RETROSCREEN VIROLOGY
CONQUERING VIRAL DISEASE

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RETROSCREEN VIROLOGY GROUP PLC

("Retroscreen" or the "Company" or the "Group")

AUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Retroscreen Virology Group plc (AIM: RVG), the pioneer of *h*VIVO human challenge models of disease, is pleased to announce its audited preliminary results for the year ended 31 December 2013.

Financial Highlights

- Revenue increased by 91% to £27.5m (2012: £14.4m);
- Gross profit was £8.3m and gross profit margin 30.2% (2012: gross profit £3.7m and gross profit margin 25.7%);
- Loss before tax of £1.2 million (Year ended 31 December 2012: £0.4 million) as investment in broadening our capability continues;
- Profit for the year of £1.5 million (2012: profit of £0.5 million);
- Successful fundraising completed in the year raising £25.5m before expenses, from new and existing institutional investors;
- Strong financial position with short-term deposits, cash and cash equivalents at 31 December 2013 of £35.8 million (31 December 2012: £16.3 million);

Operational Highlights

- Managed over 500 volunteers safely through quarantine studies in the year;
- Opened new volunteer screening centre in Manchester and increased the number of volunteers participating in studies by 210% year on year;
- Conducted landmark "EMIT" flu transmission study and the largest ever "RSV" viral challenge study;
- Successfully characterised new "HRV-16" virus for challenge model studies;
- Launched new branding and business structure for our *h*VIVO human challenge model platform;

Commenting on today's results, Kym Denny, Chief Executive Officer, said:

"I am pleased to report that 2013 was another great year for the Group. It was a year in which we grew our revenues 91% to £27.5 million (2012: £14.4 million), increased our gross margin to 30.2% from 25.7% in 2012, completed a £25.5 million fundraise, invested in broadening our capability and completed some tremendous projects for our clients. Most excitingly, 2013 was a launchpad year, paving the way for Retroscreen to enter its next phase of growth: new diseases and new patient populations, for which 2014 promises to be a watershed year."

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Notes to Editors:

Retroscreen Virology Group plc ("Retroscreen" or the "Company") is a rapidly growing UK lifesciences company pioneering a technology platform called *h*VIVO which uses human challenge models of disease involving healthy volunteers to study new drugs and investigate disease in a safe, controlled environment.

Retroscreen has established itself as the world leader in this field through the provision of clinical research services to third party study sponsors. To date, the Company has conducted 35 clinical studies, involving more than 1600 volunteers for a range of leading industry, governmental and academic clients.

However, Retroscreen's *h*VIVO platform has a much wider application in helping to understand illness because the Company believes that the best way to understand human disease is by studying it in humans, not laboratory models.

CHIEF EXECUTIVE OFFICER'S STATEMENT

A year in review

I am pleased to report that 2013 was another great year for the Group. It was a year in which we grew our revenues 91% to £27.5 million (2012: £14.4 million), increased our gross margin to 30.2% from 25.7% in 2012, completed a £25.5 million fundraise before expenses, invested in broadening our capability and completed some tremendous projects for our clients. Most excitingly, 2013 was a launchpad year, paving the way for Retroscreen to enter its next phase of growth: new diseases and new patient populations, for which 2014 promises to be a watershed year.

In 2013 we decided we needed a way to describe what we do that was as unique and as original as the pioneering work we undertook every day. Thus, we introduced a new brand, *h*VIVO, to capture the full spectrum of our platform and its utility beyond our existing disease repertoire in 'flu, RSV and HRV (the "common cold"). *h*VIVO underlines what we as a Group firmly believe: we are the next evolutionary step in drug development – from in vitro (research in labs) to in vivo (research in animal models) to *h*VIVO (research in human models). The brand recognises the revolution of putting humans at the heart of disease modelling, as denoted by the 'h' in *h*VIVO.

To complement our new nomenclature, and to accommodate our expanding medical and scientific capabilities, we restructured the business into three divisions: hUMATICS, which is responsible for volunteer recruitment as well as data management, hSITE, which undertakes the challenge studies, and hLAB, which is responsible for sample analysis ("bioanalytics"). These divisions are underpinned by our general corporate and business services functions.

In December 2012, we announced that Retroscreen had reached a significant milestone in the Group's history: our 1,000th volunteer inoculated since the model was first developed. Barely one year later, in January 2014, we had inoculated an additional 500+ volunteers, effectively doing in one year half of what it had taken us 25 years to achieve previously. Such a dramatic increase in our inoculation numbers speaks volumes about how firmly industry has embraced *h*VIVO as its research platform of choice, and we continue to go from strength to strength in this area, with 34% more long term leads in our sales pipeline than this time last year. Thus, 2013 was about scaling our capacity and capability to deliver both client work and our internal R&D activities over the next few years. We opened a temporary second quarantine unit at Bourn Hall in Cambridgeshire, UK and for the first time, Retroscreen was able to conduct simultaneous HCM engagements at two different quarantine facilities. We also undertook the search for a permanent second quarantine facility, which culminated in our recent announcement that we have plans to open a cutting edge biomedical facility at Chesterford Research Park near Cambridge, UK expected to be operational in 2015.

This bespoke 42,000 square foot facility will house a 40 isolation bed quarantine unit and a suite of state of the art laboratories. Bringing these capabilities together under one roof will enable us to conduct clinical and fundamental research with a continuous flow of data from bedside to bench. It will also give us the additional capacity to leverage the new human disease models which we are currently developing.

Working to our theme of expanded capabilities, in July 2013 we opened a new volunteer screening centre in Manchester, UK to sit alongside our existing UK screening centres in London and Ely, Cambridgeshire. We benefited immediately from the additional geographic reach in screening volunteers for our *h*VIVO studies and increased the number of volunteers participating in studies by 210% year on year.

Our increased capability translated into a year of strong client delivery in which we initiated a range of studies for a multitude of new customers with tremendous results. This included the successful completion of the largest respiratory syncytial virus ("RSV") challenge study ever performed with an investigational drug. Not only was this the RSV challenge study, but it was also Retroscreen's largest Human Challenge Model ("HCM") study to date. In the first half of 2013 we also had the honour of conducting the largest and most definitive investigation into how flu is transmitted, in collaboration with Nottingham University, UK and via funding from the Centres for Disease Control and Prevention ("CDC") in the US.

We also ran a HCM validation study for our newly manufactured HRV-16 cold virus, prior to its use in a study for a global pharmaceutical client in the second half of 2013, and which will be our flagship inoculum for our Airways Disease HCM ("AD-HCM"). We now also have our new H3N2 ('Perth') influenza virus added to our portfolio and this is ready for use by large pharmaceutical clients during 2014.

New human models of disease

Having demonstrated how revolutionary our *h*VIVO human challenge models of disease could be in the flu, cold and RSV space, we turned our attention to related disease areas of high unmet medical need and began mapping our strategy to go 'beyond flu' and develop new HCMs that could help revolutionise the way we conduct research as an industry. To that end, in July 2013, we raised an additional £25.5 million before expenses from existing and new shareholders to enable us to push forward with our ambitious plans to diversify our platform into new disease areas and new patient populations, as well as to build our bioanalytical capability.

Our first new *h*VIVO model will be our "Over 45" model, which involves healthy adult volunteers over the age of forty five. It is well documented that the immune system declines with age to the extent that many very elderly patients are not adequately protected by current vaccines putting them at serious risk. Furthermore, the Over 45 model is a prerequisite to our planned COPD-HCM as outlined below. We are currently preparing to launch this model, with first subject first sample ("FSFS") slated for summer 2014.

The next new *h*VIVO model to come on line will be our first AD-HCM, in asthma. It is estimated that approximately 80% of asthma attacks ("exacerbations") are caused by seasonal respiratory viruses, principally HRV16 and influenza. The AD-HCM Asthma concept is that by inoculating mild asthmatic volunteers in our quarantine facility, we can cause these patients to exacerbate in a safe, controlled environment so that we can study these diseases and new therapies to be tested in our *h*VIVO platform. After significant consultation with key opinion leaders and regulatory authorities, including a meeting with the FDA in March 2014, we are pleased to announce that the FSFS for our AD-HCM asthma will be summer 2014, followed by COPD in 2015. We are also actively evaluating the opportunity and feasibility of developing a number of other new disease models that we can exploit using our *h*VIVO platform.

Understanding human disease: unlocking hVIVO's potential

A key driver behind the building of Retroscreen's capability is our ambition to unlock additional value from all our HCMs by using them in a novel way, as tools to better understand the course of and susceptibility to disease. By conducting HCMs without investigational drug, we intend to study the mechanics of virus induced disease and disease exacerbations to give a much better understanding of disease pathways and how they differ between patient types.

The precise ability to elicit, monitor and measure the volunteer's response to a challenge agent, from start to finish, will help us to gain a better understanding of the underlying mechanisms in our target diseases. Using samples taken from our HCM studies, we will gain insights at the molecular level which we believe will lead to the development of better treatments and diagnostics. To that end, 2013 saw us designing the IT infrastructure and data analytical capability we would need to harvest and mine our proprietary samples.

Retroscreen is about to launch an e-Source system that will allow us to capture data from all subjects and we are collaborating with Professor Yike Guo, Imperial College London, a world leading expert in the development and implementation of bioinformatics architecture. We also announced in March 2014 the £4.0 million all-share acquisition of Activiomics Ltd, a start-up company with a powerful proteomics technology called TIQUAS. This technology is capable of revealing crucial differences in the protein content of our study samples, enabling us to follow the course of the disease and any impact of an investigational drug at the mechanistic level.

Board changes

We also announced today a number of strategic changes to our Board. Professor John Oxford, one of the founders of the Group, and Duncan Peyton, who has represented the Northern Entrepreneurs Fund on the Board since its investment in October 2009 through until Retroscreen's IPO in May 2012, are both standing down from the Board after making key contributions to the development of Retroscreen Virology Group plc to date.

We have also announced our intention that Dr Trevor Nicholls, a company director with an outstanding track record over 30 years of building international businesses in the life science industry, will be joining the Board. Trevor has valuable experience in the genomics and proteomics field, including roles as the previous Chairman of both Oxford Nanopore Technologies Limited and Activiomics Limited, and as the current Chairman of Avacta Group plc, which will be enormously helpful to Retroscreen as we continue to grow and utilise our bioanalytical activities.

2014: the year of new models

After two consecutive years of exceptional growth, 2014 sees Retroscreen wholeheartedly entering its next phase of growth as we expand beyond our existing human models into new disease areas and patient populations. Much of the last two years has been spent preparing for this moment, spearheading industry adoption of our *h*VIVO platform and building our capacity and capability to develop new models and unlock the value of our proprietary samples whilst delivering a great clinical service to our customers. The Group's focus in 2014 thus shifts from building to doing: we are scheduled to deliver FSFS on two new models this year, and will conduct, for the first time, dedicated *h*VIVO projects to harvest proprietary samples so that we can begin analysing them. I would like to thank our staff and our investors for delivering Retroscreen to this exciting juncture in the Group's journey, and I look forward to updating you further as we progressively pioneer our *h*VIVO platform in new and novel ways.

Kym Denny

Chief Executive Officer

8 April 2014

FINANCE DIRECTOR'S REPORT

The preliminary announcement for the year ended 31 December 2013 is presented in accordance with the Group's accounting policies based on international Financial Reporting Standards ("IFRS") as adopted by the European Union.

Consolidated statement of comprehensive income

Revenue for the year ended 31 December 2013 was £27.5 million (2012: £14.4 million).

Gross profit was £8.3 million and gross profit margin 30.2% (2012: gross profit £3.7 million and gross profit margin 25.7%).

Loss before taxation was £1.2 million (2012: £0.4 million).

Profit for the year was £1.5 million (2012: profit of £0.5 million).

Research and development expenses

The Group's separate independent research and development expenses (excluding provision against virus inventory) were £1.2m million this year (2012: £0.3 million), primarily in respect of the Group investing in its research and development capability and starting to evaluate the opportunity and feasibility for new *hVIVO* human models of disease.

Research and development expenses also included a provision in full of £1.3m (2012: £nil) against the carrying value of "Virus – work in progress" relating to a virus to be used in the development and commercialisation of new Human Challenge Models ("HCM"), where the new HCM models have not yet demonstrated technically feasibility. This expense has been presented separately as "Research and development expense - provision against virus inventory" in the Consolidated Statement of Comprehensive Income.

In addition, significant research and development was undertaken as a natural consequence of operating and pioneering the HCM during client HCM studies. These expenses are included within cost of sales.

Administrative expenses

Administrative expenses were £7.3 million (2012: £3.9 million). The increase is primarily due to the Group's significant growth, increasing staff cost base and expanding capability.

Finance income

The Group invests its surplus funds in bank deposits and money market investments of up to one year. In the year ended 31 December 2013 interest receivable was £0.2 million (2012: £0.1 million). The increase is due to the Group's increased cash balances, primarily as a result of £25 million (net) raised via a placing in June 2013.

Financial KPIs

	2013	2012
Revenue	**£27.5m**	£14.4m
Gross profit	**£8.3m**	£3.7m
Gross profit margin	**30.2%**	25.7%
Research and development (excluding provision against virus inventory)	**£1.2m**	£0.3m
Profit for the year	**£1.5m**	£0.5m
Short-term deposits, cash and cash equivalents	**£35.8m**	£16.3m

Taxation

The Group makes claims each year for research and development tax credits and, since it is loss-making, elects to surrender these tax credits for a cash rebate. The amount credited to the consolidated income statement in respect of amounts received and receivable for the surrender of research and development expenditure is £2.7 million for the year ended 31 December 2013 (2012: £1.0 million).

Consolidated statement of financial position

As at 31 December 2013 total assets less liabilities amounted to £42.9 million (2012: £16.3 million) including short-term deposits of £22.5m (2012: £nil) and cash and cash equivalents of £13.3 million (2012: £16.3 million).

The principal movements in the consolidated statement of financial position during the year were:

- purchases of intangible assets of £1.1 million;
- purchases of property, plant and equipment of £3.1 million;
- increase in inventories of £1.5 million;
- increase in research and development tax credit receivable of £1.4 million;
- increase in trade and other receivables of £3.2million;
- increase in cash on short-term deposit of £22.5 million;
- decrease in cash and cash equivalents of £3.1 million; and
- increase in trade and other payables of £1.6million.

Cash flow

The principal cash flows in the year were as follows:

Inflows:

- cash outflow from operating activities of £2.2 million (2012: cash inflow £2.1 million);
- other payables received of £0.75 million (2012: £nil);
- proceeds on issue of shares of £25.0 million (2012: £14.1 million); and
- finance income of £0.2 million (2012: £0.1 million).

Outflows:

- purchases of intangible assets of £1.1 million (2012: £nil);
- purchases of property, plant and equipment of £3.1 million (2012: £1.2 million); and
- other payables repaid of £0.05 million (2012: loans repaid of £0.4 million).

Key performance indicators

The Directors consider the principal financial performance indicators of the Group to be:

- revenue;
- gross profit;
- gross profit margin;
- research and development;
- net profit; and
- cash on short-term deposit, cash and cash equivalents.

The Directors consider the principal non-financial performance indicators of the Group to be:

- the expansion of the HCM and its increasing acceptance by global pharmaceutical companies and regulatory authorities;
- organic growth and building of capability;
- development of new human challenge models; and
- research and development in other disease areas including asthma and COPD.

These elements are discussed within the Chief Executive Officer's statement.

Graham Yeatman
Finance Director
8 April 2014

Retroscreen Virology Group plc
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2013

	Note	**2013** **£'000**	2012 £'000
Revenue		**27,490**	14,395
Cost of sales		**(19,177)**	(10,694)
Gross profit		**8,313**	3,701
Research and development expense (excluding provision against virus inventory)		**(1,198)**	(307)
Research and development expense - provision against virus inventory	3	**(1,270)**	-
Administrative expense		**(7,253)**	(3,921)
Loss from operations		**(1,408)**	(527)
Finance income		**226**	111
Finance costs		**(11)**	(12)
Loss before taxation		**(1,193)**	(428)
Taxation	4	**2,705**	957
Profit for the year		**1,512**	529
Total comprehensive profit for the year attributable to owners of the parent		**1,512**	529
Earnings per share - basic (pence)	5	**3.2p**	1.5p
Earnings per share - diluted (pence)	5	**2.9p**	1.4p

All results derive from continuing operations.

The Group has no recognised gains or losses other than profit for the year.

Retroscreen Virology Group plc
Consolidated Statement of Financial Position
As at 31 December 2013

	Note	**2013**	2012
		£'000	£'000
Assets			
Non-current assets			
Intangible assets	6	**1,079**	-
Property, plant and equipment	7	**3,667**	1,377
		4,746	1,377
Current assets			
Inventories	8	**3,116**	1,613
Trade and other receivables	9	**5,851**	2,695
Research and development tax credit receivable		**2,425**	1,075
Short term deposits	10	**22,500**	-
Cash and cash equivalents	11	**13,310**	16,338
		47,202	21,721
Total assets		**51,948**	23,098
Equity and liabilities			
Equity			
Share capital		**2,686**	2,049
Share premium account		**37,363**	13,013
Share-based payment reserve		**239**	217
Merger reserve		**4,199**	4,199
Retained deficit		**(1,630)**	(3,142)
Total equity		**42,857**	16,336
Non-current liabilities			
Other payables	13	**625**	-
Provisions		**110**	-
		735	-
Current liabilities			
Trade and other payables	12	**8,356**	6,762
		8,356	6,762
Total liabilities		**9,091**	6,762
Total liabilities and equity		**51,948**	23,098

Retroscreen Virology Group plc
Consolidated Statement of Changes in Equity
For the year ended 31 December 2013

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Retained deficit £'000	Total equity £'000
As at 1 January 2012	**1,096**	**-**	**5**	**4,196**	**(3,671)**	**1,626**
Proceeds from shares issued:						
Issued in subsidiary undertakings	6	-	-	3	-	9
Placing on admission to AIM, net of related expenses	947	13,177	-	-	-	14,124
Total transactions with owners in their capacity as owners	953	13,177	-	3	-	14,133
Profit for the year	-	-	-	-	529	529
Share-based payment expense	-	-	48	-	-	48
Warrants issued	-	(164)	164	-	-	-
As at 31 December 2012	**2,049**	**13,013**	**217**	**4,199**	**(3,142)**	**16,336**
Proceeds from shares issued:						
Placing net of related expenses	637	24,350	-	-	-	24,987
Total transactions with owners in their capacity as owners	637	24,350	-	-	-	24,987
Profit for the year	-	-	-	-	1,512	1,512
Share-based payment expense	-	-	22	-	-	22
As at 31 December 2013	**2,686**	**37,363**	**239**	**4,199**	**(1,630)**	**42,857**

Retroscreen Virology Group plc
Consolidated Statement of Cash Flows
For the year ended 31 December 2013

	2013	2012
	£'000	£'000
Cash flow from operating activities		
Loss before income tax	**(1,193)**	(428)
Adjustments for:		
Depreciation of property, plant and equipment	**812**	230
Amortisation of intangible assets	**2**	-
Loss on disposal of property, plant and equipment	**-**	2
Share-based payment expense	**22**	48
Finance costs	**11**	12
Finance income	**(226)**	(111)
Gain on foreign exchange	**(48)**	(16)
Changes in working capital:		
Increase in provisions	**110**	-
Increase in inventories	**(1,503)**	(168)
(Increase)/decrease in trade and other receivables	**(3,156)**	192
Increase in trade and other payables	**1,640**	1,941
Cash (used in)/generated from operations	**(3,529)**	1,702
Finance costs	**(11)**	(12)
Income tax refund	**1,355**	383
Net cash (used in)/generated from operating activities	**(2,185)**	2,073
Cash flows from Investing activities		
Acquisition of intangible assets	**(1,081)**	-
Acquisition of property, plant and equipment	**(3,102)**	(1,214)
Increase in balances on short-term deposit	**(22,500)**	-
Finance income	**105**	111
Net cash used in investing activities	**(26,578)**	(1,103)
Cash flows from financing activities		
Net proceeds from issue of shares	**24,987**	14,133
Cash flow from other payables	**750**	-
Other payables repaid	**(50)**	-
Loans repaid	**-**	(374)
Net cash generated from financing activities	**25,687**	13,759
Net (decrease)/increase in cash and cash equivalents	**(3,076)**	14,729
Exchange gain on cash and cash equivalents	**48**	16
Cash and cash equivalents at the start of year	**16,338**	1,593
Cash and cash equivalents at the end of year	**13,310**	16,338

Notes to the accounts

1. Basis of the announcement

The audited preliminary results for the year ended 31 December 2013 were approved by the Board of Directors on 8 April 2014. The preliminary results do not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but are derived from accounts for the year ended 31 December 2013 and year ended 31 December 2012.

The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2013. Those accounts upon which the auditors issued an unqualified opinion, also had no statement under section 498(2) or (3) of the Companies Act 2006.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, as adopted by the European Union (EU) (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS.

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The consolidated financial information of Retroscreen Virology Group plc is presented in pounds Sterling (£), which is also the functional currency of the Group.

The statutory accounts for the financial year ended 31 December 2013 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Going concern

In determining the appropriate basis of preparing the financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of the approval of the financial statements. During the year ended 31 December 2013, the Group has continued to focus on building solid foundations for significant revenue growth and a strong pipeline of HCM client engagements. As at 31 December 2013 the Group had short-term deposits, cash and cash equivalents of £35.8 million (2012: £16.3 million) and net current assets of £38.8 million (2012: £15.0 million).

Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. The forecasts include assumptions regarding the status of client engagements and sales pipeline, future revenues and costs together with various scenarios which reflect growth plans, opportunities, risks and mitigating actions. Whilst there are inherent uncertainties regarding the cash flows associated with the development of the HCM, together with the timing of signature and delivery of HCM client engagements, the Directors are satisfied that there is sufficient discretion and control as to the timing and quantum of cash outflows to ensure that the Company and Group are able to meet their liabilities as they fall due for at least the next twelve months.

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”. Having made relevant and appropriate enquiries, including consideration of the Company’s and Group’s current cash resources and the working capital forecasts, the Directors have a reasonable expectation that the Company and Group will have adequate cash resources to continue to meet the requirements of the business for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

2. Segmental information

The Group's Chief Operating Decision Maker, the Chief Executive Officer, is responsible for resource allocation and the assessment of performance. In the performance of this role, the Chief Executive Officer reviews the Group's activities, in the aggregate. The Group has therefore determined that it has only one reportable segment under IFRS 8, Operating Segments, which is "medical and scientific research services".

The Group carries out all its activities from the United Kingdom.

During the year ended 31 December 2013 the Group had five customers who generated revenues greater than 10% of total revenue. These customers respectively generated 24%, 20%, 17%, 15% and 13% of revenue. During the year ended 31 December 2012 the Group had three customers who generated revenues greater than 10% of total revenue. These customers respectively generated 54%, 26% and 12% of revenue.

3. Provision against virus inventory

Following a review of the virus inventory valuations as at 31 December 2013, a provision in full of £1.3m (2012: £nil) against the carrying value of "Virus – work in progress" has been recognised relating to a virus to be used in the development and commercialisation of new HCM models, where the new HCM models have not yet demonstrated technically feasibility.

A further provision of £301,000 against the carrying value of "Virus – finished goods" has been recognised due to management's assessment that the carrying values exceeded the net realisable values of such inventories resulting from changes in forecasted usage. This expense is recorded within cost of sales.

4. Taxation

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax:		
Current year research and development tax credit	**(2,425)**	(947)
Adjustments in respect of previous periods	**(280)**	(10)
Income tax credit	**(2,705)**	(957)

Factors affecting the tax charge for the period:

The income tax credit for the year differs from the theoretical amount that would arise by applying the UK corporation tax rate of 23.25% (2012: 24.55%), as explained below:

Loss before taxation	**(1,193)**	(428)
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	**(277)**	(104)
Expenses not deductible in determining taxable profit	**18**	91
Fixed asset timing differences not recognised	**(779)**	3
Current year research and development tax credit	**(1,425)**	(947)
Movement in unrecognised deferred tax asset	**-**	10
Temporary timing differences not recognised	**38**	-
Adjustments in respect of prior periods	**(280)**	(10)
Income tax credit	**(2,705)**	(957)

As at 31 December 2013, the Group had unrecognised deferred tax assets of £2.0 million (2012: £0.57m) which primarily relates to losses. The Group has not recognised this as an asset in the consolidated statement of financial position due to the uncertainty of recovery.

5. Earnings per share

Basic earnings per share is calculated by dividing profit for the year by the weighted average number of ordinary shares in issue during the year. Diluted EPS is computed based on the weighted average number of ordinary shares plus the effect of dilutive potential ordinary shares outstanding during the period based on the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options and warrants. Dilutive potential ordinary shares include share options and warrants.

The calculation of the basic and diluted EPS is based on the following data:

	31 December 2013 £'000	31 December 2012 £'000
Earnings		
Profit for the year	**1,512**	529
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	**47,963,221**	34,580,451
Effect of dilutive potential ordinary shares:		
– share options	**3,744,509**	3,582,103
– warrants	**143,449**	56,596
Weighted average number of ordinary shares for the purposes of diluted EPS	**51,851,179**	38,219,150

6. Intangibles

	31 December 2013 £'000	31 December 2012 £'000
At 1 January	**-**	-
Additions at cost – Software	**1,081**	-
Amortisation – charge for the year	**(2)**	-
At 31 December	**1,079**	-

Intangible assets comprise software acquired and capitalised during the year.

7. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 January 2012	239	499	129	867
Additions	479	503	232	1,214
Disposals	-	(106)	(2)	(108)
At 31 December 2012	718	896	359	1,973
Additions	974	1,617	511	3,102
At 31 December 2013	**1,692**	**2,513**	**870**	**5,075**
Accumulated depreciation:				
At 1 January 2012	40	351	81	472
Charge for the year	65	109	56	230
Disposals	-	(105)	(1)	(106)
At 31 December 2012	105	355	136	596
Charge for the year	277	356	179	812
At 31 December 2013	**382**	**711**	**315**	**1,408**
Carrying amount:				
At 1 January 2012	199	148	48	395
At 31 December 2012	613	541	223	1,377
At 31 December 2013	**1,310**	**1,802**	**555**	**3,667**

8. Inventories

	31 December 2013 £'000	31 December 2012 £'000
Laboratory and clinical consumables	**104**	89
Virus – finished goods	**2,527**	1,122
Virus – work in progress	**485**	402
	3,116	1,613

Inventories expensed in the consolidated 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 2013 inventories with a carrying value of £70,000 were written off (31 December 2012: £352,000) and this expense is recognised in cost of sales.

A provision of £301,000 (2002: £nil) against the carrying value of "Virus – finished goods" has been recognised due to management's assessment that the carrying values exceeded the net realisable values of such inventories resulting from changes in forecasted usage. This expense is recorded within cost of sales.

Following a review of the virus inventory valuations as at 31 December 2013, a provision in full of £1,270,000 (2012:£nil) against the carrying value of "Virus – work in progress" has been recognised relating to a virus to be used commercially in HCM models where the HCM model has not yet demonstrated technically feasibility. This expense is recorded within research and development expense and has been presented separately on the Consolidated Statement of Comprehensive Income.

9. Trade and other receivables

	31 December 2013 £'000	31 December 2012 £'000
Trade receivables	**3,511**	633
VAT recoverable	**585**	223
Other receivables	**604**	346
Prepayments	**769**	409
Accrued income	**382**	1,084
	5,851	2,695

10. Short-term deposits

	31 December 2013 £'000	31 December 2012 £'000
Short term deposits	**22,500**	-

Balances held on short term deposit have maturity dates between six and twelve months from the point of investment.

11. Cash and cash equivalents

	31 December 2013 £'000	31 December 2012 £'000
Cash at bank and in hand	**13,310**	16,338

12. Trade and other payables

	31 December 2013 £'000	31 December 2012 £'000
Trade payables	**2,083**	1,690
Other taxes and social security	**490**	305
Other payables	**186**	22
Accruals	**2,705**	1,102
Deferred income	**2,892**	3,643
	8,356	6,762

13. Other payables

	31 December 2013 £'000	31 December 2012 £'000
Amounts to be settled beyond one year	**625**	-
	625	-

On 11 March 2013, the Group signed an Agreement for Lease with Queen Mary BioEnterprises Limited to develop the 3rd floor of the QMB Innovation Centre with a five year term and an option to extend for another five years. As part of the agreement, QMB offered a lease incentive to advance the Group an interest-free loan of £750,000 to develop the 3rd floor, with £75,000 per annum repayable over a ten-year period. The lease incentive is recognised as a liability. In the event the Group does not exercise its option to extend the lease agreement for another five years, the remaining unpaid principal of the advance (£375,000) must be repaid at the end of the five-year contractual lease term.

14. Post Balance Sheet Event

On 4 March 2014, the Company announced the acquisition of Activiomics Limited ("Activiomics") for a total consideration of up to £4.0 million in new ordinary shares of 5 pence each in the Company ("Ordinary Shares"). Activiomics is a private UK based proteomics company founded in 2010 and spun out of Barts and the London Medical School, part of Queen Mary University of London. Activiomics has a powerful technology for protein identification which will help enable Retroscreen to mine its biological samples for novel insights into target diseases.

The £4.0 million consideration is for the entire issued share capital of Activiomics (on a fully diluted basis including all outstanding options), split between a £3.08 million initial consideration payable on the date of the transaction and £0.71 million of contingent consideration payable on the first anniversary of the date of transaction subject to the satisfaction of certain conditions and warranties. Activiomics option holders will roll over their options into Retroscreen options on similar terms, with options valued at £171k in respect of the initial consideration and £40k in respect of the contingent consideration. Due to the timing of the acquisition the accounting for the acquisition has not yet been finalised.

The initial consideration was satisfied by the issue of 996,901 Ordinary shares in the Company. Following admission of the new shares to trading on AIM, Retroscreen's total number of Ordinary Shares with voting rights in issue was 54,723,821.