iQur Limited

Report and Fιnancιal Statements

Year Ended

31 March 2013

Company Number 04665665

iQur Limited

Report and financial statements
for the year ended 31 March 2013

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Directors

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

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 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year

Principal activities, review of business and future developments

The Company continues to develop its virus like particle (VLP) vaccine platform and has chosen to develop a universal vaccine for influenza as its lead candidate Further products are also in development including vaccines for malaria and Burkholderia

During the year several major developments occurred

Significant grant funding has been secured via the European Union's Framework 7 programme This will fund the design, manufacture and clinical testing of a novel universal influenza vaccine The value of the consortium is €4 6m and iQur is the lead partner in this endeavour The programme began in September 2013 Whilst not all funds will be directly received by iQur, the benefit to the Company is significant since this removes the necessity to subcontract for both GMP manufacture and clinical testing Furthermore, the consortium contains acknowledged world-leading experts in VLP development Thus, the Directors believe that this will significantly increase the overall chances of success

A joint application with the Jenner Institute (University of Oxford) to the TSB BioCatalyst Fund was also successful This will 50% co-fund the development of a novel malaria vaccine using antigens supplied by the Jenner and VLP designed by iQur This initial proof of concept grant will provide £51,738 of funding to the company, however, if successful, the Directors believe further funding should become available

Further grant funding has been secured, in collaboration with our partners Mologic Ltd, under which iQur has been subcontracted to develop a VLP which can be used to deliver bacterial antigens To date, £43,245 has been received

As reported previously, the Company believes that expression of VLPs in yeast is very important since this is an accepted industrial standard method These studies have been on-going and significant improvements to vaccine purity have been achieved However, further work will be required before this material is suitable for human use Hence, several backup systems have been developed in order to minimise the risk profile These include expression in bacteria, Baculovirus and plants The Directors believe that it is prudent to develop such fall-back strategies

Material has been tested in animals and reproducible immune responses generated Furthermore, candidate vaccines have been made to a wide variety of targets, including influenza, malaria, Burkholderia, Foot & Mouth and Hepatitis A/B The Directors thought it wise to exemplify tandem core in as many targets as possible to 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, with the exception of influenza which is already funded under Framework 7

One small fund-raising round occurred in 2012-13 using convertible loan note instruments 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 £244,234 (2012 £176,347) in the year At year-end cash on hand of £294,639 (2012 £191,881) 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 Q1 of 2014 These funds will be used to fulfil our grant obligations and complete the

Principal activities, review of business and future developments *(continued)*

additional work required 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
Dr M A Whelan (appointed 28 October 2013)

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

On behalf of the board

Dr M A Whelan
Director

23/12/2013

To the members of iQur Limited

We have audited the financial statements of iQur Limited for the year ended 31 March 2013 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 Financial Reporting Council's (FRC'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 FRC's website at www frc org uk/auditscopeukprivate

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 2013 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 matters 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

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

23rd December 2013

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 2013

	Note	2013 £	2012 £
Turnover	2	**244,234**	176,347
Cost of sales		**116,641**	69,475
Gross profit		**127,593**	106,872
Administrative expenses		**420,579**	639,574
		(292,986)	(532,702)
Other operating income		**21,802**	-
Operating loss	3	**(271,184)**	(532,702)
Other interest receivable and similar income		**318**	630
Loss on ordinary activities before taxation		**(270,866)**	(532,072)
Taxation on loss on ordinary activities	6	**68,459**	91,196
Loss on ordinary activities after taxation		**(202,407)**	(440,876)

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 9 to 24 form part of these financial statements

iQur Limited

Balance sheet
at 31 March 2013

Company number 04665665	Note	2013	2013	2012 As restated	2012 As restated
		£	£	£	£
Fixed assets					
Intangible assets	7		131,484		172,008
Tangible assets	8		1,804		3,132
Fixed asset investments	9		102		102
			133,390		175,242
Current assets					
Debtors	10	136,756		136,332	
Cash at bank and in hand		294,639		191,881	
		431,395		328,213	
Creditors: amounts falling due within one year	11	105,517		105,073	
Net current assets			325,878		223,140
Total assets less current liabilities			459,268		398,382
Creditors: amounts falling due after more than one year	12		972,534		654,000
Capital and reserves					
Called up share capital	13	2,594		2,594	
Share premium account	14	8,039,313		8,039,313	
Profit and loss account	14	(8,555,173)		(8,297,525)	
Shareholders' deficit	15		(513,266)		(255,618)
			459,268		398,382

The financial statements were approved by the board of directors and authorised for issue on 23/12/2013

Dr M A Whelan
Director

The notes on pages 9 to 24 form part of these financial statements

iQur Limited

Cashflow statement
for the year ended 31 March 2013

	Note	2013 £	2013 £	2012 £	2012 £
Net cash outflow from operating activities	19		**(298,075)**		(363,652)
Returns on investments and servicing of finance					
Interest received			**318**		630
Taxation					
Corporation tax received			**91,317**		69,071
Capital expenditure and financial investment					
Payments to acquire intangible fixed assets		**(8,979)**		(9,030)	
Payments to acquire tangible fixed assets		**(357)**		(2,064)	
Net cash outflow from capital expenditure and financial investment			**(9,336)**		(11,094)
Cash outflow before use of financing			**(215,776)**		(305,045)
Financing					
Share capital issued		**-**		18	
Convertible loan note issue		**318,534**		163,000	
Net cash inflow from financing			**318,534**		163,018
Increase/(Decrease) in cash	20		**102,758**		(142,027)

The notes on pages 9 to 24 form part of these financial statements

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 31 March 2013 was £294,639 (2012 £191,881) The directors have prepared cash flow forecasts which indicate that in addition to the funding received and receivable from successful grant applications the company will require additional funding by the end of the 2nd quarter of 2014 in order to meet its commitments as they fall due and prepare for Phase I trials on its lead candidate vaccine

The directors' intend to raise additional funding in the first quarter of 2014 primarily from existing investors, certain of whom have indicated their willingness to participate The directors believe that sufficient funding will be available and as a consequence that the company will have adequate resources to continue its operations for the foreseeable future If further funding is not available the company may be unable to realise its assets and discharge its liabilities in the normal course of business

Although there is some inherent uncertainty over 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

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 a liability in the balance sheet whilst the debt is only convertible into equity and not repayable the debt will be settled by the issue of a variable number of equity shares

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 share options have been awarded in lieu of salary then the charge is based on the salary foregone

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

Leased assets

Annual rental costs of operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease

1 Accounting policies *(continued)*

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

	2013 £	2012 £
Analysis by class of business		
Diagnostic sales	**244,234**	176,347
	244,234	176,347
Analysis by geographical market		
United Kingdom	**187,581**	126,717
Europe	**5,205**	7,205
Rest of the world	**51,448**	42,425
	244,234	176,347

3 Operating loss

	2013 £	2012 £
This is arrived at after charging		
Depreciation of tangible fixed assets	**1,685**	2,673
Amortisation of other intangible fixed assets	**49,503**	46,986
Hire of other assets - operating leases	**38,923**	34,958
Fees payable to the company's auditor for the auditing of the company's annual accounts	**6,885**	6,665
Exchange differences	**15**	22
Research and development	**320,896**	381,464

4 Employees

Staff costs (including directors) consist of

	2013	2012
	£	£
Wages and salaries	**354,690**	330,458
Social security costs	**26,711**	30,769
Share based payment charge	**(172,241)**	(12,581)
	209,160	348,646

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

	2013	2012
	Number	Number
Administration	**4**	4
Research and Development	**5**	5
Diagnostic Testing	**1**	1
	10	10

Wages and salaries costs include £117,000 in respect of share options issued in lieu of salary (2011 £66,167)

5 Directors' remuneration

	2013	2012
	£	£
Directors' emoluments	**-**	63,541
Share options issued in lieu of salary	**117,000**	56,167

6 Taxation on loss on ordinary activities

	2013 £	2012 £
UK Corporation tax		
Current tax on loss of the year	**(68,580)**	(91,328)
Adjustment in respect of previous periods	**121**	132
Total current tax	**(68,459)**	(91,196)

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

	2013 £	2012 £
Loss on ordinary activities before tax	**(270,866)**	(532,072)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 24% (2012 - 26%)	**(65,008)**	(138,339)
Effect of		
Income/expenses not deductible for tax purposes	**28,080**	(3,115)
Adjustment to tax charge in respect of previous periods	**121**	132
R&D enhancement relief	**(5,066)**	3,653
Fixed asset timing differences	**(415)**	4,246
Losses carried forward	**15,166**	(8,548)
Different tax rate on deferred tax movement	**(41,337)**	50,775
Current tax credit for the year	**(68,459)**	(91,196)

There are tax losses available for carry forward against future trading profits of approximately £5,240,000 (2012 £5,220,000) A deferred tax asset in respect of these losses of approximately £1,258,000 (2012 £1,253,000) and in respect of other timing differences of £405,000 (2012 £447,000) has not been recognised in the accounts as the full utilisation of these losses in the foreseeable future is uncertain

7 Intangible fixed assets

	Patents and trademarks £	Intellectual property £	Total £
Cost or valuation			
At 1 April 2012	53,766	286,463	340,229
Additions	8,979	-	8,979
At 31 March 2013	**62,745**	**286,463**	**349,208**
Amortisation			
At 1 April 2012	32,566	135,655	168,221
Provided for the year	8,580	40,923	49,503
At 31 March 2013	**41,146**	**176,578**	**217,724**
Net book value			
At 31 March 2013	**21,599**	**109,885**	**131,484**
At 31 March 2012	21,200	150,808	172,008

8 Tangible fixed assets

	Equipment £
Cost or valuation	
At 1 April 2012	97,856
Additions	357
At 31 March 2013	**98,213**
Depreciation	
At 1 April 2012	94,724
Provided for the year	1,685
At 31 March 2013	**96,409**
Net book value	
At 31 March 2013	**1,804**
At 31 March 2012	3,132

9 Fixed asset investments

	Group undertakings £
Cost or valuation	
At 1 April 2012 and 31 March 2013	**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
Subsidiary undertakings			
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

	2013	2012
	£	£
Trade debtors	**46,294**	28,416
Corporation tax recoverable	**68,338**	91,196
Other debtors	**10,862**	4,858
Prepayments and accrued income	**11,262**	11,862
	136,756	136,332

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

11 Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**15,868**	19,285
Taxation and social security	**6,855**	6,581
Other creditors	**603**	-
Accruals and deferred income	**82,191**	79,207
	105,517	105,073

12 Creditors: amounts falling due after more than one year

	2013	2012
		As restated
	£	£
Convertible loan notes	**972,534**	654,000

The Company has raised funding by the issue of convertible loan notes The loan notes have a nil coupon 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 event) 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 these loan notes have been classified as a financial liability due to the settlement being for a variable number of equity shares

13 Share capital

	2013 £	2012 £
Allotted, called up and fully paid		
259,400 ordinary shares of £0 01 each	**2,594**	2,594

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 16

14 Reserves

	Share premium account £	Profit and loss account £
At 1 April 2012	8,039,313	(8,297,525)
Loss for the year	-	(202,407)
Share-based payment	-	(172,241)
Share options issued in lieu of salary	-	117,000
At 31 March 2013	**8,039,313**	**(8,555,173)**

15 Reconciliation of movements in shareholders' deficit

	2013 £	2012 As restated £
Loss for the year	**(202,407)**	(440,876)
Share options issued in lieu of salary	**117,000**	66,167
Issue of shares	**-**	18
Premium on shares issued during the year	**-**	56,531
Share-based payment	**(172,241)**	(12,581)
Net deductions from shareholders' deficit	**(257,648)**	(330,741)
Opening shareholders' (deficit)/funds	**(255,618)**	75,123
Closing shareholders' deficit	**(513,266)**	(255,618)

16 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

16 Share-based payments *(continued)*

	2013 Weighted average exercise price(pence)	2013 Number	2012 Weighted average exercise price (pence)	2012 Number
Outstanding at the beginning and end of the year	**47.87**	**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 (2012 - £10 00 and £92 00) and their weighted average contractual life was 4 3 years (2012 - 5 3 years)

Of the total number of options outstanding at the end of the year, 37,382 (2012 - 37,382) had vested and were exercisable at the end of the year

No options were granted during the current or prior year

The share-based remuneration expense (note 3) comprises

	2013 £	2012 £
Equity-settled schemes	**(172,241)**	(12,581)

17 Commitments under operating leases

The company had commitments under operating leases as set out below

	Land and buildings 2013 £	Land and buildings 2012 £
Operating leases which expire		
Within one year	**3,539**	3,127

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

18 Related party disclosures

During the year ended 31st March 2013, the company were charged fees and expenses of £12,250 (2012 £12,870) 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 £3,675 (2012 £1,021) IP Group Plc has an interest in the company

During the year ended 31st March 2013, the Company incurred costs of £9,713 (2012 £8,480) 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 (2012 £Nil) The University of Leeds has an interest in the Company

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

	2013 £	2012 £
Operating loss	**(271,184)**	(532,702)
Amortisation of intangible fixed assets	**49,503**	46,986
Depreciation of tangible fixed assets	**1,685**	2,673
(Increase)/decrease in debtors	**(23,282)**	111,099
Increase/(decrease) in creditors	**444**	(57,805)
FRS 20 charge for fair value of share option	**(172,241)**	(12,581)
Share options issued in lieu of salary	**117,000**	66,167
Loss on disposal of intangibles	**-**	12,511
Net cash outflow from operating activities	**(298,075)**	(363,652)

20 Reconciliation of net cash flow to movement in net (debt)/funds

	2013 £	2012 £
Increase/(decrease) in cash	**102,758**	(142,027)
Cash outflow from changes in debt	**(318,534)**	(654,000)
Movement in net debt	**(215,776)**	(796,027)
Opening net (debt)/funds	**(462,119)**	333,908
Closing net debt	**(677,895)**	(462,119)

21 Analysis of net debt

	At 1 April 2012 £	Cash flow £	At 31 March 2013 £
Cash at bank and in hand	191,881	102,758	**294,639**
Debt due after one year	(654,000)	(318,534)	**(972,534)**
Total	(462,119)	(215,776)	**(677,895)**

22 Prior year adjustment

In prior year the convertible debt loan notes were included in equity, on the basis that there was no potential cash outflow on redemption of this debt As this debt will be settled by the issue of a variable number of equity shares, dependent on the value of the next major funding event, these loans should be classified as a financial liability The prior year comparatives have therefore been restated to reflect this reclassification, resulting in a decrease of the convertible debt reserve (and shareholders funds) at 31 March 2012 of £654,000 and an increase in creditors due in more than one year of £654,000