



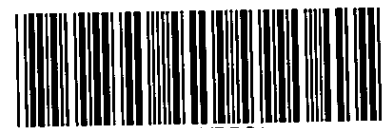
iQUR LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31ST MARCH 2009

Registered Number 04665665

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iQUR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2009

The Directors present their report and financial statements for the year ended 31st March 2009.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

During the year a number of key events occurred:

- In December 2008 iQur sold its Diagnostics business in order to concentrate resources on the development of its vaccine platform. The sale of the business resulted in the release of six members of staff and a reduction in the space occupied by the company with associated reductions in costs. iQur has retained control of the ELF™ test for liver fibrosis which it markets and performs on behalf of an external third party.
- In June 2009, together with academic and industrial partners, the company was successful in raising grant funding from the Technology Strategy Board for a £1.2 million development project linked to iQur's vaccine platform technology, of which iQur's share is approximately two-thirds. The project paves the way for vaccine manufacture on a broad scale.
- In June 2009 iQur closed an interim round of fundraising from existing investors, totalling £491,000, to support the vaccine development programme into the last quarter of 2010.

Continuing research has led to significant advances in iQur's vaccine technology with further proof of efficacy of the platform. As a prerequisite for human trials, a manufacturing process must be developed. This is advancing well such that an industrial scale manufacturing process should be achieved in the coming year. Advanced testing is forecast for the end of 2009. Outlicensing of the vaccine technology is being explored in applications outside viral hepatitis. Liver disease remains the main focus for the company's vaccines.

iQUR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)

RESULTS

The results for the year and the Company's position at 31st March 2009 are set out in the attached financial statements. The Company made a loss, including the effect of FRS 20 "Share Based Payments", of £1,564,410 (2008 £2,329,231). Of this, £429,262 (2008: £1,219,899) was due to the effect of the Share Based Payments charge under FRS20; the remainder was, as in the previous years, largely due to research and development work and administration costs in excess of any sales income.

The Directors do not recommend the payment of a dividend.

DIRECTORS

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

Mr. J. B. Boyer	(Chairman)
Dr. D. B. Campbell	
Prof. W. M. C. Rosenberg	
B. Reynolds	
P. Woodford	(Resigned 31 January 2009)

AUDITORS

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

iQUR LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)

DIRECTORS' RESPONSIBILITIES

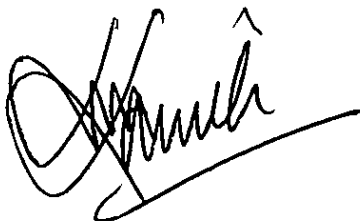
The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practices. Company law requires the Directors to prepare financial statements for each financial year which give a true and fair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

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

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

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

This report was approved by the Board of Directors on 10th July 2009.



Vic Laville,
Secretary,
10th July 2009

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

iQUR LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF iQUR LIMITED

We have audited the financial statements of iQur Limited for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

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

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

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

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

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

Basis of audit opinion

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

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

iQUR LIMITED

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

Opinion

In our opinion:-

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Southampton

20 July, 2009

iQUR LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2009**

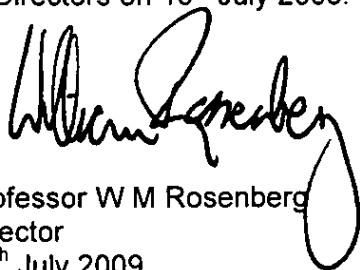
	Note	Continuing Operations 2009 £	Discontinued Operations 2009 £	TOTAL 2009 £	TOTAL 2008 £
TURNOVER	3	157,048	246,273	403,321	995,681
Cost of sales		120,249	482,191	602,440	811,658
GROSS PROFIT / (LOSS)		36,799	(235,918)	(199,119)	184,023
Administrative costs					
FRS 20 Share Based Payments		(429,262)	-	(429,262)	(1,219,899)
Other		(1,259,453)	-	(1,259,453)	(1,579,402)
Total Administrative Costs		(1,688,715)	-	(1,688,715)	(2,799,301)
		(1,651,916)	(235,918)	(1,887,834)	(2,615,278)
OTHER OPERATING INCOME	4	78,415	-	78,415	5,524
OPERATING LOSS	5	(1,573,501)	(235,918)	(1,809,419)	(2,609,754)
Profit on Disposal Of Business				78,145	-
Interest receivable				62,485	105,658
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				(1,668,789)	(2,504,096)
TAXATION	8			104,379	174,865
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED DEFICIT FOR THE FINANCIAL YEAR	15			£(1,564,410)	£(2,329,231)

There are no recognised gains and losses other than the above.
The notes on pages 9 to 23 form part of these financial statements.

iQUR LIMITED**BALANCE SHEET AS AT 31ST MARCH 2009**

	Note	2009 £	2008 £
FIXED ASSETS			
Intangible assets	9	179,630	264,437
Tangible assets	10	42,179	99,543
Investments in subsidiaries	11	102	102
		<hr/>	<hr/>
		221,911	364,082
CURRENT ASSETS			
Debtors and prepayments	12	197,672	460,757
Investments: Short term deposits		800,000	1,745,000
Cash at bank and in hand		39,669	87,837
		<hr/>	<hr/>
		1,037,341	2,293,594
CREDITORS: Amounts falling due within one year	13	(242,677)	(505,953)
		<hr/>	<hr/>
NET CURRENT ASSETS		794,664	1,787,641
TOTAL ASSETS			
LESS CURRENT LIABILITIES		<hr/>	<hr/>
		£1,016,575	£2,151,723
CAPITAL AND RESERVES			
Called-up share capital	14	2,557	2,557
Share premium account	15	7,926,251	7,926,251
Profit and loss account	15	(6,912,233)	(5,777,085)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	15	£1,016,575	£2,151,723
		<hr/>	<hr/>

These financial statements were approved and authorised for issue by the Board of Directors on 10th July 2009.



Professor W M Rosenberg
Director
10th July 2009

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

iQUR LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2009**

		2009 £	2008 £
Net cash outflow from operating activities	16(a)	(1,302,416)	(1,433,613)
Returns on investments and servicing of finance			
<i>Interest received</i>		62,485	105,658
Taxation		175,560	411,405
Capital expenditure and financial Investment	16(b)	(6,942)	(100,577)
Acquisitions and Disposals	16(b)	78,145	-
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(993,168)	(1,017,127)
Management of liquid resources		945,000	(1,501,858)
Financing	16(b)	-	2,602,952
		<hr/>	<hr/>
(Decrease)/Increase in cash		£(48,168)	£83,967
		<hr/>	<hr/>

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

iQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

1. ACCOUNTING POLICIES

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

(a) Basis of preparation

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

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

(b) Consolidated financial statements

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

(c) Going Concern

The Company's cash position at 31st March 2009 was £839,669 (2008: £1,832,837). Since the year-end, the Company closed an interim financing round on 10th June 2009 raising £491,000. The directors believe that the company will have adequate resources to continue operations for the foreseeable future and accordingly they consider that the going concern basis of preparation continues to be appropriate.

(d) Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of VAT.

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

(e) Deferred tax

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

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)

1. ACCOUNTING POLICIES (cont'd)

(f) Intangible fixed assets

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

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

(g) Depreciation

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

(h) Research and development

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

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

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

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

(i) Share based payments

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

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

1. ACCOUNTING POLICIES (cont'd)

(j) Cash and liquid resources

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

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

(k) Foreign currencies

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

(l) Government Grants

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

(m) Operating Leases

All rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

iQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)

2. CORRESPONDING FIGURES

In the following analysis between continuing and discontinued operations for the year ended 31 March 2008, those activities discontinued in the year ended 31 March 2009 are shown as part of Discontinued Activities

	Continuing £	Discontinued £	TOTAL £
Turnover	656,614	339,067	995,681
Cost of Sales	138,717	672,941	811,658
Gross Profit	517,897	(333,874)	184,023
Net Operating Expenses	(2,793,777)	-	(2,793,777)
Operating Loss	(2,275,880)	(333,874)	(2,609,754)

3. TURNOVER

	2009 £	2008 £
Liver Diagnostic Testing : UK	303,626	388,881
: USA	21,223	32,342
	324,849	421,223
Assignment of Drug Distribution agreement	-	495,986
Funded Research	78,472	78,472
	£403,321	£995,681

The Company disposed of its Viral Diagnostic Testing business to a third party in December 2008. The Company has retained its testing business for the ELF™ project.

4. OTHER OPERATING INCOME

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

iQUR LIMITED**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)****5. OPERATING LOSS**

	2009	2008
	£	£
The operating loss is stated after charging:-		
Auditors' remuneration:-		
- audit services	9,000	11,594
Research and development	620,677	838,576
Share based payments	429,262	1,219,899
Depreciation	48,626	47,825
Amortisation of intangible assets	91,633	27,250
Loss on disposal of fixed assets	8,854	-
Operating Leases – land and buildings	86,047	90,585
	<u> </u>	<u> </u>

6. DIRECTORS' EMOLUMENTS

	2009	2008
	£	£
Directors' emoluments	198,215	241,367
	<u> </u>	<u> </u>

The emoluments of the highest paid director were £119,508 (2008: £160,117).

7. STAFF COSTS

	2009	2008
	£	£
Wages and salaries	753,371	1,058,355
Social security costs	86,025	111,350
Share based payments	429,262	1,219,899
	<u> </u>	<u> </u>
	£1,268,658	£2,389,604
	<u> </u>	<u> </u>

The average monthly number of employees (including directors) directly employed by the Company during the year was 15 (2008: 21), comprised as follows:-

	2009	2008
Administration	3	4
Research and Development	5	8
Diagnostic Testing	7	9
	<u> </u>	<u> </u>
	15	21
	<u> </u>	<u> </u>

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

8. TAXATION

(a) Tax on profit on ordinary activities:-	2009 £	2008 £
UK corporation tax	(104,379)	(175,560)
Adjustment in respect of previous periods	-	695
	<hr/>	<hr/>
Current tax credit for the year	£(104,379)	£(174,865)
	<hr/>	<hr/>

(b) Factors affecting current tax credit

The tax assessed on the loss on ordinary activities for the period is different to the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are reconciled below:-

	2009 £	2008 £
Loss on ordinary activities before tax	(1,668,789)	(2,504,096)
	<hr/>	<hr/>
Loss on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	(467,261)	(751,229)
Expenses not deductible for corporation tax	1,441	2,091
R&D enhancement relief	(77,183)	(113,877)
Fixed asset timing differences	10,682	775
Losses carried forward	223,193	188,115
Losses surrendered for R&D tax credit	89,966	153,614
Over provision in respect of previous years	-	695
Other timing differences	114,783	344,951
	<hr/>	<hr/>
Current tax credit for the year	(104,379)	(174,865)
	<hr/>	<hr/>

There are tax losses available for carry forward against future trading profits of approximately £4,544,000 (2008: £3,747,000). A deferred tax asset in respect of these losses of approximately £1,272,000 (2008: £1,035,000), and in respect of other timing differences of £490,192 (2008: £375,000), has not been recognised in the accounts as the full utilisation of these losses in the foreseeable future is uncertain.

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

9. INTANGIBLE FIXED ASSETS

	Patents & Trademarks £
Cost	
At 1 st April 2008	303,664
Additions	6,942
Disposals	(69,790)
	<hr/>
At 31 st March 2009	240,816
	<hr/>
Amortisation	
At 1 st April 2008	39,227
Charge for the year	91,633
Disposals	(69,674)
	<hr/>
At 31 st March 2009	61,186
	<hr/>
Net Book Value	
At 31 st March 2009	£179,630
	<hr/>
At 31 st March 2008	£264,437
	<hr/>

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

10. FIXED ASSETS	Leasehold Improvements £	Equipment £	Total £
Cost			
At 1 st April 2008	53,192	246,264	299,456
Additions	-	-	-
Disposals	(53,192)	(143,257)	(196,449)
	<hr/>	<hr/>	<hr/>
At 31 st March 2009	-	103,007	103,007
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 st April 2008	53,192	146,721	199,913
Charge for the year	-	48,626	48,626
Disposals	(53,192)	(134,519)	(187,711)
	<hr/>	<hr/>	<hr/>
At 31 st March 2009	-	60,828	60,828
	<hr/>	<hr/>	<hr/>
Net Book Value			
At 31 st March 2009	£-	£42,179	£42,179
	<hr/>	<hr/>	<hr/>
At 31 st March 2008	£-	£99,543	£99,543
	<hr/>	<hr/>	<hr/>

iQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)

11. INVESTMENTS IN SUBSIDIARIES

Cost as at 1 April 2008 and 31 March 2009 £102

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

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

All companies are registered in England.

12. DEBTORS

	2009 £	2008 £
Trade debtors	21,092	180,104
Prepayments and accrued income	34,611	101,319
Other debtors	37,590	3,774
Corporation tax recoverable	104,379	175,560
	<hr/>	<hr/>
	£197,672	£460,757
	<hr/>	<hr/>

IQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

13. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Trade creditors	60,427	177,296
Other tax and social security	19,830	9,980
Accruals and deferred income	162,420	318,677
	<hr/>	<hr/>
	£242,677	£505,953
	<hr/>	<hr/>

14. SHARE CAPITAL

	2009 £	2008 £
Authorised		
350,000 (2008:- 350,000) ordinary shares of £0.01	£3,500	£3,500
	<hr/>	<hr/>
Allotted, called-up and fully-paid		
255,676 (2008:- 255,676) ordinary shares of £0.01	£2,557	£2,557
	<hr/>	<hr/>

Share Options

At 31 March 2009 the Company had granted options over 5,500 ordinary shares of £0.01. These options had all vested at this date and are exercisable at any time before 23 April 2013 at a price of £10.00 per share.

Further share options of 42,674 exist at year end and have been accounted for under FRS 20 as disclosed in Note 18.

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Share Premium £	Profit & Loss Account £	Total Shareholders Funds £
At 1 st April 2007	2,175	4,431,712	(4,667,753)	(233,866)
Loss for the year	-	-	(2,329,231)	(2,329,231)
Share issue	382	3,512,042	-	3,512,424
Costs of Share issue	-	(17,503)	-	(17,503)
Share based payment	-	-	1,219,899	1,219,899
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 st April 2008	2,557	7,926,251	(5,777,085)	2,151,723
Loss for the year	-	-	(1,564,410)	(1,564,410)
Share based payment	-	-	429,262	429,262
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 st March 2009	£2,557	£7,926,251	£(6,912,233)	£1,016,575
	<hr/>	<hr/>	<hr/>	<hr/>

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities	2009 £	2008 £
Operating loss	(1,809,419)	(2,609,754)
Decrease / (increase) in debtors	191,904	(80,756)
Decrease in creditors	(263,276)	(38,077)
Depreciation	48,626	47,825
Amortisation of intangible assets	91,633	27,250
Loss on disposal of fixed assets	8,854	-
FRS 20 charge for fair value of share option	429,262	1,219,899
	<hr/>	<hr/>
Net cash outflow from operating activities	£(1,302,416)	£(1,433,613)
	<hr/>	<hr/>

iQUR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

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

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

	2009 £	2008 £
<i>Capital expenditure and financial investment:-</i>		
Payments to acquire tangible fixed assets	-	(60,847)
Payments to acquire intangible fixed assets	(6,942)	(39,730)
	<hr/>	<hr/>
	£(6,942)	£(100,577)
	<hr/>	<hr/>
	2009 £	2008 £
<i>Acquisitions and Disposals</i>		
Sale of Diagnostics business	78,145	-
	<hr/>	<hr/>
	2009 £	2008 £
<i>Financing:-</i>		
Issue of ordinary shares	-	2,620,455
Share issue costs	-	(17,503)
	<hr/>	<hr/>
	£-	£2,602,952
	<hr/>	<hr/>

(c) Analysis of changes in net funds

	At 31 st March 2008 £	Cash Flow £	At 31 st March 2009 £
Investments: Short-term deposits	1,745,000	(945,000)	800,000
Cash at bank and in hand	87,837	(48,168)	39,669
	<hr/>	<hr/>	<hr/>
	£1,832,837	£(993,168)	£839,669
	<hr/>	<hr/>	<hr/>

iQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)

17. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended 31st March 2009, the Company paid fees and expenses of £22,384 (2008: £25,221) to IP Group Plc for the provision of business consultancy services. At the balance sheet date the amount unpaid in respect of these costs was £4,224 (2008: £-). IP Group Plc has an interest in the Company.

During the year ended 31st March 2009, the Company incurred costs of £88,223 (2008: £131,798) with the University of Southampton in connection with research and development activities, including the purchase of capital items. At the balance sheet date the amount unpaid in respect of these costs was £8,185 (2008: £36,072). The University of Southampton is the controlling shareholder of Southampton Asset Management Limited, which has an interest in the Company, and Mr J B Boyer is a Director of Southampton Asset Management Limited.

The Directors consider that no one party has control over the company.

18. SHARE BASED PAYMENT

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

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

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

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

In June 2007 Brenda Reynolds was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92 per share of which 1,105 had vested at the year end and 1,105 are to vest on 13 June 2009.

In July 2007 Jack Boyer was granted options over 1,819 ordinary shares of £0.01 of which 910 had vested at the year end and 909 are to vest on 19 July 2009. The options were granted at an exercise price of £27.27 per share.

IQR LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009 (cont'd)**

18. SHARE BASED PAYMENT (cont'd)

In September 2007 Peter Woodford was granted options over 2,210 ordinary shares of £0.01 at an exercise price of £92 per share, of which 1,105 had vested at the year end and 1,105 are to vest on 1 September 2009.

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

In October 2007 the Company granted options to its employees over 13,462 ordinary shares of £0.01 at an exercise price of £30.00 per share. Of these options 300 have lapsed, 1,631 are to vest on 29 May 2009, 1,000 to vest on 11 October 2009, and the remainder (10,531 options) had already vested by the year end.

In December 2007 the Company granted options over 2,412 ordinary shares of £0.01 at an exercise price of £30.00 per share which of which 1,207 had vested at the year end and 1,205 are to vest on 18 December 2009.

In January 2008 William Rosenberg was granted options over 10,875 ordinary shares of £0.01 at an exercise price of £62.47 per share. Of these options 9,362 had vested by the year end and the remainder (1,513 options) are to vest pro-rata monthly through until August 2009.

In June 2008 the Company granted options over 400 ordinary shares of £0.01 at an exercise price of £30.00 per share. Of these 200 had vested by the year end and 200 are to vest on 7 March 2010.

	2009 Weighted average exercise price £	2009 Number	2008 Weighted average exercise price £	2008 Number
Outstanding at 1 April	45.85	42,574	35.83	9,136
Granted during the year	30.00	400	48.61	33,438
Lapsed during the year	30.00	(300)	-	-
		<hr/>		<hr/>
Outstanding at 31 March	45.82	42,674	45.85	42,574
		<hr/>		<hr/>

The options outstanding at the year end had a weighted average contractual life of 8.1 years (2008: 9.1 years), and a total of 34,006 shares (2008: 23,524) were exercisable at the end of the year.

The weighted average fair value of each option granted during the year was £1.29 (2008: £49.46).

IQUR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009 (continued)

18. SHARE BASED PAYMENT (cont'd)

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

	2009	2008
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date	£30.00	£92.00
Exercise price	£30.00	£27.27 - £92.00
Weighted average life (years)	1.25	0.74
Expected volatility	25.00%	32.00%
Risk-free interest rate	5.00%	5.75%

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

	2009	2008
	£	£
The share-based remuneration expense (Note 7) comprises:		
Equity-settled schemes	429,262	1,219,899

19. COMMITMENTS UNDER OPERATING LEASES

The Company has annual commitments under non-cancellable operating leases as set out below:

	2009	2008
	£	£
Operating leases which expire:		
Within 1 year	12,823	38,946

20. POST BALANCE SHEET EVENTS

The Company closed an interim funding round in June 2009 which raised £491,000 in cash, to be used as part of the company's working capital.