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HVIVO PLC
("hVIVO" or the "Company")

AUDITED PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

hVIVO plc (AIM: HVO), a pioneer of human disease models and an industry leading clinical development and drug discovery services business, today announces its audited preliminary results for the year ended 31 December 2017.

Financial Highlights

- Revenue of £10.9 million (2016: £19.9 million), includes £ 8.0 million (2016: £7.3 million) from third-party client engagements and £2.9 million (2016: £12.5 million) from equity investments (£2.6 million from the FLU-v Phase IIb clinical study). A further £1.3 million of other income from a cost-share grant with the US governmental agency Defense Advanced Research Projects Agency (DARPA). Also, a £1.0 million scope change to the FLU-v study has not been recognised in the consolidated statement of comprehensive income as it was entirely funded by hVIVO through a royalty purchase.

- Gross profit of £3.6 million and gross profit margin of 32.7% (2016: gross profit of £4.2 million and gross profit margin of 21.3%), through improved volunteer recruitment funnel efficiencies, speed of performance delivery and headcount reduction.

- Research and development (R&D) expense was £6.1 million (2016: £6.3 million) due to more concentrated spend on a smaller number of prioritised projects, balanced by the flu contagiousness project (with DARPA cost-share grant included in other income).

- Administration expenses £11.4 million (2016: £13.8 million), driven by headcount reductions and continued drive to tighten third-party costs.

- Short-term deposits, cash and cash equivalents of £20.3 million at 31 December 2017 (2016: £25.7 million), as a result of our building client clinical study pipeline, invoicing milestones and good cash collection, together with operational efficiencies and cost savings initiatives.

Operational Highlights

- Expanded hVIVO's clinical services platform by integrating our biological insight to create new proprietary tools and services:
    - launched a novel asthma precision development capability for identifying responders and developed a Pathomics process into a service offering for customers;
        - future development and discovery collaborations will now be able to utilise these new capabilities and this is expected to enhance our fee-for-services revenues with further upside potential from development and commercialisation milestones and royalties; and
    - leveraged hVIVO's flu database to identify and guide the selection of symptom-based endpoints tailored to FLU-v's mechanism of action.

- Entered into a cost-sharing grant application with DARPA via its Prometheus programme to advance hVIVO's flu contagiousness predictor tool.

- Completed a placebo-controlled Phase IIb clinical challenge study of FLU-v, conducted by hVIVO and PepTcell Limited as part of the Imutex joint venture:
    - preliminary analysis of the primary endpoint revealed a trend to statistical significance. Further testing of samples ongoing that could affect the final outcome; and
    - this study demonstrated a statistically significant reduction in a symptom measure for flu in humans in a controlled clinical study. We believe this is the first time that any universal flu vaccine candidate has demonstrated successful symptom-based results.

- Initiated and completed a first-in-man Phase I study for Imutex's mosquito-borne illness vaccine platform (AGS-v) at the National Institute of Allergy and Infectious Diseases(NIAID), part of the National Institute of Health (NIH):
    - Results are expected in H2 2018.

- Achieved efficiencies in hVIVO's operations to maximise cash reserves and prioritise investment spend to achieve near term value inflection milestones:
    - hVIVO finished the year with revenue and gross margin in line with market expectations for 2017, while year-end cash was markedly ahead.

Board Changes

- During the year Dr Trevor Phillips was appointed as a Non-Executive Director to the Company. He subsequently assumed the role of Executive Chairman, succeeding Jaime Ellertson who remains as a Non-Executive Director

- As announced today, Kym Denny is stepping down as Chief Executive of the Company with immediate effect

Commenting on today's results, Trevor Phillips, Executive Chairman of hVIVO plc, said:

"2017 has been a productive year for hVIVO, during which we expanded our services with new proprietary precision development service following the integration of our human disease clinical trial platform and our insights into the biology of diseases that impact the airways. These biological insights played a vital role in advancing the universal flu vaccine candidate FLU-v, where, post period, we announced encouraging symptom based results. This vaccine candidate is designed to minimise the impact of the virus by reducing symptoms - potentially relegating flu to a much milder disease – through stimulating an immune response, in contrast to seasonal flu vaccines. We believe this is the first time any universal flu vaccine candidate has demonstrated a statistically significant reduction in a symptom measure for flu in humans in a controlled clinical study. Our know-how and expertise has also enabled us to expand into new areas, such as drug target identification which we will leverage within our services offering.

We look forward with confidence to 2018, building on our position as an industry leader in human challenge studies and to expand further into areas such as asthma. Our expanded clinical services platform and precision development services approach has already generated significant interest from global pharmaceutical companies and we are excited about the opportunities."

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Notes to Editors:

About hVIVO plc

hVIVO plc ("hVIVO") is pioneering a human-based analytical platform to accelerate drug discovery and development in respiratory and infectious diseases. Leveraging human disease models in flu, RSV and asthma exacerbation, the hVIVO platform captures disease in motion, illuminating the entire disease life cycle from healthy to sick and back to health. Based in the UK, market leader hVIVO has conducted more than 50 clinical studies, inoculated over 2500 volunteers and has three first-in-class therapies currently in development with a growing pre-clinical pipeline.

EXECUTIVE CHAIRMAN'S STATEMENT

hVIVO is a revenue generating business, and an industry leader in clinical development and drug discovery services with over 15 years' experience conducting viral challenge studies using disease models on behalf of pharmaceutical and biotech customers. We have pioneered a platform for the use of such studies to provide detailed insights into the human response to infection by viruses such as the influenza virus (flu), the respiratory syncytial virus (RSV) and the human rhinovirus (HRV) as well as the impact of potential treatments, uniquely informing clinical development programmes. By conducting these studies under tightly controlled conditions in our dedicated and quarantined facility, we are able to monitor what happens before, during and after infection helping us to define what we call 'disease in motion'. Ultimately we believe the rich insights this approach provides should accelerate timelines and reduce costs for the development of novel treatments for such viral diseases. It should also be applicable to other airway diseases where patients can have acute viral triggered exacerbation such as asthma and chronic obstructive pulmonary disease (COPD) and we have begun expanding our offering to capture these significantly larger opportunities.

2017 was a productive year for hVIVO, during which we expanded our services with the development of our precision development service that seeks to leverage the integration of our proprietary insights into relevant airways disease biology with our 'disease in motion' clinical trial platform. These biological insights played a vital role in advancing the universal flu vaccine candidate FLU-v, where, post period, we announced encouraging results on its impact on flu symptoms.

Bringing together our disease know-how and clinical expertise also enabled us to expand our service offerings into other new areas, such as drug target identification. Such extension to our services platform increases potential business development opportunities and it has already generated significant interest from global pharmaceutical companies. Additionally, work done during the period has provided several opportunities for hVIVO to generate novel intellectual property and patent filings are on-going. In time, we anticipate that this intellectual property will generate a future revenue stream from licensing deals.

Importantly hVIVO continues to focus on cost control. In 2017, we worked to gain operational efficiencies and to further develop our trial management that allows hVIVO to be agile and responsive to subject recruitment nuances. Subsequently the efficiency of recruitment and enrolment of subjects has increased by 26% since 2016. Together, these efforts have allowed hVIVO to maximise cash reserves and prioritise investment spend to achieve near term value inflection point milestones.

Extending hVIVO's platform with its biological insight

In drug and vaccine development, the traditional clinical trials process is hampered by two key factors:(i) a limited ability to aim the pertinent biological target that will impact the course of a disease at the right time; (ii) lack of understanding of appropriate questions to ask that can effectively test a clinical hypothesis and yield relevant answers. hVIVO's biological insights and precision development approach can potentially help to address these issues, providing the tools to frame the right questions and measure results. The development of hVIVO's precision development service forms part of hVIVO's extension to its clinical services.

<u>Leveraging hVIVO's 'disease in motion' database</u>

As part of our clinical platform capturing disease in motion samples, we believe hVIVO has generated the largest human disease database in the industry, spanning a broad spectrum of viral infections and patient types. In 2017, we utilised the database to create proprietary means to stratify patients for more targeted drug development, tailor endpoint selection to a drug's

mechanism of action (MOA), and turn subjective measures into non-subjective metrics to promote a more standardised basis for testing. Patent filing for these inventions is ongoing.

The first application of hVIVO's biological insights has demonstrated the value hVIVO can add to product development. The criteria for advancing universal flu vaccine candidates are not yet defined, including a lack of clinical and regulatory endpoints. Without the means to test these vaccines appropriately, the advancement of even the most promising candidates are in jeopardy. In 2017, a placebo-controlled Phase IIb clinical challenge study of FLU-v in over 120 subjects, was conducted by hVIVO and PepTcell Limited (trading as SEEK Group) (together as part of the Imutex joint venture) and in collaboration with the National Institutes of Allergy and Infectious Diseases (NIAID), part of the US National Institutes of Health (NIH). FLU-v is a universal flu vaccine candidate designed to minimise the impact of the virus by reducing symptoms – potentially relegating flu to a much milder disease – through stimulating an immune response mediated through T-cells, in contrast to seasonal flu vaccines that prevent infection through antibody protection against the virus itself.

The ability to tailor endpoints and study design to match the product MOA speaks directly to reducing the cost, risk and complexity of clinical trials. For the NIAID Phase IIb FLU-v study, our database's depth and granularity allowed us to locate suitable, clinically relevant symptom-based endpoints tailored to the vaccine's MOA and powered to the primary endpoint, a composite score of symptoms and viral load. Since it was the first time hVIVO had done this, it was reasonable that this wasn't the primary endpoint of the study. Post-period, in March 2018, the result of our insights was demonstrated when FLU-v achieved statistical significance in a key secondary endpoint pertaining to the reduction of flu symptoms (p=0.02). Our data-driven approach did match the drug to the right endpoint and achieved successful symptom based results, which we believe is a first for a universal flu vaccine candidate. While the initial analysis of the study's predetermined, non-hVIVO primary endpoint only trended to statistical relevance, this result was also consistent with FLU-v's MOA being aimed at symptom reduction and not reduction of viral load. The results also provide FLU-v the endpoints to use going forward in development as a universal flu candidate.

<u>DARPA award for development of flu contagiousness tool</u>

During the year, we entered into a cost-sharing grant application with the US governmental agency Defense Advanced Research Projects Agency (DARPA) via its Prometheus programme to advance one of our more prominent tools, the flu contagiousness predictor tool. With our patent application in progress, this invention is a biological based algorithm that predicts who will become contagious when infected with flu before symptoms commence. This approach has utility to improve the forecasting of infectious disease outbreaks, reduce the risk of deploying contagious military personnel, and inform border control during pandemic outbreaks. More immediately, the algorithm can be used in clinical trials to add flexibility to trial facilities, inform dosing decisions and provide pathway insights to create drugs specifically aimed at rendering infected people unable to spread virus. The work being undertaken with DARPA will refine and qualify our contagiousness predictor tool, and is expected to be completed in 2018. This is an example of the type of tools derived from our clinical platform and disease in motion samples that we can continue also use in our own service offerings to pharmaceutical customers. Given these types of tools often align with public health objectives, they also provide the ability to leverage non-dilutive funding through government grants to offset development costs.

Specific extended platform services

Along with our data generation, hVIVO has created two new service capabilities: a new drug target identification service and a drug 'responder' identification service.

Drug target identification

Our clinical platform and disease in motion-based discovery research in flu has enabled us to identify the signalling pathways that we believe are active in severe flu and create a process for identifying what could be the true levers of this disease. Our pioneering work in identifying a drug target for the treatment of severe flu (HVO-001) led to a patent application in 2017, and, if possible, we plan to leverage non-dilutive funding to advance this invention through government grants and collaborations.

Advanced business development discussions are ongoing for this service to be used in asthma and we expected to complete the plan in 2018.

Asthma precision development

Recently, a number of highly visible failures in late stage clinical trials of once promising asthma drug candidates have occurred. These failures have resulted in pharmaceutical and biotech companies starting to look for novel approaches to help mitigate development risk. We believe hVIVO is well positioned to become the partner of choice in clinical development and drug discovery as these companies define their future clinical development strategies in asthma.

In 2017, we have also focussed on addressing the gap in early stage development for good quality human disease models in asthma drug development that need to provide clinically relevant results for guiding future studies. In doing so hVIVO is creating tools we believe will allow the Company to progress the concept of precision development in asthma. In May 2017, we launched a novel asthma precision development service capability, utilising the hVIVO platform to define a potential 'responder toolkit' of patient characteristics and study designs for early drug development in asthma. hVIVO has had significant business development interest from pharmaceutical and biotechnology companies, with multiple discussions ongoing ranging from opportunities for drug candidates in the early stages of clinical development through to supporting marketed products. These bespoke programmes in 'asthma responders' have the potential to help create smaller, faster clinical trials for new ground-breaking therapies and we see this as an area of significant new growth and an additional revenue stream. We are expecting to sign a new deal during the course of 2018.

Shared ownership assets

hVIVO's development pipeline has been enhanced from equity investments with partners using our services and provide a potential opportunity for hVIVO to benefit from future upside and further development of these assets. hVIVO will continue to investigate non-dilutive funding such as grants from government and charitable sources to help facilitate and accelerate the development of these assets.

Imutex Limited - Universal flu vaccine – FLU-v

Imutex's asset, FLU-v, is a universal flu vaccine candidate that is designed to provide broad spectrum coverage against multiple flu strains. There were two FLU-v Phase IIb studies conducted in 2017.

One was the Phase IIb challenge study conducted by hVIVO with NIAID in 2017 that recently announced preliminary data results as outlined above. In addition to this study, FLU-v was investigated in a Phase IIb field study with the Universal Influenza Vaccines Secured Consortium. This trial also completed in 2017, with results expected later in 2018

Imutex Limited - Mosquito-borne disease vaccine – AGS-v

Imutex's asset, AGS-v, is a mosquito-borne disease vaccine with a novel proposed dual action mechanism of preventing infection in humans whilst controlling the mosquito population. An AGS-v Phase I first-in-man study conducted at NIAID, began in early 2017, with results on track

and expected in H2 2018. In addition, a paper authored by NIAID supporting the scientific basis of AGS-v has now been accepted for publication in 2018.

Imutex was also awarded a £3.0 million Small Business Research Initiative (SBRI) contract by the UK's innovation agency, Innovate UK, in September 2017 to accelerate the development of the AGS-v vaccine.

PrEP Biopharm Limited - Novel pan-viral prophylactic – PrEP-001

PrEP-001, is a novel, nasally administered, broad-spectrum agent designed to leverage the body's innate immune system to prevent respiratory tract viral infections. hVIVO has previously reported positive proof-of-concept challenge studies in healthy volunteers challenged with influenza and human rhinovirus 16, HRV-16 (common cold). Results of these studies were published in early 2018 in the peer reviewed journal Antiviral Research.

In February 2017, hVIVO announced data from two additional Phase IIa clinical studies, one that profiled PrEP-001 in asthmatics and another that explored additional dosing schedules. While these exploratory studies did not meet their primary endpoints, analysis of the results has provided valuable insights for PrEP-001's further development as well as our asthma precision development capability and can now be applied as a proprietary service within our services offering.

PrEP Biopharm also conducted and completed two additional biomarker studies to further investigate safety and dosing for planning future studies. hVIVO continues to work closely with PrEP Biopharm to further elucidate the development pathway for this drug.

Board changes

Dr Trevor Phillips was appointed to the Board of Directors in June 2017 and as Executive Chairman in November 2017, succeeding Jaime Ellertson who remains as a Non-Executive Director. Trevor has over thirty years of experience in the pharmaceutical industry and proven track record in corporate development as well as extensive experience in respiratory deals and has relationships with hVIVO's target clients.

In a separate announcement released today, it was announced that Kym Denny is stepping down as Chief Executive Officer of the Company with immediate effect.

Outlook

In 2018, hVIVO expects to build on its position as an industry leader for the conduct of human challenge studies and expand further into asthma and other airways diseases. By enhancing and growing our services platform to better support clinical trials, we believe we have the capability to address drug development more effectively.

This year we will focus on achieving revenue growth while continuing our attention on cost control as we aspire to become cash generative in the medium term. We will seek new business opportunities, including winning contracts to conduct new challenge studies. In addition, the business development team is actively targeting existing clients and partners to leverage services with hVIVO's extended platform. The continued development of our enhanced services will also be a key strategic focus in 2018.

In 2018, we anticipate progress of the FLU-v programme towards monetisation and/or non-dilutive funding for further development. The data and know-how generated in the FLU-v study is an example of how by integrating our insights into our expanded services platform, we have the potential to generate higher value revenues by addressing critical drug development issues, and potentially simplifying the path to market for airways disease products.

The Board is confident that the Company's strategy for growth will deliver significant shareholder value. We would like to thank our employees, customers, partners and investors for their continuing invaluable support.

Trevor Phillips
Executive Chairman
18 April 2018

FINANCIAL REVIEW

During 2017, hVIVO made progress delivering against our financial key performance indicators (KPIs) and pursuing increased service revenues, operational efficiencies and improved gross profit margin. We continued to take steps to reduce our cost base and prioritise cash. As a result of our building client clinical study pipeline, invoicing milestones and good cash collections, cash as at 31 December 2017 was £20.3 million.

In the first half of 2017, hVIVO focused on our equity investment pipeline and completed the quarantines for the Imutex Phase IIb FLU-v clinical study, announcing initial results on 26 March 2018. A contracted asthma study was cancelled at very short notice due to a change in the client's strategic priorities, which created unutilised capacity in the quarantine unit in April and May 2017. Starting in the summer and during the second half of 2017, we commenced three client clinical studies together with our flu contagiousness research study, a cost-sharing grant from the US Defense Advance Research Project Agency (DARPA) through its Prometheus programme. This achieved better overall utilisation of our platform capability in the second half of the year and, together with our continuing drive for operational efficiencies, contributed to our overall gross profit margin improvement.

Whilst prioritising increased service revenues, hVIVO continues to focus our investment spend to achieve near term value inflection milestones, together with the development of our intellectual property and trial toolkits which will leverage our biological insight through precision development. We believe this will differentiate our significant capability and experience, build momentum in our sales pipeline and create barriers to entry for our services revenue capability.

Financial KPIs	**2017**	2016
Short-term deposits, cash and cash equivalents	**£20.3m**	£25.7m
Revenue	**£10.9m**	£19.9m
Gross profit	**£3.6m**	£4.2m
Gross profit margin	**32.7%**	21.3%
Research and development expense	**£(6.1)m**	£(6.3)m
Administrative expense	**£(11.4)m**	£(13.8)m
Share of loss of associates and joint ventures	**£(1.6)m**	£(7.4)m
Loss for the year	**£(12.9)m**	£(17.9)m

Income statement

Revenue for the year ended 31 December 2017 was £10.9 million (2016: £19.9 million). Revenue includes £8.0 million (2016: £7.3 million) from third party client engagements and £2.9 million (2016: £12.5 million) from equity investments (£0.3 million from the PrEP-001 Phase IIa clinical studies and £2.6 million from the FLU-v Phase IIb clinical study). A further £1.3 million of other income was achieved from a cost-sharing grant with DARPA. There was also a £1.0 million scope change to the FLU-v Phase IIb clinical study, primarily conducted during 2017, which has not been recognised in the consolidated statement of comprehensive income as it was entirely funded by hVIVO through a royalty purchase.

Gross profit margin for the Group increased to 32.7% (2016: 21.3%) through improved volunteer recruitment funnel efficiencies, speed of performance delivery and headcount reductions. During the year, there was a consolidation of our volunteer recruitment capability to achieve cost savings including the closure of our Manchester site.

Administration expenses £11.4million (2016: £13.8million) were reduced driven by headcount reductions and the continued drive to tighten third-party costs, balanced in part by the exceptional one-off costs related to onerous lease and dilapidations provisions arising from the Manchester site closure and associated redundancy costs.

R&D expense lowered to £6.1 million (2016: £6.3 million) as a result of more concentrated spend on a smaller number of prioritised projects, balanced by the flu contagiousness project (with a cost share grant from DARPA in other income).

Share of loss of associates and joint ventures was £1.6 million (2016: £7.4 million), reflecting the share of loss from hVIVO's investments in PrEP Biopharm Limited and Imutex Limited.

Research and development tax credits are claimed each year since hVIVO Services Limited has tax losses and elects to surrender these tax credits for a cash rebate from HM Revenue & Customs. 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 £1.9 million for the year ended 31 December 2017 (2016: £4.8 million).

Cash flow

The principal cash flows in the year were as follows:

Inflows

- Finance income of £0.1 million (2016: £0.3 million).

Outflows

- Cash outflow from operating activities of £5.0 million (2016: £12.8 million);
- Equity investment in associates and joint ventures £nil (2016: £12.1 million); and
- Purchase of intangible assets (data management software platform) of £0.3 million (2016: £0.7 million).

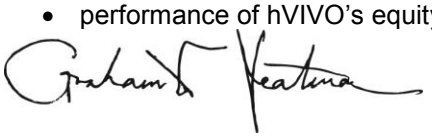
Key performance indicators

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

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

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 government bodies, including regulatory agencies;
- development of new human disease models, including asthma;
- the pursuit of collaboration opportunities with global pharmaceutical companies and government bodies, creating new income streams for hVIVO;
- development of precision development toolkits, and application in the hVIVO platform differentiating our significant capability, establishing barriers to entry and creating new income streams for hVIVO;
- development of intellectual property from our discovery research and product validation capabilities and, in particular, disease research (pathomics), data mining and analysis, sample collection and product testing processes;
- research and development in other disease areas; and
- performance of hVIVO's equity investments.



Graham Yeatman
Chief Financial & Business Officer
18 April 2018

hVIVO plc

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

		2017	2016
	Note	**£'000**	£'000
Revenue		**10,878**	19,850
Cost of sales		**(7,316)**	(15,629)
Gross profit		**3,562**	4,221
Other income	3	**1,455**	276
Research and development expense		**(6,059)**	(6,282)
Administrative expense		**(11,379)**	(13,767)
Loss on provision of services to joint ventures	4	**(800)**	—
Share of loss of associates and joint ventures	10	**(1,613)**	(7,371)
Loss from operations		**(14,834)**	(22,923)
Finance income		**71**	310
Finance costs		**(54)**	(18)
Loss before taxation		**(14,817)**	(22,631)
Taxation	5	**1,934**	4,750
Loss for the year		**(12,883)**	(17,881)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**16**	207
Exchange differences arising on translating foreign operations		**(11)**	(65)
Total comprehensive loss for the year attributable to owners of the parent		**(12,878)**	(17,739)
Loss per share – basic (pence)	6	**(16.5p)**	(22.9p)
Loss per share – diluted (pence)	6	**(16.5p)**	(22.9p)

All activities relate to continuing operations.

The accompanying notes are an integral part of the consolidated statement of comprehensive income.

hVIVO plc

Consolidated Statement of Financial Position

As at 31 December 2017

		2017	2016
	Note	**£'000**	£'000
Assets			
Non-current assets			
Goodwill	7	**1,722**	1,722
Intangible assets	8	**3,232**	3,375
Property, plant and equipment	9	**535**	1,552
Investment in associates and joint ventures	10	**12,553**	14,150
		18,042	20,799
Current assets			
Inventories	11	**1,742**	1,986
Trade and other receivables	12	**2,188**	3,704
Research and development tax credit receivable		**2,625**	4,558
Cash and cash equivalents	13	**20,289**	25,679
		26,844	35,927
Total assets		**44,886**	56,726
Equity and liabilities			
Equity			
Share capital		**3,909**	3,905
Share premium account		**93,290**	93,217
Share-based payment reserve		**382**	238
Merger reserve		**4,199**	4,199
Other reserve		**211**	211
Retained deficit		**(68,596)**	(55,718)
Total equity		**33,395**	46,052
Non-current liabilities			
Other payables	15	—	400
Provisions	16	**2,280**	3,131
		2,280	3,531
Current liabilities			
Trade and other payables	14	**9,211**	7,143
		9,211	7,143
Total liabilities		**11,491**	10,674
Total liabilities and equity		**44,886**	56,726

The accompanying notes are an integral part of the consolidated statement of financial position.

hVIVO plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital	Share premium account	Share-based payment reserve	Merger reserve	Other reserve	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 December 2015	3,903	93,145	144	4,199	211	(37,979)	63,623
Share-based payment	—	—	94	—	—	—	94
Proceeds from shares issued:							
Issue of new shares	2	72	—	—	—	—	74
Total transactions with owners in their capacity as owners	2	72	94	—	—	—	168
Loss for the year	—	—	—	—	—	(17,881)	(17,881)
Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	207	207
Exchange differences on translation of foreign assets	—	—	—	—	—	(65)	(65)
As at 31 December 2016	3,905	93,217	238	4,199	211	(55,718)	46,052
Share-based payment	—	—	144	—	—	—	144
Proceeds from shares issued:							
Issue of new shares	4	73	—	—	—	—	77
Total transactions with owners in their capacity as owners	4	73	144	—	—	—	221
Loss for the year	—	—	—	—	—	(12,883)	(12,883)
Share of other comprehensive income of associates and joint ventures	—	—	—	—	—	16	16
Exchange differences on translation of foreign assets	—	—	—	—	—	(11)	(11)
As at 31 December 2017	**3,909**	**93,290**	**382**	**4,199**	**211**	**(68,596)**	**33,395**

The accompanying notes are an integral part of the consolidated statement of changes in equity.

hVIVO plc

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

		2017	2016
	Note	**£'000**	£'000
Net cash used in operating activities	17	**(5,065)**	(12,832)
Cash flows from investing activities			
Acquisition of intangible assets		**(271)**	(660)
Acquisition of property, plant and equipment		**(50)**	(162)
Decrease in balances on short-term deposit		**—**	37,031
Investment in associates and joint ventures		**—**	(12,138)
Interest received		**71**	310
Net cash (used in)/generated from investing activities		**(250)**	24,381
Cash flows from financing activities			
Other payables repaid		**(75)**	(75)
Net cash used in financing activities		**(75)**	(75)
Net (decrease)/increase in cash and cash equivalents		**(5,390)**	11,474
Cash and cash equivalents at the start of year		**25,679**	14,205
Cash and cash equivalents at the end of year		**20,289**	25,679

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

A £5 million payment of deferred consideration in respect of PrEP Biopharm Limited has been reclassified from operating cash flows to investing cash flows, due to an error in classification in the prior year.

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Notes to the Consolidated Financial Statements

1. Basis of the announcement

The audited preliminary results for the year ended 31 December 2017 were approved by the Board of Directors on 18 April 2018. 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 2017 and year ended 31 December 2016.

The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2017. 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 (IFRS), as adopted by the European Union (EU), 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. For the purpose of the consolidated and individual 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 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

Going concern

In determining the basis for preparing the consolidated 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 consolidated financial statements. As at 31 December 2017, the Group had short-term deposits, cash and cash equivalents of £20.3 million (2016: £25.7 million) and net current assets of £17.6 million (2016: £28.8 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 Company'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 and future collaboration transactions, 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 "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks 2016". 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 consolidated financial statements.

2. Segmental information

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'.

Kym Denny stepped down as Chief Executive Officer on 18 April 2018 and Trevor Phillips, the Executive Chairman, has taken over her responsibilities.

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 2017, the Group had three customers who each generated revenue greater than 10% of total revenue (2016: four customers). These customers generated 44%, 24% and 15% of revenue (2016: 49%, 24%, 15% and 11% of revenue).

3. Other income

Other income includes £1.3 million of public health cost-share grant awarded by US DARPA (Defense Advanced Research Projects Agency) for a flu contagiousness R&D project and £0.1 million (2016: £0.3 million) accrued in respect of a Research and Development Expenditure Credit ("RDEC") claim for 2017. The Group classifies such RDEC claims as a government grant where amounts receivable as compensation for expenses or losses already incurred are recognised in the consolidated statement of comprehensive income in the period in which they become receivable.

4. Loss on provision of services to joint ventures

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Loss on provision of services to joint ventures	**800**	—

hVIVO Services Limited agreed in 2016 a £1.0 million change in the scope of the FLU-v study, increasing the number of volunteers in the study to power the primary and a selection of secondary endpoints. This was funded by hVIVO plc purchasing from Imutex Limited a right to future royalty upon the achievement of certain milestones. The income from the scope change has not been recognised in the consolidated statement of comprehensive income as it was entirely funded by hVIVO. The quarantines for the FLU-v study completed during 2017 and the associated costs of the scope change, together with subsequent analysis of study data, have been recognised as a loss on provision of services to joint ventures.

5. Taxation

	Year ended 31 December 2017	Year ended 31 December 2016
	£'000	£'000
Current tax:		
Current year research and development tax credit	**(2,261)**	(4,293)
Adjustments in respect of previous periods	**285**	(473)
Foreign current tax	**42**	16
	(1,934)	(4,750)

Corporation tax is calculated at 19.25% (2016: 20%) of the estimated taxable loss for the year.

The charge for the year can be reconciled to the loss in the consolidated statement of comprehensive income as follows:

	Year ended	Year ended
	31 December	31 December
	2017	2016
	£'000	£'000
Loss before taxation	**(14,817)**	(22,631)
Tax at the UK corporation tax rate of 19.25% (2016: 20%)	**(2,852)**	(4,526)
Expenses not deductible in determining taxable profit	**71**	18
Fixed asset temporary timing differences not recognised	**272**	7
Current year research and development tax credit	**(1,008)**	(1,681)
Movement in unrecognised deferred tax asset	**796**	1,524
Other temporary timing differences not recognised	**502**	381
Adjustments in respect of prior periods	**285**	(473)
Tax for the year	**(1,934)**	(4,750)

Factors affecting current and future taxation

On 1 April 2017, the corporation tax rate fell from 20% to 19%. It is expected to fall to 17% from 1 April 2020.

As at 31 December 2017, the Group had tax losses available for carry forward of approximately £29.96 million (2016: £26.26 million). The Group has not recognised deferred tax assets of £5.20 million (2016: £5.19 million) relating to carried forward losses and other temporary differences. 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.

6. 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	Year ended
	31 December	31 December
	2017	2016
	£'000	£'000
Earnings		
Loss for the year	**(12,883)**	(17,881)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	**78,141,096**	78,076,407
Effect of dilutive potential ordinary shares:		
– share options	**—**	—
Weighted average number of ordinary shares for the purposes of diluted EPS	**78,141,096**	78,076,407

In both years 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.

7. Goodwill

	2017	2016
	£'000	£'000
At 1 January	**1,722**	1,722
Recognised on acquisition of subsidiary	**—**	—
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. The fair value of the cash generating unit is determined with reference to a Level 1 input, based on the quoted share price in an active market. As at 31 December 2017, the recoverable amount of the cash generating unit was considered to be significantly in excess of its book value.

8. Intangible assets

	Acquired intellectual property	Capitalised software development	Total
	£'000	£'000	£'000
Cost:			
At 31 December 2015	2,118	1,243	3,361
Additions at cost	—	660	660
Disposals	—	—	—
At 31 December 2016	2,118	1,903	4,021
Additions at cost	—	271	271
Disposals	—	—	—
At 31 December 2017	**2,118**	**2,174**	**4,292**
Accumulated depreciation:			
At 31 December 2015	283	48	331
Charge for the year	282	33	315
Disposals	—	—	—
At 31 December 2016	565	81	646
Charge for the year	282	132	414
Disposals	—	—	—
At 31 December 2017	**847**	**213**	**1,060**
Carrying amount:			
At 31 December 2015	1,835	1,195	3,030
At 31 December 2016	1,553	1,822	3,375
At 31 December 2017	**1,271**	**1,961**	**3,232**

9. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 31 December 2015	2,491	3,643	1,187	7,321
Additions	21	75	66	162
Disposals	—	—	—	—
At 31 December 2016	2,512	3,718	1,253	7,483
Additions	17	29	4	50
Disposals	(8)	(935)	(136)	(1,079)
At 31 December 2017	**2,521**	**2,812**	**1,121**	**6,454**
Accumulated depreciation:				
At 31 December 2015	1,667	2,089	886	4,642
Charge for the year	334	750	204	1,288
Disposals	—	—	—	—
At 31 December 2016	2,001	2,839	1,090	5,930
Charge for the year	460	506	102	1,068
Disposals	(8)	(935)	(136)	(1,079)
At 31 December 2017	**2,453**	**2,410**	**1,056**	**5,919**
Carrying amount:				
At 31 December 2015	824	1,554	301	2,679
At 31 December 2016	511	879	163	1,553
At 31 December 2017	**68**	**402**	**65**	**535**

10. Investment in associates and joint ventures

Management have assessed that there are no impairment indicators at the present time and have, therefore, not performed an impairment assessment. The carrying amount of investments are considered to be fully recoverable.

PrEP Biopharm Limited

The following table summarises the movements in the Company's investment in PrEP Biopharm Limited during the year:

	2017	2016
	£'000	£'000
As at 1 January	**7,012**	14,254
Share of loss after tax recognised in the consolidated statement of comprehensive income	**(1,607)**	(7,371)
Share of other comprehensive income of associates and joint ventures	**16**	129
As at 31 December	**5,421**	7,012

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:

	31 December	31 December
	2017	2016
	£'000	£'000
Current assets	**1,460**	3,962
Non-current assets	**5,087**	5,090
Current liabilities	**(402)**	(366)
Net assets	**6,145**	8,686
Interest in the associate	**3,848**	5,439
Goodwill	**1,573**	1,573
Carrying amount of the Group's interest in the associate	**5,421**	7,012

PrEP Biopharm Limited and its US subsidiary generated no revenue during the period as the activity was that of clinical research.

Its loss after taxation of £3.4 million (2016: £11.3 million) for the year ended 31 December 2017 included £2.6 million of research and development expenditure (2016: £11.4 million) and £1.0 million of administrative expenditure (2016: £1.1 million), partially offset by income in respect of a research and development tax credit refund claim.

Imutex Limited

The following table summarises the movements in the Company's investment in Imutex Limited during the year:

	2017	2016
	£'000	£'000
As at 1 January	**7,138**	—
Additions	—	7,138
Share of loss after tax recognised in the consolidated statement of comprehensive income	**(6)**	—
As at 31 December	**7,132**	7,138

Summarised consolidated financial information in respect of Imutex Limited is set out below and has been prepared in accordance with IFRS:

	31 December	31 December
	2017	2016
	£'000	£'000
Current assets	**357**	383
Non-current assets	**14,247**	14,247
Current liabilities	**(371)**	(385)
Net assets	**14,233**	14,245
Interest in the joint venture	**6,974**	6,980
Goodwill	**158**	158
Carrying amount of the Group's interest in the joint venture	**7,132**	7,138

Imutex Limited generated no revenue during the period as the activity was that of clinical research.

It recorded a loss of £0.01 million for the period ended 31 December 2017.

11. Inventories

	31 December	31 December
	2017	2016
	£'000	£'000
Laboratory and clinical consumables	**70**	35
Virus – finished goods	**1,672**	1,951
	1,742	1,986

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.

12. Trade and other receivables

	31 December	31 December
	2017	2016
	£'000	£'000
Trade receivables	**981**	1,001
VAT recoverable	**—**	260
Other receivables	**428**	399
Prepayments	**362**	1,343
Accrued income	**417**	701
	2,188	3,704

13. Cash and cash equivalents

	31 December	31 December
	2017	2016
	£'000	£'000
Cash at bank and in hand	**20,289**	25,679

14. Trade and other payables

	31 December	31 December
	2017	2016
	£'000	£'000
Trade payables	**1,103**	2,204
Other taxes and social security	**296**	350
VAT payable	**7**	—
Other payables	**446**	178
Accruals	**1,513**	1,347
Deferred income	**5,846**	3,064
	9,211	7,143

15. Other payables

	31 December 2017	31 December 2016
	£'000	£'000
Amounts to be settled beyond one year	—	400

Other payables relate to a loan from Queen Mary Bio Enterprises Limited in respect of hVIVO's lease of the third floor of the QMB Innovation Centre. As part of the agreement, QMB advanced hVIVO a repayable interest-free lease incentive of £750,000 to develop the third floor, with £75,000 per annum repayable over a ten-year period. The balance of loan was re-categorised as a current liability as at 31 December 2017, as repaid in 2018 under the terms of the lease.

16. Provisions

	Onerous lease provision	Dilapidations provision	Total
	£'000	£'000	£'000
At 1 January 2017	2,991	140	3,131
Additional provision in the year	404	207	611
Used during the year	(1,462)	—	(1,462)
At 31 December 2017	**1,933**	**347**	**2,280**

An onerous lease provision of £1.9 million (31 December 2016: £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 leases as negotiations will involve third parties. The additional provision was recognised due to the closure of the Manchester site during 2017. The provision is expected to be used between 2018 and 2019.

Buildings dilapidations of £347,000 (31 December 2016: £140,000) represent the present value of costs to be incurred for the restoration of premises occupied by the Group. £17,000 is expected to be used during 2018, £300,000 during 2019 and the remaining £30,000 during 2021 and 2022.

17. Note to the consolidated statement of cash flows

	Year ended 31 December	Year ended 31 December
	2017	2016
	£'000	£'000
Cash flow from operating activities		
Loss before income tax	**(14,817)**	(22,631)
Adjustments for:		
Share of loss of associates and joint ventures	**1,613**	7,371
Depreciation of property, plant and equipment	**1,068**	1,288
Amortisation of intangible assets	**414**	315
Payment of Non-Executive Director fees by issue of shares	**77**	74
Share-based payment expense	**144**	94
Finance costs	**54**	18
Finance income	**(71)**	(310)
Research and Development Expenditure Credit included in other income	**(90)**	(267)
Decrease in provisions	**(851)**	(9)
Changes in working capital:		
Decrease in inventories	**244**	155
Decrease in current intangible asset	**—**	2,935
Decrease/(increase) in trade and other receivables	**1,507**	(1,062)
Increase/(decrease) in trade and other payables	**1,711**	(5,359)
Cash used in operations	**(8,997)**	(17,388)
Finance costs	**(54)**	(18)
Income tax refund	**4,000**	4,574
Foreign tax paid	**(14)**	—
Net cash used in operating activities	**(5,065)**	(12,832)

A £5 million payment of deferred consideration in respect of PrEP Biopharm Limited has been reclassified from operating cash flows to investing cash flows, due to an error in classification in the prior year.