets

	Equipment £
<i>Cost or valuation</i>	
At 1 April 2010	103,007
Disposals	(505)
	<hr/>
At 31 March 2011	102,502
	<hr/>
<i>Depreciation</i>	
At 1 April 2010	87,276
Provided for the year	11,990
Disposals	(505)
	<hr/>
At 31 March 2011	98,761
	<hr/>
<i>Net book value</i>	
At 31 March 2011	3,741
	<hr/>
At 31 March 2010	15,731
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iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

9 Fixed asset investments

	Group undertakings £
<i>Cost or valuation</i>	
At 1 April 2010 and 31 March 2011	102

Subsidiary undertakings, associated undertakings and other investments

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

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
<i>Subsidiary undertakings</i>			
Convention Associates Limited	UK	100%	Dormant
iQUR Diagnostics Limited	UK	100%	Dormant
iQUR Therapeutics Limited	UK	100%	Dormant
iQUR Services Limited	UK	100%	Dormant

10 Debtors

	2011 £	2010 £
Trade debtors	121,443	30,441
Corporation tax recoverable	69,071	85,542
Other debtors	5,712	2,147
Prepayments and accrued income	29,080	16,677
	<u>225,306</u>	<u>134,807</u>

All amounts shown under debtors fall due for payment within one year

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

11 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	44,040	17,920
Taxation and social security	12,191	13,574
Accruals and deferred income	106,647	74,117
	<u>162,878</u>	<u>105,611</u>

12 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
257,561 ordinary shares of £0.01 each	<u>2,576</u>	<u>2,576</u>

Share Options

At 31 March 2011 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 46,518 exist at year end and have been accounted for under FRS 20 as disclosed in Note 15.

13 Reserves

	Share premium account £	Convertible debt option reserve £	Profit and loss account £
At 1 April 2010	7,982,782	491,000	(7,592,224)
Loss for the year	-	-	(366,800)
Share-based payment	-	-	48,789
	<u>7,982,782</u>	<u>491,000</u>	<u>(7,910,235)</u>
At 31 March 2011			

In June 2009 the Company raised an interim amount of funding by the issue of Convertible Notes. The Notes were issued at a nil rate with conversion rights into ordinary share capital at the time of the next major funding event (specified as a fundraising round in excess of £500,000 or an exit). The conversion price per share will be determined at the lower of £92.00 per share or a 50% discount off the per share price of the next major funding event, whichever is the lower. In accordance with FRS25 this type of financial instrument has been classified as equity.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

14 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Loss for the year	(366,800)	(754,379)
Issue of shares	-	19
Premium on shares issued during the year	-	56,531
Share-based payment	48,789	74,388
Issue of convertible debt	-	491,000
	<hr/>	<hr/>
Net deductions from shareholders' funds	(318,011)	(132,441)
Opening shareholders' funds	884,134	1,016,575
	<hr/>	<hr/>
Closing shareholders' funds	566,123	884,134
	<hr/>	<hr/>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (*continued*)

15 Share-based payments

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 29,894 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.

In August 2005 the Company granted options over 2,970 ordinary shares of £0.01 at an exercise price of £27.27 per share.

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.

In June 2007 Brenda Reynolds was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92.00 per share.

In July 2007 Jack Boyer was granted options over 1,819 ordinary shares of £0.01 at an exercise price of £27.27 per share.

In September 2007 the Company granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92.00 per share.

In September 2007 the Company granted options over 450 ordinary shares of £0.01 at an exercise price of £30.00 per share.

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 300 have lapsed.

In December 2007 the Company granted options over 2,412 ordinary shares of £0.01 at an exercise price of £30.00 per share.

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.

In June 2008 the Company granted options over 400 ordinary shares of £0.01 at an exercise price of £30.00 per share.

In October 2009 Brenda Reynolds and Bruce Campbell were each granted options over 100 ordinary shares of £0.01, and William Rosenberg was granted options over 750 ordinary shares of £0.01. All of the shares were at a price equivalent to that of the Convertible Note.

In November 2010 the Company granted options over 200 ordinary shares of £0.01 at an exercise price of £30.00 per share.

All of the above options had vested by the year end.

In July 2009 John Tite was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92.00 per share. Of these 1,105 had already vested and 1,105 were due to vest on 1 July 2011.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (continued)

15 Share-based payments (continued)

In October 2009 Jack Boyer was granted options over 484 ordinary shares of £0.01, 184 were at an exercise price of £27.27 and the price of the remainder will be the same as the price of the Convertible Note. Of the options granted 47 were due to vest on 11 July 2011. The remainder had already vested by the year end.

	2011 Weighted average exercise price(pence)	2011 Number	2010 Weighted average exercise price (pence)	2010 Number
Outstanding at the beginning of the year	47.95	46,318	45.82	42,674
Granted during the year	30.00	200	72.95	3,644
Outstanding at the end of the year	47.87	46,518	47.95	46,318

The exercise price of options outstanding at the end of the year ranged between £10.00 and £92.00 (2010 - £10.00 and £92.00) and their weighted average contractual life was 6.3 years (2010 - 7.2 years).

Of the total number of options outstanding at the end of the year, 45,368 (2010 - 44,014) had vested and were exercisable at the end of the year.

The weighted average fair value of each option granted during the year was £0.38 (2010 - £1.06).

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by iQur Limited.

	2011	2010
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average exercise price at grant date (£)	30.00	72.95
Exercise price (£)	30.00	27.27 - 92.00
Weighted average contractual life (years)	0.1	0.9
Expected volatility	25.0 %	25.0 %
Risk-free interest rate	0.5 %	0.5 %

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.

The share-based remuneration expense (note 3) comprises

	2011 £	2010 £
Equity-settled schemes	48,789	74,388

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2011 (continued)

16 Related party disclosures

During the year ended 31st March 2011, the company were charged fees and expenses of £13,031 (2010 £12,398) for the provision of business consultancy services by IP Group Plc. At the balance sheet date the amount unpaid in respect of these costs was £3,063 (2010 £12,398). IP Group Plc has an interest in the company.

During the year ended 31st March 2011, the Company incurred costs of £Nil (2010 £64) with the University of Southampton in connection with research and development activities. At the balance sheet date the amount unpaid in respect of these costs was £Nil (2010 £Nil). 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.

During the year ended 31st March 2011, the Company incurred costs of £24,151 (2010 £41,146) with the University of Leeds and its associated companies in connection with research and development activities. At the balance sheet date the amount unpaid in respect of these costs was £10,786 (2010 £41). The University of Leeds has an interest in the Company.

17 Reconciliation of operating loss to net cash outflow from operating activities

	2011 £	2010 £
Operating loss	(437,683)	(849,751)
Amortisation of intangible fixed assets	41,468	39,573
Depreciation of tangible fixed assets	11,990	26,448
Loss on sale of tangible fixed assets	-	13,202
(Increase)/decrease in debtors	(107,235)	44,028
Increase/(decrease) in creditors	57,267	(137,066)
FRS 20 charge for fair value of share option	48,789	74,388
	<hr/>	<hr/>
Net cash outflow from operating activities	(385,404)	(789,178)
	<hr/>	<hr/>

18 Reconciliation of net cash flow to movement in net funds

	2011 £	2010 £
Increase/(decrease) in cash	330,432	(36,193)
Cash outflow from changes in liquid resources	(632,550)	(167,450)
	<hr/>	<hr/>
Movement in net funds	(302,118)	(203,643)
Opening net funds	636,026	839,669
	<hr/>	<hr/>
Closing net funds	333,908	636,026
	<hr/>	<hr/>

iQur Limited

Notes forming part of the financial statements
for the year ended 31 March 2011 (*continued*)

19 Analysis of net funds

	At 1 April 2010 £	Cash flow £	At 31 March 2011 £
Cash at bank and in hand	3,476	330,432	333,908
Current asset investments	632,550	(632,550)	-
	<hr/>	<hr/>	<hr/>
Total	636,026	(302,118)	333,908
	<hr/>	<hr/>	<hr/>