

VACCINE RESEARCH INTERNATIONAL PLC

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2011

VACCINE RESEARCH INTERNATIONAL PLC

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VACCINE RESEARCH INTERNATIONAL PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

The chairman presents his statement for the period.

Introduction

During 2011 the Company progressed with research and development and commenced collaborative research with two local universities. We continued with patent applications and completed a share offer to existing shareholders which realised £57,409. We received payment of \$200,000 from a US pharmaceutical and have prepared a new business plan for presentation to further potential funding sources.

Board of Directors

At the Annual General Meeting held on 26 May 2011, Mr Kevin Murray was appointed as a Non-executive Director and Dr Afshan Ahmad was re-appointed to the Board.

Chief Executive Officer

Dr Gordon Skinner was appointed CEO.

Fundraising

We have withdrawn from our arrangement with CSS Europe and do not intend to further retain them as our financial advisor.

In the first quarter of 2011 we received payment of \$200,000 in respect of our collaborative contract with a major US pharmaceutical company and a share offering to existing shareholders raised £57,409.

The funds raised are now being utilised for in-house research and collaborations with local universities for the R&D programme, together with ongoing administrative costs and pursuing partnership with pharmaceutical companies towards prosecution of a Phase III Clinical Trial. In this respect we have completed a new business plan and have commissioned Oxford Innovations Ltd to make approaches to potential partners, licensees and fundgivers.

Present funding will allow continuation of our activities until May 2013, however this is dependent on the goodwill of staff who have agreed to forgo salaries from May 2012 if further funding is not available before then. If no funding is received, the Company will assume a 'mothball' status after May 2013 until funding can be raised or partnership arranged with a suitable company.

Scientific Research

Through in-house research and collaboration with local universities, we have continued current programmes and instigated new research into vaccine markers of efficacy, characterisation of the vaccine strain and vaccine-antibody reactivities.

Intellectual Property Rights (IPR)

We have continued with our Patent Cooperation Treaty application to make patent filings at the national and European level and the PCT application is undergoing examination in Australia, Brazil, Canada, China, European Patent Office, India, Japan, Mexico, Singapore and the United States of America.

Corporate Social Responsibility

We have continued our programme of work experience placements for young people; they have gained valuable laboratory experience which has both stimulated their interest in science and improved their applications to universities, wherein all have been successful.

VACCINE RESEARCH INTERNATIONAL PLC

**CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

Summary

The Directors continue to believe that our vaccine against staphylococcal infections is of great value and will make best endeavour towards furthering its progress during the coming year.

Name Russell Stevens
Chairman

Date 29 February 2012

VACCINE RESEARCH INTERNATIONAL PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The financing and conducting of the Phase I trial of a specialist vaccine to combat staphylococcal infection.

BUSINESS REVIEW

A review of the company's business during the year has been included within the Chairman's Statement.

RESULTS

The loss for the year, after taxation, amounted to £15,330 (2010 - loss £275,930).

DIRECTORS

The directors who served during the year were:

K Murray
Dr A Ahmad
R W Stevens
Dr G R B Skinner

PAYMENT POLICY AND PRACTICE

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year end amount to 56 days (2010: 14 days) of average supplies for the year.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

VACCINE RESEARCH INTERNATIONAL PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2011

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.

PROVISION OF INFORMATION TO AUDITORS

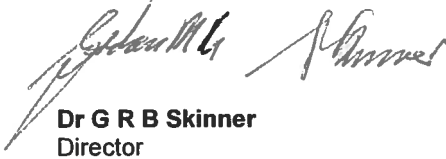
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

AUDITORS

The auditors, haysmacintyre, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on 12 March 2012 and signed on its behalf.



Dr G R B Skinner
Director

VACCINE RESEARCH INTERNATIONAL PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VACCINE RESEARCH INTERNATIONAL PLC

We have audited the financial statements of Vaccine Research International Plc for the year ended 31 December 2011, set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, 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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements 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.

VACCINE RESEARCH INTERNATIONAL PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VACCINE RESEARCH INTERNATIONAL PLC

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.



Andrew Ball (Senior statutory auditor)

for and on behalf of
haysmacintyre

Statutory Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

12 March 2012

VACCINE RESEARCH INTERNATIONAL PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011**

| | Note | 2011 £ | 2010 £ |
|--|------|------------------------|-------------------------|
| TURNOVER | 1,2 | 124,286 | - |
| Administrative expenses | | <u>(153,207)</u> | <u>(308,065)</u> |
| OPERATING LOSS | 3 | (28,921) | (308,065) |
| Interest receivable and similar income | 7 | <u>241</u> | <u>722</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (28,680) | (307,343) |
| Tax on loss on ordinary activities | 8 | <u>13,350</u> | <u>31,413</u> |
| LOSS FOR THE FINANCIAL YEAR | 13 | <u><u>(15,330)</u></u> | <u><u>(275,930)</u></u> |

All amounts relate to continuing operations.

There were no recognised gains and losses for 2011 or 2010 other than those included in the Profit and loss account.


The notes on pages 10 to 16 form part of these financial statements.

VACCINE RESEARCH INTERNATIONAL PLC
REGISTERED NUMBER: 04449300

BALANCE SHEET
AS AT 31 DECEMBER 2011

| | Note | 2011 | | 2010 | |
|---|------|-----------------|-----------------------|-----------------|-----------------------|
| | | £ | £ | £ | £ |
| FIXED ASSETS | | | | | |
| Intangible assets | | | - | | - |
| Tangible assets | 9 | | 3,229 | | 4,036 |
| | | | <u>3,229</u> | | <u>4,036</u> |
| CURRENT ASSETS | | | | | |
| Debtors | 10 | 12,585 | | 36,871 | |
| Cash at bank | | 167,267 | | 99,910 | |
| | | <u>179,852</u> | | <u>136,781</u> | |
| CREDITORS: amounts falling due within one year | 11 | <u>(26,864)</u> | | <u>(22,755)</u> | |
| NET CURRENT ASSETS | | | <u>152,988</u> | | <u>114,026</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u><u>156,217</u></u> | | <u><u>118,062</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 12 | | 323,085 | | 320,534 |
| Share premium account | 13 | | 2,328,020 | | 2,277,086 |
| Other reserves | 13 | | 671,684 | | 671,684 |
| Profit and loss account | 13 | | (3,166,572) | | (3,151,242) |
| SHAREHOLDERS' FUNDS | 14 | | <u><u>156,217</u></u> | | <u><u>118,062</u></u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 12 March 2012.



Dr G R B Skinner
 Director

The notes on pages 10 to 16 form part of these financial statements.

VACCINE RESEARCH INTERNATIONAL PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

| | Note | 2011 £ | 2010 £ |
|---|------|----------------------|-------------------------|
| Net cash flow from operating activities | 16 | (22,435) | (316,140) |
| Returns on investments and servicing of finance | 17 | 241 | 722 |
| Taxation | | 36,066 | - |
| CASH INFLOW/(OUTFLOW) BEFORE FINANCING | | <u>13,872</u> | <u>(315,418)</u> |
| Financing | 17 | 53,485 | - |
| INCREASE/(DECREASE) IN CASH IN THE YEAR | | <u><u>67,357</u></u> | <u><u>(315,418)</u></u> |

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2011**

| | 2011 £ | 2010 £ |
|--|-----------------------|----------------------|
| Increase/(Decrease) in cash in the year | <u>67,357</u> | <u>(315,418)</u> |
| MOVEMENT IN NET FUNDS IN THE YEAR | <u>67,357</u> | <u>(315,418)</u> |
| Net funds at 1 January 2011 | 99,910 | 415,328 |
| NET FUNDS AT 31 DECEMBER 2011 | <u><u>167,267</u></u> | <u><u>99,910</u></u> |

The notes on pages 10 to 16 form part of these financial statements.

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.3 Going concern

In February 2011, the company received funding of £124,286. The directors have budgeted to show that these additional funds will allow activities to continue until at least May 2013, following which further funds will need to be raised.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | | |
|-----------|---|----------------------|
| Equipment | - | 20% reducing balance |
|-----------|---|----------------------|

1.5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.6 Share based payments

FRS 20 requires the Company to recognise the expense in respect of granting over shares to employees, directors or other parties. This expense, which is calculated by reference to the fair value of the options granted, is recognised on a straight line basis over the vesting period based on the Company's estimate of options that will eventually vest. The Directors have used the Black Scholes model to estimate the value of options granted in the current and prior periods.

2. TURNOVER

All turnover arose within the rest of the world.

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

3. OPERATING LOSS

The operating loss is stated after charging:

| | 2011 £ | 2010 £ |
|--|-------------------|-------------------|
| Depreciation of tangible fixed assets: - owned by the company | 807 | 1,009 |
| Research and development expenditure written off | 7,811 | 8,662 |
| | <u> </u> | <u> </u> |

4. AUDITORS' REMUNERATION

| | 2011 £ | 2010 £ |
|---|-------------------|-------------------|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 5,550 | 7,000 |
| Fees payable to the company's auditor and its associates in respect of: | | |
| Other services relating to taxation | 1,300 | 1,300 |
| All other services | 450 | 570 |
| | <u> </u> | <u> </u> |

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

| | 2011 £ | 2010 £ |
|-----------------------|-------------------|-------------------|
| Wages and salaries | 89,196 | 123,735 |
| Social security costs | 7,049 | 11,047 |
| | <u> </u> | <u> </u> |
| | <u>96,245</u> | <u>134,782</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2011 No. | 2010 No. |
|--|-------------------|-------------------|
| | 5 | 5 |
| | <u> </u> | <u> </u> |

6. DIRECTORS' REMUNERATION

| | 2011 £ | 2010 £ |
|------------|-------------------|-------------------|
| Emoluments | 63,500 | 63,817 |
| | <u> </u> | <u> </u> |

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

7. INTEREST RECEIVABLE

| | 2011 £ | 2010 £ |
|---------------------------|-----------|-----------|
| Other interest receivable | 241 | 722 |

8. TAXATION

| | 2011 £ | 2010 £ |
|--|-----------------|-----------------|
| Analysis of tax credit in the year | | |
| UK corporation tax credit on loss for the year | (8,697) | (22,870) |
| Adjustments in respect of prior periods | (4,653) | (8,543) |
| Tax on loss on ordinary activities | (13,350) | (31,413) |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010 - lower than) the standard rate of corporation tax in the UK of 20% (2010 - 21%). The differences are explained below:

| | 2011 £ | 2010 £ |
|--|-----------------|-----------------|
| Loss on ordinary activities before tax | (28,680) | (307,343) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2010 - 21%) | (5,736) | (64,542) |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 250 | - |
| Capital allowances for year less than depreciation | 66 | 112 |
| Adjustments to tax charge in respect of prior periods | (4,653) | (8,543) |
| Enhanced R&D expenditure | (8,375) | (14,702) |
| Excess losses in the year | - | 44,827 |
| Change in tax rate for R&D tax credit | 5,098 | 11,435 |
| Current tax credit for the year (see note above) | (13,350) | (31,413) |

Factors that may affect future tax charges

Based on current research and development plans, the company expects to continue to be able to claim research and development tax credits in future years.

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

9. TANGIBLE FIXED ASSETS

| | Equipment £ |
|--|----------------|
| Cost | |
| At 1 January 2011 and 31 December 2011 | 17,861 |
| Depreciation | |
| At 1 January 2011 | 13,825 |
| Charge for the year | 807 |
| At 31 December 2011 | 14,632 |
| Net book value | |
| At 31 December 2011 | 3,229 |
| At 31 December 2010 | 4,036 |

10. DEBTORS

| | 2011 £ | 2010 £ |
|--------------------------------|---------------|---------------|
| Other debtors | 10,938 | 33,975 |
| Prepayments and accrued income | 1,647 | 2,896 |
| | <u>12,585</u> | <u>36,871</u> |

11. CREDITORS:
Amounts falling due within one year

| | 2011 £ | 2010 £ |
|---------------------------------|---------------|---------------|
| Trade creditors | 9,948 | 6,463 |
| Social security and other taxes | 2,187 | 2,492 |
| Directors' loans | 4,050 | 4,050 |
| Other creditors | 429 | - |
| Accruals and deferred income | 10,250 | 9,750 |
| | <u>26,864</u> | <u>22,755</u> |

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

12. SHARE CAPITAL

| | 2011 £ | 2010 £ |
|---|----------------|----------------|
| Allotted, called up and fully paid | | |
| 500,000 Ordinary shares of £0.001 each | 500 | 500 |
| 3,219,220 Ordinary shares of £0.10 each (2010: 3,193,705) | 321,922 | 319,371 |
| 500,000 'A' Deferred ordinary shares of £0.001 each | 500 | 500 |
| 107,143 'B' Deferred ordinary shares of £0.001 each | 107 | 107 |
| 17,857 'C' Deferred ordinary shares of £0.001 each | 18 | 18 |
| 38,000 'D' Deferred ordinary shares of £0.001 each | 38 | 38 |
| | <u>323,085</u> | <u>320,534</u> |

On 28 September 2011, the company issued 25,515 Ordinary £0.10 shares for a consideration of £2.25 per share.

Share options and warrants

Share options and warrants are granted to directors and employees. The majority of options are exercisable from the end of the vesting period and lapse ten years after the grant date. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

All options were fully vested prior to 1 January 2008 and hence there is no charge relating to options in the results for the year ended 31 December 2011.

Number of options/warrants

| At 1 January 2011 | Granted | At 31 December 2011 | Exercise price | Exercisable |
|-------------------------|----------|---------------------------|----------------|------------------|
| 15,000 | - | 15,000 | £0.10 | Until 05/06/2012 |
| 150,000 | - | 150,000 | £0.10 | Until 24/07/2012 |
| 50,000 | - | 50,000 | £1.00 | Until 12/01/2015 |
| 40,000 | - | 40,000 | £1.40 | Until 30/01/2015 |
| 100,000 | - | 100,000 | £1.40 | Until 03/03/2015 |
| 20,000 | - | 20,000 | £1.40 | Until 03/03/2015 |
| 100,000 | - | 100,000 | £2.50 | Until 11/03/2017 |
| 475,000 | - | 475,000 | | |

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

13. RESERVES

| | Share premium account £ | Other reserves £ | Profit and loss account £ |
|--|----------------------------------|------------------------|---------------------------------|
| At 1 January 2011 | 2,277,086 | 671,684 | (3,151,242) |
| Loss for the year | | | (15,330) |
| Premium on shares issued during the year (net of expenses) | 50,934 | | |
| At 31 December 2011 | <u>2,328,020</u> | <u>671,684</u> | <u>(3,166,572)</u> |

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2011 £ | 2010 £ |
|--|----------------|----------------|
| Opening shareholders' funds | 118,062 | 393,992 |
| Loss for the year | (15,330) | (275,930) |
| Shares issued during the year | 2,551 | - |
| Share premium on shares issued (net of expenses) | 50,934 | - |
| Closing shareholders' funds | <u>156,217</u> | <u>118,062</u> |

15. DIVIDENDS

No dividends were paid or proposed during the year.

16. NET CASH FLOW FROM OPERATING ACTIVITIES

| | 2011 £ | 2010 £ |
|--|-----------------|------------------|
| Operating loss | (28,921) | (308,065) |
| Depreciation of tangible fixed assets | 807 | 1,009 |
| Decrease in debtors | 1,570 | 4,837 |
| Increase/(decrease) in creditors | 4,109 | (13,921) |
| Net cash outflow from operating activities | <u>(22,435)</u> | <u>(316,140)</u> |

VACCINE RESEARCH INTERNATIONAL PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

| | 2011 £ | 2010 £ |
|--|-----------|-----------|
| Returns on investments and servicing of finance | | |
| Interest received | 241 | 722 |
| | <hr/> | <hr/> |
| | 2011 £ | 2010 £ |
| Financing | | |
| Issue of ordinary shares | 53,485 | - |
| | <hr/> | <hr/> |

18. ANALYSIS OF CHANGES IN NET DEBT

| | 1 January 2011 £ | Cash flow £ | 31 December 2011 £ |
|--------------------------|------------------------|----------------|--------------------------|
| Cash at bank and in hand | 99,910 | 67,357 | 167,267 |
| | <hr/> | <hr/> | <hr/> |
| Net funds | 99,910 | 67,357 | 167,267 |
| | <hr/> | <hr/> | <hr/> |

19. CONTINGENT LIABILITIES

Under the terms of employment contracts with a former director and two present directors, the company has agreed to pay £60,000 to each of the three directors who worked for Vaccine Research International Plc without remuneration for a period of 18 months; this is contingent on the company raising a minimum of £1.5 million of additional capital.

VACCINE RESEARCH INTERNATIONAL PLC

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

| | Page | 2011 £ | 2010 £ |
|--------------------------|------|-----------------|------------------|
| TURNOVER | 18 | 124,286 | - |
| LESS: OVERHEADS | | | |
| Administration expenses | 18 | (153,207) | (308,065) |
| | | <hr/> | <hr/> |
| OPERATING LOSS | | (28,921) | (308,065) |
| Interest receivable | 18 | 241 | 722 |
| | | <hr/> | <hr/> |
| LOSS FOR THE YEAR | | <u>(28,680)</u> | <u>(307,343)</u> |

VACCINE RESEARCH INTERNATIONAL PLC

SCHEDULE TO THE DETAILED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2011

| | 2011 £ | 2010 £ |
|------------------------------------|----------------|----------------|
| TURNOVER | | |
| Material transfer | 124,286 | - |
| | <u>124,286</u> | <u>-</u> |
| | 2011 £ | 2010 £ |
| ADMINISTRATION EXPENSES | | |
| Directors' remuneration and fees | 63,500 | 63,817 |
| Directors national insurance | 5,904 | - |
| Wages and salaries | 25,696 | 59,918 |
| Social security costs | 1,145 | 11,047 |
| Rental of laboratory | 6,000 | 9,000 |
| Computer costs | 1,453 | 1,132 |
| Telephone and fax | 1,255 | 1,230 |
| Light and heat | 2,591 | 2,849 |
| Travel expenses | 1,190 | 5,457 |
| Legal and professional | 1,250 | 195 |
| Auditors' remuneration | 5,550 | 7,000 |
| Auditors' remuneration - non-audit | 1,750 | 1,978 |
| Depreciation | 807 | 1,009 |
| Insurances | 3,809 | 3,733 |
| Bank charges | 224 | 379 |
| Contract research work | 13,631 | 35,100 |
| Shareholder relations | 602 | 1,822 |
| Patents | 5,858 | 31,987 |
| Printing and stationery | 1,800 | 2,989 |
| Future financial planning | 734 | 4,497 |
| Vaccine manufacture | - | 54,264 |
| Research and development | 7,811 | 8,662 |
| Regulatory fees | 647 | - |
| | <u>153,207</u> | <u>308,065</u> |
| | 2011 £ | 2010 £ |
| INTEREST RECEIVABLE | | |
| Bank interest receivable | 241 | 722 |
| | <u>241</u> | <u>722</u> |