Retroscreen Virology Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2011

Company Registration No. 2326557

Retroscreen Virology Limited
Officers and Professional Advisers

DIRECTORS

Professor J S Oxford

Mr D Norwood

Ms K Denny

Mr G Yeatman

Aquarius Equity Director Limited

IP2IPO Services Limited

COMPANY SECRETARY

Mr G Yeatman

REGISTERED OFFICE

Queen Mary BioEnterprises Innovation Centre

42 New Road

London

E1 2AX

AUDITOR

Baker Tilly UK Audit LLP

Chartered Accountants

3 Hardman Street

Manchester

M3 3HF

Retroscreen Virology Limited
Directors' Report

The Directors submit their report and financial statements of Retroscreen Virology Limited for the period from 1 January 2011 to 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of Retroscreen Virology Limited ("Retroscreen" or the "Company") during the period was medical and scientific research.

REVIEW OF THE BUSINESS

Retroscreen 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.

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, leading to substantial and increasing costs in bringing new therapeutics to market.

Retroscreen'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. These translate to less subjects being required to achieve more meaningful data, and better information tied directly to the viral lifecycle and resulting clinical signs and symptoms, allowing drug companies to make the most informed decisions about whether or not to advance their products.

The Directors believe the VCM is becoming increasingly accepted as an alternative to field-based studies in an attractive market for vaccine and antiviral therapeutic development. As such, Retroscreen has a strong pipeline for its VCM that leads the Directors to believe there will be significant expansion in the coming years.

On 19 April 2012, Retroscreen Virology Group Limited submitted AIM Schedule 1 ("10 day") announcement to the London Stock Exchange regarding its intention to be admitted to AIM with targeted admission date of 3 May 2012. On 20 April 2012, the shareholders of Retroscreen Virology Limited exchanged their shares in the Company for an equivalent shareholding in Retroscreen Virology Group Limited, via a share-for-share exchange transaction, such that Retroscreen Virology Limited became a 100% subsidiary of Retroscreen Virology Group Limited. Retroscreen Virology Group Limited will be renamed as Retroscreen Virology Group plc prior to admission to AIM.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company encounters and has to manage several business risks of varying degrees. In addition to those risks discussed in the Review of Business above, such risks include:

- Operational risk
- Competitive environment
- Changes to the regulatory environment
- Changes to the taxation system
- Retention of key business relationships
- Ability to exploit scientific research
- Ongoing access to sources of funding

These risks are considered typical for a company of Retroscreen's size and stage of development and the Directors continue to monitor these specific risks faced by the Group.

The Company has assembled a highly experienced team combining strong technical expertise with financial and transactional knowledge of the CRO sector gained in various companies in order to manage these risks.

GOING CONCERN

As disclosed in Note 2 to the financial statements, having made relevant and appropriate enquiries, including consideration of the Review of the Business, the Company's statement of financial position, client pipeline and working capital forecasts, the Board has a reasonable expectation that, at the time of approving the financial statements, the Company has adequate resources to continue in operational existence for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT:

The Company's principal financial assets are bank balances and long term deposits and it is exposed to the following risks to varying degrees; liquidity risk, credit risk and foreign currency risk. The policy for managing these risks is outlined below;

Liquidity risk

The Company maintains good relationships with its bank, a financial institution with high credit rating and its cash requirements are anticipated via the budgetary process.

Credit risk

The Company is mainly exposed to credit risk from its trade and other receivables and bank balances. 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.

Foreign currency risk

The Company is exposed to minimal foreign currency risk. The functional currency of the Company is UK £, which is the currency in which the Company's sales and the majority of its purchases are denominated. Some purchases are made in Euros and US $, although these are not considered to be significant. The Directors believe that foreign currency risk is at an acceptable level and believe the cost of hedging against the risk would outweigh the benefits.

CAPITAL STRUCTURE:

The Company is primarily financed through equity extended from its shareholder's. Short and long terms debt levels remain at a minimum and as at 31 December 2011, the Company showed a position of net funds (31 December 2010: net funds).

SUPPLIER PAYMENT POLICY

The Company's policy is to agree payment terms with all suppliers when establishing the terms of each business transaction and to abide by the agreed terms of payment. Trade creditors are typically paid on 30 to 45 day terms.

RESEARCH & DEVELOPMENT

The Company considers that the majority of its activities constitute research and development. In the opinion of the directors, continuity of the investment in this area is essential for the maintenance of the Company's market position and for continued growth.

Retroscreen Virology Limited
Directors' Report

DIRECTORS

The Directors who served the Company during the period were as follows:

Professor J S Oxford	
Mr D Norwood	(Appointed 25 February 2011)
Ms K Denny	
Aquarius Equity Director Limited	
IP2IPO Services Limited	
Mr C Perrin	(Retired 28 June 2011)
Mr W Turner	(Resigned 18 February 2011)

Mr G Yeatman was appointed as a Director on 28 February 2012.

The Company had Directors' & Officers' Liability Insurance in place during the period.

CHARITABLE AND POLITICAL CONTRIBUTIONS

There have been no charitable or political contributions made by the Company.

RELATED PARTY TRANSACTIONS

Details of related party transactions are given in note 23 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office as auditor.

On behalf of the Board

Graham E Yeatman

Graham E Yeatman

Finance Director

24/4/12

Directors' Responsibilities in the preparation of Financial Statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements of the Company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

c) state whether they have been prepared in accordance with IFRS as adopted by the EU;

d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Retroscreen Virology Limited
Independent auditor's report to the members of Retroscreen Virology Limited

We have audited the financial statements on pages 8 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
Date:
24/4/12

Retroscreen Virology Limited
Statement of Comprehensive Income
For the year ended 31 December 2011

	Notes	Year ended 31 December 2011	5 months ended 31 December 2010
		£	£
Revenue		**4,270,597**	**1,067,017**
Cost of sales	6	(3,762,992)	(3,478,190)
Gross profit / (loss)		**507,605**	**(2,411,173)**
Administrative expenses	6	(1,658,481)	(867,483)
Share-based payment (charge)/credit		(3,581)	28,674
Loss from operations		**(1,154,457)**	**(3,249,982)**
Finance income	9	3,250	3,404
Finance costs	10	(12,827)	(2,114)
Loss before taxation		**(1,164,034)**	**(3,248,692)**
Taxation	11	500,844	483,868
Loss for the year / period		**(663,190)**	**(2,764,824)**
Other comprehensive income net of tax		-	-
Total comprehensive loss for the year / period attributable to shareholders		**(663,190)**	**(2,764,824)**

All operations were continuing throughout all years and periods.

Retroscreen Virology Limited
Statement of Financial Position
At 31 December 2011

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

The financial statements of Retroscreen Virology Ltd (registration number 2326557) on pages 8 to 39 were approved by the Board of Directors and authorised for issue on 24 April 2012. They were signed on its behalf by

Graham E Yeatman

Graham E Yeatman, Finance Director

24/4/12

Retroscreen Virology Limited
Statement of Changes in Equity
For the year ended 31 December 2011

	Ordinary Share Capital	Preference share Capital	Deferred share Capital	Share Premium Account	Share-Based Payment Reserve	Other Reserve	Retained Earnings	Total
	£	£	£	£	£	£	£	£
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 option charge	-	-	-		(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 option charge	-	-	-	-	3,581	-	-	3,581
	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.

Retroscreen Virology Limited
Statement of Cash Flows
For the year ended 31 December 2011

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
Cash flow from continuing operating activities		
Loss before taxation	(1,164,034)	(3,248,692)
Adjustments for:		
Depreciation of plant, property and equipment	131,609	135,651
Loss on disposal of plant, property and equipment	-	48,332
Share based compensation	3,581	(28,674)
Increase in inventories	(290,567)	26,183
Increase in trade and other receivables	(1,954,455)	1,098,879
Decrease in trade and other payables	2,689,437	986,571
Finance costs	12,827	2,114
Finance income	(3,250)	(3,404)
Cash used in operations	**(574,852)**	**(983,040)**
Corporation tax refund	824,740	42,538
Net cash generated by / (used in) operating activities	**249,888**	**(940,502)**
Investing activities		
Acquisition of plant, property and equipment	(244,300)	(139,805)
Finance income	3,250	3,404
Net cash used in investing activities	**(241,050)**	**(136,401)**
Financing activities		
Proceeds from issue of shares	1,149,992	-
Proceeds from new loans advanced	115,097	-
Interest on loans	(4,170)	(2,114)
Cash generated by / (used in) financing activities	**1,260,919**	**(2,114)**
Net increase / (decrease) in cash and cash	**1,269,757**	**(1,079,017)**
Cash and cash equivalents at beginning of period	**322,775**	**1,401,792**
Cash and cash equivalents at end of period	**1,592,532**	**322,775**

1. General information

Retroscreen Virology Limited ("the Company") was incorporated and domiciled in the UK on 8 December 1988. The Company's principal activity is medical and scientific research services and its registered office address is shown on page 2.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board ("IASB"). IFRS includes the standards and interpretations approved by the IASB including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

This is the Company's first financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. In accordance with IFRS 1 - First-time Adoption of International Financial Reporting Standards the Company presents three statements of financial position in its first IFRS financial statements. In future periods, IAS 1 requires two comparative periods to be presented for the statement of financial position only in certain circumstances. The financial statements present the opening balance sheet as of 1 August 2010 by applying the IFRSs effective at 31 December 2011 (see note 25 for further details).

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 key changes which may affect the Company

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

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

Topic	Key requirements	Effective date
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
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.

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

Topic	Key requirements	Effective date
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 the Company.

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

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 3 to 5.

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 2011, the Company has invested significantly in developing its VCM in order to establish clear leadership in human challenge studies and to achieve a strong pipeline of VCM client engagements. As at 31 December 2011 the Company had cash and cash equivalents of £1,592,532 (2010: £322,775) and net current assets of £1,230,613 (2010: £852,921).

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 opportunities, risks and mitigating actions. Whilst there are inherent uncertainties regarding the cashflows associated with the development of VCM, together with the timing of signature and delivery of VCM 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 is able to meet its liabilities as they fall due for at least the next twelve months.

2.1 ***Going concern (continued)***

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 Review of the Business, the Company's statement of financial position, client pipeline and working capital forecasts, the Board has a reasonable expectation that, at the time of approving the financial statements, the Company has adequate resources to continue in operational existence for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

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 the Company operates ('the functional currency') which is UK sterling (£). The financial information is presented in UK sterling (£), which is the Company'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 sale of goods and services in the ordinary course of business and is shown net of Value Added Tax. The Company 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 a 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 a 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.

The Company also provides translational research (laboratory) services and other consultancy to clients. Laboratory 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 advanced 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.

2.3 ***Revenue recognition (continued)***

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 the Company 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 criterion 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 the Company 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, the Company 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, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The 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, 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 the Company's statement of financial position when the Company 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 the Company 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 movements 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. The Company'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 statements 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***

The Company 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 the Company's estimate of equity instruments that will eventually vest, along with a corresponding increase in equity. At each reporting date, the Company 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***

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

3. Financial Risk Management

3.1 *Financial risk factors*

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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. Details of the Company's exposure can be found on page 4 of the Directors' report.

3.1.2 *Credit risk*

Credit risk is the financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Company's cash and cash equivalents and receivables balances. Details of the Company's exposure can be found on page 4 of the Directors' report.

3.1.3 *Liquidity risk*

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

3.2 *Capital risk management*

The Company is funded principally by equity although short term loans have been utilised during the year ended 31 December 2011.

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.
- This share-based payment reserve resulting from the Company'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).

The Company'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 the Company is managed and adjusted to reflect changes in economic conditions.

The Company 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 the Company'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 the Company's significant accounting judgements and critical accounting estimates are set out in this financial information and include:

4.1 ***Going Concern***

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

4.2 ***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 should be recognised immediately.

4.3 ***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 are 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.

4.4 ***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 the Company'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 the Company. The Company has therefore determined that it has only one reportable segment under IFRS8, which is 'medical and scientific research services'. The Company's revenue and results and assets for this one reportable segment can be determined by reference to the Company's statement of comprehensive income and statement of financial position.

The Company 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 the Company had three customers in which revenues generated were greater than 10% of total revenue. These customers respectively generated 40%, 26% and 11% of revenue.

During the period ended 31 December 2010 the Company had two customers in which revenues generated were greater than 10% of total revenue. These customers respectively generated 62% and 20% of revenue.

6. Loss from operations

The loss for the year has been arrived at after charging:

	Year ended 31 December 2011 £	**5 months ended 31 December 2010 £**
Staff costs (see note 8)	2,834,037	1,340,972
Depreciation on owned property, plant and equipment	131,609	135,651
Loss on disposal of property, plant and equipment	-	48,332
Auditor's remuneration (see note 7)	19,750	12,500
Operating lease costs		
- Land and buildings	553,414	138,368
Inventories charged to profit/(loss)	172,202	117,604
Inventories written off	-	187,826

6. Loss from operations (continued)

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

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
Staff costs, recruitment & other HR	3,205,814	2,173,884
Premises & equipment	703,406	811,073
Volunteer costs	176,142	163,163
Consumables used	172,202	117,604
Insurance	140,841	53,474
Professional fees & marketing	196,370	128,059
IT & telecoms	167,672	73,640
Depreciation	131,609	135,651
Other expenses	527,417	689,125
	5,421,473	**4,345,673**

7. Auditors' remuneration

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

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
Auditors remuneration		
Fees payable to the Company's auditors for audit of the annual accounts	19,750	12,500
Fees payable to the Company's auditors for other services	-	-
	19,750	**12,500**

8. Staff Costs

	Year ended 31 December 2011 No.	5 months ended 31 December 2010 No.
The average number of employees (including Executive Directors) employed was:		
Management, administration and business development	14	15
Operations and project management	43	44
	57	**59**

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
The aggregate remuneration comprised (including Directors):		
Wages and salaries	2,458,793	1,205,296
Social security costs	292,863	136,269
Pension contributions	78,800	28,081
Share option expense / (credit)	3,581	(28,674)
	2,834,037	**1,340,972**

The remuneration of the Directors, who are the key management personnel of the Company, is shown within note 23:

9. Finance income

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
Interest on bank deposits	**3,250**	**3,404**

10. Finance costs

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
Interest on bank deposits	**12,827**	**2,114**

11. Taxation

	Year ended 31 December 2011 £	5 months ended 31 December 2010 £
Current tax:		
R&D tax credit	(500,434)	(380,811)
Adjustments in respect of previous periods	(410)	(103,057)
	(500,844)	**(483,868)**
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% (2010: 27%), as explained below:		
Loss before taxation	**(1,164,034)**	**(3,248,692)**
Tax at the UK corporate tax rate of 26.5% (2010: 27%)	**(308,469)**	**(877,147)**
Expenses not deductible for tax purposes	13,136	20,250
R&D relief	(276,140)	(21,801)
Movement on unrecognised deferred tax balances	21,377	497,887
Change in deferred tax rate	49,662	-
Adjustments in respect of prior periods	(410)	(103,057)
Tax for the year	**(500,844)**	**(483,868)**

As at 31 December 2011, the Company had unrecognised deferred tax assets totalling £620,777 (2010: £691,816) which primarily relates to losses. The Company 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 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 31 July 2010	**37,249**	**236,160**	**119,074**	**170,059**	**562,542**
Charge for the year	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 period	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 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

	31 December 2011	31 December 2010	31 July 2010
	£	£	£
Laboratory and clinical consumables	62,894	53,870	94,232
Virus - Finished goods	1,116,354	1,062,415	898,199
Virus - Work in progress	265,392	37,788	187,825
	1,444,640	**1,154,073**	**1,180,256**

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 Dec 2010: £187,826, 31 July 2010: £nil).

14. Trade and other receivables

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

14. Trade and other receivables (continued)

Contractual payment terms with the Company's clients are typically 30 or 45 days.

At 31 December 2011 the Company 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:

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

The Directors believe that the carrying value of trade and other receivables represents its fair value. In determining the recoverability of trade receivables the Company considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. For details on the Company's credit risk management policies, refer to note 18.

The Company does not hold any collateral as security for its trade and other receivables.

15. Cash and cash equivalents

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

All of the Company's cash and cash equivalents at 31 December 2011 are at floating interest rates. Included in the cash and cash equivalents of the Company at 31 December 2011 was the equivalent of £275 (December 2010: £nil, July 2010: £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 the Company immediately following the year end.

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

16. Trade and other payables

	31 December 2011	31 December 2010	31 July 2010
	£	£	£
Trade payables	446,433	1,133,319	683,114
Other tax and social security	120,718	108,833	64,342
Other payables	1,241,522	1,621	2,115
Accruals	384,169	236,690	364,779
Deferred income	2,627,362	900,304	279,846
	4,820,204	**2,380,767**	**1,394,196**

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and are typically 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 the Company 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.

The Company 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

	31 December 2011	31 December 2010	31 July 2010
	£	£	£
Amounts falling due within one year			
Loans	**373,754**	**-**	**-**

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 the Company and the parties when the Company’s financial situation becomes more established. Interest is accruing at a commercial rate.

18. Financial instruments

The Company is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Company 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

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company 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. The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital. The Company has no externally imposed capital requirements.

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

Principal financial instruments

The principal financial instruments used by the Company, 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, the Company held the following financial assets, all of which were classified as loans and receivables:

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

18. Financial instruments (continued)

Financial liabilities

At the balance sheet dates, the Company held the following financial liabilities, all of which were classified as other financial liabilities:

	31 December 2011	31 December 2010	31 July 2010
	£	£	£
Trade payables	446,433	1,133,319	683,114
Loans	373,754	-	-
Other payables	1,241,522	1,621	2,115
	2,061,709	**1,134,940**	**685,229**

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In the year ending 31 December 2011, 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 the Company. Credit risk arises principally from the Company's cash balances and trade and other receivables. The concentration of the Company's credit risk is considered by counterparty, geography and currency.

The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Company 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.

The nature of the Company's business and the current stage of its development are such that individual customers can comprise a significant proportion of the Company's trade and other receivables at any point in time. The Company 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. In addition, many of the Company's clients are either large, publicly listed companies or are owned by such entities.

At 31 December 2011 the Company 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, the Company Trade Receivables balance was £2,383,921 (31 Dec 2010: £659,617, 31 July 2010: £734,558)

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company'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. In the Directors' opinion, there has been no other impairment of financial assets during the year.

18. Financial instruments (continued)

Credit risk (continued)

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 the Company as security in relation to its financial assets.

Liquidity risk management

Liquidity risk is the risk that the Company 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 the Company's cash requirements by reference to short term cashflow forecasts and medium term working capital projections prepared by Management.

At 31 December 2011, the Company had £1,592,532 (31 December 2010: £322,775, 31 July 2010: £1,403,792) 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 the Company immediately following the year end.

Foreign currency risk management

Historically, the Company'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 to the balance sheet date was negligible and it has made no payments in foreign currencies other than US dollar and Euro. As such, Management has not presented any sensitivity analysis in this area as this is immaterial.

Maturity of financial assets and liabilities

All of the Company's non derivative financial liabilities and its financial assets at 31 December 2011 are either payable or receivable within one year.

19. Share capital

		Ordinary Shares of £0.001 each	'A' Ordinary Shares of £0.0001 each	Preference Shares of £1 each	Deferred Shares of £1 each
		No.	No.	No.	No.
Balance at 31 July 2010		**390,319**	**-**	**2,340,000**	**-**
Issued during the period		-	-	-	-
Balance at 31 December 2010		**390,319**	**-**	**2,340,000**	**-**
Transactions with shareholders					
Reclassified on 18.02.11	(i)	-	-	(2,340,000)	2,340,000
Issued on 18.02.11	(ii)	180,979	171,779	-	-
Converted on 25.02.11	(iii)	76,932	(76,932)	-	-
Issued on 12.05.11	(iv)	352,759	-	-	-
Cancelled during the year	(v)	-	-		(2,340,000)
Balance at 31 December 2011		**1,000,989**	**94,847**	**-**	**-**

19. Share Capital (continued)

		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 £
		£	£	£	£	£
Balance at 31 July 2010		**390**	**-**	**2,340,000**	**-**	**2,340,390**
Issued during the period		-	-	-	-	-
Balance at 31 December 2010		**390**	**-**	**2,340,000**	**-**	**2,340,390**
Transactions with shareholders						
Reclassified on 18.02.11	(i)	-	-	(2,340,000)	2,340,000	-
Issued on 18.02.11	(ii)	182	17	-	-	199
Converted on 25.02.11	(iii)	77	(8)			69
Issued on 12.05.11	(iv)	352	-	-	-	352
Cancelled on 12.05.11	(v)	-	-		(2,340,000)	(2,340,000)
Balance at 31 December 2011		**1,001**	**9**	**-**	**-**	**1,010**

The movement in the share capital and reserves in the year is summarised below:

(i) 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.

(ii) On 18 February 2011, the Company 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 (an aggregate subscription of £574,996, of which £574,798 has been recognised in the share premium).

(iii) On 25 February 2011 the Company 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. This resulted in a reduction in share premium of £69.

(iv) On 12 May 2011, the Company 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 the Company for nil consideration and subsequently cancelled.

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

(v) On 14 February 2012, the Company 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).

19. Share Capital (continued)

Share rights

Income

Any profits which the Company 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 the Company.

Capital

The proceeds generated in the event of (i) an asset sale and (ii) upon a return of assets on a liquidation, reduction of capital or otherwise, the surplus assets of the Company 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 shall 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 the Company, stating the number of A Ordinary 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 the Company'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.

19. Share Capital (continued)

Voting

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

A Ordinary Shareholders still have the right to receive notice of and attend any general meeting of the Company, although the A Ordinary Shares carry no right to vote, either at any general meeting of the Company 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 the Company.

20. Share based payments

Retroscreen Virology Limited Company EMI Share Option Plan

The Company has a share option plan under which it grants options and shares to certain Directors and employees of the Company. Options are exercisable at a price equal to the market price of the Company'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 the Company 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 December 2011		Period ended 31 December 2010		Year ended 31 July 2010	
	No.	**WAEP**	**No.**	**WAEP**	**No.**	**WAEP**
		£		**£**		**£**
Outstanding at the beginning of the period	**55,078**	**1.46**	**55,082**	**1.46**	**30,297**	**2.51**
Granted during the period	156,805	1.63	-	-	28,375	1.25
Exercised during the period	-	-	-	-	(3,090)	10.00
Expired during the period	(18,500)	2.09	(4)	1.00	(500)	1.00
Outstanding at the end of the period	**193,383**	**1.54**	**55,078**	**1.46**	**55,082**	**1.46**
Exercisable at year / period end	**24,495**	**1.01**	**20,370**	**1.92**	**17,703**	**2.02**

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

20. Share based payments (continued)

The fair values were calculated using the Black Scholes pricing model. The inputs into the model in respect of options granted during the year were as follows:

	31 December 2011
	£
Expected life of options -years	6.00
Weighted average exercise price - £	1.63
Weighted average share price at grant date - £	0.30
Expected volatility - %	22.00
Risk free rate - %	1.18

The Company 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.

The Company recognised a charge of £3,581 (five months to 31 December 2010, credit £28,674) 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

The Company operates a defined contribution pension scheme whose assets are held separately from those of the Company in an independently administered fund. The pension charge represents contributions payable by the Company and amounted to £78,800 (Dec 2010: £28,081). Contributions totalling £28,654 (Dec 2010: £1,069, July 2010: £2,020) 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 the Company, is shown below:

	Year ended 31 December 2011 £	Period ended 31 December 2010 £
Executive Directors – aggregate		
Short-term employee benefits and fees	212,844	106,490
Post employment benefits	10,267	-
Share-based compensation charge	376	898
	223,487	107,388
Non-Executive Directors - aggregate		
Short-term employee benefits and fees	-	51,877
Payments to third parties	39,817	62,567
Total short-term employee benefits and fees	39,817	114,444
Total Directors' remuneration	**263,304**	**221,832**

Remuneration and benefits paid to the highest paid Director totalled £123,532 (December 2010: £56,565)

Amounts outstanding to key personnel

As at 31 December 2011, £8,661 (December 2010: £8,167) was due to Directors of the Company in relation to reimbursement of expenses resulting in the ordinary course of business and £10,267 (December 2010: £nil) in relation to employer pensions contributions.

23. Related party transactions (continued)

Transactions with the Company's shareholders

The Company has entered into a number of arrangements with Queen Mary, University of London ("QMUL") and an entity related to QMUL, Queen Mary BioEnterprises Limited ("QMB").

The Company 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. The Company 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 1 month's notice.

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 the Company and the parties when the Company's financial situation becomes more established. Interest is accruing at a commercial rate.

Under an agreement dated 18 February 2011, Professor John Oxford was seconded to the Company as Scientific Director from QMUL at a cost of £40,000 p.a.

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

	Year ended 31 December 2011	Period ended 31 December 2010
	£	£
QMUL & QMB		
Rent	322,737	-
Director salary recharged	29,355	54,414
Laboratory facility usage and expenses recharged	27,603	112,642
	379,695	**167,056**
IP2IPO Limited		
Non-Executive Director fees	-	7,344
Recruitment services and expenses recharged	-	10,523
	-	**17,867**
Aquarius Equity Partners		
Non-Executive Director fees	**-**	**7,344**

23. Related party transactions (continued)

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

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

24. Operating lease arrangements

At the reporting date, the Company had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

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

24. Operating lease arrangements (continued)

The Company 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 a 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 the second to fifth years is expected to be £1,149,430.

25. First-time adoption of IFRS

These are the Company's first financial statements prepared in accordance with IFRSs as adopted by the European Union and as issued by the IASB. The date of transition for the Company was 1 August 2010.

The IFRS accounting policies presented in note 1 have been applied in preparing the financial statements for the year ended 31 December 2011, the comparative information and the opening statement of financial position at the date of transition.

The Company has applied IFRS 1 First – time Adoption of International Financial Reporting Standards (Revised 2008) in preparing these first IFRS financial statements. There were no differences in total equity, loss after tax or cash flows and as such we have not included a reconciliation of the financial statement components from UK GAAP to IFRS as a result of the transition to IFRS. The Company 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.

The Company 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.

26. 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 Retroscreen Virology Limited became shareholders, in the same percentages, of Retroscreen Virology Group Limited and Retroscreen Virology Limited a 100% 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.