

iQur Limited

Report and Financial Statements

Year Ended

31 March 2012

Company Number 04665665



iQur Limited

Report and financial statements for the year ended 31 March 2012

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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 2012

The directors present their report together with the audited financial statements for the year ended 31 March 2012

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 its vaccine platform and has focused on the expression of several versions of this product in yeast. Specific vaccines have been made for a number of infectious agents and, once preclinical development is complete, the Company aim to begin first in man studies

During the year several major developments were recorded

In order to produce material which would be compatible with clinical use, it was crucial that material was expressed in the well-established yeast expression system. Material produced in yeast has an acceptable safety profile and is also the industrial standard for expression. This has now been achieved and several new constructs have been expression in the *Pichia pastoris* yeast expression vector. An outline manufacturing process has been developed which will be compatible with most commercial manufacturing facilities. This will increase the value of the products since no further development will be required by any future partner

Material produced in yeast has now been used to immunise mice and initial data is encouraging, supporting the view that yeast based material retains the activity previously demonstrated in bacterial systems. This is a major milestone since this removes the risk associated with altering expression systems and thus validates the Company's strategy

The Company has now widened its vaccine portfolio to include a variety of infectious agents alongside the existing hepatitis vaccine candidate. These include influenza, malaria, cytomegalovirus and *Burkholderia*. After extensive discussion, it was thought prudent to exemplify tandem core in as many targets as possible. This should ensure that the Company is attractive to as large a number of potential partners/acquirers as possible. Once preclinical development has been completed, the Company will actively seek a development partner(s) before proceeding to human clinical trials

Two small internal fund-raising rounds were completed using convertible loan note instruments in 2011-12. The Company has managed to husband these funds extremely efficiently thus 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 revenue generated by the Diagnostics business which achieved turnover of £176,000 (2011 £228,000) in the year. At year-end cash on hand of £192,000 (2011 £334,000) 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 2012 (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

15 October 2012

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 2012 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 2012 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

19/10/2012

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 2012

	Note	2012 £	2011 £
Turnover	2	176,347	233,025
Cost of sales		<u>69,475</u>	<u>82,144</u>
Gross profit		106,872	150,881
Administrative expenses		<u>639,574</u>	<u>641,795</u>
		(532,702)	(490,914)
Other operating income		<u>-</u>	<u>53,231</u>
Operating loss	3	(532,702)	(437,683)
Other interest receivable and similar income		<u>630</u>	<u>1,812</u>
Loss on ordinary activities before taxation		(532,072)	(435,871)
Taxation on loss on ordinary activities	6	<u>91,196</u>	<u>69,071</u>
Loss on ordinary activities after taxation		(440,876)	(366,800)

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 23 form part of these financial statements

iQur Limited

Balance sheet at 31 March 2012

Company number 04665665	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Intangible assets	7		172,008		165,944
Tangible assets	8		3,132		3,741
Fixed asset investments	9		102		102
			<hr/>		<hr/>
			175,242		169,787
Current assets					
Debtors	10	136,332		225,306	
Cash at bank and in hand		191,881		333,908	
		<hr/>		<hr/>	
		328,213		559,214	
Creditors: amounts falling due within one year	11	105,073		162,878	
		<hr/>		<hr/>	
Net current assets			223,140		396,336
			<hr/>		<hr/>
Total assets less current liabilities			398,382		566,123
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	12		2,594		2,576
Share premium account	13		8,039,313		7,982,782
Convertible debt option reserve	13		654,000		491,000
Profit and loss account	13		(8,297,525)		(7,910,235)
			<hr/>		<hr/>
Shareholders' funds	14		398,382		566,123
			<hr/>		<hr/>

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

15/OCT/2012


Prof W M C Rosenberg
Director

The notes on pages 8 to 23 form part of these financial statements

iQur Limited

Cashflow statement for the year ended 31 March 2012

	Note	2012 £	2012 £	2011 £	2011 £
Net cash outflow from operating activities	18		(363,652)		(385,404)
Returns on investments and servicing of finance					
Interest received			630		1,812
Taxation					
Corporation tax received			69,071		85,807
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		(9,030)		(4,333)	
Payments to acquire tangible fixed assets		(2,064)		-	
Net cash outflow from capital expenditure and financial investment			(11,094)		(4,333)
Cash outflow before use of liquid resources and financing			(305,045)		(302,118)
Management of liquid resources					
Decrease in short term deposits			-		632,550
Financing					
Share capital issued	18			-	
Convertible loan note issue	163,000			-	
Net cash inflow from financing			163,018		-
(Decrease)/increase in cash	19		(142,027)		330,432

The notes on pages 8 to 23 form part of these financial statements

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012

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 2012 was £192,000 (2011 £334,000). The directors have prepared cash flow forecasts which indicate that the company will require additional funding within the next 6 months in order to meet its commitments as they fall due and to fund the expenditure required to progress the current scientific projects. The directors intend to raise additional funding in the 3rd or 4th quarter of 2012/2013, as well as maintaining careful management of the company's cost base, in order to be able to meet its ongoing commitments and prepare for Phase I trials on the company's lead candidate vaccine.

The Directors recognise that a positive outcome to the current scientific testing is essential to be able to raise the necessary finance, but providing there is a positive outcome to the current tests then 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 over both the outcome of the scientific testing and the availability of further funding, 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, in particular any necessary write down of the value of the intangible assets held on the balance sheet.

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 repayable.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*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 2012 (*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.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

2 Turnover

	2012 £	2011 £
Analysis by class of business		
Diagnostic sales	176,347	228,025
Therapeutic sales	-	5,000
	<u>176,347</u>	<u>233,025</u>
Analysis by geographical market		
United Kingdom	126,717	47,942
Europe	7,205	6,660
Rest of the world	42,425	178,423
	<u>176,347</u>	<u>233,025</u>

3 Operating loss

	2012 £	2011 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	2,673	11,990
Amortisation of other intangible fixed assets	46,986	41,468
Hire of other assets - operating leases	34,958	26,819
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	6,665	6,350
Exchange differences	22	(867)
Share-based payment (see note 15)	(12,581)	48,789
Research and development	381,464	421,944
	<u>381,464</u>	<u>421,944</u>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 *(continued)*

4 Employees

Staff costs (including directors) consist of

	2012 £	2011 £
Wages and salaries	330,458	325,449
Social security costs	30,769	35,463
Share based payment charge	(12,581)	48,789
	<u>348,646</u>	<u>409,701</u>

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

	2012 Number	2011 Number
Administration	4	5
Research and Development	5	6
Diagnostic Testing	1	1
	<u>10</u>	<u>12</u>

Wages and salaries costs include £66,167 in respect of share options issued in lieu of salary (2011 £Nil)

5 Directors' remuneration

	2012 £	2011 £
Directors' emoluments	63,541	122,298
Share options issued in lieu of salary	56,167	-
	<u>119,708</u>	<u>122,298</u>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

6 Taxation on loss on ordinary activities

	2012 £	2011 £
<i>UK Corporation tax</i>		
Current tax on loss of the year	(91,328)	(68,939)
Adjustment in respect of previous periods	132	(132)
	<hr/>	<hr/>
Total current tax	(91,196)	(69,071)
	<hr/>	<hr/>

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

	2012 £	2011 £
Loss on ordinary activities before tax	(532,072)	(435,871)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 26% (2011 - 28%)	(138,339)	(122,044)
Effect of		
Expenses not deductible for tax purposes	(3,115)	13,661
Adjustment to tax charge in respect of previous periods	132	(132)
R&D enhancement relief	3,653	(61,893)
Fixed asset timing differences	4,246	1,861
Losses carried forward	(8,548)	30,537
Losses surrendered for R&D tax credit	-	68,939
Different tax rate on deferred tax movement	50,775	-
	<hr/>	<hr/>
Current tax credit for the year	(91,196)	(69,071)
	<hr/>	<hr/>

There are tax losses available for carry forward against future trading profits of approximately £5,222,000 (2011 £5,060,000). A deferred tax asset in respect of these losses of approximately £1,253,000 (2011 £1,366,000), and in respect of other timing differences of £Nil (2011 £13,173), 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 2012 (*continued*)

7 Intangible fixed assets

	Patents and trademarks £	Intellectual property £	Total £
<i>Cost or valuation</i>			
At 1 April 2011	62,869	229,932	292,801
Additions	9,030	56,531	65,561
Disposals	(18,133)	-	(18,133)
	<hr/>	<hr/>	<hr/>
At 31 March 2012	53,766	286,463	340,229
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 April 2011	28,088	98,769	126,857
Provided for the year	10,100	36,886	46,986
Disposals	(5,622)	-	(5,622)
	<hr/>	<hr/>	<hr/>
At 31 March 2012	32,566	135,655	168,221
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2012	21,200	150,808	172,008
	<hr/>	<hr/>	<hr/>
At 31 March 2011	34,781	131,163	165,944
	<hr/>	<hr/>	<hr/>

iQur Limited

Notes forming part of the financial statements
for the year ended 31 March 2012 (*continued*)

8 Tangible fixed assets

	Equipment £
<i>Cost or valuation</i>	
At 1 April 2011	102,502
Additions	2,064
Disposals	(6,710)
	<hr/>
At 31 March 2012	97,856
	<hr/>
<i>Depreciation</i>	
At 1 April 2011	98,761
Provided for the year	2,673
Disposals	(6,710)
	<hr/>
At 31 March 2012	94,724
	<hr/>
<i>Net book value</i>	
At 31 March 2012	3,132
	<hr/>
At 31 March 2011	3,741
	<hr/>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

9 Fixed asset investments

	Group undertakings £
<i>Cost or valuation</i>	
At 1 April 2011 and 31 March 2012	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

	2012 £	2011 £
Trade debtors	28,416	121,443
Corporation tax recoverable	91,196	69,071
Other debtors	4,858	5,712
Prepayments and accrued income	11,862	29,080
	136,332	225,306

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 2012 (*continued*)

11 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	19,285	44,040
Taxation and social security	6,581	12,191
Accruals and deferred income	79,207	106,647
	<u>105,073</u>	<u>162,878</u>

12 Share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
259,400 ordinary shares of £0.01 each	<u>2,594</u>	<u>2,576</u>

Ordinary Shares

During the year the Company issued 1,885 shares of £0.01 to the University of Leeds as part of its licence agreement

Share Options

At 31 March 2012 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.

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

13 Reserves

	Share premium account £	Convertible debt option reserve £	Profit and loss account £
At 1 April 2011	7,982,782	491,000	(7,910,235)
Premium on shares issued during the year	56,531	-	-
Loss for the year	-	-	(440,876)
Issue of convertible debt	-	163,000	-
Share-based payment	-	-	(12,581)
Share options issued in lieu of salary	-	-	66,167
	<hr/>	<hr/>	<hr/>
At 31 March 2012	8,039,313	654,000	(8,297,525)
	<hr/>	<hr/>	<hr/>

In June 2009 and August 2011 the Company raised 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 FRS 25 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 2012 (*continued*)

14 Reconciliation of movements in shareholders' funds

	2012	2011
	£	£
Loss for the year	(440,876)	(366,800)
Share options issued in lieu of salary	66,167	-
Issue of shares	18	-
Premium on shares issued during the year	56,531	-
Share-based payment	(12,581)	48,789
Issue of convertible debt	163,000	-
	<hr/>	<hr/>
Net deductions from shareholders' funds	(167,741)	(318,011)
Opening shareholders' funds	566,123	884,134
	<hr/>	<hr/>
Closing shareholders' funds	398,382	566,123
	<hr/>	<hr/>

iQur Limited

Notes forming part of the financial statements for the year ended 31 March 2012 (*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.

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.

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.

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

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Notes forming part of the financial statements for the year ended 31 March 2012 (continued)

15 Share-based payments (continued)

	2012	2012	2011	2011
	Weighted average exercise price(pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the year	47.95	46,518	47.95	46,318
Granted during the year	-	-	30.00	200
Outstanding at the end of the year	47.95	46,518	47.87	46,518

The exercise price of options outstanding at the end of the year ranged between £10.00 and £92.00 (2011 - £10.00 and £92.00) and their weighted average contractual life was 5.3 years (2011 - 6.3 years)

Of the total number of options outstanding at the end of the year, 46,518 (2011 - 45,368) had vested and were exercisable at the end of the year

No options were granted during the year. The weighted average fair value of each option granted during the prior year was £0.38

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

	2012	2011
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average exercise price at grant date (£)	-	30.00
Weighted average contractual life (years)	-	0.1
Expected volatility	- %	25.0 %
Risk-free interest rate	- %	0.5 %
Exercise price (£)	-	30.00

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

	2012 £	2011 £
Equity-settled schemes	(12,581)	48,789

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Notes forming part of the financial statements for the year ended 31 March 2012 (*continued*)

16 Commitments under operating leases

The company had commitments under operating leases as set out below

	Land and buildings 2012 £	Land and buildings 2011 £
Operating leases which expire		
Within one year	3,127	-

This commitment represents the amount payable under the one month notice that must be given to cancel the lease

17 Related party disclosures

During the year ended 31st March 2012, the company were charged fees and expenses of £12,870 (2011 £13,031) 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 £1,021 (2011 £3,063). IP Group Plc has an interest in the company.

During the year ended 31st March 2012, the Company incurred costs of £8,480 (2011 £24,151) 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 £Nil (2011 £10,786). The University of Leeds has an interest in the Company.

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

	2012 £	2011 £
Operating loss	(532,702)	(437,683)
Amortisation of intangible fixed assets	46,986	41,468
Depreciation of tangible fixed assets	2,673	11,990
Decrease/(increase) in debtors	111,099	(107,235)
(Decrease)/increase in creditors	(57,805)	57,267
FRS 20 charge for fair value of share option	(12,581)	48,789
Share options issued in lieu of salary	66,167	-
Loss on disposal of intangibles	12,511	-
Net cash outflow from operating activities	(363,652)	(385,404)

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**Notes forming part of the financial statements
for the year ended 31 March 2012 (continued)**

19 Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
(Decrease)/increase in cash	(142,027)	330,432
Cash outflow from changes in liquid resources	-	(632,550)
	<u>(142,027)</u>	<u>(302,118)</u>
Movement in net funds	(142,027)	(302,118)
Opening net funds	333,908	636,026
	<u>333,908</u>	<u>636,026</u>
Closing net funds	191,881	333,908
	<u>191,881</u>	<u>333,908</u>

20 Analysis of net funds

	At 1 April 2011 £	Cash flow £	At 31 March 2012 £
Cash at bank and in hand	333,908	(142,027)	191,881
	<u>333,908</u>	<u>(142,027)</u>	<u>191,881</u>
Total	333,908	(142,027)	191,881
	<u>333,908</u>	<u>(142,027)</u>	<u>191,881</u>