For immediate release 07:01: 16 April 2015

HVIVO PLC

("hVIVO" or the "Company")

AUDITED PRELIMINARY RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2014

hVIVO plc (AIM: HVO), the pioneer of human challenge models of disease, is pleased to announce its audited preliminary results for the year ended 31 December 2014.

Financial Highlights

- Revenue reduced to £18.5 million (2013: £27.5 million);
- Gross profit £5.5 million and gross profit margin 29.6% (2013: gross profit £8.3 million and gross profit margin 30.2%);
- Investment in R&D expense (excluding provision against virus inventory) rose to £10.7 million (2013: £1.2 million) reflecting expansion of our discovery research and product validation capabilities;
- Cash outflow from operating activities of £16.6 million (2013: £2.2 million) and purchase of property, plant and equipment of £1.4 million (2013: £3.1 million);
- Successful fundraising completed in the year raising £33.6 million before expenses (2013: £25.5 million raised); and
- Strong financial position with short-term deposits, cash and cash equivalents of £50.8 million at 31 December 2014 (2013: £35.8 million)

Operational Highlights

- Added new Board members that bring market and corporate development expertise that align with our broader growth strategy
- Deepening our discovery research capabilities, strengthening our strategic leadership and building out our commercial expertise, including building a global sales team pursuing both clinical trial services and also collaborations around our Pathomics capabilities
- Accelerated strategy for broadening our human challenge model platform to discover novel biomarkers and drug targets that will shepherd the next generation of therapeutics and diagnostic products
- Conducted landmark RSV product validation studies for Alios and Gilead
- Developed viral exacerbation challenge model for asthma
- Completed Activiomics acquisition, adding powerful technology and key expertise for protein identification as we progress our Pathomics discovery products
- Successfully characterised new H3N2 virus for challenge model studies

- Established purpose built research and development laboratory facility in Welwyn Garden City

- Attracted more than 190,000 volunteers over the last 3 years to participate in clinical studies and achieved 97% on-time enrollment success rate

- Launched new name today that reflects our pioneering vision: hVIVO

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

"This was a year of many firsts for us. With fewer than anticipated human challenge clinical trials being conducted in 2014 due to market shifts, our revenue was £18.5 million with gross profit margin of 29.6% and cash as at 31 December 2014 of £50.8 million. We took advantage of this operational gap by accelerating hVIVO's R&D programmes and our "Pathomics" approach, combining omics and pathway analysis. Following investor support and a successful £33.6 million fundraise in August 2014, we fast-tracked our sample collection capabilities to deliver the first influenza pathomics map and the first commercial asthma model. We conducted two landmark studies in RSV in record time and proudly watched our RSV model transform RSV disease research. We are well placed for achieving our objectives for 2015 and remain fully engaged with our customers regarding both our product validation and pathomics capabilities and opportunities."

For further information please contact:

hVIVO plc +44 207 756 1300

Kym Denny (CEO)
Graham Yeatman (Chief Financial and Business Officer)

Media Enquiries +44 203 021 3933 / +44 7854 979 420

Colin Paterson (Director of Marketing, Communication and PR)

Numis Securities Limited +44 207 260 1000

Michael Meade / Freddie Barnfield (Nominated Adviser)
James Black / Michael Burke (Corporate Broking)

Notes to Editors:

hVIVO plc ("hVIVO") is a life sciences company pioneering a technology platform of human disease models to accelerate drug development and discovery in respiratory and infectious diseases. Based in the UK, hVIVO has conducted over 40 clinical studies, involving more than 1,950 volunteers for a range of leading industry, governmental and academic clients.

CHIEF EXECUTIVE OFFICER'S STATEMENT

2014 was a volatile year for infectious disease. Pharmaceutical organisations worked to stay ahead of viral disease outbreaks, such as Ebola, while public health officials grappled with a surprisingly severe flu season. Responding to these changes challenged the best prepared businesses, with pharmaceutical organisations shifting priorities to focus on developing new vaccines, and public health organisations re-evaluating their flu preparation processes.

In spite of the market turmoil, we stayed focused on our overarching strategic objective to build long-term shareholder value by leveraging our hVIVO platform to accelerate third party drug development programmes and through our own R&D programmes to harvest the biological insight of our 'disease in motion' samples, to create the next generation of treatments and diagnostics for respiratory diseases.

The shifting market dynamics this year meant we had the opportunity to accelerate our own R&D programmes, and with the support of our shareholders, we fast-tracked our initial sample collection in flu and asthma into 2014, allowing us to begin to unravel the key cellular and molecular causes of these diseases via our newly named process, 'pathomics.' We conducted two landmark RSV trials, one which led to a leading journal publication and another that was tied to a substantial acquisition of a biotech company by a big pharma. At the same time, we watched with pride as our RSV challenge model took its rightful place as a leading drug development tool in the fight against RSV infection. There can be little doubt that our RSV hVIVO model has revolutionised the RSV research space, allowing researchers to test their products in a disease area that has historically been inaccessible to early phase subject recruitment, and encouraging the development of much needed vaccines and therapeutics for an infection that is the leading cause of hospitalisation in children under the age of 5 in the UK alone. For both these studies, we pushed the speed limit we had established and delivered the trials in under 8 months.

Changing gears

For 2014, our revenue was £18.5 million with gross profit margin of 29.6% and cash as at 31 December 2014 of £50.8 million. Fewer than anticipated human challenge clinical trials were conducted in 2014, a result of significant drug class delays and, late in the year, the Ebola outbreak whereby many companies redirected their flu research teams onto their nascent Ebola treatments and vaccines. Given that a fundamental asset of our model is its ability to 'flip' from third party trials to internal pathomics discovery sample collection, we reacted quickly and took advantage of the gap created in our capacity to advance our flu pathomics programme at a much faster pace. While we are seeing a slow return from third parties to flu programmes moving forward, it will take time for the industry's momentum to be regained. As a result we re-evaluated our spending, our staff skill mix and our planned investments in the light of unexpectedly being significantly further along in our discovery work and reprioritised our resources accordingly. Of key note was our decision to put on hold our Chesterford Research Park premises plans, prior to the initiation of building works. As a result, we were able to bring forward the investments necessary to achieve our first pathomics map (which describes the human host response to flu infection) in early 2015.

August 2014 fundraise and the hVIVO Model of Viral Exacerbation of Asthma

We first described our aspirations to map out the cellular and molecular causes of disease during our August 2014 fundraise, when we were delighted to raise £33.6 million from both existing and new shareholders, together with the tremendous support and encouragement we received. This funding, in addition to our reprioritised spending, enabled us to accelerate considerably ahead of plan our work in influenza, and it will continue directly to fuel the subsequent pathomics projects that will lead to the identification of biomarkers and new drug targets. In addition, the August 2014 fundraise also allowed us to accelerate our work in asthma, which is the first new human challenge model that we have built since the RSV model was launched in 2006. We chose our latest venture to be in an adjacent market to the respiratory infection space we have long since dominated: Asthma. It has been suggested that over 80% of all exacerbations of asthma are due to the HRV-16 cold virus, and thus a viral exacerbation model would be a welcome addition in the drug development tool kit for effective new asthma products.

As with our RSV model, we believe that our asthma viral exacerbation model will prove to be a new Gold Standard in early phase research for a previously out of reach area of study. Our first calibration experiment was performed with the aim of developing a safe, reproducible, and clinically relevant asthma human challenge model. Twenty-one asthmatic volunteers participated in the study and we obtained our first samples from subjects during the course of an asthma exacerbation in response to viral infection with HRV-16 using our hVIVO platform. The samples collected during the study were used for developing the model and for performing pathomics analysis. We are now the only life science company to have a commercial asthma exacerbation challenge model capable of delivering on an industrial scale. In addition to new models, in 2014 we conducted important expansion experiments into the Over 45 age group, preparing us to develop a human model of COPD in the future, as well as expand our healthy volunteer panel to include the subsection of the population that fared so poorly during this unexpectedly harsh flu season.

Our market leader status was further strengthened with the successful characterisation and production of a new pharmaceutical grade H3N2 virus, whose symptomology and infectivity rates produces a more natural infection, making it a valuable tool for future influenza challenge studies. We continued to sustain our market leading volunteer enrolment success rate (97%) with a database of volunteers of 190,000 strong and growing.

Positioning for future growth

In preparation for our future growth and development as a leading edge clinical development and discovery platform technology company, 2014 saw us deepening our discovery research capabilities, strengthening our strategic leadership and building out our commercial expertise.

<u>Scientific discovery and pathomics</u>

In March 2014, we completed the £4.0 million acquisition of Activiomics Limited, a private UK-based proteomics company, which adds a powerful technology and key expertise under the leadership of Dr Neil Torbett, for protein identification as we progress our pathomics discovery projects.

We made a number of key executive appointments during the year to deepen our scientific expertise and prepare for our journey. Dr Tony Lockett, our Senior Medical Director, took on an expanded role as Chief Medical Officer with responsibility for patient safety, medical governance and new model development. Two highly respected leaders from major global pharmaceutical companies joined our Discovery Research management team. Dr Chris Poll, Executive Vice President Research and Development, was appointed to lead our discovery activities, supported by Dr Paul Whittaker, Vice President, Discovery Research, Research and Development. We set out to establish cutting edge facilities for our expanded team. In August 2014 we leased a purpose built laboratory facility in Welwyn Garden City, designed to host and centralise our Research and Development operations. The new facility accommodates both bench-based scientists as well as our bioinformaticians who provide the essential analysis of our gene and protein profiling.

<u>Corporate Leadership</u>

To guide us forward, we added new Board members that bring market and corporate development expertise that align with our broader growth strategy. These additions include highly successful innovators, entrepreneurs and genomic pioneers.

Jaime Ellertson joined the Board in June 2014 as Non-Executive Chairman, succeeding David Norwood who continues as a Non-Executive Director. Jaime has a strong track record of leading fast growing, data and service driven companies through phases of rapid expansion, both in the private and public arena.

James F Winschel became a Non-Executive Director of the Company in October 2014 and is Chairman of the Audit Committee. Jim's commercial and global clinical research experience, with specific focus on market growth, will be invaluable going forward.

Trevor Nicholls joined the Board as a Non-Executive Director in May 2014 and brings an outstanding track record in building international businesses in the life science industry, and invaluable experience in the genomics and proteomics field.

Alison Fielding joined the Board in July 2014 and is Chairman of the Remuneration Committee. A highly respected and entrepreneurial leader, Alison has a track record of creating and building high-performing companies based on scientific innovation.

At the close of the financial year, Graham Yeatman, our Finance Director, was promoted to Chief Financial and Business Officer with responsibilities to drive greater commercialisation of the business and to create a more flexible, scalable and efficient cost base for our developing operations.

<u>Commercial Expertise</u>

To achieve our strategic ambitions, we are expanding our business and market development efforts through new and effective sales channels and developing further our partnerships with pharmaceutical clients, helping to drive revenues.

In November, Reid Tripp was appointed as Executive Vice President for Business Development and Marketing. Reid is based in the US and brings considerable commercial sales leadership experience, specialising in new product development. We are adding capabilities for promoting proactive outreach, market penetration and client engagement activities, with a global sales team pursuing both clinical trial services and also collaborations around our pathomics discoveries.

hVIVO – new name, pioneering vision

I am delighted to announce the formal launch of our new Company name hVIVO plc.

Human volunteers are at the heart of all we do. Changing the Company name to hVIVO plc reflects the revolutionary step of using human models of disease to develop treatments for humans. A pioneering concept in drug testing deserves a pioneering name to best describe it and we chose hVIVO.

The 'h' celebrates the human aspect of our unique process to accelerate drug development. Humans, in the shape of willing clinical trial volunteers, provide a living sample that we utilise in a clinically controlled environment in our pioneering Human Challenge Model.

VIVO represents the science of clinical testing on living organisms and in this case, the human sample, which is at the very heart of our business.

This name change to hVIVO reflects our expanded vision and a new human dimension to the way we discover and develop drugs and diagnostics.

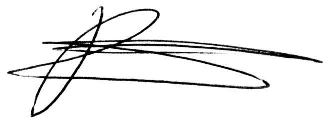
Summary

hVIVO is embarking on the next stage of its exciting journey, broadening the human challenge model platform to discover novel biomarkers and drug targets that will shepherd the next generation of therapeutic and diagnostic products. The Alios and Gilead product validation studies clearly showed how we help organisations deliver better treatments, faster.

The Company is well placed to achieve its objectives for 2015 and remains fully engaged with its customers regarding both its product validation and pathomics capabilities and opportunities. We are excited to be expanding our platform into new disease areas, developing the industry's first commercial asthma model this year.

I would like to pay tribute to our management and staff throughout the Group who have worked so hard during the year to pioneer our space and position hVIVO for significant future growth. Also, to thank our investors for their continued support and encouragement during our journey to-date and with respect to our plans for the future.

As hVIVO plc going forward, we look forward to embracing fully the power of our human models of disease. I can't wait to see what we can achieve in 2015 and beyond.



Kym Denny
Chief Executive Officer

15 April 2015

FINANCIAL REVIEW

The reduction in Human Challenge Model (HCM) client engagements during 2014 and our fundraise in August 2014 enabled significant acceleration of investment in our research and development programmes. We continued to diversify our investments and strengthen our commercial capabilities and expertise, so we can discover and bring to market new opportunities faster and help our clients accelerate their drug development. The ongoing development of new hVIVO models of disease, the recruitment of senior experienced scientific expertise from big pharma and the acquisition of Activiomics has provided the platform for hVIVO to discover novel biomarkers that will enable the next generation of therapeutic and diagnostic products.

Financial KPIs	**2014**	2013
Revenue	**£18.5m**	£27.5m
Gross profit	**£5.5m**	£8.3m
Gross profit margin	**29.6%**	30.2%
Research and development expense (excluding provision against virus inventory)	**£10.7m**	£1.2m
(Loss)/profit for the year	**£(18.4)m**	£1.5m
Short-term deposits, cash and cash equivalents	**£50.8m**	£35.8m

HCM client engagements

Revenue for the year ended 31 December 2014 was £18.5 million (2013: £27.5 million). hVIVO has a small number of high value HCM client engagements, such that delay or cancellation of client engagements has a significant effect on our revenue. Reduced revenue impacts operational efficiency, economies of scale and gross profit margin. However hVIVO has mitigated the impact by taking steps to adjust and make more flexible our cost base and utilising the capacity of staff and facilities to accelerate our internal research and development programmes.

Research and development expense

The Group's research and development expense (excluding provision against virus inventory) was £10.7 million this year (2013: £1.2 million). This increase reflects the expansion of our 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 expense was £17.7 million (2013: £7.3 million). The increase is primarily due to a higher management and administrative staff cost base, higher premises and IT costs, and the use of external consultants to support the Group's pace of growth, increasing size and complexity. In addition, expenses include impairment of leasehold additions and increases in provisions.

Finance income

The Group invests its surplus funds in bank deposits and money market investments of up to one year. In the year ended 31 December 2014 interest income was £0.4 million (2013: £0.2 million).

Taxation

The Group makes claims each year for research and development tax credits and, since it is loss-making, elects to surrender these tax credits for a cash rebate. The amount credited to the consolidated income statement in respect of amounts received and receivable for the surrender of research and development expenditure is £3.9 million for the year ended 31 December 2014 (2013: £2.7 million) due to the increased research and development activity during the year. In addition, a £0.3 million deferred tax adjustment in respect of the acquisition of Activiomics Limited has been credited to the consolidated income statement.

Consolidated statement of financial position

As of 31 December 2014 total assets less liabilities amounted to £61.2 million (2013: £42.9 million) including short-term deposits of £28.0 million (2013: £22.5 million) and cash and cash equivalents of £22.8 million (2013: £13.3 million).

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

- additions to goodwill and intangible assets of £1.7 million and £2.5 million respectively, as a result of the acquisition of Activiomics Limited;
- purchases of property, plant and equipment of £1.4 million;
- increase in inventories of £0.6 million;
- decrease in trade and other receivables of £2.9 million;
- increase in research and development tax credit receivable of £1.4 million;
- increase in short-term deposits of £5.5 million;
- increase in cash and cash equivalents of £9.5 million;
- increase in provisions of £3.0 million; and
- decrease in current trade and other payables of £3.7 million.

Cash flow

The principal cash flows in the year were as follows:

Inflows:

- net proceeds on issue of shares of £32.8 million (2013: £25.0 million); and
- finance income of £0.4 million (2013: £0.2 million).

Outflows:

- cash outflow from operating activities of £16.6 million (2013: £2.2 million);and
- purchase of property, plant and equipment of £1.4 million (2013: £3.1million).

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;
- 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 HCM and its increasing acceptance by global pharmaceutical companies and regulatory agencies;
- development of new human challenge 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 and Business Officer

15 April 2015

hVIVO plc
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2014

	Note	**2014 £'000**	2013 £'000
Revenue		**18,472**	27,490
Cost of sales		**(12,999)**	(19,177)
Gross profit		**5,473**	8,313
Research and development expense (excluding provision against virus inventory)		**(10,733)**	(1,198)
Research and development expense – provision against virus inventory	3	**(58)**	(1,270)
Administrative expense		**(17,730)**	(7,253)
Loss from operations		**(23,048)**	(1,408)
Finance income		**358**	226
Finance costs		**(15)**	(11)
Loss before taxation		**(22,705)**	(1,193)
Taxation	4	**4,269**	2,705
(Loss)/profit for the year		**(18,436)**	1,512
Total comprehensive (loss)/profit for the year attributable to owners of the parent		**(18,436)**	1,512
(Loss)/earnings per share – basic (pence)	5	**(31.3p)**	3.2p
(Loss)/earnings per share – diluted (pence)	5	**(31.3p)**	2.9p

All activities relate to continuing operations.

The Group has no recognised gains or losses other than the (loss)/profit for the year.

hVIVO plc
Consolidated Statement of Financial Position
As at 31 December 2014

	Note	**2014 £'000**	2013 £'000
Assets			
Non-current assets			
Goodwill	6	**1,722**	-
Intangible assets	7	**3,333**	1,079
Property, plant and equipment	8	**3,153**	3,667
		8,208	4,746
Current assets			
Inventories	9	**3,731**	3,116
Trade and other receivables	10	**2,904**	5,851
Research and development tax credit receivable		**3,806**	2,425
Short-term deposits	11	**28,007**	22,500
Cash and cash equivalents	12	**22,826**	13,310
		61,274	47,202
Total assets		**69,482**	51,948
Equity and liabilities			
Equity			
Share capital		**3,383**	2,686
Share premium account		**72,498**	37,363
Share-based payment reserve		**249**	239
Merger reserve		**4,199**	4,199
Other reserve		**921**	-
Retained deficit		**(20,066)**	(1,630)
Total equity		**61,184**	42,857
Non-current liabilities			
Other payables	14	**550**	625
Provisions	15	**3,130**	110
		3,680	735
Current liabilities			
Trade and other payables	13	**4,618**	8,356
		4,618	8,356
Total liabilities		**8,298**	9,091
Total liabilities and equity		**69,482**	51,948

hVIVO plc
Consolidated Statement of Changes in Equity
For the year ended 31 December 2014

	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 1 January 2013	2,049	13,013	217	4,199	-	(3,142)	16,336
Proceeds from shares issued:							
Placing net of related expenses	637	24,350	-	-	-	-	24,987
Total transactions with owners in their capacity as owners	637	24,350	-	-	-	-	24,987
Profit for the year	-	-	-	-	-	1,512	1,512
Share-based payment expense	-	-	22	-	-	-	22
As at 31 December 2013	**2,686**	**37,363**	**239**	**4,199**	**-**	**(1,630)**	**42,857**
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**

hVIVO plc
Consolidated Statement of Cash Flows
For the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash flow from operating activities		
Loss before income tax	**(22,705)**	(1,193)
Adjustments for:		
Depreciation of property, plant and equipment	**1,221**	812
Impairment of property, plant and equipment	**672**	-
Amortisation of intangible assets	**435**	2
Payment of Non-Executive Director fees by issue of shares	**15**	-
Share-based payment expense	**10**	22
Finance costs	**15**	11
Finance income	**(358)**	(226)
Loss/(Gain) on foreign exchange	**8**	(48)
Increase in provisions	**3,020**	110
Changes in working capital:		
Increase in inventories	**(615)**	(1,503)
Decrease/(increase) in trade and other receivables	**2,965**	(3,156)
(Decrease)/increase in trade and other payables	**(3,835)**	1,640
Cash used in operations	**(19,152)**	(3,529)
Finance costs	**(15)**	(11)
Income tax refund	**2,568**	1,355
Net cash used in operating activities	**(16,599)**	(2,185)
Cash flows from investing activities		
Acquisition of intangible assets	**(148)**	(1,081)
Acquisition of property, plant and equipment	**(1,355)**	(3,102)
Increase in balances on short-term deposit	**(5,507)**	(22,500)
Acquisition of subsidiary	**67**	-
Finance income	**361**	105
Net cash used in investing activities	**(6,582)**	(26,578)
Cash flows from financing activities		
Net proceeds from issue of shares	**32,780**	24,987
Cash flow from other payables	**-**	750
Other payables repaid	**(75)**	(50)
Net cash generated from financing activities	**32,705**	25,687
Net (decrease)/increase in cash and cash equivalents	**9,524**	(3,076)
Exchange (loss)/gain on cash and cash equivalents	**(8)**	48
Cash and cash equivalents at the start of year	**13,310**	16,338
Cash and cash equivalents at the end of year	**22,826**	13,310

hVIVO plc
Notes to the Consolidated Financial Statements

1. Basis of the announcement

The audited preliminary results for the year ended 31 December 2014 were approved by the Board of Directors on 15 April 2015. 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 2014 and year ended 31 December 2013.

The preliminary announcement is prepared on the same basis as set out in the statutory accounts for the year ended 31 December 2014. 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 (£), which is also the functional currency of the Group.

The statutory accounts for the financial year ended 31 December 2014 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 2014 the Group had short-term deposits, cash and cash equivalents of £50.8 million (2013: £35.8 million) and net current assets of £56.7 million (2013: £38.8 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 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 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.

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

3. Provision against virus inventory

Following a review of the virus inventory valuations as at 31 December 2013, a provision in full of £1.3 million against the carrying value of "Virus – work in progress" was recognised relating to a virus to be used in the development and commercialisation of new HCM models, where the new HCM models have not yet demonstrated technical feasibility. This expense was recorded within research and development expense and is presented separately in the consolidated statement of comprehensive income. As at 31 December 2014, the provision has increased by £58,000 as further costs were incurred developing the virus strain during the year.

A provision of £246,000 (2013: £301,000) against the carrying value of "Virus – finished goods" has been recognised due to management's assessment that the carrying values exceeded the net realisable values of such inventories resulting from changes in forecasted usage. A provision release of £55,000 has been recognised during the year within cost of sale.

4. Taxation

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax:		
Current year research and development tax credit	**(3,806)**	(2,425)
Adjustments in respect of previous periods	**(143)**	(280)
Deferred tax:		
Origination and reversal of temporary timing differences	**(320)**	-
	(4,269)	(2,705)

Factors affecting the tax charge for the period:

The income assessed for the year differs from the theoretical amount that would rise by applying the UK corporation tax rate of 21.49% (2013: 23.25%), as explained below:

Loss before taxation	**(22,705)**	(1,193)
Tax at the UK corporation tax rate of 21.49% (2013: 23.25%)	**(4,880)**	(277)
Expenses not deductible in determining taxable profit	**160**	18
Fixed asset timing differences not recognised	**57**	(779)
Current year research and development tax credit	**(1,707)**	(1,425)
Movement in unrecognised deferred tax asset	**1,700**	-
Temporary timing differences not recognise	**544**	38
Adjustments in respect of prior periods	**(143)**	(280)
Tax for the year	**(4,269)**	(2,705)

As at 31 December 2014, the Group had unrecognised deferred tax assets of £3.5 million (2013: £2.0 million) which primarily relates to losses. The Group has not recognised this as an asset in the consolidated statement of financial position due to the uncertainty of recovery.

5. Earnings per share (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.

Dilutive potential ordinary shares include 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 2014 £'000	Year ended 31 December 2013 £'000
Earnings		
(Loss)/profit for the year	**(18,436)**	1,512
Number of shares		
Weighted average number of ordinary shares for the purposes of basic EPS	**58,839,405**	47,963,221
Effect of dilutive potential ordinary shares:		
– share options	**-**	3,744,509
– warrants	**-**	143,449
Weighted average number of ordinary shares for the purposes of diluted EPS	**58,839,405**	51,851,179

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.

6. Goodwill

	2014 £'000	2013 £'000
At 1 January	**-**	-
Recognised on acquisition of subsidiary	**1,772**	-
At 31 December	**1,772**	-

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 2014, the recoverable amount of the cash generating unit was considered to be significantly in excess of its book value.

7. Intangible assets

	31 December 2014 £'000	31 December 2013 £'000
At 1 January	**1,079**	-
Additions at cost	**148**	1,081
Recognised on acquisition of subsidiary	**2,541**	-
Amortisation charge for the year	**(435)**	(2)
At 31 December	**3,333**	1,079

Intangible assets comprise software and acquired intellectual property.

8. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost:				
At 1 January 2013	718	896	359	1,973
Additions	974	1,617	511	3,102
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**
Accumulated depreciation:				
At 1 January 2013	105	355	136	596
Charge for the year	277	356	179	812
At 31 December 2013	382	711	315	1,408
Charge for the year	293	650	278	1,221
Impairment loss	672	-	-	672
At 31 December 2014	**1,347**	**1,361**	**593**	**3,301**
Carrying amount:				
At 1 January 2013	613	541	223	1,377
At 31 December 2013	1,310	1,802	555	3,667
At 31 December 2014	**1,072**	**1,629**	**452**	**3,153**

9. Inventories

	31 December 2014 £'000	31 December 2013 £'000
Laboratory and clinical consumables	**67**	104
Virus – finished goods	**2,212**	2,527
Virus – work in progress	**1,452**	485
	3,731	3,116

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 and net realisable value.

In the year to 31 December 2014 finished goods inventories with a carrying value of £nil were written off (31 December 2013: £70,000) due to obsolescence and this expense is recognised in cost of sales.

A provision of £246,000 (2013: £301,000) against the carrying value of "Virus – finished goods" has been recognised due to management's assessment that the carrying values exceeded the net realisable values of such inventories resulting from changes in forecasted usage. A provision release of £55,000 has been recognised during the year within cost of sale.

Following a review of the virus inventory valuations as at 31 December 2013, 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 in HCM models, where the new HCM models have not yet demonstrated technical feasibility. As at 31 December 2014, the provision has increased by £58,000 as further costs were incurred developing the virus strain during the year.

10. Trade and other receivables

	31 December 2014 £’000	31 December 2013 £’000
Trade receivables	**446**	3,511
VAT recoverable	**295**	585
Other receivables	**667**	484
Prepayments	**1,344**	769
Accrued income	**162**	502
	2,904	5,851

11. Short-term deposits

	31 December 2014 £’000	31 December 2013 £’000
Short-term deposits	**28,007**	22,500

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

12. Cash and cash equivalents

	31 December 2014 £’000	31 December 2013 £’000
Cash at bank and in hand	**22,826**	13,310

13. Trade and other payables

	31 December 2014 £’000	31 December 2013 £’000
Trade payables	**2,754**	2,083
Other taxes and social security	**414**	490
Other payables	**177**	186
Accruals	**903**	2,705
Deferred income	**370**	2,892
	4,618	8,356

14. Other payables

	31 December 2014 £’000	31 December 2013 £’000
Amounts to be settled beyond one year	**550**	625

On 11 March 2013, the Group signed an Agreement for Lease with Queen Mary BioEnterprises Limited to develop the 3rd floor of the QMB Innovation Centre with a five-year term and an option to extend for another five years. As part of the agreement, QMB 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.

15. Provisions

	31 December 2014 £'000	31 December 2013 £'000
Dilapidations provision	**130**	110
Onerous lease provision	**3,000**	-
	3,130	110

	Onerous lease provision £'000	**Dilapidations Provision £'000**	**Total £'000**
At 1 January 2014	**-**	**110**	**110**
Additional provision in the year	**3,000**	**20**	**3,020**
At 31 December 2014	**3,000**	**130**	**3,130**

Onerous lease provision of £3,000,000 (31 December 2013: £nil) represents the present value of costs to be incurred for the exit of premises leased by the Group. 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 during 2015 and 2016. Total expected costs to be incurred are £3,000,000.

Buildings dilapidations of £130,000 (31 December 2013: £110,000) 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 2015 and 2018. Total expected costs to be incurred are £130,000.