

iQur Limited

Report and Financial Statements

Year Ended

31 March 2017

Company Number 04665665

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iQur Limited

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Company Information

Directors	Prof W. M. C. Rosenberg Dr C. B. Campbell B. Reynolds Dr J. Tite Mr M. R. Underwood
Company secretary	Prof. W. M. C. Rosenberg
Registered number	04665665
Registered office	The London Bioscience Innovation Centre 2 Royal College Street London NW1 0NH
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

iQur Limited

Directors' Report For the Year Ended 31 March 2017

The directors present their report and the financial statements for the year ended 31 March 2017.

Directors

The directors who served during the year were:

Prof W. M. C. Rosenberg
Dr C. B. Campbell
B. Reynolds
Dr J. Tite
Dr M. A. Whelan (resigned 25 July 2016)
Mr M. R. Underwood

Directors' responsibilities statement

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

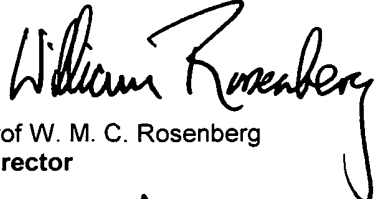
iQur Limited

Directors' Report (continued) For the Year Ended 31 March 2017

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Prof W. M. C. Rosenberg
Director

Date: 22 DECEMBER 2017

iQur Limited

Independent Auditors' Report to the members of iQur Limited

We have audited the financial statements of iQur Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 2017 and of the company's 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1.2 of the financial statements concerning the ability of the company to continue as a going concern.

The company is dependent on raising further funding.

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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

iQur Limited

Independent Auditors' Report to the members of iQur Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

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.
- the directors were not entitled to prepare the financial statements and the directors report in accordance with the small companies regime and to the exemption from the requirement to prepare a Strategic Report.



Kier White (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

22/12/2017

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

iQur Limited

Statement of Comprehensive Income For the Year Ended 31 March 2017

	Note	2017 £	2016 £
Turnover		100,550	109,278
Cost of sales		(54,451)	(56,269)
Gross profit		46,099	53,009
Administrative expenses		(493,071)	(920,945)
Other operating income	2	94,618	327,074
Operating loss	3	(352,354)	(540,862)
Interest receivable and similar income		280	1,569
Loss before tax		(352,074)	(539,293)
Tax on loss	5	34,261	75,927
Loss for the financial year		(317,813)	(463,366)

There was no other comprehensive income for 2017 (2016 - £Nil).

The notes on pages 8 to 18 form part of these financial statements.

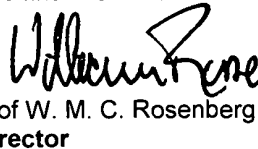
iQur Limited
Registered number: 04665665

Balance Sheet
As at 31 March 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	6		108,540		98,394
Tangible assets	7		48,202		67,497
Fixed asset investments	8		102		102
			<u>156,844</u>		<u>165,993</u>
Current assets					
Debtors	9	334,044		261,726	
Cash at bank and in hand		259,970		432,181	
		<u>594,014</u>		<u>693,907</u>	
Creditors: amounts falling due within one year	10	(309,406)		(100,635)	
Net current assets			<u>284,608</u>		<u>593,272</u>
Total assets less current liabilities			<u>441,452</u>		<u>759,265</u>
Capital and reserves					
Called up share capital	11		21,444		21,444
Share premium account	13		10,494,935		10,494,935
Profit and loss account	13		(10,074,927)		(9,757,114)
			<u>441,452</u>		<u>759,265</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Prof W. M. C. Rosenberg
Director

Date: 22 DECEMBER 2017

The notes on pages 8 to 18 form part of these financial statements.

iQur Limited

Statement of Changes in Equity For the Year Ended 31 March 2017

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2015	18,659	9,940,698	(9,293,748)	665,609
Loss for the year	-	-	(463,366)	(463,366)
Shares issued during the year	2,785	554,237	-	557,022
At 1 April 2016	21,444	10,494,935	(9,757,114)	759,265
Loss for the year	-	-	(317,813)	(317,813)
At 31 March 2017	21,444	10,494,935	(10,074,927)	441,452

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

iQur Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

1.2 Going concern

The accounts have been prepared on a going concern basis. The company's cash position as at 31 March 2017 was £259,970 (2016 - £432,181). The directors have prepared cash flow forecasts which indicate that the company will require additional funding by the 2nd quarter of 2018 in order to meet its commitments as the fall due.

The directors intend to raise additional funding in the 2nd quarter of 2018 from existing investors as well as new investors. 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.

1.3 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.

1.4 Turnover

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

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

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.5 Intangible assets

Intangible assets comprise of trademarks, acquired patents and know-how directly relating to current research projects. These are recorded at cost on the date of purchase. The purchase of intangible 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 assets are amortised in equal installments over their anticipated economic working life of seven years, subject to reviews for impairment.

1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Plant and machinery	- Between three and five years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

1.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income 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. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

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

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

1.11 Leased assets

Annual rental costs of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

1.12 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

1. Accounting policies (continued)

1.13 Taxation

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project. The expenditure is treated as if it were all incurred in the research phase only.

2. Other operating income

	2017 £	2016 £
Grant income	<u>94,618</u>	<u>327,074</u>

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

3. Operating loss

The operating loss is stated after charging:

	2017	2016
	£	£
Research and development charged as an expense	184,841	611,307
Depreciation of tangible fixed assets	19,295	14,438
Amortisation of intangible assets, including goodwill	32,867	30,936
Fees payable to the company's auditor for the audit of the company's annual financial statements	7,500	7,450
Operating lease expense	29,616	65,919
Defined contribution pension cost	9,047	15,423
	<u> </u>	<u> </u>

4. Employees

The average monthly number of employees, including directors, during the year was 11 (2016 - 14).

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

5. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on loss for the year	(16,984)	(75,927)
Adjustments in respect of previous periods	(17,277)	-
Total current tax	<u>(34,261)</u>	<u>(75,927)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(352,074)</u>	<u>(539,293)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20%)	(70,415)	(107,859)
Effects of:		
Income/expenses not deductible for tax purposes	-	1,870
Adjustments to tax charge in respect of prior periods	(17,277)	-
R&D enhancement relief	(13,241)	(66,091)
Losses surrendered for R&D tax credit	6,442	28,800
Change in deferred tax rate	88,520	154,358
Deferred tax not recognised	(28,290)	(87,005)
Total tax credit for the year	<u>(34,261)</u>	<u>(75,927)</u>

Factors that may affect future tax charges

There are tax losses available for carry forward against future trading profits of approximately £6,303,000 (2016 - £6,082,000). A deferred tax asset in respect of these losses of approximately £1,072,000 (2016 - £1,094,000) and in respect of other timing differences of £287,000 (2016 - £331,000) has not been recognised in the accounts as the full utilisation of these losses in the foreseeable future is uncertain.

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

6. Intangible assets

	Other intangible assets £
Cost	
At 1 April 2016	434,557
Additions	43,013
At 31 March 2017	<u>477,570</u>
Amortisation	
At 1 April 2016	336,163
Charge for the year	32,867
At 31 March 2017	<u>369,030</u>
Net book value	
At 31 March 2017	<u><u>108,540</u></u>
At 31 March 2016	<u><u>98,394</u></u>

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

7. Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 April 2016 and 31 March 2017	190,022
	190,022
Depreciation	
At 1 April 2016	122,525
Provided for the year	19,295
	141,820
At 31 March 2017	141,820
	141,820
Net book value	
At 31 March 2017	48,202
	48,202
At 31 March 2016	67,497
	67,497

8. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2016 and 31 March 2017	102
	102

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Convention Associates Limited	Ordinary	100 %	Dormant
iQUR Diagnostics Limited	Ordinary	100 %	Dormant
iQUR Therapeutics Limited	Ordinary	100 %	Dormant
iQUR Services Limited	Ordinary	100 %	Dormant

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

9. Debtors

	2017 £	2016 £
Due within one year		
Trade debtors	32,770	38,541
Other debtors	24,182	32,102
Prepayments and accrued income	140,388	99,563
Tax recoverable	136,704	91,520
	<u>334,044</u>	<u>261,726</u>

10. Creditors: Amounts falling due within one year

	2017 £	2016 £
Directors' loans	100,000	-
Other loans	100,000	-
Trade creditors	47,460	30,149
Other taxation and social security	1,070	13,083
Accruals and deferred income	60,876	57,403
	<u>309,406</u>	<u>100,635</u>

The Directors' loans and Other loans were repaid in April 2017.

11. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
2,144,447 Ordinary shares of £0.01 each	<u>21,444</u>	<u>21,444</u>

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

12. Share based payments

The options granted by the company are within the scope of FRS 102. All of these options are capable of being exercised once vested. All options must be exercised at the latest within 10 years of the date of the grant.

	Weighted average exercise price (pence) 2017	Number 2017	Weighted average exercise price (pence) 2016	Number 2016
Outstanding at the beginning of the year	722	291,374	784	296,554
Lapsed during the year	-	-	4,229	(5,180)
Outstanding at the end of the year	722	291,374	722	291,374

The exercise price of the options outstanding at the end of the year ranged between £1 and £92 (2016 - £1 and £92) and their weighted average contractual life was 4.9 years (2016 - 5.9 years).

There was no share-based payment charge in the year (2016 - £Nil).

13. Reserves

Share premium

Share premium represents the amount above the nominal value received for shares issued, less transaction costs.

Profit and loss account

The profit and loss account represents accumulated comprehensive income for the year and prior periods less any dividends paid.

14. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £9,047 (2016 - £15,423). There were outstanding contributions totalling £277 (2016 - £Nil) at the end of the financial year.

iQur Limited

Notes to the Financial Statements For the Year Ended 31 March 2017

15. Commitments under operating leases

At 31 March 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	725	5,018

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

16. Related party transactions

During the year the company made purchases of £28,011 (2016 - £56,430) from related companies. At the year end the company owed £22,330 (2016 - £Nil) to these related companies.

These companies are related through common interest by the directors.

At the year end the company owed £100,000 (2016 - £Nil) to a director.

Key management personnel are considered to be the directors. The total compensation paid to key management personnel for services provided to the company was £78,208 (2016 - £197,756).

During the year the directors waived their salaries from June 2017. Subject to a future successful investment round the amount waived will be settled by the issue of shares in the company. Given the contingent nature of the arrangement no amounts have been recognised in the financial statements.

17. Controlling party

The directors consider that no one party controls the company.