AIM Admission Document

RETROSCREEN VIROLOGY

CONQUERING VIRAL DISEASE

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are in the United Kingdom or, if not, from another appropriately authorised independent professional adviser.

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public within the meaning of section 85 of FSMA and is not a prospectus for the purposes of the Prospectus Rules made under section 73A of FSMA. Accordingly this document has not been prepared in accordance with the Prospectus Rules, nor has it been approved by the Financial Services Authority (the "**FSA**") pursuant to section 85 of FSMA and a copy has not been delivered to the FSA under regulation 3.2 of the Prospectus Rules.

Application will be made for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on the AIM market of London Stock Exchange plc ("**AIM**").

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been or will be made.

It is expected that admission to AIM will become effective and that dealings in the Ordinary Shares will commence on 3 May 2012.

The Directors, whose names are set out on page 4 of this document, accept individual and collective responsibility for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Prospective investors should carefully read the section entitled "Risk Factors" in Part II of this document. All statements regarding the Company and its subsidiaries should be viewed in the light of these risk factors.

Retroscreen Virology Group plc

(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 08008725)

Proposed Placing of 18,750,000 new Ordinary Shares at 80 pence per share

Admission to trading on AIM

Nominated Adviser and Broker

Numis Securities Limited

Numis Securities Limited, which is a member of the London Stock Exchange, is authorised and regulated in the United Kingdom by the FSA and is acting as nominated adviser and broker for the purposes of the AIM Rules exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to any other person for providing the protections afforded to customers of Numis Securities Limited, or for advising any other person on the contents of this document or any matter referred to herein. The responsibilities of Numis Securities Limited, as nominated adviser, are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person and accordingly no duty of care is accepted in relation to them. No representation or warranty, express or implied, is made by Numis Securities Limited as to, and no liability whatsoever is accepted by Numis Securities Limited in respect of, any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

This document does not constitute an offer to issue or sell, or the solicitation of any offer to subscribe for or buy, any of the Ordinary Shares in any jurisdiction where it may be unlawful to make such offer or solicitation. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States, or to any person located in the United States. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United Sates or under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or where to do so may contravene local securities laws or regulations. The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the registered office of the Company and at the offices of Numis Securities Limited at The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT from the date of this document and for a period of at least one month from Admission.

Forward Looking Statements

Certain statements in this document are "Forward Looking statements". These Forward Looking statements are not based on historical facts but rather on management's expectations regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), planned expansion and business prospects and opportunities. Such Forward Looking statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward Looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the Forward Looking statements including risks associated with vulnerability to general economic market and business conditions, competition, environmental and other regulatory changes or actions by governmental authorities, the availability of capital, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond control of the Company. Although the Forward Looking statements contained in this document are based upon what management believes to be reasonable assumptions the Company cannot assure investors that actual results will be consistent with these Forward Looking statements.

Prospective investors should read the whole text of this document. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Your attention is drawn to Part II of this document which sets out certain risk factors relating to any investment in the Company. All statements regarding the Group's business, financial position and prospects should be viewed in the light of the risk factors set out in Part II of this document.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Robert Norwood (*Non-Executive Chairman*) Kym Lynn Denny (*Chief Executive Officer*) Graham Edward Yeatman (*Finance Director*) Professor John Sidney Oxford (*Non-Executive Director*) Duncan Joseph Peyton (*Non-Executive Director*) Charles Stephen Winward (*Non-Executive Director*)
Registered Office, Principal Place of Business and Business Address of Directors	Second Floor QMB Innovation Centre 42 New Road London E1 2AX
Company Secretary	Graham Yeatman
Nominated Adviser and Broker	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
Solicitors to the Company	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
Solicitors to the Nominated Adviser and Broker	Mayer Brown International LLP 201 Bishopsgate London EC2M 3AF
Reporting Accountants	Baker Tilly Corporate Finance LLP 3 Hardman Street Manchester M3 3HF
Auditors	Baker Tilly UK Audit LLP 3 Hardman Street Manchester M3 3HF
Registrar	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Website	www.retroscreen.com

DEFINITIONS

The following definitions shall have the following meanings in this document (save for the report contained in Part III), unless the context requires otherwise:

"Act"	the Companies Act 2006
"Admission"	admission of the Enlarged Share Capital to trading on AIM pursuant to the AIM Rules and such admission becoming effective in accordance with the AIM Rules
"AIM"	the AIM market operated by the London Stock Exchange
"AIM Rules"	together the AIM Rules for Companies, the AIM Rules for Nominated Advisers and the AIM Disciplinary Procedures and Appeals Handbook
"AIM Rules for Companies"	the rules and guidance notes for AIM quoted companies issued by the London Stock Exchange from time to time
"AIM Rules for Nominated Advisers"	the rules for nominated advisers issued by the London Stock Exchange from time to time
"Articles"	the articles of association of the Company
"Board" or "Directors"	the directors of the Company
"certificated" or "in certificated form"	a share or other security, title to which is recorded in the relevant register as being held in certificated form (that is, not in CREST)
"Combined Code"	the UK Corporate Governance Code published in June 2010 by the Financial Reporting Council
"Company"	Retroscreen Virology Group plc, a company registered in England and Wales with registered number 08008725
"CREST"	the computerised settlement system and procedures to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited, a company incorporated in England and Wales
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755), as amended
"Enlarged Share Capital"	the Ordinary Shares in issue immediately following Admission being the Existing Ordinary Shares and the New Ordinary Shares
"Existing Ordinary Shares"	the 22,039,420 issued Ordinary Shares as of the date of this document
"FSA"	the Financial Services Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Group"	the Company and its Subsidiaries
"IP Group"	IP2IPO Limited and IP Venture Fund
"IP Venture Fund"	a fund managed by Top Technology Ventures Limited (a subsidiary of IP Group plc)
"London Stock Exchange"	London Stock Exchange plc

"New Ordinary Shares"	18,750,000 new Ordinary Shares which are the subject of the Placing
"Numis"	Numis Securities Limited, the Company's nominated adviser and broker
"Official List"	the Official List of the UKLA
"Options"	rights to acquire (whether by subscription or market purchase) Ordinary Shares as described in paragraph 11 of Part IV of this document
"Ordinary Shares"	ordinary shares of 5 pence each in the capital of the Company
"Panel"	Panel on Takeovers and Mergers
"Placees"	those persons who have agreed to subscribe for New Ordinary Shares
"Placing"	the conditional placing of the New Ordinary Shares
"Placing Agreement"	the agreement dated 30 April 2012 between (1) the Company; (2) Numis; (3) the Directors; and (4) the Vendors, a summary of which is set out in paragraph 10.1 of Part IV of this document
"Placing Price"	80 pence per New Ordinary Share
"Prospectus Rules"	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No 809/2004 and published by the FSA pursuant to section 73A of FSMA
"QCA"	The Quoted Companies Alliance
"Registrars"	Equiniti Limited
"Retroscreen Virology"	Retroscreen Virology Limited
"Shareholders"	holders of Ordinary Shares
"Share Scheme"	The Retroscreen Virology Group Share Option Scheme
"Subsidiaries"	Retroscreen Virology and Retroscreen Virology Services Limited
"Takeover Code"	City Code on Takeovers and Mergers
"UKLA" or "UK Listing Authority"	United Kingdom Listing Authority, being the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	a share or other security, title to which is recorded in the relevant register as being held in uncertificated form, in CREST, and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"United States" or "US"	the United States of America, its territories and possessions
"Vendors"	the Northern Entrepreneurs Fund LLP and the Northern Entrepreneurs Fund Co-Investment LLP
"Warrant Agreement"	the instrument described in paragraph 10.6 of Part IV of this document creating the Warrants
"Warrants"	the warrants to be granted by the Company as described in paragraph 10.1.4 of Part IV of this document

GLOSSARY OF TECHNICAL AND SCIENTIFIC TERMS

The following technical and scientific terms apply throughout this document, unless the context requires otherwise:

anti-viral	a drug effective against viruses which cause disease
attenuation/attenuated virus	reduction of the ability of a virus to induce disease (virulence)
average revenue per VC-Q	total revenue from a VCM client engagement divided by the number of viral challenge quarantines undertaken. Where VCM engagements span financial years, the number of quarantines is apportioned on a straight-line basis according to revenue split across the financial year in order to calculate the average for that VCM client engagement and for the Company as a whole
B cell	a type of white blood cell of importance in the immune system and having a role in production of antibodies
CD4 cells	a type of T cell having a molecule known as CD4 on their surface and assisting in the body's response to infection
characterised/characterisation	having distinguishing features identified and described (for example a virus may be characterized by features such as activity and ability to induce disease)
control	a standard of comparison for checking the results of a study, for example a control group may be given a placebo in order to act as a comparison standard against a group given an active treatment
clinical trial (or trial)	a formal study of a therapeutic in order to demonstrate safety and efficacy and required in order to obtain regulatory approval of a therapeutic
efficacy	the ability of a drug to produce a desired outcome or effect
Ethics Committee	an independent committee responsible for the approval of clinical trials and their ethical conduct (also referred to as an institutional review board in the US)
FDA (Food and Drug Administration)	the government body responsible for the regulation of, testing and approval of therapeutics and medical devices in the US
field based trials	for cold and flu research, studies where volunteers already showing symptoms of cold or flu are recruited – often via a patient's presentation at a clinic, hospital or pharmacy
first in man	a clinical trial where a therapeutic is tested on human subjects for the first time – in recent years, regulation of such studies has increased substantially following reassessment of the inherent riskiness of such studies
gene expression signature	a particular pattern of protein production from nucleic material which can help identify or predict immune responses
GCP (Good Clinical Practice)	an international quality standard for clinical trials
GLP (Good Laboratory Practice)	a quality system for research laboratories and organisations carrying out non-clinical safety tests
GMP (Good Manufacturing Practice)	a quality system for manufacturing and production of drugs, medical devices and active components of the foregoing
H1N1	a subtype of influenza viruses which are a common cause of influenza. Strains of the H1N1 virus were responsible for the swine flu pandemic in 2009

H3N2	a subtype of influenza viruses that can infect birds and mammals. In birds, humans, and pigs, the virus has mutated into many strains. and is increasingly abundant in seasonal influenza
human rhinovirus/HRV	the group of viruses predominantly responsible for causing the common cold
influenza	a contagious virus infection that affects the respiratory system. Symptoms commence after an incubation period of 1-4 days and include headache, fever, loss of appetite and general aches and pains. Influenza viruses are subject to a high degree of mutation, creating different strains
inoculum	the controlled quantity of attenuated virus administered to a volunteer
intellectual property/IP	patents, rights to inventions, utility models, copyright and related rights, trade marks, service marks, trade, business and domain names, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database right, rights in biological materials, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications for and renewals or extensions of such rights, and all similar or equivalent rights or forms of protection in any part of the world
mAb (monoclonal antibodies)	artificially produced antibodies designed to target specific causes of infection
MHRA (Medicines and Healthcare Products Regulatory Authority)	the government body responsible for the regulation of, testing and approval of therapeutics and medical devices in the UK
microRNA	a class of small RNAs that may have a role to play in viral evolution and defence
pandemic	an outbreak of a disease occurring in a large area, for example across several continents or worldwide
Phase I	the phase of the approval process for a new therapeutic in which it is first given to healthy volunteers and tests carried out for safety and adverse effects
Phase II	the phase of the approval process for a new therapeutic in which clinical trials are performed on larger groups to assess how well the therapeutic works, as well as to continue Phase I safety assessments in a larger group. Phase II studies may be divided into: Phase IIa – intended primarily to investigate what is the most effective dose; and Phase IIb – further work to investigate and demonstrate efficacy
Phase III	the phase of the approval process for a new therapeutic that in Phase I and Phase II has been shown to be efficacious with tolerable side effects
prophylactic	a medicine or course of action used to prevent disease
protocol	the detailed plan and description setting out how a clinical study is to be carried out

respiratory synctial virus/RSV	a type of virus which causes infections of the nose and throat and is a major cause of pneumonia in young children. It is thought to have a role in cot death
siRNA	small interfering RNA (ribonucleotide), also known as short interfering RNA or silencing RNA: a type of RNA molecule with particular activity as an antiviral
sponsor	a company or organisation which commissions Retroscreen Virology to carry out a clinical trial or related work on its behalf
T cell	a type of white blood cell of importance in the immune system and having a role in eliminating viruses
therapeutic	a drug used for treatment or cure of a disease (as used in this document, therapeutic may also refer to a drug with prophylactic effect, preventing or restricting the development of a disease)
viral challenge model or VCM	the delivery by the Group of a virus quarantine clinical trial for a client that includes, *inter alia*, the development and maintaining of a characterised virus, the screening and recruitment of volunteers, the development of clinical trial protocol and ethics approval, the use of virology assays to screen volunteers, the use of quarantine(s) virology assays to analyse clinical trial samples, project management (from the start to the end of the VCM), data recording and data analysis. A VCM engagement may include one quarantine or a number of quarantines. Each quarantine lasts two to three weeks, but the timeline of work involved in building up to undertaking a quarantine is in the range of nine to twelve months. Whether a VCM engagement is for one quarantine or for a number of quarantines, the overall timeline of the VCM is much the same, apart from the additional time for the quarantines themselves and the time lags in between quarantines (since sequential), as a lot of the upfront work is the same whether for one or a number of quarantines
VC-Q	the unit of measurement used by Retroscreen Virology representing one viral challenge quarantine plus a proportionate share of the other work (protocol, ethics, volunteer recruitment, virus etc) which goes into delivering a VCM dependent on whether there is one quarantine or a number of quarantines included in that client's VCM
viral challenge quarantine	the quarantine stage of a VCM under which volunteers are screened for infection and studied within a residential unit under controlled conditions, quarantined from infectious contamination from the environment or from persons other than their fellow volunteers. A study under such quarantine conditions helps reduce interference from external factors such as drug and alcohol consumption, diet and environmental conditions which would otherwise exist in a field based trial
virology	the study or science of viruses
virometrics	the term used by the Group to describe its activities and expertise in the collection, measurement and analysis of human biological data related to viruses and their effects on the human body
virus	an infective agent generally consisting of a nucleic acid molecule within a protein shell, only able to multiply within the cells of a host

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	30 April 2012
Admission of Enlarged Share Capital and commencement of dealing on AIM	3 May 2012
CREST accounts to be credited	3 May 2012
Despatch of definitive certificates (where applicable) expected by	11 May 2012

PLACING STATISTICS

Placing Price	80 pence per share
Number of Existing Ordinary Shares in issue prior to Admission	22,039,420
Number of New Ordinary Shares to be issued	18,750,000
Number of Ordinary Shares in issue immediately following Admission*	40,976,920
New Ordinary Shares as a percentage of the Enlarged Share Capital	45.8 per cent.
Market capitalisation of the Company following the Placing at the Placing Price	£32.8m
Number of Options outstanding immediately following Admission	3,867,660
Number of Warrants outstanding immediately following Admission	204,885
Fully diluted share capital immediately following Admission**	45,049,465
Estimated net proceeds of the Placing receivable by the Company	£14.0m
AIM symbol	RVG
International Security Identification Number ("ISIN")	GB00B6ZM0X53
SEDOL	B6ZM0X5

*This includes the 187,500 Ordinary Shares issued to Numis as described in paragraph 10.1.3 of Part IV of this document.

**Assuming exercise in full of all Options and Warrants.

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

Retroscreen Virology has pioneered the commercialisation of the Viral Challenge Model (or the "VCM") that enables research into viral infection and also enables pharmaceutical companies to accelerate and reduce the cost of bringing antiviral therapeutics and vaccines to market. In the VCM, healthy volunteers are isolated in a specialist facility and are exposed to a characterised respiratory virus and then observed for ten to fifteen days. During this time and through the use of the VCM, they may either be treated with an experimental drug candidate, or may participate in a virus only research programme. Volunteers are closely monitored in all cases with Retroscreen Virology collecting samples and recording data including, for example, as to the effectiveness of the drug. The Directors believe that the VCM is a superior alternative to field-based trials. Further details on the key benefits of the VCM over field-based trials are set out in paragraph 5 of this Part I. The VCM has, to date, been used primarily in the growing market for flu and cold testing, estimated to be sized at approximately £612 million per annum, in relation to which Retroscreen Virology has a strong pipeline. The Company intends to expand the use of the VCM into a range of other adjacent markets, such as testing drugs to treat virus-exacerbated asthma, estimated to be a market sized at approximately £357 million per annum. The Directors believe that the VCM provides a vehicle to harvest unique human samples that gives extensive insight into the human immune system and its response to viruses which will also allow the Group to exploit its own proprietary "Virometric" data and biological materials. This in turn, could enable Retroscreen Virology to collaborate with leading research groups to provide direction for the next generation of therapeutics and diagnostics, changing the way in which vaccines and anti-virals are developed.

2. HISTORY AND BACKGROUND ON RETROSCREEN

Retroscreen Virology was incorporated in 1988 as a spin-out company from Queen Mary and Westfield College, University of London to commercialise the academic research of Professor John Oxford in the field of retroviruses, which at that time were considered to have promise in the fight against HIV/Aids. Whilst the scientific focus of Retroscreen Virology has changed significantly since incorporation, the Group's work has always been demand-led, with Retroscreen Virology initially incorporated to undertake laboratory work at the request of Roche. This initial contract led to further studies and Retroscreen Virology continued to conduct laboratory work for some of the world's leading pharmaceutical companies on a small, but profitable basis.

In 2002, Professor Oxford was asked to expand from the laboratory to leverage his early career experience in clinical challenge trials. The concept of infection of volunteers was initiated in 1948 at the Common Cold Unit, Salisbury, where Professor Oxford was subsequently involved with groups of 20-30 volunteers who were housed in detached warden buildings and were physically isolated from both staff and co-volunteers. These groups were used to test a genetically modified influenza B virus. Taking an isolation model from the Common Cold Unit and expanding and improving the concept in initial small trials, Retroscreen Virology was financed by IP Group in 2006 in order to undertake larger studies on a commercial scale. Eighteen studies were then conducted with Retroscreen Virology developing its well characterised stock of attenuated viruses, whilst demonstrating that the VCM could be effective in offering pharmaceutical clients a faster and cost effective route to market for their therapeutics. A notable study was the first proof of the efficacy, or proof of concept, of a siRNA therapeutic on behalf of Alnylam Pharmaceuticals Inc, where Retroscreen Virology's VCM was instrumental in the obtaining of marketing approval.

With the VCM gaining acceptance, Retroscreen Virology developed its own dedicated VCM unit at a bespoke facility in East London in the first quarter of 2011. Since this time, Retroscreen Virology's scientific team has expanded to over twenty who, between them, have significant experience of designing and conducting human challenge studies, having conducted more than twenty, with two in the new bespoke VCM unit.

3. OVERVIEW OF FINANCIAL HISTORY

The financial figures below, which have been extracted from the Historical Financial Information on Retroscreen Virology contained in Part III of this document, show the financial track record of Retroscreen Virology for the three years and five months from 1 August 2008 to 31 December 2011.

	Year to 31 July 2009	*Year to 31 July 2010*	*5 months to 31 December 2010*	*Year to 31 December 2011*
Company				
Revenue	£5.7m	£6.0m	£1.1m	£4.3m
(Loss) for the year/period	£(0.2m)	£(0.2m)	£(2.8m)	£(0.7m)

The information below is extracted from the accounting records of Retroscreen Virology.

VCM's				
Revenue	£2.9m	£2.6m	£1.3m	£3.2m
Percentage of total revenue	51%	43%	100%	74%
No. of VC-Qs	5.5	4.7	2.1	2.2
Average Revenue per VC-Q	£0.5m	£0.6m	£0.6m	£1.4m

Retroscreen Virology traded unprofitably through the reported period, reflecting its early stage of development. During the reporting period, Retroscreen Virology's year end changed from 31 July, which was a legacy of its academic roots, to 31 December, resulting in a stub five-month period from 1 August 2010 to 31 December 2010. Since late 2010, the Group has invested significantly in developing the VCM in order to establish clear leadership in human challenge studies. These activities have included:

- appointment of senior commercial management, including a sector experienced CEO;
- a re-organisation of the Group to concentrate on the provision of VCM's rather than analytical services, including exiting of legacy product lines;
- the development of the VCM with higher overall contract values and a greater number of viral challenge quarantines;
- the introduction of improved commercial practices, including pricing models and client account management to ensure projects are appropriately priced and delivered to high client satisfaction;
- the development and fit out of and relocation of the Group to its bespoke VCM unit in East London;
- the increased development and manufacturing of viruses;
- the introduction of three specialist business development staff to publicise to the market the benefits of the VCM and to develop the Group's pipeline; and
- an expansion of the overall permanent employee base from circa 40 (31 December 2010) to 64 (31 December 2011), including the training and certification of staff to support the VCM.

Losses widened in the five months to 31 December 2010 as a number of potential VCM client engagements did not covert to contracted engagements and against which Retroscreen Virology had invested significant time and committed costs, whilst at the same time incurring expenditure in the preparation of, relocation to, and expansion of a new bespoke facility at the Queen Mary Bio Enterprises Innovation Centre in Whitechapel.

Revenue generated from using the core VCM's has been relatively stable over the past three years as Retroscreen proved the model with initial clients. There have, however, been significant shifts in the business as Retroscreen Virology has focused on fewer, larger value studies. This reflects a move by Retroscreen Virology's client base beyond initial experimentation with VCM techniques, which were often characterised by lower value contracts and smaller scale trials, into full adoption of the VCM and incorporation into a client's critical path for its drug development track and regulatory process. As part of this development,

Retroscreen Virology relocated in March 2011 to the purpose built facility, with the result that it only conducted VCM client engagements in the second half of the 2011.

The Directors believe that these changes and investment position the Group for a transformational year in 2012 to deliver on a strong pipeline. For further details on the Group's pipeline, see paragraph 7 of this Part I.

4. THE VIRAL CHALLENGE MODEL

As Retroscreen Virology has grown and developed, the VCM is becoming widely accepted as an alternative to traditional field-based trials for evidencing the efficacy of antiviral and vaccine therapeutics in RSV, flu and cold. The American Journal of Respiratory and Critical Care Medicine recognised Retroscreen Virology's VCM in RSV, which is the leading cause of death in children under five:

"*The advantages of a safe, reproducible human model are incalculable. This model permits the relatively quick and efficient study of new therapeutics in humans, and assists in making critical decisions.....*"

Typically volunteers spend ten to fifteen days in Retroscreen Virology's dedicated VCM facility, which has capacity for 24 volunteers. Individual VCMs may involve multiple viral challenge quarantines to enable statistically significant results. In order to generate the target number of volunteers for a given trial, Retroscreen Virology will screen thousands of potential volunteers over the phone, internet and via appointments at dedicated screening clinics, drawing upon the Group's detailed understanding of immunity, volunteer suitability and likely infection rates. This allows Retroscreen Virology to satisfy client requirements, ideally involving as few volunteers in the VCM as possible to ensure that drug development spend is targeted effectively. Through its volunteer screening process, Retroscreen Virology gains an in-depth insight into viruses in the broader population. Much of this information is not in the public domain and therefore confidential and proprietary to Retroscreen Virology. As part of its future strategy, Retroscreen Virology intends to explore ways in which it may be able to commercially exploit this proprietary know-how.

The VCM involves a programme of work which Retroscreen Virology undertakes for its clients that is usually nine to twelve months in total duration and includes the following activities:

Virus Management

Since Retroscreen Virology was established over 20 years ago, it has obtained and generated its own characterised virus stocks. The Group provides viruses from its virus inventory of approximately 21,000 vials enabling clients to use specific viruses to directly inoculate human volunteers for viral challenge quarantines and as controls when analysing samples in the laboratories. The majority of the vials are different types of influenza virus but the inventory also includes a wide variety of other viruses including Respiratory Syncytial Virus (RSV) and Human Rhinovirus (HRV). Retroscreen Virology uses Good Manufacturing Practice (GMP) viruses for direct inoculation of human volunteers and Good Laboratory Practice (GLP) viruses are used in research and control experiments. While stocks of virus are relatively easily produced, viruses readily mutate each time they are grown so there is no guarantee that any two batches of a particular the virus will be the same. The value of the Group's viruses is that they have been characterised so that they can be used to support each VCM study, with detailed assessment including the amount of virus in a vial, the potential of the virus to cause disease and the purity of the stock. The complexity of the required characterisation of a virus varies greatly but it is an important step for a human challenge study. Each virus will have undergone extensive purity testing in the laboratory and also its own clinical trials, conducted by Retroscreen Virology, to characterise safety and disease induction characteristics. Retroscreen Virology's in-house experience in growing viruses and the detailed characterisation of viruses built up over many years has generated a virus inventory that would be expensive and time consuming to duplicate elsewhere, thus representing a barrier to entry for a competitor.

Start-up Activity

Clients approach Retroscreen Virology wishing to undertake studies using the VCM. After some initial validation and qualification of the suitability of the VCM for a study, Retroscreen Virology will typically sign a Start-up Agreement with the client whereby Retroscreen Virology will provide value-add consultancy for the client by designing a trial protocol to support the client's objectives. This initial consultancy stage will continue through to Retroscreen Virology supporting the client in its engagement with the appropriate Ethics

Committees for approval of the trial. The scope and scale of activity will vary greatly depending upon the complexity of the client requirements. This initial phase will usually run over a number of months, with the client drawing on the specialist virology skills and trial experience of the Retroscreen Virology scientists and physicians. The Directors believe that, as Retroscreen Virology is the only commercial organisation with the specialist virology knowledge, resources and experience to run human challenge studies, Retroscreen Virology adds significant value to the proposed trials by using its proprietary know-how and expertise to ensure that its clients' trials are optimised for success. For example, it is the Directors' belief that Retroscreen Virology's clients do not have the in-house experience required to consistently infect volunteers with a virus and that, as a result, they will not be able to assess the level of infection that will occur in the volunteers and accordingly how this leads to disease. Importantly, the data that characterises the virus is key as it will drive the design of the experiment and the statistical significance for a given number of volunteers. With Retroscreen Virology's consultancy support, expertise and established bank of viruses, the Directors believe that Retroscreen Virology offers clients an opportunity to optimise their drug development expenditure. The start-up phase will conclude with a test protocol and permission to proceed to a trial. Not all clients will proceed from the start-up phase as it may be concluded that a trial is not feasible, or there may be external factors that prevent a trial from progressing. Once this start-up phase has come to an end, in the event the client wishes to proceed, Retroscreen Virology will then agree with each client a binding contract for a defined, costed VCM.

Recruitment & Screening

Retroscreen Virology uses the brand *"Flu Camp"* to recruit volunteers into its trials and has developed significant know-how and capability in cost effectively ensuring it has sufficient volunteers for trials. Clients pay Retroscreen Virology for the capability to recruit and screen volunteers into the trial. This involves targeted advertising campaigns, running call centres for initial on-line and on-phone screenings, and then operating a screening clinic with appropriate medical staff. The recruitment and compensation of volunteers is typically a significant portion of the cost of trials, not least as identifying sufficient candidates for a trial on a particular date often involves a significant attrition of the available pool, leading to internal operational complexity. The recruitment and screening concludes with volunteers being signed up to participate in a particular study and there will also be a sufficient contingency of reserves booked in respect of the same trial. For some studies, where trial therapeutics are prophylactic, it may be that the volunteers are vaccinated at the end of the screening phase, for example with a trial vaccine.

Viral Challenge Quarantine

Volunteers typically arrive at Retroscreen Virology's challenge unit and are quarantined from each other in en-suite bedrooms where they then spend several days under observation to minimise the chance of outside contamination. There is typically a period of several days when they will be exposed to one, or both, of the virus and a trial therapeutic, depending upon the trial design. None of the VCMs which Retroscreen Virology has conducted to date have been a first in man study. As detailed above, Retroscreen Virology has a proprietary stock of well-characterised attenuated viruses which are manufactured to pharmaceutical quality and rigorously tested. In most cases these are the only viruses available in this field that have been approved for use in human trials. The viral challenge quarantine phase is typically a significant portion of the cost to clients and thus of Retroscreen Virology's revenues for the trials, as Retroscreen Virology's specialist facility will during these periods be extensively staffed with medical staff to ensure the safety of the volunteers, whilst also closely monitoring volunteers to collect scientific indicators to provide the most comprehensive trial feedback available to the trial sponsors. Typically, the active period for the viruses that Retroscreen Virology uses will be several days and, after this period, the volunteers will continue to reside in the facility for a further few days to enable the infectious period to complete and for further monitoring of their recovery. In all, the viral challenge quarantine will be ten to fifteen days and the end result will be the discharge of volunteers, with data having been collected.

Laboratory Services

During the viral challenge quarantine, many of the samples taken from volunteers, being blood or nasal swabs, will be processed in dedicated laboratories adjacent to the VCM unit. Clients pay Retroscreen Virology for these samples to be processed as part of the VCM package.

In addition to testing samples during contracted trials, Retroscreen Virology also leverages its expertise in testing and its available facilities to provide stand-alone revenue generating laboratory testing services to external clients.

Study Completion

Typically over a period of two to three months after the VCM client engagement, Retroscreen Virology's specialist scientists will review the data collected and compiled from the study for delivery to the client. This data is then used by the relevant client to support the regulatory progression of their therapeutic. This activity will include follow-up visits and calls to the volunteers.

5. KEY BENEFITS OF THE VIRAL CHALLENGE MODEL OVER FIELD-BASED MODELS

Traditionally, flu and cold therapeutics are tested in field-based clinical studies. These involve multiple research physician sites all over the world enrolling volunteers into clinical trials during natural, seasonal outbreaks of these viral infections. This clinical trial method is time consuming, expensive and cumbersome to manage. For example, a traditional approach would be to engage with a broad range of primary care facilities, such as doctors' surgeries, and request that care providers invite patients with appropriate symptoms to become volunteers in a clinical trial of a therapeutic. There are a range of potential disadvantages with field-based vaccine and antiviral clinical trials:

- **There is no guarantee that there will be patients when relying on natural seasonal outbreaks.** Such outbreaks are highly variable, concentrating in the northern and southern hemispheres semi-annually. In years when outbreaks are mild or infrequent, recruitment of volunteers who meet the trial's entry criteria of specific severity of symptoms may become challenging, with insufficient numbers who qualify for the study and thus requiring pharmaceutical companies to finance one or more additional seasons of trial activity in order to secure a sufficient number of subjects.

- **There is no guarantee that patients who do wish to become volunteers will have the type of viral infection that the pharmaceutical company is looking to test their product against.** This is particularly the case with colds and flu, where it is hard to diagnose the causal infectious agent accurately on mere symptoms alone. It is not possible to use a diagnostic test to differentiate between the different viruses at the point of care as the assays are either not sensitive enough, take too long to perform or require expensive equipment.

- **Practically, the amount of data which can be collected from a patient is limited in a field-based study.** For example, it is not possible to collect data from the point in time the patient becomes infected, as they will have developed symptoms first before reporting to the primary care facility. This lack of precision as to the timing of infection can make it difficult for a pharmaceutical company to determine when in the infection lifecycle it is best to administer the therapeutic based on the product's specific mode of action. The consequence of this is that an effective drug may appear less efficacious and thus require additional costly clinical trials in order to bottom out the product's true effect.

- **The frequency at which biological samples and thus, data, can be collected during a field-based study will be limited.** There are relatively few interactions the doctor may have with the patient and the sophistication of the equipment or experience at the relevant facility may be limited. Significantly, vaccines and antiviral drugs are virus specific and, because field-based studies most often involve outpatient settings whereby subjects reside at home and attend periodic clinic visits, researchers are unable to monitor thoroughly the potentially confounding external factors such as exposure to another infectious agent. Also due to the uncontrolled nature of the field environment, the patients may fail to disclose use of alcohol, smoking or other stimulants that could impact therapeutic effectiveness or even take the antiviral drug according to the required dosage regime.

- **An unavoidable consequence of a field-based antiviral clinical trial is the inevitable "noisiness" of the data which is collected.** Without knowing exactly what infective agent has caused a patient's symptoms, when the infection occurred and the impact of the environmental conditions to which the patient has been exposed, the data collected during an anti-viral field-based trial is subject to many confounding factors which makes accurate interpretation of the data results difficult.

These factors mean that traditional field-based studies, which are often time consuming, expensive and difficult to manage, are also likely to lead to potentially noisy data packages with either (i) superfluous unusable data and/or (ii) data from which product decisions are difficult to make because of a lack of clear signal due to confounding environmental influences. This means that, generally speaking, a substantially larger pool of volunteers or patients will be needed to get meaningful data in field-based anti-viral clinical studies, resulting in additional costs and time. Taking all these factors together, the combined impact is that anti-viral therapeutics are generally expensive to bring to market using a field-based clinical trial approach in early phase clinical research.

Retroscreen Virology's VCM provides an alternative, highly controlled and streamlined approach to the field-based antiviral clinical trial design. The concept of a challenge study design is widely known within the drug development industry. A clinical study is defined as a challenge study when the investigation involves the prompting of a specific effect in order to test a therapeutic against it. Such a trial design allows researchers to hone into the exact cause and effect they wish to study, in a highly controlled environment. When this type of study design is applied to antiviral research, the trial subject is challenged (infected) with the appropriate virus to establish an infection. Researchers then test the effectiveness of the therapeutic product against that viral infection. This VCM trial design, developed and refined operationally and logistically over the last decade by Retroscreen Virology, has many advantages when compared to field-based clinical trial designs in the antiviral therapeutic area as follows:

- **The VCM can artificially create a viral outbreak with sufficient suitable subjects available at any time of the year.** As the VCM involves the deliberate infection of volunteers with a specific virus, pharmaceutical companies are not reliant on seasonal outbreaks of colds and flu for subject recruitment, nor how severe or mild a seasonal outbreak may prove to be. Having a mechanism which provides an outbreak 'on demand' is very useful as it means that research can commence when the product is ready to be trialled, rather than having to wait until a specific time of year to recruit patients. In addition, since under Retroscreen Virology's VCM, researchers are in control of how many subjects are exposed to the virus, and due to Retroscreen Virology's experience, they can advise how many subjects are needed to secure sufficient data, an antiviral challenge study can be fully executed in shorter span of time. It is not uncommon for an antiviral field-based study to run over two or more years in order to capitalise on more than single cold or flu season to secure sufficient infected subjects for the study. With Retroscreen Virology's VCM, total trial time can be condensed to nine to twelve months.

- **The infectious agent is known.** Using the VCM, volunteers are infected with a specific known virus from Retroscreen Virology's secure virus repository. This means that Retroscreen Virology's researchers do not have to rely on symptoms alone to decide which volunteers should be enrolled into the study. With Retroscreen Virology's VCM, scientists know exactly what virus the volunteers have been exposed to and thus can more directly correlate symptoms to the cause of infection. Each respiratory virus will generate different symptoms – knowing which virus is causing the infection allows for tailored study designs.

- **The viruses used by Retroscreen Virology have been well characterized and tested in volunteers previously.** The viruses used by Retroscreen Virology are manufactured to pharmaceutical standards. This means that Retroscreen Virology's researchers have a database of information on each virus allowing them to design highly focused studies that can answer increasingly specific questions for their clients.

- **The data collection opportunity is maximised.** Volunteers are quarantined within Retroscreen Virology's purpose built and highly controlled VCM unit during the entire infection lifecycle. As they reside 24 hours a day within the unit, this provides Retroscreen Virology's researchers with ample opportunity to take samples at various time points that directly correlate to clinical symptom onset and resolution, thus allowing pharmaceutical companies to properly understand how and when their product takes effect against the infection, if at all. This frequency of sampling also provides ample opportunity for the drug company to understand exactly how and when their product is optimally delivered. This increases the likelihood that drug companies can accurately 'target' optimal dosing

regimens, an important objective of a Phase II clinical study phase which may then go on to predicate the more extensive, and expensive, Phase III trials.

- **Data clarity is superior.** As Retroscreen Virology's VCM serves as a strict laboratory-like environment, it makes it possible to study human viral infection with a higher degree of precision and less background noise than a field-based clinical study. Consenting volunteers within a given VCM are inoculated with the same virus, thereby making it possible to hone in on the precise antiviral activity of a product against a given viral strain. As the administration of the virus is deliberate, the exact time of infection is known and all subsequent symptoms and reactions can be tightly correlated to a therapeutic's administration. Finally, because Retroscreen Virology's VCM involves subjects residing within Retroscreen Virology's specialist unit 24 hours a day, more frequent and timelier sample collection is possible, allowing close monitoring of viral activity and its impact on the human body. In this way Retroscreen Virology's VCM can effectively support dosing regimen decisions and/or product proof of concept.

The culmination of the above advantages, when compared to the traditional field-based approach, means fewer subjects are required to achieve more meaningful data than in field-based models, tied directly to the viral lifecycle and resulting clinical signs and symptoms. This allows for drug companies to make the most informed decisions about whether or not to advance their products.

6. CURRENT AND FUTURE MARKET OPPORTUNITIES

The market opportunities for the Group consist of the direct vaccine and antiviral market for the VCM and the wider contribution that the Group is potentially able to make towards the global fight against respiratory illness.

Respiratory illnesses have been demonstrated to drive large markets, with the global market for products used in the fight against flu alone worth approximately $6 billion in 2009. It is possible for every human on the planet to catch the flu and colds. The Spanish Flu outbreak in 1918-19 is estimated to have killed fifty million people. The UK Influenza Pandemic Preparedness Strategy 2011, prepared by the UK Department of Health, cites the next UK pandemic as the "greatest threat facing the UK" with forecast losses to the UK of £28 billion and a potential 200,000 deaths. There are fears that global trends of increased population density, aging populations, increased travel and global warming could all be contributing factors in the next flu pandemic and could lead to it being even more severe than that of 1918-19. In the US alone, up to an estimated 734,000 hospitalisations are predicted in the event of a flu pandemic, with 20-47 million additional illnesses arising. Further, the estimated global impact of an avian flu pandemic is thought to be approximately $800 billion.

Even before the next pandemic, respiratory illness in general and flu in particular is one of the largest drivers of cost to health provision in the developed world. An average of 36,000 people die each year in the US alone from seasonal flu causing an economic burden of approximately $87 billion. In addition, excessive hospitalisation and mortality during flu season are routinely experienced, particularly in patients with chronic lung and heart disease. In the UK viruses account for more than one in three patient presentations at GP surgeries, with employee absenteeism costing the UK £17 billion per year and 98 per cent. of short term absences being due to colds and flu.

In response to these significant threats, governments and corporations are investing heavily.

"When we think of the major threats to our national security, the first to come to mind are nuclear proliferation, rogue states and global terrorism. But another kind of threat lurks beyond our shores, one from nature, not humans - an avian flu pandemic." (Barack Obama)

Examples to date have included foot and mouth, flu epidemics, SARs, avian flu and swine flu and, increasingly, viruses have also been considered to have a causal effect in a broader range of illnesses, such as cancer. This recognition has led to increasing investment by pharmaceutical companies and government bodies in vaccines, even before new therapeutics such as antivirals are considered. For example, there were 450 vaccines in development in 2002 against only 285 in 1997, while global vaccine sales grew from $6 billion to $15 billion over this five year period.

Market opportunities in flu, cold and RSV

Retroscreen Virology's experience and expertise to date is in using its VCM to conduct Phase Ib – IIb trials in flu, colds and RSV. Retroscreen Virology has carried out more than twenty VCMs in the last decade, successfully administering its well characterised virus to over 800 subjects in that time. The below table summarises certain of Retroscreen Virology's VCMs conducted to date:

Highlights of VCM Portfolio	*Clients*
Novel proteosome intranasal	GlaxoSmithKline
Vaccine dosing regime	GlaxoSmithKline
1st POC of DNA vaccine in man	PowderMed & Pfizer
Disease aetiology & modeling	Alnylam Pharmaceuticals
1st POC of siRNA therapeutic	Alnylam Pharmaceuticals
Diagnostic platform development	Duke Medicine & DARPA
Diagnostic platform development	Duke Medicine & DARPA
Novel antiviral	Novartis
Modes of Influenza Transmission Using a VCM	ITSDG
Vaccine	Pulmatrix
Vaccine	Seek
Antiviral	RespiVert

In the drug development lifecycle, Retroscreen Virology has focused its VCMs in early phase research between initial Phase Ib and Phase IIb trials. Phase II studies are characterised by their focus on early signals of product effectiveness, while still gathering important data on the therapeutics' safety. A specific category of Phase II trials is called Proof of Concept ("POC") studies which are designed to establish if the therapeutic provides efficacy in the target patient population. It is within this arena of drug testing that Retroscreen Virology's VCM is most frequently applied: its very nature of data clarity and speed of conduct assists pharmaceutical companies to reach conclusions about their product in a timely and cost effective manner. Recently, Retroscreen Virology's experience is that clients are now seeking to use their budgets to extend the range of tests conducted and the data collected via the VCM beyond the POC in order to reduce their overall therapeutic programme risk and to explore multiple dosing regimens and further test the product's specific mode of action. This is enabled by the increased data clarity resulting from the use of the VCM when compared to a field-based trial.

As a result, Retroscreen Virology is increasingly working with clients not only to undertake POC studies but to also complete the full span of the Phase II trials. For example, a VCM planned over the summer of 2012 could involve more than five viral challenge quarantines, with the client aiming to secure a more detailed Phase II efficacy package for its therapeutic. This reflects a growing trend for clients to use Retroscreen Virology's VCM to explore many more questions than in Retroscreen Virology's previous study history, and is reflected in the increase of average VCM aggregate contract value from approximately £1 million in 2009 to approximately £3-5 million in 2011.

As Retroscreen Virology's VCM sits comfortably within early phase research, its market size potential incorporates an estimate which spans the Phase Ib and II clinical development pipeline of companies researching vaccines and antivirals. A review of the Antiviral InteliStrat Database on Antiviral Drugs and Vaccines indicate that there are approximately 392 products in various development stages (research, pre-clinical, Phase I and Phase II) in viral indications suitable for Retroscreen Virology's VCM. Assuming a level of product attrition for each stage of development, the Directors have estimated that the market size potential for the use of the VCM in antiviral and vaccine therapeutics to be approximately £612 million.

Expansion of the VCM into adjacent areas

A potential further use for the VCM lies within the wider net of respiratory disorders, most notably within respiratory airways diseases such as asthma and COPD. The forecasted respiratory disorders market is anticipated to be valued at $37.4 billion by 2017.

Asthma

One in twelve people in the US have asthma (approximately 25 million individuals) costing the US approximately $56 billion per year. Respiratory infections, including colds and the flu, are one of the most common causes of asthma attacks, especially in young children. Viral infections account for as many as 80 per cent. of exacerbations in children and as many as 50 per cent. in adults. A recent study reported a viral detection rate of 59 per cent. in patients treated for life-threatening asthma in the intensive care unit, highlighting the significance of viral infection in the burden of asthma morbidity and mortality.

Although there has been much progression in understanding how virus-induced inflammation is generated, the precise underlying mechanism remains to be established. Currently, there is no effective method for the prevention of these virus-provoked asthma attacks, with the cost of treatment per hospitalisation in the US averaging $9,000 per patient. There is accordingly a need for the development of new therapeutic agents and preventive strategies. As exacerbations induce most of the expense, hospitalisations, deaths, and chronic loss of lung function associated with asthma, pharmaceutical companies are looking to secure regulatory approval for control of asthma attacks for their therapeutics. In order to secure this, a product's marketing application will need to include documented evidence that the product prevented or treated asthma exacerbations. Such documented evidence is difficult to secure in field-based clinical trials, where researchers enrol asthmatic patients into studies, provide them with their experimental asthma drug and then wait until the patient experiences an attack, which may occur when the patient is remote from the research centre during their everyday activities. Researchers must often therefore rely on anecdotal evidence that field-based trial subjects experienced an actual asthma attack. Given the benefits of Retroscreen Virology's VCM over field-based studies as described in paragraph 5 above, the Directors consider that Retroscreen Virology is well situated to assist pharmaceutical companies within the specific arena of asthma exacerbation. Since the cold virus may be the most common trigger of natural asthma exacerbation, the Directors believe that the VCM, with its deliberate infection of volunteers with a specific characterised virus in a controlled environment, will be appealing to pharmaceutical companies as a potential basis for decision-making in their development efforts.

Chronic Obstructive Pulmonary Disease (COPD)

Another respiratory condition in which the Directors consider a VCM study may be useful is that of COPD, (for example, chronic bronchitis/emphysema). Up to 24 million people in the US have COPD, where it is the third leading cause of death. The economic cost of COPD to the US is estimated at $38.8 billion annually, with hospitalisation consuming up to 70 per cent. of COPD medical expenses. Within the UK, viral infection exacerbated COPD is the fifth biggest killer and one of the largest causes of hospitalisation. Similar to the development objectives of new asthma medications, control of COPD exacerbations is a key therapeutic objective of pharmaceutical companies and one in which the Directors consider Retroscreen Virology's VCM could provide a safe, controlled environment to study multiple indications of exacerbations. The Directors have estimated that the market size potential for Retroscreen Virology's VCMs in COPD to be approximately £170 million.

Strategy in respiratory disorders

In the medium term, the Directors intend to develop a commercial Viral Exacerbation of Airways Disease challenge model (AD-VCM) specifically for asthma, and later, for COPD. Retroscreen Virology has recently developed a new pharmaceutical grade attenuated cold virus for use in this model, and is working closely with world-leaders in the field of respiratory medicine to establish the AD-VCM. It is anticipated that the AD-VCM will be ready for use by pharmaceutical clients by the end of 2013 enabling Retroscreen Virology to tap into an estimated £357 million early phase asthma clinical trial market.

7. PIPELINE

Retroscreen Virology has a strong pipeline for its VCM that leads the Directors to believe there will be significant expansion in the coming years. Retroscreen Virology's pipeline includes:

- a NYSE-listed pharmaceutical company being under full contract for a VCM study involving up to six viral challenge quarantines with a current aggregate contract value of up to £6.3 million;

- a specialty drug delivery pharmaceutical company being under a Start-up Agreement for a VCM study involving up to two viral challenge quarantines, with an anticipated contract value of approximately £3.2 million;
- a biotechnology company with a novel antibody technology being under a Start-up Agreement for a VCM study involving up to three viral challenge quarantines with an anticipated contract value of approximately £4.1 million; and
- a US government funded grant having been awarded to Retroscreen Virology in collaboration with a prestigious research institution to undertake a transmission study including up to five viral challenge quarantines with an anticipated contract value of approximately £4.0 million.

Contract values for VCM studies vary considerably dependent on the complexity of the client requirements. On average, average revenue per VC-Q has now grown to approximately £1 million, reflecting the increasing scope of the trial designs that Retroscreen Virology's clients wish to leverage by using the VCM. Retroscreen Virology models attrition of contracted studies into business forecasts to account for delays and unforeseen events.

In addition to the fully contracted VCMs, the pipeline for studies through 2012 and 2013 is up to £36.4 million, including four clients who are under Start-up Agreements (two of whom are in discussions for a full contract). A further nine clients have held discussions with Retroscreen Virology's business development managers to conduct VCM studies before the end of 2013 or early 2014. All of the foregoing reflects the increasing demand for Retroscreen Virology's offering.

8. VIROMETRICS – HARVESTING THE POTENTIAL OF THE VIRAL CHALLENGE MODEL

Whilst undertaking its studies over the last ten years, Retroscreen Virology gains significant access to know-how regarding viruses and their mechanism of action. Despite the problems caused by viruses and the investment to date within the sector, human ignorance of viruses remains acute. In addition to exploiting the current and future market opportunities for the VCM as outlined in paragraph 6 above, the Directors believe that the VCM can also be used as a vehicle to harvest human samples which document the cellular journey from a healthy cell to one that is infected, and the subsequent recovery of the infected individual. Via Retroscreen Virology's collection of biological samples from the very early stage of the virus lifecycle through each phase of the infection, it is possible to see changes in cellular activities which would not be possible by viewing a static cell at any one particular phase of infection. Such a collection of samples and their related data could translate into a map of human infection, providing an extensive insight into the human immune system and other interactions of the virus with the human body.

Over the years, from its studies characterising viruses, Retroscreen Virology has collected biological samples with corresponding clinical information and now intends to capitalise on what it believes to be a significantly valuable asset by formalising a sample collection and analysis strategy. Accordingly, Retroscreen Virology is pioneering a new field of virological study, which it calls "Virometrics", and which refers to Retroscreen Virology's activities and expertise in the collection, measurement and analysis of human biological data related to viruses and their effects on the human body. The Directors believe that the expansion of screening and clinical testing at Retroscreen Virology and the undertaking of an increasing number of VCMs, alongside both developments in technology, such as improvements to DNA sequencing and other techniques, and advances in information technology, place Retroscreen Virology in a superior position to develop a proprietary database of detailed and controlled experimental data, its "Virobase", that it can exploit for the longer term. In support of this approach, Retroscreen Virology is currently in the process of establishing a "Biorepository", as regulated and licensed under the Human Tissue Act 2004, in which samples can be stored for future research.

The Directors believe that the combination of the Virobase and the Biorepository will create a unique and valuable in-house resource for viral research. This resource could offer Retroscreen Virology the opportunity to make a wide range of discoveries including identifying drug targets, diagnostic platforms and biological medicines in therapeutic areas associated with the immune system which may, in turn, result in registered

intellectual property protection opportunities. The following lists Retroscreen Virology's initial lines of enquiry in its field of Virometrics, in which some progress has already been made, particularly in T cell vaccines:

T cell vaccines and beyond

The precise role of T cells remains unclear in humans. Retroscreen Virology recently conducted a series of VCM studies with cellular responses monitored prior and during the course of infection. This discovered that a pre-existing type of T cells, specifically CD4 cells, responded to a flu internal protein, suggesting that these cells may be important in limiting the severity of infection. This would not have been able to have been seen in a static cell culture. Given the scientific interest in the project as evidenced by the publication in Nature Medicine, the Directors believe this may offer the prospect of a universal flu vaccine that could possibly protect against newly emergent pandemic influenza viruses. Retroscreen Virology, together with its collaborators at the University of Oxford and University of Southampton, has filed for the patent around its T cell Epitope discovery. The Directors believe that further T cell exploration using the VCM could lead to the identification of additional antiviral targets for drug development.

B cells and monoclonal antibodies (mAb)

The first therapeutic mAb (derived from B-cells) was approved for human use in 1986 and there are now more than 20 FDA approved mAbs, including two human mAbs. Human mAbs have long been envisioned as possible treatments for acute or chronic infections such as rheumatoid arthritis, but various technical barriers have slowed their development. Using the VCM, the Directors plan to identify potentially useful B-cells by:

- collecting the B-cells at various points of the infection lifecycle after deliberate infection. As the exact time of infection is known through the use of the VCM (as opposed to a field-based model), this could be shown to be important in selecting the correct B cells; and
- collecting the B-cells from the individuals who failed to get infected (i.e. had functionally-protective immunity to RSV).

Diagnostics: Gene switching; siRNA and micro RNA

Given its properties, the VCM enables Retroscreen Virology to focus on the very early stages of the viral lifecycle, particularly before a person develops symptoms or is infectious to others. By watching the gene switching activities in blood cells as they react to the very early stage of infection, the Directors believe that it could be possible to develop diagnostic platforms which could provide a method to screen individuals who are infected prior to them developing symptoms. Furthermore, the Directors believe that by identifying viral induced changes in human peripheral blood gene expression, new drug targets for antiviral therapy may be identified, for example using siRNA technologies.

9. THE REGULATORY ENVIRONMENT

The research and development activities of the Group are subject to a regulatory and ethical framework. Clinical trials activities are regulated by harmonised European legislation, of which the principal Directives are the Clinical Trials Directive (2001/20/EC and the Good Clinical Practice (GCP) Directive 2005/28/EC1). Retroscreen Virology operates within this regulatory framework and has good relationships with the MHRA (the body responsible for ensuring compliance with clinical trials regulation) and with its local ethics committee, the independent committee responsible for approving clinical trials and their ethical conduct. Further, the VCM is gaining acceptance across ethics committees and licensing authorities in the UK as the best practice standard due to the superior quality and control of the model and the VCM. It is therefore the opinion of the Directors that the regulatory environment is helpful in reinforcing Retroscreen Virology as a potential leader within the markets in which it operates, since Retroscreen Virology is able to offer an established and safe model in the VCM, setting a relatively high bar for any potential competitors to meet in offering similar studies. Retroscreen Virology does not undertake first in man clinical trials, which are inherently more risky than the stage studies which Retroscreen Virology does undertake. Within the UK, viruses such as flu are currently deemed not to be "investigational medicinal products" (IMPs) by the MHRA

and are thus exempted from a significant element of the compliance burden on products which are deemed to be IMPS (for example the requirement to obtain clinical trial authorisations). However, the Directors anticipate that this position may change and have taken steps to mitigate against such a change, for example by ensuring that the Group's stock of viruses are controlled to good manufacturing practice (GMP) standards. The collection, storage and processing of biological samples undertaken by Retroscreen Virology in relation to its studies do not require a license from the Human Tissue Authority (HTA), since specific consents are obtained from volunteers or material itself is not within the class of materials regulated by the HTA. However, Retroscreen Virology has voluntarily applied to the HTA for a research license for its proposed bio-repository activities in order to demonstrate its commitment to working to a high standard of regulatory and ethical compliance.

10. STRATEGY & USE OF PROCEEDS

Retroscreen Virology's forward looking strategy involves three key components:

- to dominate the respiratory viral clinical testing market, particularly Phase Ib to IIb trials, including scaling up its existing operations with an additional bespoke quarantine unit;
- to expand the VCM into adjacent and sizeable markets, for example asthma and COPD, targeting the development of its AD-VCM for roll-out to clients by the end of 2013; and
- to continue to leverage Virometrics, harvesting the potential of the VCM for discovery and the creation of proprietary intellectual property. The Group will prioritise its focus initially on both conducting further experiments around its T cell Epitope discovery and the further development of its Virobase and Biorepository.

The Directors believe there is increasing demand for the VCM and that Retroscreen Virology is the only commercial organisation that has this extensive clinical testing know-how applying this model and, accordingly, intend to use the proceeds of the Placing to provide working capital to both extend and expand the Group's operations and to ensure that the Group has capital to enable it to exploit discoveries. More specifically, the Directors intend to apply the proceeds of the Placing as follows:

- to invest in infrastructure and expand facilities and office locations, including an additional bespoke VCM unit as well as information technology systems in order to provide capacity for and to efficiently manage an increased level of viral challenge quarantines and/or to run viral challenge quarantines concurrently. As the number of subjects required for Retroscreen Virology's pipeline increases, the Company intends to establish satellite offices and clinics in various locations around the UK in order to more easily access potential volunteers and employable staff;
- to expand and broaden the scientific team and testing capability, including the addition of expertise in new target areas for the VCM, such as asthma, and the further development of its internal Virometrics capabilities as outlined above;
- to acquire additional stocks of virus and to characterise and develop further inventory from existing proprietary stocks to the required GMP standards;
- towards harvesting the results and experiences of the VCM studies, including the establishment of its proprietary Virobase and the Biorepository;
- towards the continued protection of its proprietary intellectual property resulting from its VCM experiences and to develop and optimise opportunities to a point where partnership or further funding can be best evaluated on a risk return; and
- as general working capital to fund the Group's 2012 and 2013 pipeline.

11. INTELLECTUAL PROPERTY, BARRIERS TO ENTRY & COMPETITION

Much of Retroscreen Virology's current proprietary intellectual property is enshrined in its Standard Operating Procedures (SOPs) within which it formalises its expertise and experience of conducting human challenge studies. These SOPs are subject to regulatory scrutiny. The combination of scientific expertise and operational know-how defines substantial proprietary know-how which the Directors believe would be hard

to emulate cost effectively by any potential competitor. As Retroscreen Virology conducts additional trials, its significant know-how and experience will become even more valuable to its clients. Additionally, Retroscreen Virology has an increasing stock of viruses that are not generally available to third parties conducting trials.

The Retroscreen Virology human challenge model affords the Group what the Directors believe is a unique insight into how viruses behave in their human hosts. As further described in paragraph 8 above, Retroscreen Virology is building a large database of Virometric data generated from over 800 volunteers and, as a result, is developing in depth knowledge on how factors such as age, genetic background and stress can impact viral pathology in humans. Retroscreen Virology, together with its academic collaborators at the Universities of Oxford and Southampton, has already filed for a patent around its discoveries in respect of the T cell Epitope. The Directors believe that the Virometric know-how currently in Retroscreen Virology's possession and additional know-how derived from future VCM studies could potentially generate more valuable intellectual property that, in turn, could be used both to design better vaccines, antiviral drugs and assays and result in another revenue stream for the Group and to establish a registered proprietary IP position for the Group.

The Directors believe Retroscreen Virology to be the only commercial organisation conducting human challenge studies. The Directors are aware of some small scale studies being undertaken in academic institutions in Holland and the USA; however, the Directors consider Retroscreen Virology's clients would typically not consider using one of these academic institutions to run their trials but would instead contemplate undertaking field-based studies as an alternative to a challenge study. The Directors believe that large Contract Research Organisations (CROs) may want to enter the human challenge model market as they have previously approached Retroscreen Virology to partner on trials. The Directors believe that conducting human challenge studies involves the bringing together of a very distinct set of technologies that would be hard to emulate in a CRO. Further, the Directors believe that the significant expertise and know-how which Retroscreen Virology has built to date, together with the advantages offered by its own bespoke VCM unit, provide barriers to entry to both existing CROs and new entrants to the human challenge model market.

12. INFORMATION ON THE DIRECTORS AND SENIOR MANAGEMENT

Directors

Details of the Directors, their roles and their backgrounds are set out below.

David Robert Norwood, *Non-Executive Chairman, aged 43*

David Norwood was appointed as Chairman of Retroscreen Virology in February 2011 and of the Company on 3 April 2012. David has had a long career building a number of science, technology and investment companies. He is the founder of IP Group plc, one of the UK's leading technology commercialisation businesses and a shareholder in the Company. Previously, he was Chief Executive of stockbroker Beeson Gregory (acquired by Evolution Group plc) after it acquired IndexIT Partnership, a technology advisory boutique he had founded in 1999. He was a founding shareholder of Evolution Group plc (recently acquired by Investec), and also co-founder of Ora Capital plc.

David has been a founder and/or director of many UK technology companies including Oxford Nanopore, Proximagen, Synairgen, Ilika, Oxford Catalysts and Plectrum Petroleum (acquired by Cairn Energy). He has also acted as seed investor and/or advisor to Wolfson Microelectronics, Nanoco, Tissue Regenix and Arc International (now part of Synopsys). He is also Non-Executive Chairman of Oxford Pharmascience Group plc.

Kym Lynn Denny, *Chief Executive Officer, aged 44*

Kym Denny was appointed CEO of Retroscreen Virology in December 2010 after serving Retroscreen Virology as Vice President, Clinical Services for a little over a year and was appointed CEO of the Company on 3 April 2012. Kym has over fifteen years of international clinical trials senior management experience in Phase I-IV clinical operations, project management, drug safety, data management and site management in therapeutic areas as diverse as infectious disease and respiratory, to CNS, oncology and women's health. Kym began her career as a Clinical Research Associate at Kendle Research. She went on to found InSite Clinical Trials, a hybrid CRO and site management company in Atlanta, Georgia, USA, and then on to the

UK where she was appointed to the Board at Profiad, Ltd. in addition to running the Clinical Operations function there. She later became Managing Director, UK, for Harrison Clinical Research before joining Origin as Head of International Clinical Operations, and then as Vice President of Clinical Research when the company was acquired by Constella LLC and later, SRA International.

Graham Edward Yeatman, *Finance Director, aged 45*

Graham Yeatman joined Retroscreen Virology in May 2011 as Finance Director and was appointed Finance Director of the Company on 3 April 2012. Graham has significant experience of building businesses for rapid growth and profitability. He is a Chartered Accountant and trained and worked with PricewaterhouseCoopers for thirteen years across its audit, tax, consultancy, business process reengineering and outsourcing businesses. In 2001 he joined buyingTeam Limited (recently renamed Proxima) as Finance & Operations Director and was influential in growing the business to become one of the UK's leading purchasing services providers. In 2006 he joined Neuropharm Group plc as Chief Financial Officer. Graham has a First in Economics and Maths from Bristol University.

Professor John Sidney Oxford, *Non-Executive Director, aged 70*

Professor John Oxford is President, Scientific Director and founder of Retroscreen Virology and Professor of Virology at St. Bartholomew's and the Royal London Hospital, Queen Mary's School of Medicine and Dentistry. He has co-authored two standard texts: 'Influenza, the Viruses and the Disease' with Sir Charles Stuart-Harris and G.C. Schild and most recently, "Human Virology, a Text for Students of Medicine, Dentistry and Microbiology", published by Oxford University Press. Professor Oxford has also published 250 scientific papers.

Duncan Joseph Peyton, *Non-Executive Director, aged 42*

Duncan Peyton became a non-executive director of the Company on 3 April 2012, having represented the Northern Entrepreneurs Fund on the board of Retroscreen Virology since its investment in October 2009. Duncan is a founder of Aquarius Equity Partners, a specialist investor in businesses within the life science sector, and provides investors access to innovative, high growth potential companies that can deliver significant capital growth. Duncan started his career in a bio-science start-up business, which ultimately went on to list on the London Stock Exchange, subsequently qualified as a corporate finance lawyer with Addleshaw Goddard, then Addleshaw Booth & Co, and later joined 3i plc as an investment manager. Duncan co-founded Aquarius in 2005, and sits on the board of Conformetrix Limited (as the representative of Aquarius managed funds) and Aquarius Equity Partners as well as the Company.

Charles Stephen Winward, *Non-Executive Director, aged 42*

Charles Winward joined Retroscreen Virology, as the board representative of IP2IPO Services Limited, in early 2009 and became a non-executive director of the Company on 3 April 2012. Charles is a director of IP Group plc, one of the investors in the Company. Charles joined IP Group in April 2007 to manage investments by Top Technology Ventures Limited, the Group's venture capital fund management subsidiary. Previously Charles was Vice President Technology Infrastructure at JPMorgan Chase & Co, where he worked in a variety of roles in London, New York and Brussels, and Investment Manager at Axiomlab, an AIM-listed early stage investment specialist. Charles is a CFA charterholder and has an MBA from the University of California at Berkeley.

Senior Management

The Directors are supported by an experienced senior management team. The following individuals are considered relevant to establishing that the Company has the appropriate expertise and experience for the management of the business.

Dr. Robert Lambkin-Williams, *Chief Scientific Officer*

Dr. Robert Lambkin-Williams designed and implemented the first human viral challenge study to be conducted in Europe in the 21st century and has designed and supervised over forty studies conducted at Retroscreen Virology. Robert joined Retroscreen Virology in 1995 as senior scientist and is now the Chief Scientific Officer.

Robert is an expert in respiratory viruses and HIV and has co-authored many papers, including the recent Nature Medicine paper, which reset the understanding of the immune response to influenza. He also established the RSV human viral challenge model that led to the first proof of concept of a new type of therapeutic agent (known as a siRNA) against an infectious disease. Robert was the senior author on the paper that described the establishment of the model which was published in the prestigious American Thoracic Society's blue book.

Dr. Anthony Gilbert, *Medical Director*

Dr. Anthony Gilbert's professional activities have included work in infectious diseases, vaccine development and antiviral research. Having led numerous studies in London's teaching hospitals, Dr. Gilbert brings a wealth of clinical research experience to Retroscreen Virology and has played an important role in the development of the VCM at Retroscreen Virology.

Anthony obtained his Bachelor of Medicine and Bachelor of Surgery degree from the University of the Witwatersrand, Johannesburg. He is a member of the Institute of Clinical Research and has been appointed as an expert member of the *NRES Committee London – Stanmore* Research Ethics Committee by the Health Research Authority.

13. EMPLOYEE SHARE SCHEME

The Board recognises the importance of ensuring that employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group. The Board regards employee share ownership as a key part of such incentive arrangements. Therefore the Company operates the Share Scheme which allows the grant of Options to directors and employees of the Group.

A summary of the Share Scheme is set out in paragraph 11 of Part IV of this document.

14. CORPORATE GOVERNANCE

The Board recognises the importance of sound corporate governance whilst taking into account the size and nature of the Group. The Board is comprised of six directors, two executives and four non-executives. The Board considers the non-executive directors to be independent in character and judgement notwithstanding the significance of their directly held or representative shareholdings. As the Group grows, the Directors intend the Group should develop policies and procedures which reflect the Combined Code, as they consider appropriate to a group of its size and stage of development. The Group will take account of the recommendations of the QCA. It is currently intended that a further independent non-executive director will be appointed to the Board within twelve months of Admission.

An audit committee has been established which is composed of the Chairman, David Norwood and the non-executive Directors Charles Winward and Duncan Peyton and is chaired by Duncan Peyton. It will meet at least twice each year and will be responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It will also have responsibility for the proper reporting of the financial performance of the Group and for reviewing the financial statements prior to publication.

A remuneration committee will be established with effect from Admission which is composed of the Chairman and the non-executive Directors Charles Winward and Duncan Peyton and will be chaired by Charles Winward. The committee may ask the Chief Executive to attend any meeting of the committee. The committee will meet at least twice a year and will review the performance of the executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. The remuneration committee will also determine the allocation of share options to employees. It is a rule of the remuneration committee that no Director shall participate in discussions or decisions relating to his own remuneration.

The Board will hold regular meetings at which financial and other reports will be considered and, where appropriate, voted upon.

15. DIVIDEND POLICY AND FINANCIAL REPORTING

In the short term, the Company intends to retain any profits and re-invest operating cash-flows to promote the growth of the business. In the longer term, and after having regard to the Group's performance and future requirements, the Company intends to pursue a progressive dividend policy.

The Company's financial year ends on 31 December. It is anticipated that the preliminary results will be announced during March in each year and that interim results for the first half will be announced during September each year. It is intended that the Company will hold its annual general meeting during May/June each year.

16. THE PLACING

Numis, as agent for the Company, has agreed conditionally to place a total of 18,750,000 New Ordinary Shares at the Placing Price, which will raise £15.0 million for the Company (before expenses). After expenses of approximately £1.0 million, the net proceeds receivable by the Company will amount to £14.0 million. The New Ordinary Shares will represent 45.8 per cent. of the Company's Enlarged Share Capital immediately following the Placing.

The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and distributions declared, paid or made after the date of this document.

Certain of the Directors have agreed to subscribe for New Ordinary Shares at the Placing Price in the Placing as follows:

Director	*Number of New Ordinary Shares*
David Norwood	125,000
Kym Denny	225,000
Graham Yeatman	62,500

The Placing is conditional, *inter alia*, on the Placing Agreement becoming unconditional in all respects and not being terminated in accordance with its terms and Admission occurring on or before 8.00 a.m. on 3 May 2012 or such later date as Numis and the Company may agree but not being later than 3.00 p.m. on 15 May 2012.

Numis, as agent for each of the Vendors has agreed to conditionally place 2,979,980 Ordinary Shares at the Placing Price.

Further details of the Placing Agreement are set out in paragraph 10.1 of Part IV of this document.

17. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Directors, Queen Mary and Westfield College, University of London, Queen Mary Innovation Limited, IP2IPO Limited, IP Venture Fund, Robert Lambkin-Williams and Anthony Gilbert who together will control 49.9 per cent. of the Enlarged Share Capital, have undertaken not to dispose of any Ordinary Shares for a period of twelve months following Admission without the prior consent of Numis, except in certain limited circumstances, and for a further period of twelve months thereafter not to dispose of any Ordinary Shares other than through the Company's broker at the relevant time. The undertakings will also apply to any Ordinary Shares that the Directors or Robert Lambkin-Williams and Anthony Gilbert, being members of the senior management of the Company, may acquire through the exercise of any options and in the case of the Directors and those members of the senior management of the Company, extends to Ordinary Shares held by the individual concerned, his or her spouse or civil partner or infant children or step-children.

18. ADMISSION AND DEALINGS

Application has been made for the whole of the issued and to be issued ordinary share capital of the Company to be admitted to AIM. No application is being made for any of the Ordinary Shares to be admitted to the Official List or to trading on the London Stock Exchange's main market for listed securities.

It is anticipated that Admission will become effective and that dealings will commence at 8.00 a.m. on 3 May 2012.

Where applicable, the posting of definitive share certificates in respect of the Ordinary Shares is expected to occur within fourteen days of Admission. The Ordinary Shares are in registered form and can also be held in uncertificated form. Prior to despatch of definitive share certificates in respect of any New Ordinary Shares which are not settled in CREST, transfers of those New Ordinary Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

19. SETTLEMENT AND CREST

The Company has made arrangements for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholder so wishes. CREST is a paperless settlement system procedure which allows securities to be evidenced without a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as possible after Admission.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons acquiring New Ordinary Shares under the Placing may, however, elect to receive New Ordinary Shares in uncertificated form if, but only if, that person is a "system member" (as defined in the CREST Regulations).

20. TAXATION

Your attention is drawn to the taxation information set out in paragraph 15 of Part IV of this document.

The Directors have received advance assurance from HM Revenue & Customs that the Company will be a "qualifying holding" for the purposes of investment by venture capital trusts ("**VCT**").

The changes to the venture capital schemes legislation contained in the Finance (No.4) Bill 2012 introduced into Parliament on 29 March 2012 have not yet come into effect. The current venture capital schemes legislation will therefore apply on the date of Admission. As a result, on the date of Admission the Company will only be able to raise funds from VCT investors using funds which VCT investors had raised or been deemed to have raised prior to 6 April 2006.

There is, however, a risk of the EU overriding the existing UK law for issues prior to Royal Assent but after 5 April 2012 where there is a fundraising outside the current limits regardless of when a VCT raised its funds. At this time there is uncertainty over the extent of the risk and any potential penalties that might be forthcoming should VCTs invest more than the current limits.

The continuing status of the Ordinary Shares as a qualifying holding for VCT purposes will be conditional, *inter alia*, on the Ordinary Shares being held as a "qualifying holding" for VCT purposes throughout the period of ownership.

Neither the Company nor the Directors give any warranty, representation or undertaking that any VCT investment in the Company will remain a qualifying holding.

21. FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II to IV of this document, including the risk factors set out in Part II. You are advised to read the whole of this document.

PART II

RISK FACTORS

The Directors believe that an investment in the Ordinary Shares may be subject to a number of risks. Shareholders and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including in particular the risks described below (which are not set out in any order of priority), before making any investment decision.

The information below does not purport to be an exhaustive list. Shareholders and prospective investors should consider carefully whether an investment in Ordinary Shares is suitable for them in the light of information in this document and their personal circumstances. The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. Prospective investors are advised to consult an independent adviser authorised under FSMA.

If any of the following risks relating to the Group were to materialise, the Group's business, financial condition and results of future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his, her or its investment.

Additional risks and uncertainty not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company or the Group. In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to potential investors:

RISKS RELATING TO THE GROUP AND THE MARKET IN WHICH THE GROUP OPERATES

Cancellation, early termination or delay of trials by clients may cause fluctuations in the Group's financial performance

The Group's clients may discontinue using the Group's services completely or may cancel or delay some proposed trials either without notice or upon short notice. The termination or delay of a large trial or of a master services agreement for multiple trials may cause fluctuations in the Group's financial results, particularly the interim reporting period of only six months, which could have a material adverse effect on the Group's revenue and profitability, albeit that the Group's contracts seek to mitigate the impact of any such cancellation by providing for payments to be made to it on early termination for reasons other than the Group's default. Historically, clients have cancelled or discontinued trials, and may in the future cancel their trials with the Group, for reasons including:

- the failure of products being tested to satisfy safety or efficacy requirements;
- unexpected or undesirable results of the product;
- a decision that a particular study is no longer necessary; and
- insufficient volunteers.

The Group currently has one bespoke facility, running trials sequentially rather than concurrently. Thus, where clients discontinue a trial/proposed trial, this may cause the facility to remain empty for the proposed trial periods if the Group is unable to find a substitute to take the available time at the facility. If the Group loses clients, even for reasons outside of its control, it may not be able to attract new ones, and if it loses individual projects, it may not be able to replace them.

A proportion of the Group's business is derived from supplying ongoing services to customers based on framework agreements/master services agreements under which particular studies can be carried out under work orders. It is possible that due to unforeseeable circumstances such clients may choose not to request

such studies notwithstanding that the framework agreement/master services agreement remains in place. In addition it is possible that certain of the Group's clients may sign a Start-up Agreement with Retroscreen Virology and may choose not to progress beyond the Start-up phase and terminate their relationship with the Group before entering into a binding contract for a defined, costed trial. Whilst the Group has procedures in place to minimise the risk of events of this nature occurring and their effect, such as continuing to build and diversifying its client base and building in payments for early termination within its client contracts, such events may cause fluctuations in the Group's financial results from time to time, and which could materially adversely affect the Group's performance or revenues.

New product market adoption and competition for clients

The Directors believe that the VCM is attractive to clients in reducing the time of trials and targeting development spend and thus will increasingly replace proven field trial approaches to bringing therapeutics to market. However the VCM is essentially a novel method for conducting trials and, as such, there is no guarantee that this new method is or will continue to be adopted or will become a standard for Phase II trials. In the event that the market is smaller than as envisaged by the Directors, this may result in Retroscreen Virology being required to conduct VCMs on unattractive commercial terms or to invest further in development to encourage adoption of the new method. There can therefore be no certainty that the Group will achieve increased revenues or profitability. Furthermore, reduced or slower adoption cycles may reduce the potential achievable from the exploitation of the Group's databases and collection of samples (biobank) and innovative methodologies; therefore no assurances can be given that the Group will be able to carry out such successful exploitation activities.

The Group currently has a limited number of clients. The loss of or a significant decrease in business from these clients could reduce revenues. The potential client pool is also limited by the Group's specialist offering in virology, as opposed to a large clinical organisation specialising in a range of indications. Competition may emerge from the contract research organisation industry, ranging from large multi-nationals, with substantially greater financial resources than the Group, to smaller, niche businesses and from clinical and academic institutions. Although the Group offers a specialist model via its quarantine studies, which creates a barrier to potential competitors, competitive pressures may result in the loss of clients or increased pricing pressure which, in turn, could reduce Retroscreen Virology's profitability.

Ownership and continued access to viruses which are able to be used

The Group uses certain virus strains which were obtained from third parties pursuant to Material Transfer Agreements (MTAs), standard agreements under which biological materials are transferred. Several of these MTAs provide that (i) ownership of the viruses and intellectual property therein is retained by the supplier of the viruses and that (ii) intellectual property in work done in relation to such viruses is retained by the recipient and (iii) the viruses are provided for limited purposes of carrying out evaluations and trials work. Thus, should the Group wish to undertake any additional commercial exploitation of viruses supplied under such MTAs (or derived therefrom) this would require additional consents from the suppliers for such wider usage, or obtaining of viruses from alternative sources. Viruses transferred under MTAs are made available on an "as is" basis and thus any risks around the quality of such viruses would remain primarily with the Group rather than being recoverable from the suppliers. The Group will need to continue to source supplies of quality viruses and to create new viruses in order to deal with the natural immunity to viruses which develops in the population over time. Difficulties in obtaining such supplies could adversely impact the business and operations of the Group. In addition, whilst the viruses used by the Group are controlled to GMP standards and stored and used in accordance with standard operating procedures (SOPs), there is a risk that viruses may become unusable due to developments in technology and scientific discovery or could become unusable due to the way in which they are manufactured or stored by the Group. Viruses becoming unusable could also adversely impact the business and operations of the Group.

Reliance on key individuals

The Group's business, future success and ability to expand operations depends upon its ability to attract, hire, train and retain qualified professional, scientific and technical operating staff. The Group's success depends

to a significant degree upon the continued contributions of its executive Directors and key personnel. The Group's future performance will be substantially dependent on its ability to retain and motivate such individuals. The loss of the services of its executive Directors could prevent the Group from executing its business strategy. Moreover, the Group's future success depends in part on its ability to hire, train and retain key technical, medical, clinical, sales, marketing, finance and executive personnel. The Group competes with a number of other organisations including, *inter alia*, the National Health Service, for suitable personnel. If the Group fails to retain and hire a sufficient number and type of personnel, it will not be able to maintain and expand its business. The Group may be required to increase spending to retain personnel.

The Directors cannot give assurances that the Group's senior management team and the executive Directors will continue to remain with the Group. The loss of the services of the executive Directors, members of senior management and other key employees could damage the value of an investment in the Ordinary Shares.

The nature of the Group's activities creates risk of liability and/or may cause delays to the execution of the Group's business plan

The nature of the VCM gives rise to potential liabilities and risk, for example:

- risks associated with storage, handling and administration of infective agents (albeit that those used in trials are in an attenuated form);
- errors or omissions that create harm (including personal injury or death) to participants in trials or, following trials, to recipients of the drugs developed pursuant to such trials; and
- errors and omissions during trials which may reduce or invalidate the usefulness of data.

Not all risks can be excluded or limited (for example where harm arises due to negligence or misconduct of the Group's staff). If the Group were to face a significant claim or were required to pay damages not covered by a contractual indemnity or by its insurance then it could be materially adversely affected. Reputational damage may also arise from such an event or claim and this may have a material impact on the Group's ability to retain or attract clients.

If the above occurrences and risks are manifested, further studies may be delayed or suspended until events can be investigated. Contractual payments due from clients may also be suspended whilst regulatory investigations are carried out.

Difficulty in recruiting suitable volunteers

The Group's clinical trials services use healthy volunteers recruited directly by the Group, rather than patients recruited by investigators. The Group's ability to fulfil contracts with clients for clinical trials is thus dependent upon being able to recruit sufficient numbers of volunteers who meet the acceptance criteria for particular studies. The Group contracts with its clients to provide an indicative number of suitable volunteers to a trial at a predetermined cost per volunteer. A key factor in volunteer qualification is the lack of immunity to one of the Group's viruses under study. The Group utilises screening data from its previous clinical trials conducted as well as study-specific inclusion and exclusion requirements set forth in the relevant protocol, to estimate the number of individuals that will need to be recruited and screened for the relevant study, but it is possible that the estimates become inaccurate, due to a natural outbreak of the virus within the community. The Group closely monitors volunteer immunity, and has a change order process in which additional screening numbers can be secured and paid for by the client. However, if the change in recruitment assumptions is quite significant, it is possible that the client may choose not to progress with the study. An inability to recruit suitable volunteers could cause the Group to be unable to meet contractual obligations to clients or cause delay to studies beyond anticipated timelines, possibly resulting in costs overruns.

Difficulties in predicting infection rates could impact the Group's profitability

Prior to the commencement of each study, the Group, by reference to historical infectivity rates of the virus inoculum in previous clinical trials, determines the likely infectivity rate of the virus inoculum for the study.

The Group cannot guarantee that the predicted infectivity rate of the virus inoculum shall be achieved during the study and it may be that the volunteer will not become infected at all as a result of inherent, natural variations of infectivity. This means that it is possible that not enough volunteers subjected to the viral challenge will actually become infected and show symptoms of the virus to allow the client to draw definitive conclusions on the study data (subject to their objective being the achievement of clinical or statistical significance), and additional volunteers may thus need to be recruited, additional quarantines run increasing the cost to the client or it may be that the study is required to be re-performed with associated time and cost implications. This raises potential risks to the Group if it has been agreed that a study will be carried out for a fixed fee regardless of how many volunteers may need to be subjected to quarantines and, as a result, a study may become unprofitable for the Group. Repeated instances of unprofitable studies could materially impact the Group's revenues.

Expansion of the Group's business into new markets may be constrained

A key aspect of the Group's growth strategy envisages the Group expanding the business both into new therapeutic areas and additional geographical territories beyond the UK. Expansion of the Group's business beyond the UK and into other therapeutic areas may be constrained by local regulatory regimes. Whilst the Directors believe that there are viable areas for growth over the medium to longer term, there can be no guarantee that the Group will successfully execute this strategy for growth which may have a material adverse effect on the Group's future performance, financial condition or business prospects.

Compliance with existing regulatory requirements

Failure to comply with the stringent and extensive regulations applicable to the Group could result in termination of the Group's contracts, the requirement to re-perform services or trials at the Group's own cost or the disqualification of data for submission to regulatory authorities. The Group may also be fined and prevented from conducting future trials. This may have a negative effect on the Group's reputation. Similarly, if a principal investigator were to be censured or debarred then this could have an adverse impact upon the reputation of the Group by association.

Dependency on the pharmaceutical and biotechnology industries

The majority of the Group's current revenue results from expenditure by pharmaceutical and biotechnology businesses on research and development and regulatory compliance. Some pharmaceutical companies are facing financial pressures as costs increase and blockbuster drugs reach the end of their patents. Some biotechnology companies are not yet revenue generating and rely on investment funding to continue. If clients or potential clients in this sector were to reduce such expenditure, for example by discontinuing or downscaling the development of virology activities or compounds, or seek to retain work in-house rather than outsourcing it (recognizing that some of the services offered by the Group are not currently reproducible and so this would only apply to the more standard, support service activities offered by the Group), the Group's business could be negatively impacted.

Changes in legislation and regulation of the pharmaceutical and biotechnology industries

A significant portion of the Group's business relates to assisting biotechnology and pharmaceutical companies to comply with the strictly regulated medicinal products and medical devices approval process, which is expensive, complex and demanding. If there were to be a substantial relaxation or simplification of the legislative or regulatory framework this could reduce the requirement for the Group's services. If such a decrease were to occur then this may have a significant detrimental impact on the Group's business opportunities and accordingly revenues. Conversely, a change to or increase in regulatory requirements which would be difficult for the Group to comply with or to meet on a competitive basis, could also have a material adverse effect on the Group's operations and profitability. At present, in the UK the regulation of viruses is a far simpler regime than the regulation of medicinal products and medical devices. Were this situation to change, and viruses be regulated in a manner akin to medicinal products then this could substantively increase the regulatory and administrative burden on the Group and could increase costs, thus potentially impacting on profitability.

Change in governmental policy or other healthcare reform and drug pricing risks

Client demand for the Group's services may also decrease if government policies on limiting drug costs or reimbursement practice or other healthcare reform measure within public health provision, or private insurance based models, resulted in the Group's clients reducing their drug development expenditure. In addition, new regulatory changes may increase costs or risks to the Group's business.

The Group's registered intellectual property could be lost or duplicated by competitors

No assurance can be given that any pending patent applications or any future patent applications of the Group will result in granted patents, that the scope of any intellectual property protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged or that third parties will not claim rights in or ownership of the intellectual property rights held by the Group.

Further there can be no assurance that others have not developed or will not develop similar methodologies and services, duplicate any of the Group's services or design around any patents held by the Group. Others may hold or receive patents which contain claims with a scope that covers services developed by the Group (whether or not patents are issued to the Group).

Failure of the Group's information technology systems

The Group's operations and business generate large amounts of data. A failure of its information technology systems, ability to access data, a privacy breach or loss or corruption of data may have a significant adverse impact on the Group's business, cash flows, continued regulatory compliance and reputation and might lead to a claim for damages.

Contractual risks

A number of the Group's contracts with clients are on a fixed price basis (albeit with several allowing for pass-through of expenses and the ability to vary costs via a change control process). If pricing does not accurately anticipate the costs of providing the services or if there is a substantial overrun on costs then contracts may become unprofitable.

Some of the contracts entered into by the Group with key clients require the relevant Group company to give wide indemnities to the client, which can expose the Group to potentially uncapped liabilities. Furthermore, some of these contracts also provide that the client may terminate the agreement, without cause, on short notice periods, which can be 90 days. If such key client contracts were to be terminated, or notice to terminate is served, or if the Group were to receive material claims under the uncapped indemnities or were to otherwise suffer a financial loss arising therefrom, the Group's financial performance and prospects may be adversely affected.

The Group's insurance may not provide sufficient coverage

The Group maintains insurance to cover certain liability risks. However, this is subject to coverage limits and may not be adequate to fully cover all potential claims – and is also expensive. Maintaining insurance cover at reasonable costs and on reasonable terms sufficient to cover all potential claims may not be guaranteed and any significant claim may increase the insurance premiums to an unaffordable level.

Handling risks

The Group receives, ships and handles samples of biological materials. In addition, it operates a scientific research facility to acquire, process and conduct scientific research on such samples and, in the process, receives experimental drug candidates from client companies. In conducting experiments, the Group handles materials which are potentially hazardous to health. In the conduct of such work the Group has established stringent health and safety standard operating procedures to protect its staff. However, there remains a risk of exposure which might cause personal injury.

Failure to maintain confidentiality and privacy obligations could cause loss

The confidentiality and privacy of personal data is subject to extensive legislation and any data relating to medical data is deemed to be particularly sensitive and subject to even higher standards of protection. The Group is required to comply with strict legislation in respect of the data controlled and processed by the Group relating to its volunteers and trial participants. Any significant failure to comply with relevant legislation, for example to maintain required technical and operational security of data, may result in censure or fines from regulatory authorities such as the UK Information Commissioner and might also result in payment of damages to clients or participants, cancellation of contracts or damage to reputation and thus Retroscreen Virology's ability to recruit volunteers and attract clients.

The risk of holding sensitive client data includes the potential negative publicity associated with, for instance, a breach of client confidentiality. Whilst the Directors believe that the Group has established appropriate procedures to minimise the occurrence of such events, any associated negative publicity or threat of litigation against the Group could have a material adverse effect on the Group's performance, financial condition or business prospects.

GENERAL RISKS

Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders or alter post tax returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors in Ordinary Shares.

Volatility of New Ordinary Share price

The Placing Price has been agreed between the Company, Numis and IP Group and may not be indicative of the market price for the Ordinary Shares following Admission. The subsequent market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part II, as well as stock market fluctuations and general economic conditions or changes in political sentiment that may substantially affect the market price of the Ordinary Shares irrespective of the Group's actual financial, trading or operational performance. These factors could include the performance of the Group, large purchases or sales of the Ordinary Shares (or the perception that the same may occur, as, for example in the period leading up to the expiration of the various lock-in agreements to which certain Shareholders are subject), legislative changes and market, economic, political or regulatory conditions.

Liquidity of Ordinary Shares

Prior to the Admission, there has been no public market for the Ordinary Shares. Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares will either develop or be sustained following Admission. The liquidity of a securities market is often a function of the volume of the underlying Ordinary Shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares does not develop, the price of the Ordinary Shares may become more volatile and it may be more difficult to complete a buy or sell order for such New Ordinary Shares.

The Ordinary Shares will not be admitted to the Official List

Ordinary Shares will be traded on AIM and will not be admitted to the Official List or admitted to trading on the London Stock Exchange's main market for listed securities. The rules of AIM are less demanding than those of the Official List and an investment in Ordinary Shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List. In addition, the market in the Ordinary Shares on AIM may have limited liquidity, making it more difficult for an investor to realise its investment on AIM than to realise an investment in a company whose shares are quoted on the London Stock Exchange's main market for listed securities or another recognised investment exchange. Investors should therefore be aware that the market price of the Ordinary Shares may be more volatile than that of shares quoted on the London Stock

Exchange's main market for listed securities or another recognised investment exchange, and may not reflect the underlying value of the net assets of the Group. Investors may therefore not be able to sell at a price which permits them to recover their original investment.

Legislation and compliance

This document has been prepared on the basis of current legislation, rules and practice and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change.

VCT relief

The Company has received advance assurance from HM Revenue & Customs that it is a qualifying company for investment by VCTs.

Neither the Company nor the Directors give any warranties or undertakings that the Company will remain a qualifying holding for investment by VCTs.

Additional information on the VCT qualifying status is included in paragraph 20 of Part I of this document.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves VCT qualifying status and the Company cannot undertake to conduct its activities in a way designed to secure or preserve such qualifying status.

If the Company does not employ the proceeds of a VCT share issue for qualifying purposes within 24 months, the funds invested by the VCT would be apportioned *pro rata* and its qualifying holding would be equal to the VCT's funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT's investment would comprise part of its non-qualifying holdings.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

If the Company ceases to carry on the business outlined in this document or acquires or commences a business which is not insubstantial to the Company's activities and which is a non-qualifying trade for VCT relief, this could prejudice the qualifying status of the Company (as referred to above) under the VCT Scheme. This situation will be monitored by the Directors with a view to preserving the Company's qualifying status but this cannot be guaranteed.

Any company receiving aid through any Government State aid scheme, that would include VCTs, individually or combined, that amounts to a value above the investment limit currently shown at section 292A(1) of the Income Tax Act 2007 (£2 million per annum) is at risk of the European Commission deeming the aid to be illegal, and bears the risk of sanctions imposed by the European Commission to recover that aid.

Additional capital and dilution

The Directors anticipate that the Group may require additional capital in the medium to longer term in order to further its strategy as outlined in paragraph 10 of Part I of this document. The Directors do not anticipate that any additional capital will be required within 12 months from the date of Admission. If the Group fails to generate sufficient revenue through running its VCMs, then it may need to raise additional capital in the future, whether from equity or debt sources, to fund such expansion and development. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned strategic development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

Dividends

There can be no assurance as to whether the Company will grant any dividends or indeed the level of any future dividends. The approval of the declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the directors of the Company at the time in question, and will depend upon, among other things, the Group's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

PART III

FINANCIAL INFORMATION ON RETROSCREEN VIROLOGY LIMITED FOR THE THREE YEARS AND FIVE MONTHS ENDED 31 DECEMBER 2011

The historical financial information for Retroscreen Virology Limited ("Retroscreen Virology") is set out in Section A of this Part III. This financial information comprises information for Retroscreen Virology Limited for the three years and five months ended 31 December 2011.

The Directors of Retroscreen Virology Group plc (the "Company") are required to prepare the financial information in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of Retroscreen Virology Limited for that period.

In preparing that financial information, the Directors are required to:

(a) select suitable accounting policies and apply them consistently;

(b) make judgements and estimates that are reasonable and prudent; and

(c) prepare the financial information on the going concern basis unless it is inappropriate to presume that Retroscreen Virology Limited will continue in business.

Section B of this Part III sets out a report from Baker Tilly Corporate Finance LLP, the Reporting Accountants, required by Paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and given for the purpose of complying with that paragraph and for no other purpose.

Historical financial information for the Company has not been presented in this Admission Document. The Company was incorporated on 27 March 2012 and, save for the issue of one subscriber share of £1, and the subsequent acquisition of Retroscreen Virology by way of a share for share exchange, as detailed in paragraph 10.4 of Part IV, has no assets or liabilities and has not traded nor produced any financial information for any period since incorporation.

Retroscreen Virology Limited

Statement of Comprehensive Income

	Notes	*Year ended 31 July 2009* £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Revenue		5,661,719	6,019,814	1,067,017	4,270,597
Cost of sales		(3,952,328)	(4,216,463)	(3,478,190)	(3,762,992)
Gross profit/(loss)		1,709,391	1,803,351	(2,411,173)	507,605
Administrative expenses		(2,233,816)	(2,334,610)	(867,483)	(1,658,481)
Share-based payment credit/(charge)		(43,627)	(14,479)	28,674	(3,581)
Loss from operations	6	(568,052)	(545,738)	(3,249,982)	(1,154,457)
Finance income	9	19,325	5,162	3,404	3,250
Finance costs	10	(17,793)	(7,980)	(2,114)	(12,827)
Loss before taxation		(566,520)	(548,556)	(3,248,692)	(1,164,034)
Taxation	11	413,443	383,000	483,868	500,844
Loss for the year/period		(153,077)	(165,556)	(2,764,824)	(663,190)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the year/period attributable to shareholders		(153,077)	(165,556)	(2,764,824)	(663,190)

All operations were continuing throughout all years and periods.

Statement of Financial Position

	Notes	*At 31 July 2009* £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Assets					
Property, plant and equipment	12	483,204	326,805	282,627	395,318
Non-current assets		483,204	326,805	282,627	395,318
Inventories	13	1,031,978	1,180,256	1,154,073	1,444,640
Trade and other receivables	14	643,358	2,031,389	932,510	2,886,965
R&D tax credit		282,917	383,000	824,330	500,434
Cash and cash equivalents	15	535,975	1,401,792	322,775	1,592,532
Current assets		2,494,228	4,996,437	3,233,688	6,424,571
Total assets		2,977,432	5,323,242	3,516,315	6,819,889
Liabilities					
Trade and other payables	16	(1,239,684)	(1,394,196)	(2,380,767)	(4,820,204)
Loans	17	–	–	–	(373,754)
Current liabilities		(1,239,684)	(1,394,196)	(2,380,767)	(5,193,958)
Net current assets		1,254,544	3,602,241	852,921	1,230,613
Loans	17	(300,000)	–	–	–
Non-current liabilities		(300,000)	–	–	–
Total liabilities		(1,539,684)	(1,394,196)	(2,380,767)	(5,193,958)
Net assets		1,437,748	3,929,046	1,135,548	1,625,931
Equity					
Share capital	19	216	2,340,390	2,340,390	1,010
Share premium account		1,499,127	1,801,328	1,801,328	2,950,700
Share option reserve		43,627	58,106	6,378	5,434
Other reserve		–	–	–	2,340,000
Retained deficit		(105,222)	(270,778)	(3,012,548)	(3,671,213)
Equity attributable to shareholders of the parent		1,437,748	3,929,046	1,135,548	1,625,931

Statement of Changes in Equity

	Share capital £	*Preference shares* £	*Deferred Shares* £	*Share premium* £	*Share options* £	*Other Reserve* £	*Retained earnings* £	*Total equity* £
Balance at 1 August 2008	210	–	–	1,492,842	–	–	47,855	1,540,907
Total comprehensive loss for the year	–	–	–	–	–	–	(153,077)	(153,077)
Share based payment charge	–	–	–	–	43,627	–	–	43,627
Transactions with shareholders								
Issue of capital	6	–	–	6,285	–	–	–	6,291
Balance at 31 July 2009	216	–	–	1,499,127	43,627	–	(105,222)	1,437,748
Total Comprehensive loss for the year	–	–	–	–	–	–	(165,556)	(165,556)
Transactions with shareholders								
Issued equity share capital	174	–	–	302,201	–	–	–	302,375
Issued preference share capital	–	2,340,000	–	–	–	–	–	2,340,000
Share based payment charge	–	–	–	–	14,479	–	–	14,479
Balance at 31 July 2010	390	2,340,000	–	1,801,328	58,106	–	(270,778)	3,929,046
Total comprehensive loss for the period	–	–	–	–	–	–	(2,764,824)	(2,764,824)
Transactions with shareholders								
Transfer on lapse of options	–	–	–	–	(23,054)	–	23,054	–
Share based payment credit	–	–	–	–	(28,674)	–	–	(28,674)
Balance at 31 December 2010	390	2,340,000	–	1,801,328	6,378	–	(3,012,548)	1,135,548
Total comprehensive loss for the year	–	–	–	–	–	–	(663,190)	(663,190)
Transactions with shareholders								
Issued equity share capital	551	–	–	1,149,441	–	–	–	1,149,992
Reclassified during the year	–	(2,340,000)	2,340,000	–	–	–	–	–
Converted during the year	69	–	–	(69)	–	–	–	–
Cancelled during the year	–	–	(2,340,000)	–	–	2,340,000	–	–
Transfer on lapse of options	–	–	–	–	(4,525)	–	4,525	–
Share based payment charge	–	–	–	–	3,581	–	–	3,581
Balance at 31 December 2011	1,010	–	–	2,950,700	5,434	2,340,000	(3,671,213)	1,625,931

For an explanation of components of shareholders' equity see note 3.2.

Statement of Cash Flows

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Cash flow from operating activities				
Loss before taxation	(566,520)	(548,556)	(3,248,692)	(1,164,034)
Adjustments for:				
Depreciation of property, plant and equipment	263,160	223,197	135,651	131,609
Loss on disposal of property, plant and equipment	3,475	–	48,332	–
Share based compensation	43,627	14,479	(28,674)	3,581
(Increase)/decrease in inventories	(134,782)	(148,278)	26,183	(290,567)
(Increase)/decrease in trade and other receivables	855,889	(1,388,031)	1,098,879	(1,954,455)
(Decrease)/increase in trade and other payables	(1,278,501)	154,512	986,571	2,689,437
Finance cost	17,793	7,980	2,114	12,827
Finance income	(19,325)	(5,162)	(3,404)	(3,250)
Cash used in operations	(815,184)	(1,689,859)	(983,040)	(574,852)
Tax refunds received	204,400	282,917	42,538	824,740
Net cash generated by/(used in) operating activities	(610,784)	(1,406,942)	(940,502)	249,888
Investing activities				
Acquisition of property, plant and equipment	(103,096)	(66,798)	(139,805)	(244,300)
Disposal of property, plant and equipment	10,256	–	–	–
Finance income	19,325	5,162	3,404	3,250
Net cash used in investing activities	(73,515)	(61,636)	(136,401)	(241,050)
Cash flow from financing activities				
(Reduction in)/addition to borrowings	300,000	(300,000)	–	115,097
Proceeds on issue of shares	6,291	2,642,375	–	1,149,992
Interest on loans	(17,793)	(7,980)	(2,114)	(4,170)
Net cash generated from financing activities	288,498	2,334,395	(2,114)	1,260,919
Net (decrease)/increase in cash and cash equivalents	(395,801)	865,817	(1,079,017)	1,269,757
Cash and cash equivalents at beginning of period	931,776	535,975	1,401,792	322,775
Cash and cash equivalents at end of period	535,975	1,401,792	322,775	1,592,532

Notes to the Financial Information

1. General information

Retroscreen Virology Limited ("Retroscreen Virology") was incorporated on 8 December 1988 and is domiciled in the UK. Retroscreen Virology's principal activity is medical and scientific research and its registered office address is shown on page 4 of this document.

Basis of preparation

This financial information ("Financial Information") has been prepared on a going concern basis under the historical cost convention and is in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the International Financial Reporting Standards Interpretations Committee interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing this Financial Information.

The preparation of Financial Information requires Management to exercise its judgements in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

The Financial Information in this Part III (a) does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

(a) ***New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted***

The Directors consider that the following are the key changes which may affect Retroscreen Virology:

Topic	*Key requirements*	*Effective date*
Amendments to IFRS 7 – Financial instruments: Disclosures on derecognition	This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.	1 July 2011
Amendment to IAS 12 – Income taxes on deferred tax	This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes – recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.	1 January 2012
Amendment to IAS 1 – Financial statement presentation regarding other comprehensive income	The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.	1 July 2012

Topic	*Key requirements*	*Effective date*
IFRS 9 – Financial Instruments	The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply at present, until the outcome of the project is finalised.	1 January 2013
IFRS 13 – Fair value measurement	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.	1 January 2013
IFRS 1 (revised 2012) Government loans	Adds an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans existing at the date of transition to IFRSs. This means that first-time adopters shall not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	1 January 2013. Earlier application is permitted.
IFRS 7 (revised 2011) Asset and liability offsetting	To address these differences between IFRSs and US GAAP, new criteria proposed for netting that were narrower than the current conditions currently in US GAAP. It was decided to retain the existing offsetting models and instead issue new disclosure requirements to allow investors to better compare financial statements prepared in accordance with IFRSs or US GAAP.	1 January 2013 (provided retrospectively)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on Retroscreen Virology.

None of the above interpretations would have an impact on this Financial Information if applied.

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 *Going concern*

Retroscreen Virology conducts medical and scientific research. As noted in Part I "Information on the Group", Retroscreen Virology has invested significantly in developing its VCM in order to establish clear leadership in human challenge studies. The Directors believe that this investment positions Retroscreen for a transformational year in 2012 to deliver on a strong pipeline of VCM client engagements.

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk Guidance for UK Companies 2009". The Board has prepared detailed financial forecasts and cash flows for the period ending 31 December

2013. In developing these forecasts the Board has made assumptions based upon its view of the current and future economic conditions that will prevail over the forecast period.

On the basis of these projections, the Board confirm that it is satisfied that Retroscreen Virology has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Financial Information.

2.2 ***Foreign currencies***

(a) *Functional and presentational currency*

Items included in the Financial Information are measured using the currency of the primary economic environment in which Retroscreen Virology operates ("the functional currency") which is UK sterling (£). The financial information is presented in UK sterling (£), which is Retroscreen Virology's presentational currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net profit or loss in the statement of comprehensive income.

Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.3 ***Revenue recognition***

Revenue is recognised at the fair value of the consideration received or receivable for the sale of services in the ordinary course of business and is shown net of Value Added Tax. Retroscreen Virology primarily earns revenues by undertaking VCM client engagements. A VCM engagement could comprise of just one quarantine (which was Retroscreen's norm of the past) or a number of quarantines. Each quarantine lasts two to three weeks, but the timeline of work involved in building up to undertaking of quarantine is in the range of three to twelve months. Whether a VCM engagement is for one quarantine or for a number of quarantines the overall timeline of the VCM is much the same, apart from the additional time for the quarantines themselves and the time lags in between quarantines (since sequential), as a lot of the upfront work is the same whether for one or a number of quarantines.

VCM revenue is recognised on the percentage of completion method. Depending on the contractual terms, revenue is recognised based on the level of work completed to date in respect of each individual element of the VCM contract.

Retroscreen Virology also provides translational research (laboratory) services and other consultancy to clients.

Laboratory services and consulting revenue is recognised on a fee-for-service basis.

Contracts generally contain provisions for renegotiation in the event of changes in the scope, nature, duration, volume of services or conditions of the contract. Renegotiated amounts are recognised as revenue by revision to the total contract value arising as a result of an authorised customer change order. Provisions for losses to be incurred on contracts are recognised in full in the period in which it is determined that a loss will result from performance of the contractual arrangement.

The difference between the amount of revenue recognised and the amount invoiced on a particular contract is included in the statement of financial position as deferred income. Normally amounts become billable in advance upon the achievement of certain milestones, in accordance with pre-agreed payment schedules included in the contract or on submission of appropriate detail. Any cash payments received as a result of this advance billing are not representative of revenue earned on the contract, as revenues are recognised over the period in which the specified contractual obligations

are fulfilled. Amounts included in deferred income are expected to be recognised within one year and are included within current liabilities.

In the event of contract termination, if the value of work performed and recognised as revenue is greater than aggregate milestone billings at the date of termination, cancellation clauses provide for Retroscreen Virology to be paid for all work performed to the termination date.

2.4 ***Internally generated intangible assets – research and development expenditure***

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs are only capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- technical feasibility of the completed intangible asset;
- the probability of future economic benefits;
- the reliable measurement of costs; and
- the ability and intention of Retroscreen Virology to use or sell the intangible asset.

Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

2.5 ***Property, plant and equipment***

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on the following basis:

Leasehold improvements	5 years straight line
Plant and machinery	4 years straight line
Long term plant and machinery	10 years straight line
Computer equipment	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

2.6 ***Impairment of property, plant and equipment***

At each reporting date, Retroscreen Virology reviews the carrying amounts of its property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Retroscreen Virology estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.7 ***Inventories***

Inventories are reported at the lower of cost (purchase price and/or production cost) and net realisable value. In determining net realisable value, any costs of completion and selling costs are deducted from the realisable value.

Inventories are comprised of completed GMP and GLP manufactured viruses and work in process in relation to the manufacture of viruses and laboratory and clinical consumables. The cost of virus inventory is calculated using the weighted average cost method for each individual strain. The cost included within inventories comprises direct materials and, where applicable, direct labour costs and an attributable portion of production overheads that have been incurred in bringing the inventories to their present location and condition. Adjustments are made for any inventories with a lower net realisable value or which are considered to be obsolete. Any inventories which Management consider as not being useable on future commercial engagements are fully written off to profit or loss.

2.8 ***Financial Instruments***

Financial assets and financial liabilities are recognised in Retroscreen Virology's statement of financial position when Retroscreen Virology becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

2.8.1 *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

2.8.2 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.8.3 *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Retroscreen Virology are recorded at the proceeds received, net of direct issue costs.

2.8.4 *Trade and other payables*

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

2.8.5 *Financial liabilities – Non-current borrowings*

Borrowings, including advances received from related parties are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2.9 ***Current and deferred tax***

The tax expense/(credit) represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Retroscreen Virology's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

Credit is taken in the accounting period for research and development tax credits, which will be claimed from HM Revenue & Customs, in respect of qualifying research and development costs incurred in the same accounting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.10 ***Operating leases***

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2.11 ***Share Based Payments***

Retroscreen Virology issues equity settled share based payments to certain employees (including Directors).

Equity settled share based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based upon Retroscreen Virology's estimate of equity instruments that will eventually vest, along with a corresponding increase in equity. At each reporting date, Retroscreen Virology revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black Scholes model, taking into consideration Management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest.

2.12 ***Pension costs***

Retroscreen Virology operates a defined contribution pension scheme for all employees. The assets of the scheme are held separately from those of Retroscreen Virology. Payments into the scheme are charged as an expense as they fall due.

3. Financial Risk Management

3.1 *Financial risk factors*

Retroscreen Virology's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Retroscreen Virology's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Retroscreen Virology's financial performance.

Risk management is carried out by Management under the supervision of the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the business' department heads.

3.1.1 *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as commodity prices, interest rates and foreign exchange rates.

3.1.2 *Credit risk*

Credit risk is the financial loss to Retroscreen Virology if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from Retroscreen Virology's cash and cash equivalents and receivables balances.

3.1.3 *Liquidity risk*

Liquidity risk is the risk that Retroscreen Virology will not be able to meet its financial obligations as they fall due. This risk relates to Retroscreen Virology's prudent liquidity risk management and implies maintaining sufficient cash. Management monitors rolling forecasts of Retroscreen Virology's liquidity and cash and cash equivalents on the basis of expected cash flow.

3.2 *Capital risk management*

Retroscreen Virology is funded principally by equity although short term loans have been utilised during the review period of this Financial Information. The components of shareholders' equity are as follows:

- The share capital and the share premium account arising on the issue of shares.
- The retained deficit reflecting losses incurred to date.
- The share-based payment reserve resulting from Retroscreen Virology's grant of equity-settled share options to selected employees and measured in accordance with IFRS 2 Share-based payment.
- The other reserve arising on cancellation of deferred shares in issue (refer to note 19).

Retroscreen Virology's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of Retroscreen Virology is managed and adjusted to reflect changes in economic conditions.

Retroscreen Virology funds its expenditures on commitments from existing cash and cash equivalent balances, primarily received from issuances of shareholders equity. There are no externally imposed capital requirements.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet Retroscreen Virology's commitments and development plans.

3.3 *Fair value estimation*

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short term nature of such assets and the effect of discounting liabilities is negligible.

4. Critical accounting estimates and judgements

Details of Retroscreen Virology's significant accounting judgements and critical accounting estimates are set out in this financial information and include:

Going Concern

The assessment of Retroscreen Virology's ability to execute its strategy by funding future working capital requirements involves judgement. The Directors monitor future cash requirements to assess Retroscreen Virology's ability to meet these future funding requirements. Further information regarding going concern is outlined in note 2.

Revenue, deferred income and accrued income

Revenue is recognised based on the level of work completed to date. The recognition of revenue (and hence the related deferred and accrued income balances) requires Management to make assumptions in relation to the level of work done to date and the costs to complete each project.

In carrying out this task, Management considers the contract value for each individual element of the contract and splits this amount on a straight line basis over the anticipated time period in which that element is to be completed.

At each period end, Management reviews each individual contract to assess whether any anticipated losses exist which are recognised immediately.

Virus inventory

The cost of inventories requires a number of assumptions to be made in relation to the absorption of directly attributable overheads in relation to the internal costs in preparing virus strains for commercial use. These assumptions are based primarily on Management's estimates of employee utilisation and annual working days.

In valuing virus inventory, Management is required to make assumptions in relation to the future commercial use for each virus strain. This includes consideration of both the current business pipeline and Management's best estimates of the future client requirements based on its significant knowledge and experience in the field of virology.

Recoverability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit to the statement of comprehensive income in the period in which the change occurs.

5. Segmental Information

The Directors consider that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business. The information reported to Retroscreen Virology's Chief Executive Officer, who is considered the chief operating decision maker, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of Retroscreen Virology. Retroscreen Virology has therefore determined that it has only one reportable segment under IFRS8, which is "medical and scientific research". Retroscreen Virology's revenue and results and assets for this one reportable segment can be determined by reference to Retroscreen Virology's statement of comprehensive income and statement of financial position.

Retroscreen Virology carries out all its activities from a single location in the UK and as such only has a single geographic segment.

During the year ended 31 December 2011 Retroscreen Virology had three customers who generated more than 10 per cent. of total revenue. These customers respectively generated 40 per cent., 26 per cent. and 11 per cent. of revenue.

During the period ended 31 December 2010 Retroscreen Virology had two customers who generated more than 10 per cent. of total revenue. These customers respectively generated 62 per cent. and 20 per cent. of revenue.

During the year ended 31 July 2010 Retroscreen Virology had three customers who generated more than 10 per cent. of total revenue. These customers respectively generated 16 per cent., 12 per cent. and 11 per cent. of revenue.

During the year ended 31 July 2009 Retroscreen Virology had four customers who generated more than 10 per cent. of total revenue. These customers respectively generated 19 per cent., 18 per cent., 13 per cent. and 11 per cent. of revenue.

6. Loss from operations

Loss for the year/period has been arrived at after charging:

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Staff costs (see note 8)	2,296,327	1,833,747	1,340,972	2,834,037
Depreciation on owned property, plant and equipment	263,160	223,197	135,651	131,609
Loss on disposal of property, plant and equipment	3,475	–	48,332	–
Auditors' remuneration (see note 7)	22,985	12,500	12,500	19,750
Operating lease costs – Land and buildings	307,225	327,780	138,368	553,414
Inventories charged to profit/(loss)	119,660	74,969	117,604	172,202
Inventories written off	–	–	187,826	–

The aggregate cost of sales and administrative expenses by nature is as follows:

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Staff costs, recruitment and other HR	2,830,859	3,096,517	2,173,884	3,205,814
Premises and equipment	935,865	1,277,980	811,073	703,406
Volunteer costs	506,103	303,806	163,163	176,142
Consumables used	119,660	74,969	117,604	172,202
Insurance	147,057	106,688	53,474	140,841
Professional fees and marketing	157,367	184,475	128,059	196,370
IT and telecoms	194,244	172,974	73,640	167,672
Depreciation	263,160	223,197	135,651	131,609
Other expenses	1,031,829	1,110,467	689,125	527,417
	6,186,144	6,551,073	4,345,673	5,421,473

7. Auditors' remuneration

During the year Retroscreen Virology obtained the following services from Retroscreen Virology's auditors as detailed below:

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Auditors' remuneration				
Fees payable to Retroscreen Virology's auditors for audit of the annual accounts:				
PricewaterhouseCoopers LLP	22,985	–	–	–
Baker Tilly UK Audit LLP	–	12,500	12,500	19,750
	22,985	12,500	12,500	19,750

Retroscreen Virology did not incur any other professional fees from its auditors other than the audit of the annual accounts. For services provided up to and including the year ended 31 July 2009, Retroscreen Virology's auditors were PricewaterhouseCoopers LLP. Since that period Retroscreen Virology's auditors have been Baker Tilly UK Audit LLP.

8. Staff Costs

	Year ended 31 July 2009 No.	*Year ended 31 July 2010* No.	*5 months ended 31 December 2010* No.	*Year ended 31 December 2011* No.
The average number of employees (including executive directors) employed was:				
Management, administration and business development	12	12	15	14
Operations and project Management	17	24	44	43
	29	36	59	57

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
The aggregate remuneration comprised (including Directors):				
Wages and salaries	1,936,441	1,606,970	1,205,296	2,458,793
Social security costs	210,259	172,484	136,269	292,863
Pension contributions	106,000	39,814	28,081	78,800
Share option expense	43,627	14,479	(28,674)	3,581
	2,296,327	1,833,747	1,340,972	2,834,037

The remuneration of the Executive Directors, who are the key Management personnel of Retroscreen Virology, is shown in note 23 – Related Parties.

9. Finance income

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Interest on bank deposits	19,325	5,162	3,404	3,250

10. Finance costs

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Interest paid and similar charges	17,793	7,980	2,114	12,827

11. Taxation

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*5 months ended 31 December 2010* £	*Year ended 31 December 2011* £
Current tax:				
R&D tax credit	(282,917)	(383,000)	(380,811)	(500,434)
Adjustments in respect of previous periods	(130,526)	–	(103,057)	(410)
	(413,443)	(383,000)	(483,868)	(500,844)

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*Period ended 31 December 2010* £	*Year ended 31 December 2011* £
Factors affecting the tax charge for the period:				
The tax assessed for the period is lower than the UK corporate tax rate of 26.5% (Dec 2010: 27%, July 2010: 28%, July 2009: 28%) as explained below:				
Loss before taxation	(566,520)	(548,556)	(3,248,692)	(1,164,034)
Tax at the UK corporate tax rate	(146,410)	(153,596)	(877,147)	(308,469)
Expenses not deductible for tax purposes	2,997	1,434	20,250	13,136
R&D relief	(186,677)	(350,871)	(21,801)	(276,140)
Movement on unrecognised deferred tax balances	25,305	15,971	497,887	21,377
Change in deferred tax rate	–	–	–	49,662
Other timing differences	21,868	104,062	–	–
Adjustments in respect of prior periods	(130,526)	–	(103,057)	(410)
Tax for the year	(413,443)	(383,000)	(483,868)	(500,844)

As at 31 December 2011, Retroscreen Virology had unrecognised deferred tax assets totalling £620,777 (31 December 2010: £691,816) which primarily relates to losses. Retroscreen Virology has not recognised this as an asset in the Statement of Financial Position due to the uncertainty in the timing of its crystallisation.

12. Property, plant and equipment

	Leasehold improvements £	*Plant & machinery* £	*Long term plant and equipment* £	*Computer equipment* £	*Total* £
Cost:					
At 1 August 2008	68,397	573,608	186,260	384,404	1,212,669
Additions	8,686	41,911	6,828	45,671	103,096
Disposals	–	(34,939)	–	(13,736)	(48,675)
At 31 July 2009	77,083	580,580	193,088	416,339	1,267,090
Additions	11,621	13,968	7,200	34,009	66,798
Disposals	(15,803)	(230,316)	(2,775)	(195,647)	(444,541)
At 31 July 2010	72,901	364,232	197,513	254,701	889,347
Additions	118,635	4,708	7,162	9,300	139,805
Disposals	(75,831)	(39,249)	(112,688)	(177,889)	(405,657)
At 31 December 2010	115,705	329,691	91,987	86,112	623,495
Additions	123,178	78,242	–	42,880	244,300
At 31 December 2011	238,883	407,933	91,987	128,992	867,795
Accumulated depreciation:					
At 1 August 2008	26,164	281,940	82,596	164,970	555,670
Charge for the year	13,317	122,072	20,185	107,586	263,160
Disposals	–	(24,924)	–	(10,020)	(34,944)
At 31 July 2009	39,481	379,088	102,781	262,536	783,886
Charge for the year	13,571	87,388	19,068	103,170	223,197
Disposed of	(15,803)	(230,316)	(2,775)	(195,647)	(444,541)
At 31 July 2010	37,249	236,160	119,074	170,059	562,542
Charge for the period	14,682	65,499	11,241	44,229	135,651
Disposed of	(51,931)	(37,837)	(105,826)	(161,731)	(357,325)
At 31 December 2010	–	263,822	24,489	52,557	340,868
Charge for the year	39,573	54,371	9,199	28,466	131,609
At 31 December 2011	39,573	318,193	33,688	81,023	472,477
Carrying amount:					
At 31 July 2009	37,602	201,492	90,307	153,803	483,204
At 31 July 2010	35,652	128,072	78,439	84,642	326,805
At 31 December 2010	115,705	65,869	67,498	33,555	282,627
At 31 December 2011	199,310	89,740	58,299	47,969	395,318

13. Inventories

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Consumables	48,462	94,232	53,870	62,894
Virus Finished goods	862,846	898,198	1,062,415	1,116,354
Virus – Work in progress	120,670	187,826	37,788	265,392
	1,031,978	1,180,256	1,154,073	1,444,640

Inventories expensed in the statement of comprehensive income are shown within cost of sales. All inventories are carried at the lower of cost and net realisable value. In the year to 31 December 2011 no inventories were written down (31 December 2010: £187,826, 31 July 2010: £nil, 31 July 2009: £nil).

14. Trade and other receivables

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Trade receivables	428,625	734,558	659,617	2,383,921
Allowance for impairment losses	–	(18,655)	(74,403)	(104,736)
	428,625	715,903	585,214	2,279,185
VAT recoverable	8,525	38,884	66,779	99,545
Other receivables	4,992	4,561	9,621	154,913
Prepayments	201,216	119,037	155,671	310,061
Accrued income	–	1,153,004	115,225	43,261
	643,358	2,031,389	932,510	2,886,965

Contractual payment terms with Retroscreen Virology's clients are typically 30 or 45 days.

At 31 December 2011 Retroscreen Virology had a significant amount of debt due to it of £1,988,277 from a large, publicly listed pharmaceutical company (which has been received in full since that date). There were no other significant concentrations of credit risk at the reporting date.

As at the reporting date, the amount of overdue debts for which no allowance had been made totalled £29,886. This amount has been received in full in the period since that date.

The movement on the allowance for impairment losses on trade and other receivables is as follows:

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Balance at beginning of the year/period	–	–	(18,655)	(74,403)
Impairment losses recognised through the Statement of Comprehensive Income for the year/period	–	(18,655)	(74,403)	(92,136)
Amounts written off as unrecoverable during the year/period	–	–	18,655	61,803
	–	(18,655)	(74,403)	(104,736)

The Directors believe that the carrying value of trade and other receivables represents their fair value. In determining the recoverability of trade receivables Retroscreen Virology considers any change in the credit

quality of the receivable from the date credit was granted up to the reporting date. For details on Retroscreen Virology's credit risk management policies, refer to note 18.

Retroscreen Virology does not hold any collateral as security for its trade and other receivables.

15. Cash and cash equivalents

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Cash and cash equivalents	535,975	1,401,792	322,775	1,592,532

All of Retroscreen Virology's cash and cash equivalents at 31 December 2011 are at floating interest. Included in the cash and cash equivalents of Retroscreen Virology at 31 December 2011 was the equivalent of £275 (31 December 2010: £nil, 31 July 2010: £nil, 31 July 2009: £nil) denominated in US dollars; the balance was denominated in pounds sterling (£).

As at 31 December 2011, cash and cash equivalents included the sum of £1,211,826 which had been overpaid in error by a client. This has been repaid by Retroscreen Virology immediately following the year end.

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value. For details of Retroscreen Virology's credit risk management policies, refer to note 18.

16. Trade and other payables

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Trade payables	438,019	683,114	1,133,319	446,433
Other tax and social security	106,791	64,342	108,833	120,718
Other payables	104,234	2,115	1,621	1,241,522
Accruals	98,918	364,779	236,690	384,169
Deferred income	491,722	279,846	900,304	2,627,362
	1,239,684	1,394,196	2,380,767	4,820,204

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are normally settled on 30 to 45 day terms.

As at 31 December 2011, other payables included the sum of £1,211,826 which had been overpaid in error by a client. This has been repaid by Retroscreen Virology immediately following the year end.

The Directors consider that the carrying value of trade and other payables approximates their fair value. All trade and other payables are denominated in Sterling.

Retroscreen Virology has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

17. Loans

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Amounts falling due within one year				
Loans	–	–	–	373,754
Amounts falling due after more than one year				
Loans – due in 2 – 5 years	300,000	–	–	–

The convertible loan outstanding at 31 July 2009 was taken on 23 January 2009 with a term of three years, carrying a 7 per cent. interest charge. On 8 October 2009, half of the convertible loan (plus accrued interest) was repaid in cash and the balance (plus accrued interest) was converted to ordinary share capital (see note 19).

Under an agreement dated 18 February 2011, outstanding invoices totalling £250,000 that were due to two related parties, Queen Mary & Westfield College ("QMUL") and Queen Mary BioEnterprises Limited ("QMB"), were converted into a long term loan. This loan is repayable on a payment schedule to be agreed between Retroscreen Virology and the parties when the Company's financial situation becomes more established. Interest is accruing at a commercial rate of Bank of England base rate plus 3.5 per cent.

18. Financial instruments

Retroscreen Virology is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of Retroscreen Virology for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

Capital risk management

Retroscreen Virology manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. Retroscreen Virology is funded principally by equity although short term loans have been utilised during the review period of this Financial Information. As at 31 December 2011, such loans totalling £373,754 were outstanding (31 December 2010: £nil, 31 July 2010: £nil, 31 July 2009: £300,000). The capital structure of Retroscreen Virology consists of equity, comprising issued share capital. Retroscreen Virology has no externally imposed capital requirements.

In order to maintain or adjust the capital structure, Retroscreen Virology may return capital to shareholders or issue new shares.

Principal financial instruments

The principal financial instruments used by Retroscreen Virology, from which financial instrument risk arises are as follows:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents

Financial assets

At the reporting date, Retroscreen Virology held the following financial assets:

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Cash and cash equivalents	535,975	1,401,792	322,775	1,592,532
Trade receivables	428,625	715,903	585,214	2,279,185
Other receivables	4,992	4,561	9,621	154,913
	969,592	2,122,256	917,610	4,026,630

Financial liabilities

At the reporting date, Retroscreen Virology held the following financial liabilities, all of which were classified as other financial liabilities:

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Trade payables	438,019	683,114	1,133,319	446,433
Loans	300,000	–	–	373,754
Other payables	104,234	2,115	1,621	1,241,522
	842,253	685,229	1,134,940	2,061,709

Market risk

Retroscreen Virology's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In the period of the Financial Information, both these risks are considered to have been minimal.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Retroscreen Virology. Credit risk arises principally from Retroscreen Virology's cash balances and trade and other receivables. The concentration of Retroscreen Virology's credit risk is considered by counterparty, geography and currency.

Retroscreen Virology gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. Retroscreen Virology has a significant concentration of cash held on deposit with one large bank in the UK, an institution with a AA credit rating (long term, as assessed by Moody's). The amounts of cash held on deposit with that bank at each reporting date can be seen in the financial assets table above. All of the cash and cash equivalents held with that bank at each reporting date were denominated in UK sterling, except for £275 of US$ at 31 December 2011 (31 December 2010: £nil, 31 July 2010: £nil, 31 July 2009: £nil).

The nature of Retroscreen Virology's business and the current stage of its development are such that individual customers can comprise a significant proportion of Retroscreen Virology's trade and other receivables at any point in time. Retroscreen Virology mitigates the associated risk by ensuring that its contracting terms provide for invoices to be raised in advance of the work being carried out and through the close monitoring of the debtor ledger. Accordingly, Retroscreen Virology expects to report high deferred income balances. Furthermore, many of Retroscreen Virology's clients are either large, publicly listed companies or are owned by such entities mitigating the credit risk.

At 31 December 2011 Retroscreen Virology had a significant amount of debt due to it of £1,988,277 from a large, publicly listed pharmaceutical Company (which has been received in full since that date). There were no other significant concentrations of credit risk at the reporting date. At 31 December 2011, Retroscreen

Virology trade receivables balance was £2,383,921 (31 December 2010: £659,617, 31 July 2010: £734,558, 31 July 2009: £428,625)

The carrying amount of financial assets recorded in the Financial Information, net of any allowances for losses, represents Retroscreen Virology's maximum exposure to credit risk without taking account of the value of any collateral obtained. At 31 December 2011, the allowance for impairment losses totalled £104,736 (31 December 2010: £74,403, 31 July 2010: £18,655, 31 July 2009: £nil). In the Directors' opinion, there has been no other impairment of financial assets during the year.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

No collateral is held by Retroscreen Virology as security in relation to its financial assets.

Liquidity risk management

Liquidity risk is the risk that Retroscreen Virology will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing Retroscreen Virology's cash requirements by reference to short term cashflow forecasts and medium term working capital projections prepared by Management.

At 31 December 2011, Retroscreen Virology had £1,592,532 (31 December 2010: £322,775, 31 July 2010: £1,401,792, 31 July 2009: £535,975) of cash reserves. As at 31 December 2011, cash and cash equivalents included the sum of £1,211,826 which had been overpaid in error by a client. This has been repaid by Retroscreen Virology immediately following the year end.

Foreign currency risk management

Historically, Retroscreen Virology's exposure to foreign currency risk has been limited, all of its invoicing and the majority of its payments are in sterling. The balance held in foreign currencies at each reporting date was negligible and it has made no payments in foreign currencies other than US dollar and Euro. Accordingly, Management has not presented any sensitivity analysis in this area as this is immaterial.

Maturity of financial assets and liabilities

All of Retroscreen Virology's non derivative financial liabilities and its financial assets at each reporting date, with the exception of 31 July 2009, are either payable or receivable within one year. At 31 July 2009, a £300,000 convertible loan was outstanding, payable after one year.

19. Share capital

	Ordinary shares of £0.001 each No.	*'A' Ordinary shares of £0.0001 each No.*	*Preference shares of £1 each No.*	*Deferred shares of £1 each No.*
At 1 August 2008	209,700	–	–	–
Issued during the year (i)	6,291	–	–	–
At 31 July 2009	215,991	–	–	–
Issued during the period (ii)	174,328	–	2,340,000	–
At 31 July 2010 and 31 December 2010	390,319	–	2,340,000	–
Issued during the year (iii)	533,738	171,779	–	–
Reclassified during the year (iii)	–	–	(2,340,000)	2,340,000
Converted during the year (iii)	76,932	(76,932)	–	–
Cancelled during the year (iii)	–	–	–	(2,340,000)
At 31 December 2011	1,000,989	94,847	–	–

	Ordinary shares of £0.001 each £	*'A' Ordinary shares of £0.0001 each* £	*Preference shares of £1 each* £	*Deferred shares of £1 each* £	*Total equity* £
At 1 August 2008	210	–	–	–	210
Issued during the year (i)	6	–	–	–	6
At 31 July 2009	216	–	–	–	216
Issued during the period (ii)	174	–	2,340,000	–	2,340,174
At 31 July 2010 and 31 December 2010	390	–	2,340,000	–	2,340,390
Issued during the year (iii)	534	17	–	–	551
Reclassified during the year (iii)	–	–	(2,340,000)	2,340,000	–
Converted during the year (iii)	77	(8)	–	–	69
Cancelled during the year (iii)	–	–	–	(2,340,000)	(2,340,000)
At 31 December 2011	1,001	9	–	–	1,010

(i) On 7 April 2009 Retroscreen Virology allotted and issued 6,291 Ordinary Shares at a price of £1 per share.

(ii) During the year ended 31 July 2010 Retroscreen Virology allotted and issued the following shares:

- On 14 September 2009 16,000 Ordinary Shares at a price of £1.25 per share;
- On 8 October 2009 145,658 Ordinary Shares at a price of £1.785 per share;
- On 8 October 2009, half of the convertible loan (£150k), plus accrued interest, was converted into 12,670 shares at a price of £12.495 per share.

The aggregate consideration received was £438,312. Transaction costs amounting to £135,937 were deducted from the consideration and accounted for as a deduction from share premium.

- On 8 October 2009 Retroscreen Virology allotted and issued 2,340,000 preference shares of £1 each at par. The redeemable preference shares may be redeemed only on the sale of Retroscreen Virology. On a winding up they rank ahead only of the ordinary shares and will be repaid at par.

(iii) During the year ended 31 December 2011 Retroscreen Virology allotted and issued the following shares:

- On 18 February 2011, the holders of the aggregate of 2,340,000 redeemable Preference Shares of £1 each (being the entire Preference Share capital at that time) consented to such shares being reclassified as Deferred Shares of £1 each;
- On 18 February 2011, Retroscreen Virology issued 180,979 Ordinary Shares of £0.001 each at a subscription price of £1.63 per share and 171,779 A Ordinary Shares of £0.0001 each at a subscription price of £1.63 per share (and aggregate subscription of £574,996, of which £574,798 has been recognised in the share premium).
- On 25 February 2011 Retroscreen Virology converted 76,932 A Ordinary Shares of £0.0001 each into 76,932 Ordinary Shares of £0.001 each, all at £1.63 per share. The appropriate amendments were made to the share premium account on the difference between the nominal values of Ordinary and A Ordinary Shares.
- On 12 May 2011, Retroscreen Virology issued 352,759 Ordinary Shares of £0.001 at a subscription price of £1.63 per share (an aggregate subscription of £574,997 of which £574,644 has been recognised in share premium). Furthermore, the aggregate of the 2,340,000 deferred

shares of £1 each were transferred to Retroscreen Virology for nil consideration and subsequently cancelled.

Following the reporting date, the following movement in share capital and reserves occurred:

- On 14 February 2012, Retroscreen Virology issued 6,135 Ordinary Shares of £0.001 each at a subscription price of £1.63 per share (an aggregate subscription of £10,000, of which £9,994 has been recognised in the share premium).

Share rights

Income

Any profits which Retroscreen Virology determines to distribute in respect of any financial year shall be distributed amongst the Ordinary Shareholders and the A Ordinary Shareholders *pro rata* according to the respective numbers of Ordinary Shares and A Ordinary Shares held by each of them as if the Ordinary Shares and A Ordinary Shares constituted one and the same class.

The Deferred Shares carry no right to participate in the profits of Retroscreen Virology.

Capital

In the event of (i) an asset sale or (ii) upon a return of assets on a liquidation, reduction of capital or otherwise, the surplus assets of Retroscreen Virology remaining after payment of its liabilities will be distributed amongst the various classes of share in the following manner:

(a) First in paying to the Ordinary Shareholders and the A Ordinary Shareholders a sum equal to any arrears or accruals of the dividends on the Ordinary Shares and A Ordinary Shares calculated down to the date of return of capital;

(b) Second, up to an amount of £5,000,000,000 (five billion pounds) amongst the holders of the Ordinary Shares and the A Ordinary Shares *pro rata* according to the respective number of Ordinary Shares and A Ordinary Shares held by each of them as if the Ordinary Shares and the A Ordinary Shares constituted one and the same class; and

(c) Finally to the extent the Proceeds exceed £5,000,000,000 (five billion pounds) (but not otherwise) in paying to the holder of each Deferred Share the sum of 1 penny for each share.

In the event of a share sale, all the proceeds shall be distributed between holders of the Ordinary Shares, the A Ordinary Shares and the Deferred Shares on the same basis as described above.

Conversion of A Ordinary Shares

A Ordinary Shares will automatically convert into an equal number of Ordinary Shares upon the occurrence of either:

(a) An A Ordinary Shareholder giving at least 3 Business Days' written notice of conversion to Retroscreen Virology, stating the number of A shares it wishes to convert; or

(b) An asset sale, share sale or listing taking place.

Immediately upon any such conversion there shall automatically be applied, by way of capitalisation, a relevant amount standing to the credit of any of Retroscreen Virology's reserves (including share premium) in paying up the relevant difference in nominal value between each A Ordinary Share so converted and the Ordinary Share into which it is converted. Automatic conversion (as noted above) shall not take place in respect of any A Ordinary Shares held by an A Ordinary Shareholder to the extent that following a conversion, such A Ordinary Shareholder would hold such number of Ordinary Shares as, when taken together with all the other Ordinary Shares held by persons with whom they are connected, would constitute a majority or controlling interest.

Voting

Every Ordinary Shareholder has the right to receive notice of and attend and vote at any general meeting of Retroscreen Virology.

A Ordinary Shareholders still have the right to receive notice of and attend any general meeting of Retroscreen Virology, although the A Ordinary Shares carry no right to vote, either at any general meeting of Retroscreen Virology or on any written resolution of the members. The Deferred Shares carry no right to vote and the holders of the Deferred Shares shall not be entitled to receive notice of or to attend and vote at any general meeting of Retroscreen Virology.

20. Share based payments

Retroscreen Virology Limited Company EMI Share Option Plan

Retroscreen Virology has a share option plan under which it grants options over Ordinary shares to certain Directors and employees of Retroscreen Virology. Options are exercisable at a price equal to the market price of Retroscreen Virology's shares on the date of the grant. The vesting period for shares is usually 3 years. The options are settled in equity once exercised. If the options remain unexercised for a period after 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves Retroscreen Virology before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the period are as follows:

	Year ended 31 July 2009		*Year ended 31 July 2010*		*Period ended 31 December 2010*		*Year ended 31 December 2011*	
	No.	*WAEP*	*No.*	*WAEP*	*No.*	*WAEP*	*No.*	*WAEP*
		£		£		£		£
Outstanding at the beginning of the period	18,377	10.00	30,297	2.51	55,082	1.46	55,078	1.46
Granted during the period	25,207	1.00	28,375	1.25	–	–	156,805	1.63
Exercised during the period	–	–	(3,090)	10.00	–	–	–	–
Expired during the period	(13,287)	10.00	(500)	1.00	(4)	1.00	(18,500)	2.09
Outstanding at the end of the period	30,297	2.51	55,082	1.46	55,078	1.46	193,383	1.54
Exercisable at year/period end	20,293	6.96	17,703	2.02	20,370	1.92	24,495	1.01

The options outstanding at 31 December 2011 had a weighted average exercise price of £1.54 and a weighted average remaining contractual life of 4 – 8.8 years.

The fair values were calculated using the Black Scholes pricing model. The inputs into the model were as follows:

	At 31 July 2009	*At 31 July 2010*	*At 31 December 2011*	*At 31 December 2011*
Expected life of options – years	6.00	6.00	6.00	6.00
Weighted average exercise price – £	2.51	1.46	1.46	1.63
Weighted average share price at grant date – £	2.39	1.38	1.38	0.30
Expected volatility – %	22.00	22.00	22.00	22.00
Risk free rate – %	3.47	1.18	1.18	1.18

Retroscreen Virology uses historical data to estimate option exercise and employee retention within the valuation model. Expected volatilities are based upon implied volatilities as determined by a simple average of a sample of listed companies based in similar sectors. The risk free rate for the period within the contractual life of the option is based on the UK gilt yield curve at the time of the grant.

Retroscreen Virology recognised a charge of £3,581 (31 Dec 2010: credit £28,674, 31 July 2010: charge £14,479, 31 July 2009: charge £43,627) related to equity-settled share-based payment transactions during the

year. Of this total all related to employees including Executive Directors. The majority of the options in existence have no performance criteria.

21. Pensions

Retroscreen Virology operates a defined contribution pension scheme whose assets are held separately from those of Retroscreen Virology in an independently administered fund. The pension charge represents contributions payable by Retroscreen Virology and amounted to £78,800, (Dec 2010: £28,081, July 2010: £39,814, 2009: £106,000). Contributions totalling £28,654 (Dec 2010: £1,069, July 2010: £2,020, 2009: £93,733) were payable to the fund at the period end and are included within current liabilities

22. Ultimate controlling party

In the opinion of the Directors there is no single controlling party.

23. Related party transactions

Remuneration of key personnel

The remuneration of the Directors, who are the key Management personnel of Retroscreen Virology, is shown below:

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*Period ended 31 December 2010* £	*Year ended 31 December 2011* £
Executive Directors – aggregate				
Short-term employee benefits and fees	213,212	201,405	106,490	212,844
Post employment benefits	–	–	–	10,267
Share-based compensation charge	2,050	1,518	898	376
	215,262	202,923	107,388	223,487
Non-executive Directors – aggregate				
Short-term employee benefits and fees	–	39,261	51,877	–
Payments to third parties	117,191	144,274	62,567	39,817
Total short-term employee benefits and fees	117,191	183,535	114,444	39,817
Total Directors' remuneration	332,453	386,458	221,832	263,304

Remuneration and benefits paid to the highest paid Director totalled £123,532 (31 Dec 2010: £56,565, 31 July 2010 £121,303, 31 July 2009 £117,191).

Amounts outstanding to key personnel

As at 31 December 2011, £8,661 (31 Dec 2010: £8,167, 31 July 2010: £nil, 31 July 2009: £841) was due to Directors of Retroscreen Virology in relation to reimbursement of expenses arising in the ordinary course of business and £10,267 (31 Dec 2010: £nil, 31 July 2010: £nil, 31 July 2009: £12,000) in relation to employer pensions contributions.

Transactions with Retroscreen Virology's shareholders

Retroscreen Virology has entered into a number of arrangements with QMUL and QMB.

Retroscreen Virology commenced a five year lease at £645,474 p.a. with QMB at the Queen Mary BioEnterprises Innovation Centre on 18 February 2011. The lease includes a break clause which can be operated after three years subject to six months notice. Retroscreen Virology is currently in discussions with QMB regarding additional longer-term premises space for its significant expansion, however, in the interim it has taken out a number of leases for units at the QMB Innovation Centre. These leases are for twelve months, but from six months can be terminated by giving one month's notice.

Under an agreement dated 18 February 2011, outstanding invoices totalling £250,000 that were due to QMUL and QMB were converted into a long term loan. This loan is repayable on a payment schedule to be agreed between Retroscreen Virology and the parties when Retroscreen Virology's financial situation becomes more established. Interest is accruing at a commercial rate.

Under an agreement dated 18 February 2011, Professor John Oxford is seconded by QMUL to Retroscreen Virology as Scientific Director.

The amounts paid to shareholders in each period (including VAT) were as follows:

	Year ended 31 July 2009 £	*Year ended 31 July 2010* £	*Period ended 31 December 2010* £	*Year ended 31 December 2011* £
QMUL & QMB				
Rent	–	–	–	322,737
Loan repayment & accrued interest	–	155,316	–	29,355
Director salary recharged	50,419	118,352	54,414	–
Laboratory facility usage and expenses recharged	140,899	230,781	112,642	27,603
	191,318	504,449	167,056	379,695
IP2IPO Limited				
Non-Executive Director fees	–	21,564	7,344	–
Recruitment services and expenses recharged	–	37,535	10,523	–
	–	59,099	17,867	–
Aquarius Equity Partners				
Non-Executive Director fees	–	23,765	7,344	–

The balances outstanding to shareholders at the end of the period are as follows:

	31 July 2009 £	*31 July 2010* £	*31 December 2010* £	*31 December 2011* £
QMUL & QMB				
Loans	150,000	–	–	258,657
Invoices outstanding: Rent	–	–	–	129,095
Invoices outstanding: Director salary recharged	24,029	30,848	30,919	–
Invoices outstanding: Laboratory facility usage and expenses recharged	50,339	70,111	132,688	8,385
	224,368	100,959	163,607	396,137
IP2IPO Limited				
Loans	50,000	–	–	–
Invoices outstanding: Non-Executive Directors fees	–	7,344	–	–
Invoices outstanding: Recruitment services and expenses recharged	–	12,310	9,554	6,018
	50,000	19,654	9,554	6,018

24. Operating lease arrangements

At the statement of financial position date, Retroscreen Virology had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	At 31 July 2009 £	*At 31 July 2010* £	*At 31 December 2010* £	*At 31 December 2011* £
Operating leases which expire:				
Within one year	265,678	265,678	160,475	680,262
In the second to fifth years inclusive	–	–	–	1,379,316
	265,678	265,678	160,475	2,059,578

Retroscreen Virology commenced a five year lease with QMB at the Queen Mary Biosciences Innovation Centre on 18 February 2011, with provision for break after three years subject to six months notice.

The above table reflects the committed cash payments under operating leases, rather than the expected charge to the statement of comprehensive income in the relevant periods. The effect on the profit or loss will differ to the above figures to the extent of the amortisation of the rent-free period included on the five year lease with QMB. The total charge in 2012 on the operating leases is expected to be £572,683 and the cumulative expense in each of the second to fifth years is expected to be £1,149,430.

25. Subsequent events

On 20 April 2012 Retroscreen Virology Group Limited acquired Retroscreen Virology Limited via a share-for-share exchange transaction and the shareholders of Retroscreeen Virology Limited became shareholders, in the same percentages, of Retroscreen Virology Group Limited and Retroscreen Virology Limited a 100 per cent subsidiary of Retroscreen Virology Group Limited. Immediately prior to the transaction the A Ordinary Shares were converted to Ordinary Shares.

On 19 April 2012, Retroscreen Virology Group Limited submitted AIM Schedule 1 ("10 day") announcement to the London Stock Exchange.

There have been no other substantial events since the year ended 31 December 2011 that require disclosure.

26. First-time adoption of IFRS

The IFRS accounting policies presented in note 1 have been applied in preparing the Financial Information.

Retroscreen Virology has applied IFRS 1 First-time Adoption of International Financial Reporting Standards (Revised 2008) in preparing this Financial Information. There were no differences in total equity, loss after tax or cash flows and as such no reconciliation of the financial statement components from UK GAAP to IFRS as a result of the transition to IFRS is included. Retroscreen Virology has used estimates under IFRS that are consistent with those applied under UK GAAP unless there is objective evidence those estimates were in error.

Certain presentation differences between UK GAAP and IFRS have no impact on reported profit or total equity. Some line items are described differently (renamed) under IFRS compared with previous UK GAAP, although the assets and liabilities included in those line items are unaffected.

Retroscreen Virology has applied IAS 36 in determining whether any impairment losses arose at the date of transition to IFRS. No impairment losses (or reversals) were identified. The estimates used for this analysis were consistent with the estimates used under UK GAAP at the same date.

SECTION B: ACCOUNTANTS' REPORT ON RETROSCREEN VIROLOGY LIMITED

The following is the full text of a report on Retroscreen Virology Limited from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Retroscreen Virology Group plc.

3 Hardman Street
Manchester
M3 3HF
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The Directors
Retroscreen Virology Group plc
Queen Mary BioEnterprises
Innovation Centre
42 New Road
London
E1 2AX

30 April 2012

Dear Sirs

RETROSCREEN VIROLOGY LIMITED

We report on the financial information set out in Part III, Section A. This financial information has been prepared for inclusion in the Admission Document dated 30 April 2012 ("Admission Document") of Retroscreen Virology Group plc ("the Company") on the basis of the accounting policies set out in notes 1 and 2.

This report is made solely for the purposes of paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if it had been applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

As described in section A of Part III the Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates

and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Retroscreen Virology Limited as at the dates stated and of its losses, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP
Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London, EC4A 4AB

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

1.1 The Company (whose registered office appears on page 4) and the Directors (whose names appear on page 4) accept responsibility individually and collectively for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The business address of each Director and their respective functions are set out on page 4.

2. THE GROUP

2.1 The Company was incorporated in England and Wales under the Act on 27 March 2012 as a private company limited by shares with registered number 08008725. On 3 April 2012 the Company changed its name to Retroscreen Virology Group Limited.

2.2 On 25 April 2012 the Company was re-registered as a public limited company under the Act and its name was changed to Retroscreen Virology Group plc.

2.3 The liability of the Shareholders is limited. The principal legislation under which the Company was formed and now operates is the Act.

2.4 The registered office and head office of the Company is Second Floor, QMB Innovation Centre, 42 New Road, London E1 2AX and its telephone number is +44 (0) 20 7756 1300.

2.5 The Company's web site address is www.retroscreen.com.

2.6 The Company is the holding company of the following subsidiaries:

Company Name	*Place of Incorporation*	*Percentage of issued share capital or interest held (%)*	*Principal Activity*
Retroscreen Virology Limited	England and Wales	100	Medical and scientific research
Retroscreen Virology Services Limited	England and Wales	100	Dormant

3. SHARE CAPITAL OF THE COMPANY

3.1 There have been the following changes to the share capital of the Company between the date of incorporation and the date of this document:

3.1.1 on incorporation one ordinary share of £1.00 was subscribed for nil paid and on 3 April 2012 that share was transferred to Mr. Graham Yeatman;

3.1.2 on 20 April 2012 the Company issued 1,101,970 ordinary shares of £1.00 each to the shareholders of Retroscreen Virology and credited the one ordinary share held by Mr. Graham Yeatman as being fully paid in consideration for the transfer of the entire issued share capital of Retroscreen Virology to the Company pursuant to the Share Exchange Agreement summarised at paragraph 10.4 of this Part IV; and

3.1.3 by a resolution dated 25 April 2012 each of the issued ordinary shares of £1.00 were subdivided into 20 ordinary shares of 5 pence each.

3.2 The issued ordinary share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

	Prior to Placing and Admission		*Immediately following Placing and Admission*	
	Number of Ordinary Shares	*Nominal Value (£)*	*Number of Ordinary Shares*	*Nominal Value (£)*
Fully paid Ordinary Shares in issue	22,039,420	1,101,971	40,976,920	2,048,846

3.3 As at the date of this document Options are outstanding over a total of 3,867,660 Ordinary Shares at exercise prices of between £0.05 and £0.09 and Warrants are outstanding over a total of 204,885 Ordinary Shares (representing 0.5 per cent. of the Enlarged Share Capital). The number of Ordinary Shares subject to such outstanding Options and Warrants will remain the same immediately following the Placing and Admission.

3.4 On 6 April 2012 the Shareholders passed resolutions on the following terms:

3.4.1 the Directors were generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount of £1,101,970 in connection with the Share Exchange Agreement;

3.4.2 the Directors were given power pursuant to sections 570(1) and 573 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority granted by paragraph 3.4.1 above as if section 561 of the Act did not apply to any such allotment; and

3.4.3 the Company adopted new articles of association in substitution for and to the exclusion of all existing articles of association of the Company.

3.5 On 25 April 2012 the Shareholders passed resolutions on the following terms:

3.5.1 subdividing each of the issued shares of £1.00 each in the capital of the Company into 20 ordinary shares of £0.05 each with the same rights and subject to the same restrictions as the existing ordinary shares of £1.00 each in the capital of the Company;

3.5.2 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to allot shares:

(a) up to an aggregate nominal amount of £802,860 in connection with the Placing, expiring (unless previously renewed, revoked, varied or extended) on 31 May 2012; and

(b) otherwise than pursuant to sub-paragraph (a) above, up to a maximum aggregate nominal amount of £567,325, expiring on the earlier of (a) the conclusion of the next annual general meeting of the Company and (b) the date which is 15 months from the date of the resolution;

3.5.3 the Directors were given the power to allot equity securities (as defined by section 560 of the Act) of the Company pursuant to the authorities granted by paragraph 3.5.2(a) as if section 561 of the Act did not apply to any such allotment, such power being limited to:

(a) the allotment of up to 12,000,000 new Ordinary Shares in connection with the Placing;

(b) the grant of rights to subscribe for, or to convert securities into, Ordinary Shares in connection with the issue of the Warrants; and

(c) the grant of rights to subscribe for, or to convert securities into, up to 3,867,660 Ordinary Shares in connection with the issue of the Options,

and expiring (unless previously renewed, revoked, varied or extended) on 31 May 2012;

3.5.4 the Directors were given the power to allot equity securities (as defined by section 560 of the Act) of the Company in addition to the authority granted by paragraph 3.5.3 above and pursuant to the authorities granted by paragraph 3.5.2(b) as if section 561 of the Act did not apply to any such allotment, such power being limited to:

(a) the allotment of equity securities for cash where such securities have been offered (whether by way of rights issue, open offer or otherwise) to the holders of equity securities and other persons entitled to participate therein in proportion (as nearly as may be) to their holdings of equity securities subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the law or the requirements of any recognised body of, or stock exchange in, any territory; and

(b) the allotment (otherwise than pursuant to the powers referred to in paragraph (a) above) of equity securities up to an aggregate nominal value of £170,200,

and expiring (unless previously renewed, revoked, varied or extended) on the earlier of (a) the conclusion of the next annual general meeting of the Company and (b) the date which is 15 months from the date of the resolution;

3.5.5 the Company adopted new articles of association in substitution for and to the exclusion of all existing articles of association of the Company,

3.6 On 26 April 2012 the Shareholders passed resolutions on the following terms:

3.6.1 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to allot shares up to an aggregate nominal amount of £340,000, expiring (unless previously renewed, revoked, varied or extended) on 31 May 2012; and

3.6.2 the Directors were given the power to allot equity securities (as defined by section 560 of the Act) of the Company pursuant to the authority granted by paragraph 3.5.1 as if section 561 of the Act did not apply to any such allotment, such power being limited to allotment of up to 6,800,000 new Ordinary Shares in connection with the Placing, expiring (unless previously renewed, revoked, varied or extended) on 31 May 2012.

3.7 Save as disclosed in this Part IV, since 27 March 2012 (being the date of incorporation of the Company):

3.7.1 no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

3.7.2 no share or loan capital of the Company or of the Group has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;

3.7.3 no person has any preferential subscription rights for any share capital of the Company;

3.7.4 no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;

3.7.5 the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;

3.7.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

3.7.7 there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

3.8 The Ordinary Shares have been created under the Act.

3.9 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.

3.10 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.11 Save for the Options and the Warrants, the Company does not have in issue any securities not representing share capital.

3.12 There are no issued but not fully paid Ordinary Shares.

3.13 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.

3.14 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.

3.15 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

4. ARTICLES

The Articles of the Company include provisions to the following effect:

4.1 ***Objects***

The Articles contain no restriction on the objects of the Company.

4.2 ***Capital structure***

The share capital of the Company is represented by an unlimited number of Ordinary Shares having the rights described in the Articles. Under the Articles, the Directors are given authority to effect the issue of further shares of the same class and to create new classes of shares, and have discretion to accept or reject an application for shares.

4.3 ***Variation of class rights***

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of the shares in issue may from time to time be varied or abrogated, whether or not the Company is being wound up, with the sanction of a special resolution passed at a separate meeting of holders of the issued shares of the class held in accordance with the Articles (but not otherwise).

The special rights conferred on the holders of any shares or class of shares shall, unless otherwise provided by the Articles or the terms of issue of the shares concerned, be deemed to be varied by a reduction of capital paid up on those shares but shall be deemed not to be varied by the creation or issue of further shares ranking *pari passu* with them or subsequent to them. The rights conferred on the holders of shares shall be deemed not to be varied by the creation or issue of any further shares ranking in priority to them nor shall any consent or sanction of the holders of Ordinary Shares be required to any variation or abrogation effected by a resolution on which only the holders of Ordinary Shares are entitled to vote.

4.4 ***Alteration of Share Capital***

The Company may, from time to time, by ordinary resolution:

(a) increase its share capital;

(b) consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares;

(c) cancel or reduce the nominal value of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or the amount of the reduction; and

(d) subject to the Act, sub-divide its shares, or any of them, into shares of a smaller amount, and as between the holders of the shares resulting from the sub-division, any of them may have any preference or advantage or deferred rights or be subject to any restrictions as compared with the others.

4.5 ***Purchase of own shares***

Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) and any shares to be so purchased may (subject to any resolution of the Company in general meeting) be selected by the Board in any manner.

4.6 ***Reduction of capital***

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve.

4.7 ***Issue of Ordinary Shares***

Subject to the provisions of the Articles, unissued Ordinary Shares shall be at the disposal of the Board which may allot, grant options over (including, without limitation, by way of granting stock appreciation rights or other similar rights) or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that the amount payable on application on each share shall be fixed by the Board.

4.8 ***Voting rights***

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for every Ordinary Share of which he is the holder.

4.9 ***Dividends***

Subject to the Act and as set out in the Articles, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend may be paid otherwise than in accordance with the Act. The Board may at any time declare and pay such interim dividends as appears to be justified by the position of the Company.

Except as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but (for the purposes of this Article only) no amount paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Any dividend or other moneys payable in respect of a share may be paid:

(a) in cash;

(b) by cheque or warrant sent by post to the address in the Register of the person entitled to the moneys or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder or otherwise by operation of law, to the address in the Register of that one of those persons who is first named in the Register in respect of the

joint holding or to such person and to such address as the person or persons entitled to the moneys may in writing direct. Every such cheque or warrant shall be made payable to the person or persons entitled to the moneys or to such other person as the person or persons so entitled may in writing direct and shall be sent at the risk of the person or persons so entitled. Any such cheque or warrant may be crossed "account payee" although the Company shall not be obliged to do so;

(c) by bank transfer to such account (of a type approved by the Board) as the person or persons entitled to the moneys may in writing direct; or

(d) by such other method of payment approved by the Board as the person or persons entitled to the moneys may in writing agree to.

4.10 ***Redemption***

The Ordinary Shares do not carry a right to redemption by Shareholders.

4.11 ***Form and transfer of shares***

The Board may issue shares as certificated or uncertificated shares, subject to any restrictions on transfers described below:

A share held in certificated form may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the Register as its holder.

The Board may, in the case of shares held in certificated form, in its absolute discretion refuse to register the transfer of a share which is not fully paid provided that, where any such shares are admitted to the Official List of the UKLA or admitted to trading on AIM (as the case may be), such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may also refuse to register a transfer of shares held in certificated form unless the instrument of transfer is:

(a) duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty, lodged at the Transfer Office or at such other place as the Board may appoint and (save in the case of a transfer by a person to whom no certificate was issued in respect of the shares in question) accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do;

(b) in respect of only one class of shares; and

(c) in favour of not more than four transferees.

If the Board refuses to register a transfer of shares held in certificated form, it shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal together with its reasons for the refusal.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share or for making any entry in the Register affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but (except in the case of fraud) any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

For all purposes of these Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his interest; but nothing contained in these Articles shall release the estate of a deceased member from any liability in respect of any share which had been held (whether solely or jointly) by him.

4.12 ***Directors***

Unless otherwise determined by the Board, the number of Directors shall be not less than two.

The Directors may be paid all travelling, hotel and other expenses as they may incur in connection with their attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director employee or former employee who has held but no longer holds any office or employment with the Company or with any body corporate which is or has been a subsidiary undertaking or a predecessor in business of the Company or of any subsidiary undertaking, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit. The power conferred by the Act to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiaries, in connection with the cessation or the transfer to any person of the whole or party of the undertaking of the Company or any subsidiary shall be exercised by the Board.

4.13 ***Directors' interests***

A Director who to his knowledge is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature of his interest at a meeting of the Board.

A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is, to his knowledge, a material interest (otherwise than by his interest in Ordinary Shares or debentures or other securities of or otherwise in or through the Company). This is subject to certain exceptions including (i) where the contract, arrangements, transaction or proposal concerns general employee privileges or insurance policies for the benefit of Directors or (ii) in circumstances where a Director acts in a personal capacity in the giving of a guarantee, security or indemnity for the benefit of the Company or any of its subsidiary undertakings.

Any Director may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director may continue to be or become a director, managing director, manager or other officer, employee or shareholder of any company in which the Company may be interested, which may be promoted by the Company or with which the Company has entered into any transaction, arrangement or agreement and no such Director shall be accountable to the Company for any remuneration or other benefits received thereby.

4.14 ***Disclosures of beneficial interests in shares***

Subject to the provisions of the Act, and provided that he has disclosed to the Board the nature and extent of any interest of his in accordance with Articles 122 and 123, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested.

4.15 ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow money and to give guarantees, hypothecate, mortgage, charge or pledge the assets, property and undertaking of the Company or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.16 ***Annual General Meetings and General Meetings***

An annual general meeting shall be held at such time and place as the Board may determine. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith convene a general meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a general meeting. If there is no Director able to act, any two members may call a general meeting for the purpose of appointing Directors.

A general meeting and a meeting called for the passing of a special resolution shall be called by at least 21 days' clear notice in writing. A Meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by not less than 14 days' clear notice. The notice shall specify the place, the day and the time of the meeting and, in the case of special business, the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution. Every member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

The accidental omission to give notice of a meeting, or to send an instrument of proxy or invitation to appoint a proxy as provided by these Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or instrument of proxy or invitation to appoint a proxy by such a person, shall not invalidate the proceedings at that meeting.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

4.17 ***Annual Report and Financial Statements***

Save as provided in the Articles, a copy of the annual accounts of the Company together with a copy of the Auditors' report and the Directors' report and any other documents required to accompany or to be annexed to them shall, not less than 21 clear days before the date of the general meeting at which copies of those documents are to be laid, be sent to every member and to every debenture holder of the Company and to every other person who is entitled to receive notices from the Company of general meetings.

Copies of the documents referred to in the Articles need not be sent:

(a) to a person who is not entitled to receive notices of general meetings and of whose address the Company is unaware; or

(b) to more than one of the joint holders of shares or debentures in respect of those shares or debentures,

provided that any member or debenture holder to whom a copy of such documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

The Company may send a summary financial statement to any of the persons otherwise entitled to be sent copies of the documents referred to in the Articles instead of or in addition to those documents and, where it does so, the statement shall be delivered or sent to such person not less than 21 clear days before the general meeting at which copies of those documents are to be laid.

4.18 ***Winding up***

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

4.19 ***Untraceable shareholders***

The Company shall be entitled to sell at the best price reasonably obtainable any member's shares or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if:

(a) for a period of twelve years, no cash dividend payable in respect of the shares has been claimed, no cheque or warrant sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the Register or (if different) the last known address given by the member or the person so entitled to which cheques and warrants are to be sent has been paid, each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends or other moneys in respect of shares has failed and no communication has been received by the Company from the member or the person so entitled (in his capacity as member or person entitled);

(b) in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares;

(c) the Company has at the expiration of the said period of twelve years by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in the Articles is located given notice of its intention to sell such shares; and

(d) during the period of three months following the publication of the said advertisements the Company has received no communication in respect of such share from such member or person entitled.

If at any time during or after the said period of twelve years further shares have been issued in right of those held at the commencement of that period or of any issued in right during that period and, since the date of issue, the requirements of the Articles have been satisfied in respect of such further shares, the Company may also sell the further shares.

To give effect to a sale pursuant to the preceding Article the Board may authorise any person to execute an instrument of transfer or otherwise effect the transfer of the shares to be sold. If the shares concerned are in uncertificated form, in accordance with the Regulations, the Company may issue a written notification to the Operator requiring conversion of the shares into certificated form. The purchaser shall not be bound to see to the application of the purchase moneys and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale. The net proceeds of sale shall belong to the Company which shall be obliged to account to the former member or other person previously entitled to the shares for an amount equal to the net proceeds, which shall be a debt of the Company, and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount. No trust shall be created and no interest shall be payable in respect of the debt, and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the

Company or invested in such investments for the benefit of the Company as the Board may from time to time determine.

The provisions of the Articles applying to the Ordinary Shares will apply to the New Ordinary Shares following their creation to the same extent.

5. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE ORDINARY SHARES

5.1 ***Mandatory bid***

5.1.1 The Takeover Code applies to the Company for so long as its central management and control remain in the UK. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.1.2 This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

5.2 ***Squeeze-out***

5.2.1 Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders.

5.2.2 The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

5.3 ***Sell-out***

5.3.1 The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising.

5.3.2 The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. DISCLOSURE OF INTERESTS

6.1 ***Directors' and other interests***

6.1.1 As at the date of this document and following Admission, the interests of the Directors (including persons connected with the Directors within the meaning of section 252 of the Act)

in the issued share capital of the Company excluding any Options and the Warrants in respect of such capital (details of which are set out at paragraph 6.1.2 of this Part IV) are as follows:

	At the date of this document		*Immediately following Placing and Admission*	
Director	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
David Norwood	3,094,520	14.0%	3,219,520	7.9%
Kym Denny	122,680	0.6%	347,680	0.8%
Graham Yeatman	122,700	0.6%	185,200	0.5%
Professor John Oxford	1,285,760	5.8%	1,285,760	3.1%
Duncan Peyton[1]	–	–	–	–
Charles Winward	66,080	0.3%	66,080	0.2%

Note:

1 Duncan Peyton is a participant in the Northern Entrepreneurs Fund Co-Investment LLP, which owns 224,100 Ordinary Shares, equivalent to approximately 1.0 per cent. of the Existing Ordinary Shares. Such Ordinary Shares are to be sold pursuant to the Placing Agreement.

6.1.2 As at the date of this document and following Admission, the following Options have been granted to the Directors:

Director	*Date of Grant*	*Option Shares*	*Expiry of Option*	*Exercise Price (£)*
Kym Denny	13.01.10	145,540	12.01.20	0.07
Kym Denny	23.12.11	1,366,320	22.12.21	0.09
Graham Yeatman	23.12.11	644,600	22.12.21	0.09

The options originally granted to the Directors by Retroscreen Virology were exchanged for the Options on 26 April 2012 on the same terms.

6.1.3 Save as disclosed in this paragraph 6, none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the Act, has any interest in the issued share capital of the Company or its subsidiaries.

6.1.4 Save as disclosed in this paragraph 6 as at the date of this document, no Director has any option over or warrant to subscribe for any shares in the Company.

6.1.5 Save for the Placing Agreement referred to in paragraph 10.1 of Part IV of this document or the service agreements and letters of appointment referred to in paragraph 7.1 of Part IV of this document or the lock-in agreements referred to in paragraph 10.2 of Part IV of this document, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent directors, shareholders or recent shareholders of the Company connected with or dependent upon Admission or the Placing.

6.1.6 No Director nor any member of their family holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.

6.2 ***Major Shareholders***

6.2.1 In addition to those disclosed at paragraph 6.1.1 above, the Company is aware of the following persons who, at 30 April 2012 (being the latest practicable date before publication of this document) and following completion of Admission, have interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

	At the date of this document		*Immediately following Placing and Admission*	
Shareholder	*Number of Ordinary Shares*	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
IP Group[1]	10,598,420	48.1%	13,098,420	32.0%
Queen Mary and Westfield College, University of London	1,840,480	8.4%	1,840,480	4.5%
The Northern Entrepreneurs Fund LLP	2,755,880	12.5%	–	–
Ali Mortazavi	981,600	4.5%	981,600	2.4%

Note:

1 Comprised of IP2IPO Limited and IP Venture Fund.

6.2.2 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

6.3 Neither the Directors nor any substantial Shareholders have different voting rights to other holders of the share capital of the Company.

7. DIRECTORS' SERVICE AGREEMENTS AND TERMS OF APPOINTMENT

7.1 Summary details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

7.1.1 Kym Denny (*Chief Executive Officer*) entered into a service agreement with the Company on 26 April 2012. Ms. Denny's continuous employment date is 28 September 2009. Her appointment is terminable on 6 months' notice by either party.

Ms. Denny's salary is £110,000 per annum. The agreement also provides for a £12,000 travel allowance per annum and for pension contributions by the Company at nine per cent. of monthly salary. Ms. Denny is entitled to participate in the Company's bonus scheme which the Company plans to implement in the 2012 financial year.

7.1.2 Graham Yeatman (*Finance Director*) entered into a service agreement with Retroscreen Virology on 20 February 2012. He was appointed a director of the Company on 3 April 2012. Mr. Yeatman's continuous employment date is 3 May 2011. His appointment is terminable on 3 months' notice by either party.

Mr. Yeatman's salary is £110,000 per annum. The agreement also provides for a £12,000 travel allowance per annum and for pension contributions by the Company at nine per cent. of monthly salary. Mr. Yeatman is entitled to participate in the bonus scheme which the Company plans to implement in the 2012 financial year.

7.1.3 David Norwood (*Non-Executive Chairman*) entered into a letter of appointment with the Company on 26 April 2012. The appointment is terminable on 3 months' notice by either party. The annual fee payable is £12,000.

7.1.4 Charles Winward (*Non-Executive Director*) entered into a letter of appointment with the Company on 27 April 2012. The appointment is terminable on 3 months' notice by either party. The annual fee payable is £10,000.

7.1.5 Duncan Peyton (*Non-Executive Director*) entered into a letter of appointment with the Company on 26 April 2012. The appointment is terminable on 3 months' notice by either party. The annual fee payable is £10,000.

7.1.6 Professor John Oxford (*Non-Executive Director*) entered into a letter of appointment with the Company on 27 April 2012. The appointment is terminable on three months' notice by either party. There is no annual fee payable in relation to this appointment. Professor Oxford also provides services to Retroscreen Virology pursuant to a secondment agreement between Retroscreen Virology and Queen Mary, University of London. Queen Mary levies a charge on Retroscreen Virology of £40,000 per annum which covers Professor Oxford's salary, employer's pension contributions and NI contributions.

7.2 Save as set out above there are no contracts providing for benefits upon termination of employment of any Director.

8. ADDITIONAL INFORMATION ON THE DIRECTORS

8.1 The Directors currently hold (other than the Company) the following Directorships and are partners in the following partnerships and have held the following Directorships and have been partners in the following partnerships within the five years prior to the publication of this document:

Name	*Current Directorships/Partnerships*	*Former Directorships/Partnerships*
David Norwood	Oxford Pharmascience Group Plc Retroscreen Virology Limited	Alexander Mining Plc Amaethon Limited Beeson Gregory Group Limited Beeson Gregory Index Nominees Limited Beeson Gregory Technology Investments Limited Climatelabs Ltd EM Petroleum Plc Evolution Securities Limited Evolution Securities Nominees Limited Green Chemicals Plc Hatt III General Partner Limited Ilika Technologies Limited Invesco Perpetual Aim VCT Plc IP Group plc IP2IPO Limited IP2IPO Management Limited IP2IPO Management II Limited IP2IPO Services Limited IP Ventures (Scotland) Limited IP Venture Fund (GP) Limited Kanyon Plc Modern Biosciences Plc Obtala Resources Limited Offshore Hydrocarbon Mapping Plc Ora Capital Partners Plc Oxeco Plc Oxford Nanopore Technologies Limited Solar Labs Plc Southampton Asset Management Limited

Name	*Current Directorships/Partnerships*	*Former Directorships/Partnerships*
David Norwood *(continued)*		Summit (Oxford) Limited Summit Corporation Plc Synairgen Resources Limited Techtran Corporate Finance Limited Techtran Group Limited Techtran Investments Limited Techtran Limited Techtran Services Limited The Evolution Group Plc Top Technology Ventures Limited TTV IV G.P. Limited
Kym Denny	Retroscreen Virology Limited	–
Graham Yeatman	Holm Oak Close Management Company Limited Retroscreen Virology Limited Retroscreen Virology Services Limited	Neuropharm Group plc Neuropharm Limited Neuropharm Inc
Professor John Oxford	Retroscreen Virology Limited	–
Duncan Peyton	Aquarius Equity Director Limited Aquarius Equity Holdings Limited Aquarius Equity Partners Limited Aquarius Northern Entrepreneurs Managing Member Limited Aquarius Origin Fund Managing Member Limited Aquarius IV Fund Managing Member Limited North West Seed Fund Founder Partner Limited North West Seed Fund General Partner Limited The Aquarius Origin Fund Co-Investment LLP The Aquarius IV Fund Co-Investment LLP The Northern Entrepreneurs Fund Co-Investment LLP	Axiomlab Nanoco Tech Limited Scientific Detectors Limited
Charles Winward	7 Lupus Street Management Limited IP Group plc IP Venture Fund (GP) Limited Oxford RF Sensors Limited Perpetuum Limited Plexus Planning Limited Top Technology Ventures Limited TTV IV G.P. Limited Tracsis PLC Xeros Limited	Top Technology Ventures Limited

8.2 Save as set out in this document, no Director has:

8.2.1 any unspent convictions in relation to indictable offences (including fraudulent offences);

8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;

8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entered into receivership;

8.2.6 received any official public incrimination and/or sanction by any statutory or regulatory authority (including recognised professional bodies); or

8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9. EMPLOYEES

9.1 As at 27 April 2012, the Company employed 99 employees.

9.2 In addition to the executive Directors, there are 2 employees of the Company who are members of the senior management team. Biographies of these employees are set out in paragraph 12 of Part I of this document.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

10.1 The Placing Agreement contains the following terms:

10.1.1 the Company appoints Numis as its agent and to use its reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price and, to the extent that Numis fails to procure subscribers for all of the New Ordinary Shares Numis has agreed itself to subscribe for any unplaced New Ordinary Shares;

10.1.2 the obligations of Numis are conditional, *inter alia*, upon Admission occurring on or before 8.00 a.m. on 3 May 2012 or such later date as Numis and the Company may agree but in any event not later than 3.00 p.m. 15 May 2012;

10.1.3 subject to Admission, the Company shall pay Numis a commission at the rate of 3 per cent. of the value of the New Ordinary Shares and a corporate finance and documentation fee of £150,000 which Numis has agreed shall be satisfied by the issue of 187,500 New Ordinary Shares credited as fully paid at the Placing Price;

10.1.4 subject to Admission, the Company shall grant warrants to Numis over 204,885 Ordinary Shares at an exercise price of 80 pence per Ordinary Share;

10.1.5 subject to certain restrictions the Company shall pay all the costs and expenses (including any applicable VAT) of and incidental to the Placing including the fees and costs of legal and other

professional advisers reasonably and properly incurred by Numis, printing and distribution charges;

10.1.6 the Company and each of the Directors give certain warranties and undertakings to Numis in relation, *inter alia*, to the accuracy of the information contained in this document, the financial position of the Group and to other matters in relation to the Group and its business. In addition, Numis, its group companies and the directors, officers, employees, partners and agents of such persons have, subject to certain customary restrictions, the benefit of certain indemnities provided by the Company and each of the Directors relating to certain losses and liabilities if they are incurred by such persons in the performance of their obligations and services pursuant to the Placing; and

10.1.7 Numis may terminate the Placing Agreement at any time prior to Admission in certain circumstances, including a breach of any of the warranties contained in the Placing Agreement or upon the occurrence of certain *force majeure* events.

10.1.8 Numis has also agreed to use its reasonable endeavours to place 2,979,980 Ordinary Shares at the Placing Price as agent of the Vendors in reliance upon certain representations, warranties and indemnities.

10.2 Each of the Directors and certain other shareholders who in aggregate hold 20,448,920 Ordinary Shares (representing 49.9 per cent. of the Enlarged Share Capital) have entered into a lock-in agreement dated 30 April 2012 pursuant to which they have agreed with the Company and with Numis, subject to certain limited exceptions:

10.2.1 not to dispose of any Ordinary Shares owned by him or it (as the case may be) at Admission, or any Ordinary Shares which may be issued pursuant to any option in respect of Ordinary Shares held at the date of Admission, for a period of 12 months from Admission; and

10.2.2 only to dispose of such Ordinary Shares through Numis for a further 12 month period in order so as to ensure an orderly market for the issued share capital of the Company.

10.3 On 30 April 2012 the Company, the Directors and Numis entered into an agreement pursuant to which Numis has agreed to act as nominated adviser and broker to the Company following Admission as required by the AIM Rules. Numis shall provide, *inter alia*, such independent advice and guidance to the directors of the Company and the Company as they may require from time to time, as to the nature of their responsibilities and obligations to ensure compliance by the Company on a continuing basis with the AIM Rules. The Company has agreed to pay Numis a retainer fee as well as payment of any disbursements and expenses reasonably incurred by Numis in the course of carrying out its duties as a nominated advisor and broker. The agreement is terminable on one months' notice given by either Numis or the Company. The agreement also contains provisions for early termination in certain circumstances and an indemnity given by the Company to Numis in relation to the provision by Numis of its services.

10.4 On 20 April 2012 the Company entered into a share purchase agreement to acquire the entire issued share capital of Retroscreen Virology in consideration for the receipt by the Retroscreen Virology shareholders of 1,101,971 ordinary shares of £1.00 each in the capital of the Company (including the 1 subscriber shares referred to in paragraph 3.1.1) on the basis of 1 Ordinary Share for each ordinary share of £0.001 in the capital of Retroscreen Virology. Further, the Company shall perform and observe the terms of a subscription and shareholders agreement entered into between (1) Retroscreen Virology; (2) IP2IPO Limited; (3) Queen Mary Innovation Limited; (4) Professor John Oxford; (5) Dr. Robert Lambkin-Williams; (6) the Individual Investors (as defined therein); (7) IP2IPO Nominees Limited; (8) IP Venture Fund; (9) The Northern Entrepreneurs Fund LLP; (10) the Northern Entrepreneurs Fund Co-Investment LLP; (11) Queen Mary and Westfield College, University of London; and (12) Queen Mary Bioenterprises Limited, dated 18 February 2011, to the extent unperformed. The terms of the subscription and shareholders agreement will terminate immediately prior to Admission.

10.5 On 26 April 2012 the Company entered into an engagement letter with Top Technology Ventures Limited ("**TTVL**"), which is a wholly owned subsidiary of IP Group plc, pursuant to which TTVL agreed to act as co-financial adviser to the Company in relation to the proposed Admission. TTVL shall, *inter alia*, assist the Company co-ordinating its advisers in relation to the Placing, advise on marketing strategy, the pricing, size, structure and timing of the Placing and such other tasks as may be agreed between the parties. In addition, TTVL, its affiliates and the directors, officers, employees, partners and agents of such persons have the benefit of indemnities provided by the Company relating to certain liabilities if they are incurred by such persons in the performance of their services to the Company, save to the extent that any such liabilities arise from the fraud or fraudulent concealment of such persons. Under the terms of the agreement TTVL is to be paid a corporate finance fee of £100,000 in respect of its engagement, conditional upon aggregate gross proceeds of the Placing exceeding £4,000,000. The fee remains payable if the Placing does not proceed but the Company subsequently concludes any other form of financing or investment where the total aggregate proceeds exceed £4,000,000.

10.6 On 26 April 2012 the Company entered into a deed poll creating the Warrants. Under the Warrant Agreement a warrant holder can subscribe for one Ordinary Share for each Warrant held at a price of 80 pence per Ordinary Share at any time in the three years from 26 April 2012. Pursuant to the Placing Agreement the Company will grant 204,885 Warrants to Numis.

11. SHARE SCHEME

11.1 ***Outline***

The Share Scheme provides for the grant, to selected employees of the Group of Options. Options may be granted as tax-favoured enterprise management incentive Options ("**EMI Options**") or as Options which do not benefit from any favourable tax status ("**Unapproved Options**"). Options are not transferable and there is no entitlement to employer pension contributions in respect of them. The operation of the Share Scheme is overseen by the Board and, following Admission, will be overseen by the remuneration committee.

The Share Scheme was established immediately following the Company's acquisition of the entire issued share capital of Retroscreen Virology. The Share Scheme replicates the terms of the Retroscreen Virology Share Option Scheme (the "**Old Share Scheme**") which was operated by Retroscreen Virology prior to the acquisition. Options over ordinary shares in Retroscreen Virology outstanding under the Old Share Scheme at the time of the acquisition were exchanged by optionholders for Options on the same terms. As the Share Scheme is on the same terms as the Old Share Scheme, this summary is also applicable for such options which were originally granted under the Old Share Scheme.

11.2 ***Eligibility***

Participation in the Share Scheme is restricted to selected employees, including executive directors, of any member of the Group. The Board has discretion as to the selection of employees to whom Options are to be granted. EMI Options may only be granted to employees who qualify for the grant of such Options in accordance with the legislation governing EMI Options from time to time.

11.3 ***Grant of Options***

Options may be granted under the Share Scheme at any time prior to Admission. Following Admission, Options may be granted in the period of 42 days beginning with the fourth dealing day following an announcement of the Company's results for any period and within the period of 28 days after a new employee first joins the Group, but otherwise only in circumstances judged by the Board to be exceptional. Following Admission, no Option may be granted in breach of the AIM Rules. No Options may be granted after the tenth anniversary of the approval of the Share Scheme by the Directors.

11.4 ***Exercise Price***

The price per Ordinary Share payable on the exercise of an Option under the Share Scheme is determined by the Board when Options are granted and on any occasion may not be less than the market value of an Ordinary Share at the time of grant.

11.5 ***Individual limits on participation***

The aggregate market value of Ordinary Shares (as at the date of grant) over which Options may be granted under the Share Scheme to an eligible employee in any year, when added to the aggregate market value of Shares in respect of which rights to acquire Shares have previously been granted to that employee pursuant to the Share Scheme and any other employees' share scheme of the Company (not being a savings-related share option scheme), shall not normally exceed three times the gross rate of his basic annual salary (excluding bonus, company pension contributions and any other perquisites or benefits-in-kind) payable in the financial year in which Options are granted or, if greater, the preceding financial year. An Option may be granted in excess of this limit, but only if the Board considers that exceptional circumstances exist to justify the grant.

11.6 ***Limit on the issue of Shares***

The number of Ordinary Shares in respect of which rights to subscribe for new Ordinary Shares may on any day be granted under, or for the purposes of, the Share Scheme, when added to the number of Ordinary Shares issued or which remain issuable pursuant to rights to subscribe for new Ordinary Shares granted under, or for the purposes of, the Share Scheme and any other employees' share plan of the Company in the period of 10 years ending on that day (excluding any rights to subscribe for new Ordinary Shares granted prior to or in connection with Admission), shall not exceed 10 per cent. of the issued ordinary share capital of the Company on that day.

11.7 ***EMI Options Limits***

The grant of EMI Options is subject to limits (both individual and Company), as specified in the legislation governing EMI Options from time to time.

11.8 ***Sourcing the Option Shares***

Options may be granted by the Company, as rights to subscribe for new Ordinary Shares in the Company, or by the trustee of an employees' share trust established by the Company, as rights to acquire Ordinary Shares from such a trust. The Company may, subject to the dilution limits described in the preceding paragraph, issue, or grant rights to subscribe for Ordinary Shares to such a trustee for the purpose of satisfying the exercise of Options.

11.9 ***Performance Targets***

The exercise of Options may be subject to the attainment of an objective condition set by the Board at the time of grant relating to the performance of the Group, the Company and/or the Optionholder (a "**Performance Target**") over a period determined by the Board (the "**Performance Period**"). In appropriate circumstances, the Board may amend or waive a Performance Target but must be satisfied when amending a Performance Target that in its opinion any such amended Performance Target is no more difficult to satisfy than was the original Performance Target when first set.

11.10 ***Exercise and lapse of options***

A non-performance related Option may not normally be exercised on or before a period or periods of time following the grant date, as specified on the grant of the Option (the "**Vesting Period**"). An Option which is subject to a Performance Target (a "**Performance Option**") may, in addition, not normally be exercised before the expiry of the Performance Period. An Option may not in any event be exercised after the day immediately preceding the tenth anniversary of the date of grant. No Options may be exercised in breach of the AIM Rules.

If an Optionholder leaves employment within the Group by reason of injury, ill health or disability, redundancy, retirement or because the business or company for which he works is sold outside the Group, he may exercise his Option within 6 months of the date of leaving (if he leaves after the end of his Performance Period or Vesting Period, as appropriate, or, if later, after the third anniversary of the date of option grant) or, if cessation occurs during a Performance Period or before the end of the Vesting Period, within 6 months following the date of cessation. The proportion of ordinary Shares over which an Option may be exercised depends on whether the Optionholder leaves during or after the Performance Period or Vesting Period for his Option (and, in the case of a Performance Option, the extent to which the Performance Target has been, or is deemed by the Board to be, achieved).

If an Optionholder dies in service, his personal representatives may exercise his Option within 12 months of the date of death in respect of all Option Shares.

If the Optionholder leaves the Group for any other reason, his Option will lapse unless and insofar as the Board determines otherwise.

11.11 ***Internal reconstruction***

On an internal reconstruction, the Board may invite the Optionholders to accept an exchange of options if, in the opinion of the Board, the rights offered in exchange for the release of an Option are substantially equivalent in value to the value of the Option and are on terms approved by the Board. The invitation shall be open for at least 28 days and any Options not exercised in this time will lapse and cease to be exercisable.

11.12 ***Demerger, reconstruction or winding-up of the Company***

If there is a demerger of the Company, the Board may notify Optionholders that they have one month (or some other specified period) to exercise their Options. Options may be exercised early in this way if the Board determines that the interests of Optionholders would or might be substantially prejudiced if, before the proposed demerger, Optionholders could not exercise their Options.

If the court sanctions a compromise or arrangement for reconstruction of the Company, Optionholders may exercise their Options within three months from the date the compromise or arrangement becomes effective (or the date of the court sanction, if the Board so determines). The Board may also permit Options to be exercised conditionally on the court sanction.

If notice is given to shareholders of a resolution for the voluntary winding-up of the Company, Options may be exercised at any time before the winding-up commences or within such other period as may be notified to Optionholders.

The proportion of ordinary Shares over which an Option may be exercised upon the occurrence of any of the above events depends on the proportion of the Vesting Period which has elapsed at the relevant date or, in the case of a Performance Option, the proportion of the Ordinary Shares which are or are deemed to become vested at the relevant date. All Options will lapse, to the extent not exercised, at the end of the relevant period.

11.13 ***Takeover of the Company***

If shareholders accept a takeover offer for the Company, Options may then be exercised early, normally within one month of the change of control. The proportion of Ordinary Shares over which an Option may then be exercised depends on the proportion of the Vesting Period which has elapsed, or in the case of a Performance Option, the proportion of the Ordinary Shares which are or are deemed to become vested, at the date of the change of control. In addition, the Board may exercise discretion to allow exercises to take effect in a specified period in advance of the date when control passes. To the extent that Options are not exercised within the specified period, they will lapse.

11.14 ***National Insurance Contributions ("NICs")***

The Board shall determine whether any employer's NICs arising in connection with Options shall be transferred to Optionholders.

11.15 ***Variation of Share Capital***

In the event of a variation of the ordinary share capital of the Company, the Board may adjust the aggregate number, amount or description of Ordinary Shares subject to any Option and/or the exercise price.

11.16 ***Amendment of the Share Scheme***

The Board may amend the rules of the Share Scheme. However, no amendments to the advantage of existing or new Optionholders may be made relating to the eligibility provisions; the individual and overall limits on the grant of Options; the basis for determining an Optionholder's entitlement to acquire Ordinary Shares under the Share Scheme; and the adjustment of such rights on a variation of share capital, without the prior approval of shareholders. This is subject to an exception for minor amendments necessary or appropriate to benefit the administration of the Share Scheme, amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Optionholders or for the Company or any Group company.

12. LITIGATION

The Group is not, nor has at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

13. RELATED PARTY TRANSACTIONS

Save as set out in paragraph 10.5 and otherwise in this document, as far as the Directors are aware there have been and are currently no agreements or other arrangements between the Company and individuals or entities that may be deemed to be related parties, for the period of five years prior to the date of this document.

14. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group, taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

15. UNITED KINGDOM TAXATION

15.1 ***General***

15.1.1 The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident (and in the case of individuals ordinarily resident) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. We have not considered the implications for Shareholders who acquire any shares or rights over shares in connection with an employment contract. The paragraphs below are based on current UK legislation and HM Revenue & Customs practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares on the AIM market are generally treated as unquoted for these purposes.

15.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

15.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and, should not be construed as constituting advice.

15.2 ***Taxation of dividends***

15.2.1 Any UK resident and ordinary resident Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross amount of any such dividend. Dividend income from the Company will be treated as forming the highest part of a Shareholder's income. The income tax rates are 10 per cent., 32.5 per cent. or 42.5 per cent. depending on the taxable income of the individual, but a tax credit of 10 per cent. of the gross dividend is deemed to arise, the effect of which is to reduce the effective tax rates to 0 per cent., 25 per cent. and approximately 36.1 per cent. respectively.

15.2.2 UK resident shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue & Customs.

15.2.3 A UK-tax resident corporate Shareholder of non-redeemable ordinary shares in the Company that receives a dividend paid by the Company will not be subject to tax in respect of that dividend subject to certain exceptions.

15.2.4 Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax at the dividend trust rate, currently 10 per cent. or 42.5 per cent. depending on the taxable income of the trust.

15.2.5 Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

15.2.6 Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

15.3 ***Taxation of chargeable gains***

15.3.1 For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company.

15.3.2 The Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding.

15.3.3 If a shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on their circumstances and subject to any available exemptions or reliefs, arise.

15.3.4 A UK resident, ordinarily resident and domiciled individual Shareholder who disposes (or is deemed to dispose) of all or any of their shares may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK Shareholder who ceases to be resident or ordinarily resident in the UK for a period of less than five complete tax years and who disposes of the shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.

15.3.5 A UK resident corporate Shareholder disposing of its shares in the Company may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (currently 20 to 24 per cent.).

15.3.6 In computing the chargeable gain liable to corporation tax the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the shares together with incidental costs of acquisition, as increased by an indexation allowance to adjust for inflation, and disposal costs.

15.3.7 The UK operates a substantial shareholding exemption regime which may apply to the disposal of shares in the Company subject to certain conditions being met.

15.4 ***Inheritance tax***

15.4.1 Individuals and trustees subject to IHT in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holdings period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.

15.4.2 You should consult your taxation adviser if you are concerned with the potential Inheritance Tax implications of your shares in the Company.

15.5 ***Stamp Duty and Stamp Duty Reserve Tax***

15.5.1 No stamp duty or stamp duty reserve tax (SDRT) will generally be payable on the issue of the New Ordinary Shares.

15.5.2 If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than in the UK, you should consult your professional adviser immediately.

16. GENERAL

16.1 Total costs and expenses payable by the Company in connection with the Admission and Placing (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to £1.0 million (excluding VAT).

16.2 Baker Tilly Corporate Finance LLP, as reporting accountants, have given and not withdrawn their written consent to the inclusion of their report in Part III of this document and the references to their name in the form and context in which they are respectively included.

16.3 Numis Securities Limited has given and not withdrawn its consent to the inclusion in this document of the references to its name in the form and context in which they are included.

16.4 Retroscreen Virology Group plc was incorporated on 27 March 2012, it has not yet commenced operations and it has no material assets or liabilities and therefore no financial statements have been prepared for Retroscreen Virology Group plc as at the date of this document.

16.5 Save as disclosed in this document, the Directors are not aware of any patents or intellectual property rights, licences or industrial, commercial or financial contracts or new technological processes which may be of material importance to the Company's business or profitability.

16.6 Save as disclosed in this document, there has been no significant change in the trading or financial position of Retroscreen Virology since 31 December 2011, the date to which the last accounts of Retroscreen Virology were prepared.

16.7 Save as set out in this document no person (other than a professional adviser referred to in this document or trade supplier) has:

16.7.1 received directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or

16.7.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive directly or indirectly, from the Company on or after Admission any of the following:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the issue price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

16.8 The Company has no investments in progress.

16.9 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.

16.10 Save as disclosed in this document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

17. AVAILABILITY OF ADMISSION DOCUMENT

A copy of this document is available free of charge from the registered office of the Company, and at the offices of Numis Securities Limited at The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until at least one month after the date of Admission.

A copy of this document is also available on the Company's website, www.retroscreen.com.

PART V

TERMS AND CONDITIONS OF THE PLACING

1. INTRODUCTION

These terms and conditions apply to persons making an offer to subscribe for New Ordinary Shares under the Placing. Each person to whom these conditions apply, as described above, who confirms his agreement to Numis and the Company to subscribe for New Ordinary Shares under the Placing (an "**Investor**") hereby agrees with Numis and the Company to be bound by these terms and conditions as being the terms and conditions upon which New Ordinary Shares will be sold under the Placing. An Investor shall, without limitation, become so bound if Numis confirms to such Investor: (i) the Placing Price; and (ii) its allocation of New Ordinary Shares under the Placing.

Upon being notified of the Placing Price and its allocation of New Ordinary Shares in the Placing, an Investor shall be contractually committed to acquire the number of New Ordinary Shares allocated to them at the Placing Price and to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate or otherwise withdraw from such commitment. Dealing may not begin before any notification is made.

2. AGREEMENT TO ACQUIRE NEW ORDINARY SHARES

Conditional on (i) Admission occurring and becoming effective by 8.00 a.m. (London time) on 3 May 2012 (or such later time or date (being not later than 3.00 p.m. on 15 May 2012) as the Company and Numis may agree) and on the Placing Agreement not previously being terminated in accordance with its terms; and (ii) the confirmation mentioned under paragraph 1 above, an Investor agrees to become a member of the Company and agrees to acquire New Ordinary Shares at the Placing Price. The number of New Ordinary Shares issued to such Investor under the Placing shall be in accordance with the arrangements described above.

3. PAYMENT FOR NEW ORDINARY SHARES

Each Investor undertakes to pay the Placing Price for the New Ordinary Shares issued to such Investor in such manner as shall be directed by Numis. In the event of any failure by an Investor to pay as so directed by Numis, the relevant Investor shall be deemed hereby to have appointed Numis or any nominee of Numis to sell (in one or more transactions) any or all of the New Ordinary Shares in respect of which payment shall not have been made as so directed and to have agreed to indemnify on demand Numis in respect of any liability for UK stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

4. REPRESENTATIONS AND WARRANTIES

By receiving this document, each Investor and, in the case of paragraphs 4.9, 4.16, 4.17 and 4.20 below, any person confirming his agreement to subscribe for New Ordinary Shares on behalf of an Investor or authorising Numis to notify an Investor's name to the Registrars, is deemed to acknowledge, agree, undertake, represent and warrant to each of Numis, the Registrars and the Company that:

4.1 the Investor has read this document in its entirety and acknowledges that its participation in the Placing shall be made solely on the terms and subject to the conditions set out in this Part V, the Placing Agreement and the Articles. Such Investor agrees that these terms and conditions and the contract note issued by Numis to such Investor represents the whole and only agreement between the Investor, Numis and the Company in relation to the Investor's participation in the Placing and supersedes any previous agreement between any of such parties in relation to such participation. Accordingly, all other terms, conditions, representations, warranties and other statements which would otherwise be implied (by law or otherwise) shall not form part of these terms and conditions. Such Investor agrees that none of the Company, Numis nor any of their respective officers or directors will have any liability for any such other information or representation and irrevocably and

unconditionally waives any rights it may have in respect of any such other information or representation;

4.2 if the Investor is a natural person, such Investor is not under the age of majority (18 years of age in the UK) on the date of such Investor's agreement to purchase New Ordinary Shares under the Placing and will not be any such person on the date any such offer is accepted;

4.3 neither Numis nor any person affiliated with Numis or acting on its behalf is responsible for or shall have any liability for any information, representation or statement contained in this document or any information previously published by or on behalf of the Company or any member of the Group and will not be liable for any decision by an Investor to participate in the Placing based on any information, representation or statement contained in this document or otherwise;

4.4 the Investor has not relied on Numis or any person affiliated with Numis in connection with any investigation of the accuracy of any information contained in this document or their investment decision;

4.5 in agreeing to purchase New Ordinary Shares under the Placing, the Investor is relying on this document or any supplementary admission document (as the case may be) or any regulatory announcement that may be issued by the Company and not on any other information or representation concerning the Group, the Placing or the New Ordinary Shares. Such Investor agrees that neither the Company nor Numis nor their respective officers, directors or employees will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation;

4.6 save in the event of fraud on its part (and to the extent permitted by the rules of the FSA), neither Numis nor any of its directors or employees shall be liable to an Investor for any matter arising out of the role of Numis as the Company's nominated adviser and broker or otherwise, and that where any such liability nevertheless arises as a matter of law each Investor will immediately waive any claim against Numis and any of its directors and employees which an Investor may have in respect thereof;

4.7 such Investor has complied with all such laws and such Investor will not infringe any applicable law as a result of such Investor's agreement to purchase New Ordinary Shares under the Placing and/or acceptance thereof or any actions arising from such Investor's rights and obligations under the Investor's agreement to purchase New Ordinary Shares under the Placing and/or acceptance thereof or under the Articles;

4.8 that it understands that no action has been or will be taken in any jurisdiction by the Company or Numis or any other person that would permit a public offering of the New Ordinary Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required; and that such Investor is in a member state of the European Union and is (i) a legal entity which is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, its corporate purpose is solely to invest in securities; (ii) a legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more then €43,000,000; and (c) an annual net turnover of more than €50,000,000, in each case as shown in its last annual or consolidated accounts; (iii) otherwise permitted by law to be offered and sold New Ordinary Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Rules or other applicable laws; or (iv) in the case of any New Ordinary Shares acquired by an Investor as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Rules;

4.9 either:

4.9.1 the New Ordinary Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their Placing or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Rules, or in circumstances in which the prior consent of Numis has been given to the Placing or resale; or

4.9.2 where New Ordinary Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the Placing of those New Ordinary Shares to it is not treated under the Prospectus Rules as having been made to such persons;

4.10 to the fullest extent permitted by law, the Investor acknowledges and agrees to the disclaimers contained in this document and acknowledges and agrees to comply with the selling restrictions set out in this document;

4.11 the Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United Sates or under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or where to do so may contravene local securities laws or regulations;

4.12 the Investor is not a person located in the United States and is eligible to participate in an "offshore transaction" (as defined in Regulation S promulgated under the Securities Act ("**Regulation S**") conducted in accordance with Regulation S and the New Ordinary Shares were not offered to such Investor by means of "directed selling efforts" as defined in Regulation S;

4.13 the Placing Shares may not be offered, resold, pledged or otherwise transferred by such purchaser except (a) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S; (ii) pursuant to an effective registration statement under the Securities Act; or (iii) pursuant to an available exemption from the registration requirements of the Securities Act; and (b) in accordance with all applicable securities laws of the states of the United States and any other jurisdictions. Each Investor agrees to, and each subsequent holder is required to, comply with, and notify any purchaser of the Placing Shares from it of, the resale restrictions referred to in this Part, if then applicable;

4.14 the Investor is not a resident of Australia, Canada or Japan and acknowledges that the New Ordinary Shares have not been and will not be registered nor will a prospectus be prepared in respect of the New Ordinary Shares under the securities legislation of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa and, subject to certain exceptions, may not be offered or sold, directly or indirectly, in or into those jurisdictions;

4.15 the Investor is liable for any capital duty, stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by it or any other person on the acquisition by it of any New Ordinary Shares or the agreement by it to acquire any New Ordinary Shares;

4.16 in the case of a person who confirms to Numis on behalf of an Investor an agreement to purchase New Ordinary Shares under the Placing and/or who authorises Numis to notify such Investor's name to the Registrars, that person represents and warrants that he has authority to do so on behalf of the Investor;

4.17 the Investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 and any other applicable law concerning the prevention of money laundering and, if it is making payment on behalf of a third party, that satisfactory evidence has been obtained and recorded by it to verify the identify of the third party as required by the Money Laundering Regulations 2007 and, in each case, agrees that pending satisfaction of such obligations, definitive certificates (or allocation under the CREST system) in respect of the New Ordinary Shares comprising the Investor's allocation may be retained at Numis' discretion;

4.18 the Investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);

4.19 if the Investor is in the UK, the Investor is a person who (i) falls within paragraph (5) of Article 19 and/or paragraph (2) of Article 43 and/or paragraph (2) of Article 48 and/or paragraph (2) of Article 49

of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; and (ii) is a "qualified investor" within the meaning of section 86(7) of the FSMA;

4.20 in the case of a person who confirms to Numis on behalf of an Investor an agreement to purchase New Ordinary Shares under the Placing and who is acting on behalf of a third party, that the terms on which the Investor (or any person acting on its behalf) are engaged enable it to make investment decisions in relation to securities on that third party's behalf without reference to that third party;

4.21 the Investor is not Numis' client in connection with the Placing and will not be responsible to any Investor for providing the protections afforded to Numis' clients or providing advice in relation to the Placing and Numis will not have any duties or responsibilities to any Investor similar or comparable to "best execution" and "suitability" imposed by the Conduct of Business Sourcebook contained in the Rules of the FSA;

4.22 the exercise by Numis of any rights or discretions under the Placing Agreement shall be within its absolute discretion and Numis need not have any reference to any Investor and shall have no liability to any Investor whatsoever in connection with any decision to exercise or not to exercise any such right and each Investor agrees that it shall have no rights against Numis or its directors or employees under the Placing Agreement; and

4.23 it will indemnify and hold the Company and Numis and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Part V and further agree that the provisions of this Part V will survive after completion of the Placing.

The Company and Numis will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

5. SUPPLY AND DISCLOSURE OF INFORMATION

If any of Numis, the Registrars or the Company or any of their agents request any information about an Investor's agreement to subscribe for New Ordinary Shares, such Investor must promptly disclose it to them.

6. MISCELLANEOUS

The rights and remedies of Numis, the Registrars and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally to Numis:

6.1 if he is an individual, his nationality; or

6.2 if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to Numis.

Each Investor agrees to be bound by the Articles (as amended from time to time) once the New Ordinary Shares, which such Investor has agreed to subscribe for, have been issued to such Investor.

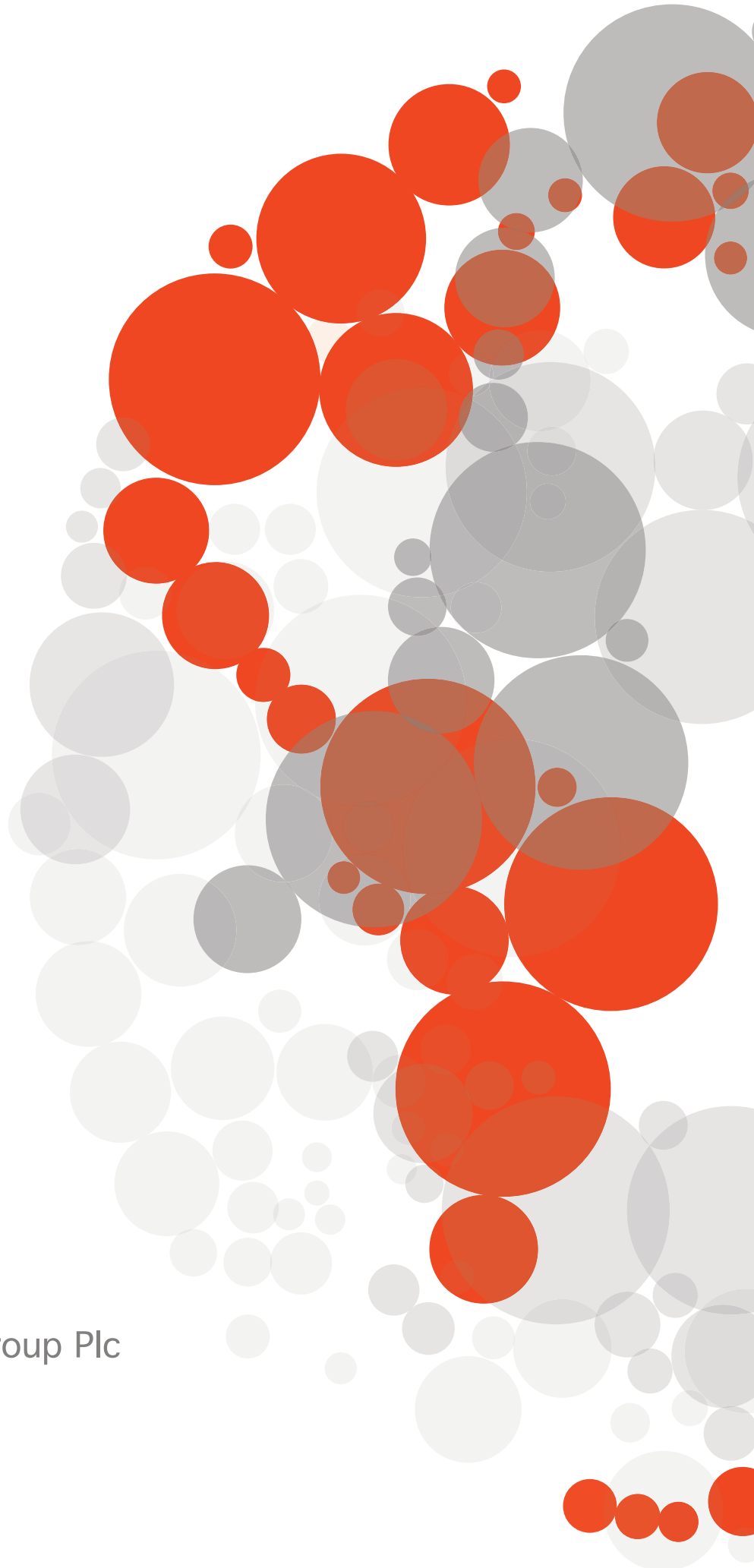
The provisions of this Part V may be waived, varied or modified as regards specific Investors or on a general basis by Numis.

The contract to subscribe for New Ordinary Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of Numis, the Company and the Registrars, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to subscribe for New Ordinary Shares, references to an "Investor" in these terms and conditions are to each of such Investors and such joint Investors' liability is joint and several.

Numis and the Company each expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations of Ordinary Shares under the Placing are determined.

Dated 30 April 2012



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