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HVIVO PLC

("hVIVO" or the "Company")

AUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

hVIVO plc (AIM: HVO), the pioneer of human disease models, is pleased to announce its audited preliminary results for the year ended 31 December 2015.

Financial Highlights

- Revenue of £7.7 million (2014: £18.5 million) is consistent with expectations communicated in November 2015, due to the slower re-build of client engagements and PrEP Biopharm licence arrangements deferring revenue recognition to completion in 2016
- Gross profit of £2.5 million and gross profit margin of 31.8% (2014: gross profit £5.5 million and gross profit margin 29.6%)
- Research and development expense was £10.2 million (2014: £10.7 million) reflecting ongoing commitment to discovery research and product validation capabilities and programmes
- Administrative expenses were £13.7 million (2014: £17.7 million) with the reduction primarily due to efficiently managing our resources
- Completed successful fundraising during the year raising £20.5 million before expenses (2014: £33.6 million before expenses)
- Strong financial position with short-term deposits, cash and cash equivalents of £51.2 million at 31 December 2015 (2014: £50.8 million)

Operational Highlights

- Made a significant equity investment in PrEP Biopharm Limited with its flagship prophylactic compound PrEP-001, a compound in which the hVIVO platform played a fundamental role in its progression to-date
- Progressed PrEP-001 Phase II clinical studies in flu, asthma and durability with first readouts expected by end of H1 2016
- Produced first Pathomics map of host response in flu
- Completed severe flu drug target qualification, enabling hVIVO's progression from pre-discovery to productisation in less than a year
- Launched asthma model using our calibration process, establishing a new gold standard and beginning our first product validation study for asthma in 2016, less than a year after initiation

- Obtained ethics approval for landmark study to collect human samples, stratify asthma, and begin work to identify patterns from human sample data, connecting digital and biological data to define disease "algorithms" for asthma disease management

- Expanded our services and licensing options to explore collaborations and equity investments as we partner with pharmaceutical and biotechnology companies to accelerate drug development

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

"2015 saw hVIVO complete its first major transaction following its significant investment in the equity of PrEP Biopharm Limited, positioning hVIVO to share in the substantial upside of a product, PrEP-001, that our platform is helping to develop. I am delighted to report that the PrEP-001 programme is progressing at a hVIVO accelerated pace, with first study results anticipated less than eight months from deal signature. In making this transition to vested owner, the accounting technicalities impacted our revenue recognition of the PrEP Biopharm licence arrangements until completion in 2016, resulting in lower than expected revenues for 2015. Cash was up as of 31 December 2015, as a result of our successful £20.5 million fundraise in November 2015. We are very pleased to inform our investors that as an outcome of their continued support and encouragement, we recently achieved a pivotal milestone in April 2016 with the qualification of our severe flu pathway components, paving the way for productisation to begin in 2016. This, in conjunction with our landmark work in asthma stratification, underlines the value of the hVIVO platform in taking the guesswork out of biology to streamline drug development."

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Notes to Editors:

hVIVO plc ("hVIVO") is a life sciences company pioneering a technology platform of human disease models to accelerate drug discovery and development in respiratory and infectious diseases, including flu, RSV, asthma and common cold. hVIVO has commercialised four disease models, successfully enrolled over 2,000 subjects and conducted over 40 product validation studies for a wide range of industry, government and academic clients and collaborators.

CHIEF EXECUTIVE OFFICER'S STATEMENT

2015 was a year of achievement and evolution for hVIVO. hVIVO acquired a significant equity stake in PrEP Biopharm Limited ("PrEP Biopharm") a new UK biotech company with its prophylactic compound PrEP-001, a compound where hVIVO's platform has been a fundamental contributor to its success to date. This allows hVIVO, for the first time, to participate in the upside value generated by the product insights our platform provides. We are leveraging the platform's speed of conduct for early phase research and application of its biological insights to simplify later phase studies - further enhancing PrEP-001's potential going forward.

2015 also saw another significant first for the company, with hVIVO delivering the first map describing the human response to flu. Even more noteworthy than gaining this proprietary biological insight was the speed at which we were able to turn our insight into action: we progressed to drug target qualification in less than one year, which represents a staggering 90% reduction on traditional pre-discovery timelines. Such timeline compression was made possible due to the very heart of our organisation: the profound 'disease in motion' samples that our platform generates.

Buoyed by the results of our flagship 'pathomics' map in flu, in 2015 we expanded our capabilities into respiratory diseases, starting with asthma. We have since commenced work on a groundbreaking sample collection initiative that will enable asthma patient stratification and benchmarking of targeted therapies for the first time. In 2015 we began building hVIVO's commercial infrastructure to fuel our innovative product efforts and support new, more collaborative client relationships. The year finished with a successful capital raise in November 2015 to support our building momentum in asthma, flu and PrEP-001 product development. Thus, 2015 was a corner-turning year for hVIVO, one in which we begin to take the guesswork out of biology by illuminating the right targets and biomarkers for more streamlined and cost-effective drug development, positioning us to participate in the upside our insight creates as an equity stakeholder.

This human-based approach has not only fuelled our research, it has enabled our platform as a benchmarking tool. During the past five years, data from the hVIVO platform has underpinned the progress of a number of our clients' drugs. Several of these products were the foundation for nearly $2 billion in M&A transactions in the infectious disease sector. The success of three of these drugs resulted in the sale of entire companies, the largest of which was Janssen's acquisition of Alios. Indeed, Johnson & Johnson said publicly that two of hVIVO's client drugs, AL 8176 for respiratory syncytial virus (RSV) and JNJ-872 (VX-787) for influenza A, were "expected to drive growth in the next several years."

hVIVO platform in motion: PrEP-001

Two years ago, hVIVO conducted a proof of concept study for Janssen using the hVIVO platform. This study demonstrated that Janssen's compound (now renamed PrEP-001) achieved a threefold reduction in clinical illness and an eightfold reduction in common cold symptoms compared with a placebo. With these promising results, we saw tremendous commercial potential for PrEP-001. Working with the other main PrEP Biopharm investors, which include Johnson & Johnson Innovation-JJDC Inc and the founders of PrEP Biopharm, we executed the PrEP Biopharm transaction in short order, completing it on 1 November 2015. From summer 2015, hVIVO commenced the complex clinical trial start up activities in order to target positioning of PrEP-001 for field Phase IIb by the end of 2016; and just over a year from completion of the PrEP Biopharm transaction.

Our investment in PrEP Biopharm with its compound PrEP-001 gives hVIVO the powerful opportunity to showcase the value of the hVIVO platform in predicting a drug's future success in field studies. In the laboratory-like setting of our platform during 2015 and 2016, we are answering as many human-specific questions as we can to best position PrEP-001 to succeed in its field-based trials. These questions form the raison d'être behind the three PrEP-001 clinical studies we are currently conducting:

- Does PrEP-001 also work in flu?

- How long does the drug's effect last?
- Does it prevent colds in asthmatics, thereby reducing their chances of asthma exacerbation?

It seems obvious that one would want to answer these questions early in product development, but the nature of the patient populations and the lack of understanding of our body's response to viruses makes the development pathway complex and costly, and such questions historically could only be answered in large field based studies. By answering these questions in the hVIVO platform, the eventual field work can be fine-tuned, reducing the risk of aiming at the wrong patient population or indication in expensive field studies.

Defining severe flu levers and dials

One of the key hurdles in today's drug development paradigm is the difficulty of mapping the underlying mechanics of disease: to identify root causes and define the levers that affect development. This critical step typically takes more than ten years. But with our innovative human-based approach, we will have completed the pre-discovery phase in flu in under one year's time – reducing the duration by 90%.

In analysing the samples acquired during our studies, we have the unique opportunity not only to observe disease in motion but also to monitor and check the wiring in the body's circuitry, or "pathomics" – a term we coined to describe this approach. Pathomics is a combination of "pathways," or signalling networks, and "omics," the collective technologies used to explore the various types of molecules that make up the cells of an organism. Pathomics involves data mining and analysis, "disease-in-motion" sample acquisition, product validation and disease research. We use these techniques to elucidate and define the most influential signalling human pathways that underpin the host response. We are in essence, providing a biological global positioning system (GPS) to define the key components that are directly involved in human disease, including drug targets and biomarkers.

In early 2015 we completed the first ever pathomics map of the human response to flu infection and then built out the critical pathways for severe flu. Initially, we charted biomarkers in those patients who contracted flu and returned to health after a few days. From there, we studied samples from patients with severe flu to complete the seminal task of identifying the biological "tipping point" when flu becomes severe. Knowing the tipping point is crucial, as it enables us to rationally select drug targets and essential predictive biomarkers. I am immensely pleased and proud to say that we have very recently completed our qualification process to determine drug targets, pathway biomarkers and disease activity biomarkers. This is a pivotal moment for us, as we are now positioned to advance our discoveries into candidate status in 2016, with products that could include drugs to treat flu, biomarker tests to guide clinical product development, and predictive tests to identify flu susceptibility and patients at risk of severe flu.

Delivering the next gold standard: Asthma

When hVIVO began working with respiratory syncytial virus (RSV), it was not a well-understood disease. We defined and calibrated a disease model that has now become the gold standard. Two different landmark studies conducted by hVIVO with Alios and Gilead for RSV therapies were both published in the highly respected New England Journal of Medicine. Given this success, we are using the same approach to develop new models for respiratory diseases, starting with asthma.

Asthma is a complex disease that affects more than 300 million people worldwide and, like flu and colds, asthma has no effective cure. It is comprised of subgroups with differing characteristics and potentially different therapeutic demands. This year, hVIVO achieved a significant milestone with the official release of our human model of viral-induced asthma exacerbation.

As we did with RSV, we first ran initial "calibration" studies to develop the model's product specifications (i.e. endpoints, recruitment rates, trial design) to ready the model for release. This coming year, we will be conducting ground-breaking research in moderate to severe asthma patients, collecting and analysing samples to define asthma patient subtypes and

identify disease mechanisms. These results will provide hVIVO, for the first time, the ability to stratify patients and benchmark targeted therapies – eliminating the mass numbers and uncertainties inherent in today's asthma trials. In addition, our ability to collect and analyse samples to identify patterns of association offers a compelling opportunity to connect biology and digital data to design powerful disease algorithms, and work is ongoing in 2016 in this area.

November 2015 Fundraise

Our aspirations to advance our key programmes for PrEP-001, asthma and severe flu were highlighted during our November 2015 fundraise. Throughout the process we experienced tremendous support and excitement and were delighted to raise £20.5 million from existing shareholders. These funds will be principally used by hVIVO to progress PrEP-001 to Phase IIb field studies, commence the stratification of asthma and advance the flu pathomics outputs into product candidates.

The PrEP Biopharm transaction signals that the hVIVO platform has successfully evolved to a comprehensive drug discovery and development platform with both services and product development engine capabilities, enabling hVIVO to exploit the power and value generation of its human disease models. hVIVO strives to 'get the biology right from the start'. We leverage our insight to produce the right drugs and to reduce the time, cost and complexity of clinical development itself. This approach enables hVIVO to turn biological verification on its head and position our platform early on in a product's lifecycle, rather than waiting until the final human testing phase (Phase III) to confirm the right targets and biomarkers have been selected.

We have reached the next chapter in the evolution of the hVIVO platform, where we now seek to achieve a balance of client engagements (generating revenue, gross profit and contribution to cash flow) with investments such as PrEP Biopharm and our own internal R&D engagements, to maximise the utilisation of our resources, together with cost efficiency driving value creation for shareholders.

Commercial evolution

The commonality in our accomplishments in 2015 was the strengthening of the hVIVO platform and its state-of-the-art market position for revolutionising R&D. None of our foundation setting for the future would have been possible without the tremendous progress we have made in advancing our research methods and fine-tuning our results. hVIVO has shown – and continues to demonstrate – the incredible value that is inherent in using human-derived data in both the pre-discovery phase and in early-stage clinical trials.

Given our unique status as the only commercial provider of multiple human disease models, hVIVO is poised to explore potential collaborations and equity investments. We have made a strategic decision to partner with pharmaceutical and biotech companies and help them accelerate the drug discovery and commercialisation process. We can help clients with their drugs in flight with our service business, and then with our proprietary pathomics biological insights and knowledge. We are able to do this both with drugs that are currently in development and those that were previously shelved, in order to reposition them for new commercial opportunities. We can also help clients identify the drugs of the future. As such, we are continuing to expand our services and licensing options through collaborations and equity investments with select customers and products. Ultimately, we believe these collaborations will drive increased shareholder value.

Corporate leadership

As hVIVO continues to grow and evolve, so does our corporate leadership at the Board level. I am pleased to announce that Mark Warne has joined the hVIVO Board as a Non-Executive Director on 19 April 2016. Mark brings a wealth of technology commercialisation experience to guide hVIVO into its next chapter of product development and value creation. He is Head of IP Group's Healthcare division which at the end of December 2015 had shareholdings in 31 companies valued at over £275 million. He also represents IP Group plc on the boards of a number of its portfolio companies, both quoted and private. Mark Warne has been at IP Group

since 2008 and has extensive experience in building world-changing healthcare businesses as well as in managing transactions including portfolio company IPOs, financings and M&A.

As we welcome Mark onto the Board, two of our valued board members will be retiring by rotation at our Annual General Meeting and not seeking reappointment. While Dave Norwood, who was appointed Chairman of the Board in 2011 and served in that capacity until 2014, will be retiring at our May 2016 AGM as a Non-Executive Director, he will continue to support hVIVO as a strategic consultant. Dave has played a pivotal role in crafting the hVIVO vision and business strategy since 2011, along with providing stewardship as a Director. In his new role as a consultant to hVIVO, he will continue to support me and the Board in the development of our strategy and our investor relations, and I am delighted to continue to work with him in this capacity. Also retiring at our May AGM is Ali Fielding, who has served as Non-Executive Director of hVIVO since July 2014. Ali has been an inspiration to me for many years, with a wealth of experience building high performance companies, and I am deeply grateful for all her guidance and support in helping hVIVO navigate the complexities of evolving into a products-based organisation. I would like to thank both Dave and Ali for serving on the Board and for helping to steer hVIVO's evolution on our journey to revolutionise drug development by putting humans at the heart of discovery.

Outlook

During the past two years we have made rapid progress in advancing the hVIVO platform to start realising its massive potential and value, culminating in our investment in 2015 in PrEP Biopharm with its flagship product PrEP-001. This landmark achievement speaks to the strategic goals and capabilities of hVIVO: leveraging biological insights to create better treatments faster. As evidence of the value of this approach, we have already made enormous strides since we last visited our investors in November 2015: we have completed the qualification phase of our flu drug targets and biomarkers, completed the patient phase of the PrEP-001 flu study and started it for the other two PrEP-001 studies, and we have received ethics approval for our asthma sample collection protocol, which allows us to start collecting those tremendously valuable and insightful samples in 2016.

We achieved qualification of our severe flu pathway components more than nine years faster than the traditional pre-discovery process. We have defined, for the first time, severe flu disease process and pathways at a molecular level by comparing healthy and severe samples to benchmark significant pathophysiological changes in severe flu. We assembled an impressive data package informing what biomarkers and drugs we should develop for identifying and treating those at risk for severe flu, as well as indicating those patients who are recovering after receiving therapy. Given the symbiotic relationship of our biomarkers being used to support target qualification, we anticipate being able to develop multiple products from this programme. We also anticipate this extensive knowledge will help promote a smoother and faster regulatory approval process. We are excited to officially commence our commercialisation journey for these revolutionary discoveries, thanks to the strong and widespread support from our investors.

The PrEP-001 studies are quickly progressing, with our initial results expected in first half of 2016. We have successfully enrolled and completed the flu study and are in the data analysis process as I write. In addition we have kicked off the PrEP-001 'durability' (dose duration) and asthma studies and remain on track to position PrEP-001 for field Phase IIb studies by the end of 2016, with the durability study also being hVIVO's first ever outpatient study. Meeting this objective will condense the traditional drug development timeline of over two years to just over a single year.

In 2015, hVIVO sought shareholder endorsement to push forward with our efforts to transform asthma management by better understanding the biology, which culminated in our £20.5 million fundraise in November 2015. Since then, we have developed, submitted and received ethics approval on the landmark study that will allow us to collect samples to stratify asthma. Work will be ongoing in 2016 and 2017. In 2016 we commenced our first investigational drug product validation study using our asthma model, paramount to beginning the exciting journey and market adoption similar to RSV.

Our rapid evolution and game-changing accomplishments in the past year set the stage for a dynamic 2016 and beyond. Our pivotal achievements of 2015 build a solid foundation for the future and could not have been attained without the hard work of our entire team, our volunteers, and your continuing invaluable support as shareholders. Thank you.

Kym Denny
Chief Executive Officer

19 April 2016

FINANCIAL REVIEW

This year saw a rapid evolution of hVIVO as we leveraged the hVIVO platform's novel biological insights in flu to reach target qualification in under a year, and launched our first human disease model in respiratory diseases for asthma. The Company's investment in PrEP Biopharm allowed hVIVO to obtain a significant stake in a new company developing a product that is well placed to transition into later phase trials in at-risk patient groups. During the past five years, hVIVO's platform has helped the forward progression of multiple drugs. Our human-centered approach enables clients to benchmark their therapies and remove biology guesswork, helping them reduce drug development time and costs.

The November 2015 fundraise provided shareholder support and allowed hVIVO to further utilise the skills, resources and expertise that it has developed over the last two years, to build out bioinformatics analysis and disease stratification capabilities as hVIVO works to identify novel biomarkers and drug targets in areas of high unmet medical need.

Financial KPIs	**2015**	2014
Revenue	**£7.7m**	£18.5m
Gross profit	**£2.5m**	£5.5m
Gross profit margin	**31.8%**	29.6%
Research and development expense	**£10.2m**	£10.7m
Administrative expense	**£13.7m**	£17.7m
Loss for the year	**£(17.9)m**	£(18.4)m
Short-term deposits, cash and cash equivalents	**£51.2m**	£50.8m

Revenue

Revenue for the year ended 31 December 2015 was £7.7 million (2014: £18.5 million) and is consistent with expectations communicated in November 2015, due to the slower re-build of client engagements and PrEP Biopharm licence arrangements deferring revenue recognition to completion in 2016.

Under the terms of the PrEP Biopharm transaction, PrEP Biopharm contracted with hVIVO Services Limited for the delivery of hVIVO owned intellectual property in flu and asthma under licencing arrangements and also to conduct a Phase II durability study for a total consideration of £10.0 million. hVIVO commenced its programme of work in September 2015 and the programme was well progressed by the 2015 year end. As a consequence of flu and asthma being under licence arrangements, the revenue and costs attributable to this work will be accounted for on a "completed" basis in 2016 rather than on a "work done" basis, as is currently the case for the revenue recognition of hVIVO's standard clinical trials agreements with clients. The programme of work is forecasted to complete during 2016 and revenue of £10.0 million recognised in full by the 2016 year end.

Research and development expense

The Group's research and development expenses totalled £10.2 million (2014: £10.7 million). This reflects hVIVO's continued investment in discovery research and product validation capabilities and in particular disease research (pathomics), data mining and analysis, sample acquisition and product validation processes.

Administrative expense

Administrative expenses were £13.7 million (2014: £17.7 million). The reduction is primarily due to managing the efficiency of our resources, restructuring our operations and implementing cost saving initiatives during the period. Administrative expense in 2015 included £1.0 million of leasehold provisions (2014: £3.7 million of leasehold provisions and impairments).

Taxation

The Group makes claims each year for research and development tax credits and, since it is loss-making, elects to surrender these tax credits for a cash rebate. The amount credited to the consolidated statement of comprehensive income with respect to amounts received and receivable for the surrender of research and development expenditure was £3.7 million for the year ended 31 December 2015 (2014: £3.9 million).

Consolidated statement of financial position
As of 31 December 2015, total assets less liabilities amounted to £63.6 million (2014: £61.2 million) including short-term deposits of £37.0 million (2014: £28.0 million) and cash and cash equivalents of £14.2 million (2014: £22.8 million).

The principal movements in the consolidated statement of financial position during the year are summarised below:

- acquisition of equity in PrEP Biopharm of £14.4 million which includes £0.4 million of transaction costs;
- recognition of a current intangible asset of £2.9 million relating to flu and asthma licence arrangements;
- increase in short-term deposits of £9.0 million;
- decrease in cash and cash equivalents of £8.6 million; and
- increase in current trade and other payables of £12.9 million, which includes £5.0 million relating to deferred consideration for the acquisition of PrEP Biopharm equity paid in January 2016.

Cash flow
The principal cash flows in the year were as follows:

Inflows

- net proceeds on issue of shares of £20.2 million (2014: £32.8 million); and
- finance income of £0.4 million (2014: £0.4 million).

Outflows

- cash outflow from operating activities of £9.8 million (2014: £16.6 million);
- purchase of property, plant and equipment of £0.9 million (2014: £1.4 million); and
- payment for equity investment in PrEP Biopharm of £9.4 million, inclusive of £0.4 million of transaction costs (deferred consideration of £5.0 million paid in January 2016).

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

- revenue;
- gross profit;
- gross profit margin;
- research and development expense;
- administrative expense;
- net profit or loss; and
- short-term deposits, cash and cash equivalents.

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

- the expansion of the hVIVO platform and its increasing acceptance by global pharmaceutical companies and regulatory agencies;
- development of new human disease models;
- research and development in other disease areas including asthma;
- development of intellectual property from our discovery research and product validation capabilities and, in particular, disease research (pathomics), data mining and analysis, sample acquisition and product validation processes; and
- collaboration opportunities with global pharmaceutical companies.

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

Graham Yeatman
Chief Financial & Business Officer

19 April 2016

hVIVO plc
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Revenue		**7,717**	18,472
Cost of sales		**(5,266)**	(12,999)
Gross profit		**2,451**	5,473
Other income		**1,187**	-
Research and development expense		**(10,199)**	(10,733)
Provision against virus inventory	9	**(1,617)**	(58)
Administrative expense		**(13,671)**	(17,730)
Share of loss of associate	8	**(146)**	-
Loss from operations		**(21,995)**	(23,048)
Finance income		**387**	358
Finance costs		**(17)**	(15)
Loss before taxation		**(21,625)**	(22,705)
Taxation	3	**3,716**	4,269
Loss for the year		**(17,909)**	(18,436)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associate		**(5)**	-
Exchange differences arising on translating foreign operations		**1**	-
Total comprehensive loss for the year attributable to owners of the parent		**(17,913)**	(18,436)
Loss per share – basic (pence)	4	**(26.0p)**	(31.3p)
Loss per share – diluted (pence)	4	**(26.0p)**	(31.3p)

All activities relate to continuing operations.

hVIVO plc
Consolidated Statement of Financial Position
As at 31 December 2015

	Note	**2015 £'000**	2014 £'000
Assets			
Non-current assets			
Goodwill	5	**1,722**	1,722
Intangible assets	6	**3,030**	3,333
Property, plant and equipment	7	**2,679**	3,153
Investment in associate	8	**14,254**	-
		21,685	8,208
Current assets			
Inventories	9	**2,141**	3,731
Current intangible asset	10	**2,935**	-
Trade and other receivables	11	**2,642**	2,904
Research and development tax credit receivable		**4,101**	3,806
Short-term deposits	12	**37,031**	28,007
Cash and cash equivalents	13	**14,205**	22,826
		63,055	61,274
Total assets		**84,740**	69,482
Equity and liabilities			
Equity			
Share capital		**3,903**	3,383
Share premium account		**93,145**	72,498
Share-based payment reserve		**144**	249
Merger reserve		**4,199**	4,199
Other reserve		**211**	921
Retained deficit		**(37,979)**	(20,066)
Total equity		**63,623**	61,184
Non-current liabilities			
Other payables	15	**475**	550
Provisions	16	**3,140**	3,130
		3,615	3,680
Current liabilities			
Trade and other payables	14	**17,502**	4,618
		17,502	4,618
Total liabilities		**21,117**	8,298
Total liabilities and equity		**84,740**	69,482

hVIVO plc
Consolidated Statement of Changes in Equity
For the year ended 31 December 2015

	Share capital £'000	Share premium account £'000	Share-based payment reserve £'000	Merger reserve £'000	Other reserve £'000	Retained deficit £'000	Total equity £'000
As at 31 December 2013	2,686	37,363	239	4,199	-	(1,630)	42,857
Proceeds from shares issued:							
Acquisition of subsidiary	50	2,987	-	-	921	-	3,958
Issue of new shares	-	15	-	-	-	-	15
Placing net of related expenses	647	32,133	-	-	-	-	32,780
Total transactions with owners in their capacity as owners	697	35,135	-	-	921	-	36,753
Loss for the year	-	-	-	-	-	(18,436)	(18,436)
Share-based payment expense	-	-	10	-	-	-	10
As at 31 December 2014	3,383	72,498	249	4,199	921	(20,066)	61,184
Proceeds from shares issued:							
Acquisition of subsidiary – settlement of deferred consideration	11	699	-	-	(710)	-	-
Exercise of warrants and share options	52	360	(183)	-	-	-	229
Issue of new shares	1	67	-	-	-	-	68
Placing net of related expenses	456	19,521	-	-	-	-	19,977
Total transactions with owners in their capacity as owners	520	20,647	(183)	-	(710)	-	20,274
Loss for the year	-	-	-	-	-	(17,909)	(17,909)
Exchange differences on translation of foreign assets	-	-	-	-	-	(4)	(4)
Share-based payment expense	-	-	78	-	-	-	78
As at 31 December 2015	**3,903**	**93,145**	**144**	**4,199**	**211**	**(37,979)**	**63,623**

hVIVO plc
Consolidated Statement of Cash Flows
For the year ended 31 December 2015

	Note	**2015 £'000**	2014 £'000
Net cash used in operating activities	17	**(9,846)**	(16,599)
Cash flows from investing activities			
Acquisition of intangible assets		**(15)**	(148)
Acquisition of property, plant and equipment		**(869)**	(1,355)
Increase in balances on short-term deposit		**(9,024)**	(5,507)
Investment in associate		**(9,405)**	67
Interest received		**398**	361
Net cash used in investing activities		**(18,915)**	(6,582)
Cash flows from financing activities			
Net proceeds from issue of shares		**20,205**	32,780
Other payables repaid		**(75)**	(75)
Net cash generated from financing activities		**20,130**	32,705
Net (decrease)/increase in cash and cash equivalents		**(8,631)**	9,524
Exchange gain/(loss) on cash and cash equivalents		**10**	(8)
Cash and cash equivalents at the start of year		**22,826**	13,310
Cash and cash equivalents at the end of year		**14,205**	22,826

The accompanying notes are an integral part of the consolidated statement of cash flows.

hVIVO plc
Notes to the Consolidated Financial Statements

1. Basis of the announcement

The audited preliminary results for the year ended 31 December 2015 were approved by the Board of Directors on 19 April 2016. The preliminary results do not constitute full accounts within the meaning of section 434 of the Companies Act 2006 but are derived from accounts for the year ended 31 December 2015 and year ended 31 December 2014.

The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2015. Those accounts upon which the auditors issued an unqualified opinion, also had no statement under section 498(2) or (3) of the Companies Act 2006.

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

The Company is a limited liability company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The consolidated financial information of hVIVO plc is presented in pounds Sterling (£). The individual financial statements of hVIVO plc is presented in pounds Sterling (£) which is the Company's functional currency. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds Sterling.

The statutory accounts for the financial year ended 31 December 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Going concern

In determining the basis for 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. As at 31 December 2015 the Group had short-term deposits, cash and cash equivalents of £51.2 million (2014: £50.8 million) and net current assets of £45.6 million (2013: £56.7 million).

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

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk Guidance for UK Companies 2009". Having made relevant and appropriate enquiries, including consideration of the Company's and Group's current cash resources and the working capital forecasts, the Directors have a reasonable expectation that the Company and Group will have adequate cash resources to continue to meet the requirements of the business for at least the next twelve months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

2. Segmental information

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

The Group carries out its main activities from the United Kingdom. The Group conducts sales activity in the US and in Europe which is carried out through hVIVO Inc and hVIVO Services Limited respectively. All revenue is derived from activities undertaken in the UK.

During the year ended 31 December 2015 the Group had two customers who generated revenues greater than 10% of total revenue. These customers generated 59% and 28% of revenue.

During the year ended 31 December 2014 the Group had five customers who generated revenues greater than 10% of total revenue. These customers generated 28%, 22%, 16%, 15% and 11% of revenue.

3. Taxation

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Current tax:		
Current year research and development tax credit	**(3,749)**	(3,806)
Adjustments in respect of previous periods	**31**	(143)
Foreign current tax	**2**	-
Deferred tax:		
Origination and reversal of temporary timing differences	**-**	(320)
	(3,716)	(4,269)

Factors affecting the tax charge for the period:

The income assessed for the year differs from the theoretical amount that would arise by applying the UK corporation tax rate of 20.25% (2014: 21.49%), as explained below:

Loss before taxation	**(21,625)**	(22,705)
Tax at the UK corporation tax rate of 20.25% (2014: 21.49%)	**(4,379)**	(4,880)
Expenses not deductible in determining taxable profit	**129**	160
Income not taxable for tax purposes	**(595)**	-
Fixed asset timing differences not recognised	**8**	57
Current year research and development tax credit	**(1,542)**	(1,707)
Movement in unrecognised deferred tax asset	**2,137**	1,700
Temporary timing differences not recognised	**495**	544
Adjustments in respect of prior periods	**31**	(143)
Tax for the year	**(3,716)**	(4,269)

Factors affecting current and future taxation

The rate of UK corporation tax for the period to 31 March 2015 was 21% and 20% with effect from 1 April 2015. It will then fall to 19% from 1 April 2017, and 17% from 2020.

As at 31 December 2015, the Group had tax losses available for carry forward of approximately £22.76 million (2014: £13.91 million). The Group has not recognised deferred tax assets of £4.1 million (2014: £3.45 million) relating to carried forward losses and £0.28 million in respect of other temporary differences (2014: £nil). These deferred tax assets have not been recognised as the Group's management considers that there is insufficient future taxable income, taxable temporary differences and feasible tax-planning strategies to utilise all of the cumulative losses and therefore it is probable that the deferred tax assets will not be realised in full. If future

income differs from current projections, this could significantly impact the tax charge or benefit in future periods.

4. Earnings per share (EPS)

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

The calculation of the basic and diluted EPS as included in the consolidated statement of comprehensive income is based on the following data:

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Earnings		
Loss for the year	**(17,909)**	(18,436)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	**68,943,581**	58,839,405
Effect of dilutive potential ordinary shares: – share options	**-**	-
Weighted average number of ordinary shares for the purposes of diluted EPS	**68,943,581**	58,839,405

In the current year, the potential ordinary shares were not treated as dilutive as the Group is loss making, therefore the weighted average number of ordinary shares for the purposes of the basic and diluted loss per share were the same.

5. Goodwill

	2015 £'000	2014 £'000
At 1 January	**1,722**	-
Recognised on acquisition of subsidiary	**-**	1,722
At 31 December	**1,722**	1,722

The Group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Consistent with our segmental reporting, the business has one cash generating unit to which all goodwill arising on acquisitions has been allocated. The recoverable amount of the cash generating unit is determined by reference to fair value of the cash generating unit less estimated costs of disposal. As at 31 December 2015, the recoverable amount of the cash generating unit was considered to be significantly in excess of its book value.

6. Intangible assets

	2015 £'000	2014 £'000
At 1 January	**3,333**	1,079
Additions at cost	**15**	148
Recognised on acquisition of subsidiary	-	2,541
Amortisation charge for the year	**(318)**	(435)
At 31 December	**3,030**	3,333

Intangible assets comprise software and acquired intellectual property.

7. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost:				
At 31 December 2013	1,692	2,513	870	5,075
Additions	727	455	173	1,355
Acquisition of subsidiary	-	22	2	24
At 31 December 2014	2,419	2,990	1,045	6,454
Additions	72	655	142	869
Disposals	-	(2)	-	(2)
At 31 December 2015	**2,491**	**3,643**	**1,187**	**7,321**
Accumulated depreciation:				
At 31 December 2013	382	711	315	1,408
Charge for the year	293	650	278	1,221
Impairment charge	672	-	-	672
At 31 December 2014	1,347	1,361	593	3,301
Charge for the year	320	729	293	1,342
Disposals	-	(1)	-	(1)
At 31 December 2015	**1,667**	**2,089**	**886**	**4,642**
Carrying amount:				
At 31 December 2013	1,310	1,802	555	3,667
At 31 December 2014	1,072	1,629	452	3,153
At 31 December 2015	**824**	**1,554**	**301**	**2,679**

8. Investment in associate

	2015 £'000
As at 1 January	**-**
Additions	**14,405**
Loss after tax recognised in the consolidated statement of comprehensive income	**(146)**
Share of other comprehensive loss of associate	**(5)**
As at 31 December	**14,254**

On 1 November 2015 the Company acquired 62.62% of the share capital of PrEP Biopharm Limited ("PrEP Biopharm") for cash consideration of £14.0 million, of which £5.0 million was deferred at 31 December 2015 and paid in January 2016. Acquisition costs of £0.4 million have been capitalised as part of the cost of the investment. PrEP Biopharm is a UK based development stage biopharmaceutical company which is developing infectious disease products. At the same time as the investment, PrEP Biopharm entered into contractual arrangements with hVIVO Services Limited to the value of £10.0 million.

In assessing the level of control hVIVO holds in respect of equity investments, management consider a number of factors including control of voting rights at board level and the power to direct the "relevant activities" of that investee through decision making and the management of assets.

Although hVIVO holds more than 50% of the equity of PrEP Biopharm, hVIVO's voting rights are limited to 49.98% under the Investment and Shareholders' Agreement ("ISHA"). The effect is that the voting rights hVIVO is entitled to exercise are less than half of the total voting rights that are able to be exercised.

Under the terms of the ISHA, hVIVO has appointed two of the current four Directors of PrEP, including the Chair, with equal votes and no casting vote. Accordingly, hVIVO does not control

the Board. In addition, it is anticipated that PrEP Biopharm will appoint an additional one or two Non-Executive Directors in the short term.

The terms of the ISHA exclude the hVIVO Directors from any Board consideration and decision making on the hVIVO contracts. Under the terms of the PrEP Biopharm transaction, PrEP Biopharm contracted with hVIVO Services Limited for the delivery of hVIVO owned intellectual property in flu and asthma under licencing arrangements and also to conduct a Phase II durability study for a total consideration of £10.0 million. The hVIVO contracts with PrEP Biopharm are priced on an arms-length basis and with normal terms.

hVIVO has concluded that despite having significant influence, the terms of the ISHA mean that it does not have the power to direct the relevant activities of PrEP Biopharm. Accordingly, hVIVO's investment in PrEP Biopharm has been accounted for as an investment in an associate.

Summarised consolidated financial information in respect of PrEP Biopharm Limited and its 100% owned US based subsidiary, PrEP Biopharm Inc, is set out below and has been prepared in accordance with IFRS.

	2015 £'000
Current assets	**15,298**
Non-current assets	**5,076**
Current liabilities	**(123)**
Net assets	**20,251**
Interest in the associate	**12,681**
Goodwill	**1,573**
Carrying amount of the Group's interest in the associate	**14,254**

PrEP Biopharm Limited and its subsidiary generated no revenues during the period as the activity was that of product development.

9. Inventories

	31 December 2015 £'000	31 December 2014 £'000
Laboratory and clinical consumables	**33**	67
Virus – finished goods	**2,108**	2,212
Virus – work in progress	**-**	1,452
	2,141	3,731

Inventories expensed in the consolidated statement of comprehensive income are shown within cost of sales or research and development expense. All inventories are carried at the lower of cost or net realisable value in the consolidated statement of financial position.

During 2015 a provision of £1,614,000 (2014: £nil) was recognised against the carrying value of "Virus – finished goods". During 2013-14 management developed two separate strains of H3N2 flu virus for use in both client and internal studies. Two strains were developed in order to mitigate the scientific and manufacturing risk of one strain failing development and to ensure that at least one strain was successful in the timeframe. As it is likely that only one of these strains will be used in client studies going forward, the second strain has been fully provided against.

As at 31 December 2014, a provision in full of £1.3 million against the carrying value of "Virus – work in progress" was recognised relating to a virus to be used commercially, where the new human disease models have not yet demonstrated technical feasibility. As at 31 December 2015, the provision has increased by £3,000 as further costs were incurred developing the virus strain during the year.

10. Current intangible asset

	2015 £'000	2014 £'000
At 1 January	**-**	**-**
Additions at cost	**2,935**	**-**
At 31 December	**2,935**	**-**

During 2015 hVIVO commenced a clinical trial programme with a view to the study data generating future economic benefit through licencing arrangements. Accordingly, the costs of performing these studies have been capitalised. On 1 November 2015, PrEP Biopharm Limited contracted to licence the study data for the flu and asthma studies. The study data is forecast to complete and be provided to PrEP Biopharm Limited during 2016, at which point these costs will be amortised through cost of sales.

11. Trade and other receivables

	31 December 2015 **£'000**	31 December 2014 £'000
Trade receivables	**551**	446
VAT recoverable	-	295
Other receivables	**405**	667
Prepayments	**1,274**	1,334
Accrued income	**412**	162
	2,642	2,904

12. Short-term deposits

	31 December 2015 **£'000**	31 December 2014 £'000
Short-term deposits	**37,031**	28,007

Balances held on short-term deposits have maturity dates between three and twelve months at the time of investment.

13. Cash and cash equivalents

	31 December 2015 **£'000**	31 December 2014 £'000
Cash at bank and in hand	**14,205**	22,826

14. Trade and other payables

	31 December 2015 **£'000**	31 December 2014 £'000
Trade payables	**2,265**	2,754
Other taxes and social security	**382**	414
VAT Payable	**984**	-
Other payables	**5,134**	177
Accruals	**1,303**	903
Deferred income	**7,434**	370
	17,502	4,618

15. Other payables

	31 December 2015 £'000	31 December 2014 £'000
Amounts to be settled beyond one year	**475**	550

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

16. Provisions

	Onerous lease provision £'000	Dilapidations provision £'000	Total £'000
At 1 January 2015	3,000	130	3,130
Additional provision in the year	993	10	1,003
Used during the year	(993)	-	(993)
At 31 December 2015	**3,000**	**140**	**3,140**

Onerous lease provision of £3.0 million (31 December 2014: £3.0 million) represents management's best estimate of the costs to be incurred for the exit of premises leased by the Group after considering the likely outcomes. There is reasonable uncertainty around the likelihood and timing of the exit of the lease as negotiations will involve third parties. The provision is expected to be used between 2016 and 2018. Total expected costs to be incurred are £3.0 million.

Buildings dilapidations of £140,000 (31 December 2014: £130,000) represent the present value of costs to be incurred for the restoration of premises occupied by the Group. The provision is expected to be used during 2018. Total expected costs to be incurred are £140,000.

17. Note to the consolidated statement of cash flows

	2015	2014
	£'000	£'000
Cash flow from operating activities		
Loss before income tax	**(21,625)**	(22,705)
Adjustments for:		
Share of loss of associate	**146**	-
Depreciation of property, plant and equipment	**1,342**	1,221
Impairment of property, plant and equipment	**-**	672
Amortisation of intangible assets	**318**	435
Payment of Non-Executive Director fees by issue of shares	**68**	15
Share-based payment expense	**78**	10
Finance costs	**17**	15
Finance income	**(387)**	(358)
(Gain)/loss on foreign exchange	**(8)**	8
Increase in provisions	**10**	3,020
Changes in working capital:		
Decrease/(increase) in inventories	**1,590**	(615)
Increase in current intangible asset	**(2,935)**	-
Increase in R&D Expenditure Credit asset	**(352)**	-
Decrease in trade and other receivables	**249**	2,965
Increase/(decrease) in trade and other payables	**7,885**	(3,835)
Cash used in operations	**(13,604)**	(19,152)
Finance costs	**(17)**	(15)
Income tax refund	**3,775**	2,568
Net cash used in operating activities	**(9,846)**	(16,599)

Trade and other payables include deferred consideration of £5.0 million in respect of the equity investment in PrEP Biopharm Limited which was paid in January 2016. This amount has not been included as a change in working capital as it relates to investing activities.

As at 31 December 2015, a £352,000 asset has been recognised in respect of an R&D Expenditure Credit (RDEC). This amount is presented within Research and development tax credit receivable in the consolidated statement of financial position. The remaining tax credit is presented below loss from operations in the consolidated statement of comprehensive income.