

# **BIOVENTIX PLC**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**





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**BIOVENTIX PLC**

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**COMPANY INFORMATION**

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**DIRECTORS**

P Harrison  
I J Nicholson  
T Turner  
N J McCooke

**COMPANY SECRETARY**

Cargil Management Services Limited

**REGISTERED NUMBER**

04923945

**REGISTERED OFFICE**

27-28 Eastcastle Street  
London  
W1W 8DH

**INDEPENDENT AUDITORS**

James Cowper Kreston  
Chartered Accountants & Statutory Auditors  
3 Wesley Gate  
Queen's Road  
Reading  
Berkshire  
RG1 4AP



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**BIOVENTIX PLC**

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## BIOVENTIX PLC

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### CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

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The Chairman and the Chief Executive present their statement for the period.

#### **Business review**

We are pleased to report the results for the financial year ended 30 June 2015. Most significantly, revenues for the year of £4.333m (2013/14: £3.535m) were 23% up on the previous year. Profits were also significantly increased by 39% at £3.106M (2013/14: £2.231M). Despite increased dividend distribution, cash balances increased by £780k to £4.13M.

Much of the revenue growth has come from our vitamin D antibody (vitD3.5H10) in the form of increased physical antibody sales and royalties. Whilst the physical antibody sales can be spasmodic due to irregular customer ordering patterns, the increase in royalties is likely to be sustained. Bioventix now has sixteen licensees for vitD3.5H10 ranging from large to small diagnostics companies. The roll-out of our customer's products for vitamin D testing throughout world markets has progressed during the year. This roll-out process has advanced but is not yet quite complete and we remain optimistic that revenues from vitD3.5H10 will continue to grow over the next year or so.

The non-vitamin D core business comprises (in order of importance) antibodies to NT proBNP (heart failure), testosterone, FT3 (thyroid hormone), estradiol, various drugs (eg THC/cannabis) and progesterone. The revenues from this core business have remained robust and have provided a firm base for the growth that has come from vitamin D.

New antibodies were added to the product portfolio during 2013/14 (androstenedione, TSH, T4 and estriol) and we are starting to gain some customer feedback from samples delivered. There has been some positive feedback on the antibodies to androstenedione, an androgenic steroid that is related to testosterone. The levels of androstenedione testing at hospitals are lower than for testosterone and so revenues are likely to be of lower value than testosterone in the future as sales materialise.

#### **Future developments**

During this year, additional antibodies to parathyroid hormone (PTH), BNP and HIV.p24 were also added to the product portfolio though it is too early to tell if these will add value to the business over the coming years.

Another route to pipeline development comes from sponsored antibody creation projects whereby customers pay for antibody creation in return for exclusive use of the antibodies. The most important such project was undertaken with a large multinational diagnostics company almost ten years ago in the field of high sensitivity troponin testing for heart attacks. We remain optimistic that this project is eventually reaching the point of commercialisation and that significant revenues will start to flow during 2017. The timing of this will be dependent on the success of our partner company in gaining marketing approval in the EU and in particular, the more demanding US market. The timing (ie 2017) is also coincident with the end of a payment period for a significant existing core revenue stream for NT-proBNP.

More recent sponsored projects have been in the field of infectious disease and in the field of cancer diagnostics. We will know more about the technical success of these projects over the coming years.



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## BIOVENTIX PLC

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### CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

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Geographically, the majority of sales emanate from the US, EU and Japan. However, we remain cautiously optimistic about growth prospects in China. There are rapidly emerging Chinese diagnostics companies and this represents a growth opportunity for Bioventix. Business development in China does present challenges but we expect that the quality of our antibodies will help the company meet its objectives. We have appointed a handful of local distributors who we believe will be able to help us with product importation and the need to establish the royalty element of our revenue model which is unfamiliar to new companies in China.

Over the previous years, the Board has followed a cautious dividend policy that embraces continuity in the absence of special dividends. It is the intention of the Board to continue with this general policy into the future.

In the spring of 2014, the changing finances of the business resulted in a step change in dividend distribution to a new level from which future pay-outs would be based.

In the current period, the board is pleased to announce a second interim dividend of 21.6 pence per share which represents an increase of 50% compared to last year. It is the intention of the board to reflect a similar percentage increase in the next (Spring 2016) interim dividend which will be announced with our interim accounts next year. As in Spring 2014, these two increases are consistent with the recent change in company finances and constitute a step change to a new base level from which future dividends will be considered.

The shares will be marked ex-dividend on 15 October and the dividend will be paid on 30 October to shareholders on the register at close of business on 16 October.

As in previous years, the priority for expenditure is with our R&D activities and the need to develop antibodies that we hope to commercialise during the period 2020-2030. Accordingly, R&D expenditure continues to account for the majority of operating costs.

The composition of the Bioventix team has remained stable over the last two years and this facilitates excellent performance and accumulation of know-how. The continued outstanding performance of the company in a globally competitive market for antibodies is very satisfying. Our sheep monoclonal antibody technology continually delivers high performance antibodies to our customers. However, the operation of the antibody technology is made possible by the efforts of our expert staff and we would like to thank them for their remarkable achievements over the last year.

We are delighted to be able to report such positive news for the current year. Furthermore, we remain optimistic that further modest growth in the next two years will come from additional vitamin D antibody sales and royalties. Beyond that, growth in the period 2017-20 will be linked to the success of our troponin project. The challenge for our continued research activities will be to seed additional projects that will germinate in the period 2020-2030 creating additional value.

  
Name P Harrison  
Chief Executive Officer

  
I J Nicholson  
Non executive Chairman

Date 29 September 2015



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## BIOVENTIX PLC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

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The directors present their report and the financial statements for the year ended 30 June 2015.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

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

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

#### PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of the development and supply of antibodies.

#### DIVIDENDS

A dividend of 14.4p per share was paid in October 2014. This equated to £726,365. (September 2013 - £437,208).

The board have declared and paid a dividend of 11p per share in April 2015. This equated to £555,602 (May 2014 - £484,243).

Following the end of the year, a dividend of 21.6p per share has been declared and paid.

#### DIRECTORS

The directors who served during the year were:

P Harrison  
I J Nicholson  
T Turner  
N J McCooke



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## BIOVENTIX PLC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2015

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#### BUSINESS REVIEW

The company is required to produce a business review complying with the requirements of the Companies Act 2006. This can be found in the Chairman and Chief Executive's statement on pages 1 and 2. In addition to this, information on the principal risks and uncertainties and key performance indicators can be found in the strategic report within pages 5 to 8.

#### DIRECTOR'S THIRD PARTY INDEMNITY PROVISIONS

During the year the company had in place Directors and Officers insurance. The cost of this was £3,975 (2014: £3,975).

#### DISCLOSURE OF INFORMATION TO AUDITORS

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

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

#### AUDITORS

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

This report was approved by the board on 29 September 2015 and signed on its behalf.



**P Harrison**  
Director



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## **BIOVENTIX PLC**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2015**

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#### **BUSINESS REVIEW**

Please refer to the full business review which is covered in the Chairman and Chief Executive's statement on pages 1 and 2.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

##### **Investment in AIM securities**

Investment in shares traded on AIM is perceived to involve a higher degree of risk than investment in a company whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

##### **Volatility of share price**

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Company and news reports relating to trends in the Group's markets. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

##### **Dependence on key employees**

The Company's future success is substantially dependent on the continued services and performance of its senior management and other key personnel in the various areas of the Company's business. The loss of the services of certain key employees or the inability to recruit personnel of the appropriate calibre, could have a significant adverse effect of the business of the Company.

##### **Technology**

For SMAs that are in the research and development phase at Bioventix's customers, there is a risk of technical failure. This can occur as assays fail to perform with the desired precision. Failure can also arise when external "field trials" at hospitals using prototype assays identify patient samples that give erroneous results.

For projects at the early phase of Bioventix's pipeline and others that may feature in the medium to long term, there is a risk that new antibody technologies available to third party companies eclipse Bioventix's SMA technology and these new technologies produce superior antibodies. An example of such technologies includes monoclonal antibodies from rabbits.

The Company may come to face competition from other businesses that possess skills and technologies that are not known or available at present. Such competition could prevent the Company from achieving sales. Further, competitors may develop products or technologies that make Bioventix's technology obsolete.

The Company may also face claims that its use of its technology infringes the intellectual property rights of others and may become involved in legal proceedings in connection with such claims. The Company may also generally face legal proceedings in the course of its business. The Company cannot preclude the possibility that litigation may be brought against it from time to time. Any such claims, legal proceedings and litigation may have a material adverse effect on the financial performance and/or the business of the Company. The Company's insurance may not cover all or any part of any claims which customers or third parties may bring against the Company or may not be sufficient to protect the Company against any liability that may be imposed on it.



**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 30 JUNE 2015**

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**Regulatory Environment**

The medical diagnostics field in which the Company operates is highly regulated. Whilst the Company's antibodies are not themselves regulated, the tests in which they are used by the Company's customers must be approved by regulatory bodies such as the US Food and Drug Administration before they can be commercialised. Achieving and maintaining such approval by Bioventix's customers is therefore necessary to the continued success of the Company.

**Distribution Risk**

Bioventix's antibodies are derived from sheep and therefore might be regarded as a sheep-derived product. Any future restriction on the distribution, import/export and use of sheep products or sheep-derived products that might be imposed by government or other authorities for whatever reason could materially affect Bioventix's business.

**Market risk**

There has been a process of merger and acquisition within the blood testing machine companies who are Bioventix's customers. Such activity can result in the rationalisation of individual machines. Therefore, machines that feature Bioventix antibodies could be replaced by machines that do not. Even in the absence of such mergers and acquisitions, machines can be developed within a company such that assays featuring Bioventix antibodies are withdrawn or replaced.

**Competition**

Whilst the Company does not operate under granted patents, the Directors believe that the Company has a significant set of know-how and skills that are unique. The Company may face competition from companies in business at present or not yet established that are or will be better funded, staffed or equipped than the Company. There is also a risk that the Company's principal target customers (blood testing manufacturers) may choose to use alternative antibodies. Competition from any source would adversely affect the Company's ability to generate income.

**FINANCIAL RISK MANAGEMENT**

**Foreign exchange risk**

The majority of the Company's revenues are denominated in either US Dollars or Euros whilst the majority of its operating costs are in Sterling. The Company is therefore exposed to foreign currency risk due to fluctuations in exchange rates. This may result in gains or losses with respect to movements in exchange rates which may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Company's operating results.

**Taxation**

Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

**Credit risk**

The main credit risk of the company is attributable to its trade debtors. The amounts presented in the Balance Sheet are net of any bad debt provision.



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## BIOVENTIX PLC

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2015

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#### Cashflow and interest rate risk

Due to the lack of borrowing within the company the interest rate risk is deemed to be low, and there are no specific policies in place to review this.

#### Price risk

The key income stream is that of royalties and these prices are set at the start of the royalty agreement, thus limiting the exposure to sales price risk. The key cost to the company is that of its staff and this is a manageable cost price risk.

#### Liquidity risk

The company maintains a strong cash balance, and always looks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and that cash is invested safely and profitably. Short term flexibility is achieved by the use of money markets to deposit excess cash which is not required in the short term. The directors prepare rolling cashflow forecasts.

#### Ability to pay future dividends

The Company's ability to pay dividends in the future is dependent upon the extent to which it has distributable reserves and cash available for this purpose. The Company can give no assurance to Shareholders that it will, or will be able to, pay dividends in the future.

#### FINANCIAL KEY PERFORMANCE INDICATORS

	2015	2014
Turnover	4,333,221	3,535,358
Profit before tax	3,105,693	2,230,607
Cash balances	4,130,622	3,351,479

Revenues for the year of £4.333m (2014:£3.535m) were 23% up on the previous year. Profits after tax have increased by 39% year on year.

Cash balances at 30 June 2015 of £4.131m (2014: £3.351m) were significantly higher than the previous year despite significantly increased dividend payments.

The company monitors various financial key performance indicators as part of its accounting and management reporting process.

The directors do not anticipate any material change in the nature of the company's operations in the foreseeable future.

#### OTHER KEY PERFORMANCE INDICATORS

The future growth of the company relies on its research and development activities creating and being able to manufacture unique antibodies, that are required by our customers. The directors review and discuss the strategy and performance of our research and development, regularly throughout the year.

The company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of sustained real growth in future profitability.



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## BIOVENTIX PLC

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### STRATEGIC REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2015

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In a company this size the directors consider there are collectively numerous non-financial performance indicators but none individually are key.

#### FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors. The main purpose of these instruments is to finance the company's operations.

Due to the nature of the financial instruments used by the company there is exposure to exchange rate fluctuations, but no other significant price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, the liquidity risks are managed conservatively by maintaining deposits of short to medium duration in High Street Banks, thereby reducing the risk of financial default.

Trade debtors are managed in respect of credit by maintaining a regular dialogue with customers, the majority of whom are multinational diagnostics companies.

Risks in relation to exchange rate fluctuations are discussed on page 6.

#### COMPANY'S POLICY FOR PAYMENT OF CREDITORS

The company maintains good relationships with its suppliers and payment terms have typically been 31 days (2014 -17 days).

This report was approved by the board on 29 September 2015 and signed on its behalf.

P Harrison  
Director





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## BIOVENTIX PLC

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BIOVENTIX PLC

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We have audited the financial statements of Bioventix PLC for the year ended 30 June 2015, set out on pages 11 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

#### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Chairman's and Chief Executive's statement, the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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**BIOVENTIX PLC**

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BIOVENTIX PLC**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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



Alexander Peal BSc (Hons) FCA DChA (Senior Statutory Auditor)  
for and on behalf of

**James Cowper Kreston**

Chartered Accountants & Statutory Auditors  
3 Wesley Gate  
Queen's Road  
Reading  
Berkshire  
RG1 4AP

29 September 2015



**BIOVENTIX PLC**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 £	2014 £
<b>TURNOVER</b>	1,2	<b>4,333,221</b>	<b>3,535,358</b>
Cost of sales		<u>(320,464)</u>	<u>(302,865)</u>
<b>GROSS PROFIT</b>		<b>4,012,757</b>	<b>3,232,493</b>
Administrative expenses		<b>(915,164)</b>	<b>(860,966)</b>
Exceptional costs of listing on AIM		-	<b>(169,400)</b>
Total administrative expenses		<u>(915,164)</u>	<u>(1,030,366)</u>
<b>OPERATING PROFIT</b>	3	<b>3,097,593</b>	<b>2,202,127</b>
Interest receivable and similar income	6	<b>9,972</b>	<b>28,584</b>
Interest payable and similar charges	7	<u>(1,872)</u>	<u>(104)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>3,105,693</b>	<b>2,230,607</b>
Tax on profit on ordinary activities	8	<u>(548,227)</u>	<u>(415,178)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	16	<u><b>2,557,466</b></u>	<u><b>1,815,429</b></u>
Earnings per share:			
Basic		50.66p	36.09p
Diluted		49.79p	35.42p
Basic adjusted		N/A	36.53p
Diluted adjusted		N/A	35.86p

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the Profit and loss account.

The notes on pages 14 to 25 form part of these financial statements.

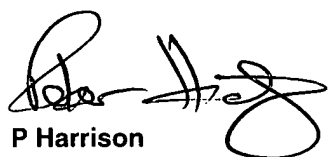


**BIOVENTIX PLC**  
**REGISTERED NUMBER: 04923945**

**BALANCE SHEET**  
**AS AT 30 JUNE 2015**

	Note	£	2015 £	£	2014 £
<b>FIXED ASSETS</b>					
Tangible assets	10		<b>487,804</b>		<b>419,743</b>
<b>CURRENT ASSETS</b>					
Stocks	11	<b>192,970</b>		<b>164,107</b>	
Debtors	12	<b>2,090,573</b>		<b>1,831,748</b>	
Cash at bank and in hand		<b>4,130,622</b>		<b>3,351,479</b>	
		<b>6,414,165</b>		<b>5,347,334</b>	
<b>CREDITORS:</b> amounts falling due within one year	13	<b>(297,526)</b>		<b>(530,913)</b>	
<b>NET CURRENT ASSETS</b>			<b>6,116,639</b>		<b>4,816,421</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>6,604,443</b>		<b>5,236,164</b>
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred Tax	14		<b>(20,318)</b>		<b>-</b>
<b>NET ASSETS</b>			<b>6,584,125</b>		<b>5,236,164</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15		<b>252,547</b>		<b>252,210</b>
Share premium account	16		<b>78,426</b>		<b>57,768</b>
Capital redemption reserve	16		<b>1,231</b>		<b>1,231</b>
Profit and loss account	16		<b>6,251,921</b>		<b>4,924,955</b>
<b>SHAREHOLDERS' FUNDS</b>	17		<b>6,584,125</b>		<b>5,236,164</b>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 September 2015.



**P Harrison**  
Director

The notes on pages 14 to 25 form part of these financial statements.



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**BIOVENTIX PLC**

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015**

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	Note	2015 £	2014 £
Net cash flow from operating activities	24	2,915,212	1,765,290
Returns on investments and servicing of finance	25	8,100	28,480
Taxation		(770,128)	(163,145)
Capital expenditure and financial investment	25	(113,069)	(1,909)
Equity dividends paid		(1,281,967)	(921,452)
<b>CASH INFLOW BEFORE FINANCING</b>		<b>758,148</b>	<b>707,264</b>
Financing	25	20,995	58,709
<b>INCREASE IN CASH IN THE YEAR</b>		<b>779,143</b>	<b>765,973</b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 30 JUNE 2015**

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	2015 £	2014 £
Increase in cash in the year	779,143	765,973
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>779,143</b>	<b>765,973</b>
Net funds at 1 July 2014	3,351,479	2,585,506
<b>NET FUNDS AT 30 JUNE 2015</b>	<b>4,130,622</b>	<b>3,351,479</b>

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The notes on pages 14 to 25 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

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

**1.2 Turnover**

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

Direct sales are recognised at the date of dispatch, and royalties are accrued over the period to which they relate.

Subcontracted R & D income is recognised based upon the stage of completion at the year end.

Annual licence revenue is recognised, in full, based upon the date of the invoice.

**1.3 Intangible fixed assets and amortisation**

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Amortisation is provided at the following rates:

Goodwill	-	Over 10 years
Know how	-	Over 10 years

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Plant and equipment	-	25% reducing balance
Motor Vehicles	-	25% straight line
Equipment	-	25% straight line

**1.5 Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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**1. ACCOUNTING POLICIES (continued)**

**1.6 Deferred taxation**

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

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

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

Deferred tax assets and liabilities are not discounted.

**1.7 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

**1.8 Research and development**

Research and development expenditure is written off in the year in which it is incurred.

**1.9 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**1.10 Employee benefits-share-based compensation**

The company operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the company will revise its estimates of the number of options are expected to be exercisable. It will recognise the impact of the revision of original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.



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**BIOVENTIX PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**2. TURNOVER**

An analysis of turnover by class of business is as follows:

	2015 £	2014 £
Royalty and licence fee income	3,122,334	2,759,599
Product revenue and R&D income	1,210,887	775,759
	<u>4,333,221</u>	<u>3,535,358</u>

The geographical split of turnover is:

	2015 £	2014 £
United Kingdom	246,840	114,555
Other EU	1,735,902	1,566,702
USA	1,866,935	1,577,690
Rest of the World	483,544	276,411
Total	<u>4,333,221</u>	<u>3,535,358</u>

**3. OPERATING PROFIT**

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Amortisation - goodwill and know how	-	10,000
Depreciation of tangible fixed assets:		
- owned by the company	45,522	20,932
Auditors' remuneration	10,294	8,952
Auditors' remuneration - non-audit	-	27,721
Difference on foreign exchange	7,766	38,935
Research and development costs written off	511,281	552,504



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**NOTES TO THE FINANCIAL STATEMENTS  
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**4. STAFF COSTS**

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

	2015 £	2014 £
Wages and salaries	505,667	449,091
Social security costs	45,492	45,030
Other pension costs	18,237	15,245
Share option charge	51,467	78,653
	<u>620,863</u>	<u>588,019</u>

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

	2015 No.	2014 No.
Management and administration	4	4
Scientific	9	9
	<u>13</u>	<u>13</u>

**5. DIRECTORS' REMUNERATION**

	2015 £	2014 £
Remuneration	<u>162,500</u>	<u>111,967</u>
Company pension contributions to defined contribution pension schemes	<u>5,010</u>	<u>3,275</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

**6. INTEREST RECEIVABLE**

	2015 £	2014 £
Other interest receivable	<u>9,972</u>	<u>28,584</u>



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**BIOVENTIX PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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**7. INTEREST PAYABLE**

	2015 £	2014 £
Other interest payable	1,872	104
	<u>1,872</u>	<u>104</u>

**8. TAXATION**

	2015 £	2014 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	527,095	434,176
Adjustments in respect of prior periods	(10,582)	-
	<u>516,513</u>	<u>434,176</u>
<b>Total current tax</b>	<u>516,513</u>	<u>434,176</u>
<b>Deferred tax</b> (see note 14)		
Origination and reversal of timing differences	31,714	(18,998)
	<u>31,714</u>	<u>(18,998)</u>
<b>Tax on profit on ordinary activities</b>	<u>548,227</u>	<u>415,178</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (*2014 - lower than*) the standard rate of corporation tax in the UK of 20% (*2014 - 21%*). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	3,105,693	2,230,607
	<u>3,105,693</u>	<u>2,230,607</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% ( <i>2014 - 21%</i> )	621,139	468,427
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	10,356	52,163
Depreciation for year in excess of capital allowances	(14,092)	3,534
Refunded after uplifted research and development claims	(10,582)	-
Tax deduction arising from exercise of employee options	(5,450)	(13,080)
Other differences leading to an increase (decrease) in the tax charge	19,068	28,971
Research and development enhanced expenditure relief	(103,926)	(105,839)
	<u>19,068</u>	<u>28,971</u>
<b>Current tax charge for the year</b> (see note above)	<u>516,513</u>	<u>434,176</u>



**BIOVENTIX PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

**8. TAXATION (continued)**

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**9. INTANGIBLE FIXED ASSETS**

	Know how £	Goodwill £	Total £
<b>Cost</b>			
At 1 July 2014 and 30 June 2015	100,000	100,000	200,000
<b>Amortisation</b>			
At 1 July 2014 and 30 June 2015	100,000	100,000	200,000
<b>Net book value</b>			
At 30 June 2015	-	-	-
<i>At 30 June 2014</i>	-	-	-

The know how was acquired in December 2003, and the company continues to derive economic benefit from it. The Directors considered it to be appropriate to amortise the know how over its estimated economic life of 10 years.

**10. TANGIBLE FIXED ASSETS**

	Freehold property £	Plant & Machinery £	Motor Vehicles £	Office Equipment £	Total £
<b>Cost</b>					
At 1 July 2014	475,000	164,556	7,500	26,638	673,694
Additions	-	113,750	-	-	113,750
Disposals	-	(1,250)	-	-	(1,250)
At 30 June 2015	475,000	277,056	7,500	26,638	786,194
<b>Depreciation</b>					
At 1 July 2014	92,625	134,555	7,500	19,271	253,951
Charge for the year	7,125	36,173	-	2,224	45,522
On disposals	-	(1,083)	-	-	(1,083)
At 30 June 2015	99,750	169,645	7,500	21,495	298,390
<b>Net book value</b>					
At 30 June 2015	375,250	107,411	-	5,143	487,804
<i>At 30 June 2014</i>	382,375	30,001	-	7,367	419,743



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**10. TANGIBLE FIXED ASSETS (continued)**

Included in land and buildings is freehold land at cost of £118,750 which is not depreciated.

**11. STOCKS**

	2015 £	2014 £
Finished goods	<u>192,970</u>	<u>164,107</u>

**12. DEBTORS**

	2015 £	2014 £
Trade debtors	389,124	322,192
VAT recoverable	23,760	51,575
Prepayments and accrued income	1,677,689	1,446,585
Deferred tax asset (see note 14)	-	11,396
	<u>2,090,573</u>	<u>1,831,748</u>

**13. CREDITORS:  
Amounts falling due within one year**

	2015 £	2014 £
Trade creditors	58,432	29,245
Corporation tax	175,983	429,597
Other taxation and social security	13,361	14,181
Other creditors	-	22,034
Accruals and deferred income	49,750	35,856
	<u>297,526</u>	<u>530,913</u>

**14. DEFERRED TAXATION**

	2015 £	2014 £
At beginning of year	11,396	(7,602)
(Charge for)/released during year (P&L)	(31,714)	18,998
	<u>(20,318)</u>	<u>11,396</u>



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**14. DEFERRED TAXATION (continued)**

The deferred taxation balance is made up as follows:

	2015 £	2014 £
Accelerated capital allowances	20,318	4,978
Other timing differences	-	(16,374)
	<u>20,318</u>	<u>(11,396)</u>

**15. SHARE CAPITAL**

	2015 £	2014 £
<b>Allotted, called up and fully paid</b>		
5,050,931 (2014 - 5,044,202) Ordinary shares of £0.05 each	<u>252,547</u>	<u>252,210</u>

During the year 6,729 shares were issued.

**16. RESERVES**

	Share premium account £	Capital redempt'n reserve £	Profit and loss account £
At 1 July 2014	57,768	1,231	4,924,955
Profit for the financial year			2,557,466
Dividends paid			(1,281,967)
Premium on shares issued during the year	20,658		
Share based payments		-	51,467
At 30 June 2015	<u>78,426</u>	<u>1,231</u>	<u>6,251,921</u>



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**NOTES TO THE FINANCIAL STATEMENTS  
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**17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2015 £	2014 £
Opening shareholders' funds	5,236,164	4,204,825
Profit for the financial year	2,557,466	1,815,429
Dividends paid (Note 18)	(1,281,967)	(921,452)
Shares issued during the year	337	941
Share premium on shares issued (net of expenses)	20,658	57,768
Share based payments	51,467	78,653
	<u>6,584,125</u>	<u>5,236,164</u>
Closing shareholders' funds		

**18. DIVIDENDS**

	2015 £	2014 £
Dividends paid on equity capital	<u>1,281,967</u>	<u>921,452</u>

A dividend of 21.6p per share has been declared following the year end. This equated to £1,091,001.

**19. PENSION COMMITMENTS**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £18,237 (2014-£15,246). No contributions were owing at the year end (2014-£nil).

**20. RELATED PARTY TRANSACTIONS**

During the year a dividend of £204,860 (2014 - £167,752) was paid to Mr P and Mrs A Harrison. Mr P Harrison is a director of Bioventix Plc, and Mrs A Harrison is his wife.

**21. CONTROLLING PARTY**

Throughout the year there has not been an individual controlling party.



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**NOTES TO THE FINANCIAL STATEMENTS  
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**22. EARNINGS PER SHARE**

The weighted average number of shares in issue for the basic earnings per share calculation is 5,048,479 (2014 5,032,247) and for the diluted earnings per share, assuming the exercise of all share options is 5,136,221 (2014 5,126,718).

The 2014 calculation of adjusted earnings per share, on profit after tax from continuing activities, was based on the profit for the period of £1,815,429, after adding back AIM listing costs of £169,400 and deducting back dated royalty income of £189,729, together with the associated taxation adjustment to reflect the underlying profit. Based on the weighted average number of shares in issue during the prior year of 5,032,247 the basic earnings per share was 36.52p. The diluted earnings per share was based on 5,126,718 shares and was 35.85p.

The calculation of the basic earnings per shares is based on the profit for the period of £2,576,972 (2014 £1,815,429) divided by the weighted average number of shares in issue of 5,048,479 (2014 5,032,247), the basic earnings per share is 51.04p (2014 36.08p). The diluted earnings per share, assuming the exercise of all of the share options is based on 5,136,221 (2014 5,126,718) shares and is 50.17p (2014 35.41p).

**23. SHARE BASED PAYMENTS**

During the year the company operated an Approved Share Option Scheme (the "Option Scheme"), to incentivise employees.

The company have applied the requirements of FRS 20 Share-based Payment to all the options granted. The Option Scheme provides for a grant price equal to the market value of the Company's shares on the date of the grant, as agreed with HMRC Shares and Assets Valuation Division.

The contractual life of an option is 10 years from the date of grant. Options granted become exercisable on the third anniversary of the date of grant. Exercise of an option is normally subject to continued employment, but there are also considerations for good leavers. All share based remuneration is settled in equity shares.

Details of the options granted up to the year ended 30 June 2015 are shown below:

Grant Date	Exercise period	Exercise price	Granted	Forfeited	As at 30 June 2015
4 July 2013	On or after 4 July 2016	£3.12	95,865	-	73,319
25 March 2014	On or after 25 March 2017	£6.40	14,424	-	14,424

Fair value of share options and assumptions for awards

	4 July 2013	25 March 2014
Fair value at measurement date	£1.50	£3.08
Issue price	£3.12	£6.40
Exercise price	£3.12	£6.40
Expected volatility	33.82%	33.82%
Option life (expressed as weighted average life used in modelling under Black Scholes model)	10 years	10 years
Expected dividends		
Risk-free interest rate (based on national government bonds)	2.47%	2.47%



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**BIOVENTIX PLC**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2015**

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**23. SHARE BASED PAYMENTS (continued)**

Expected volatility was based on past volatility since the shares have been listed on AIM

On 10 November 2014, 1 employee exercised their options on 6,729 ordinary shares of £0.05 each, at a price of £3.12 per share. The difference between the total consideration received of £20,994.48 and the nominal value of the shares of £336.45 has been transferred to the share premium account (£20,658.03).

A share option charge of £36,660 has been made for the £3.12 options in the year ended 30 June 2015

A share option charge of £14,808 has been made for the £6.40 options in the year ended 30 June 2015.

The number of staff holding share options at 30 June 2015 was 9. The share options have been issued to underpin staff service conditions.

**24. NET CASH FLOW FROM OPERATING ACTIVITIES**

	2015 £	2014 £
Operating profit	3,097,593	2,202,127
Amortisation of intangible fixed assets	-	10,000
Depreciation of tangible fixed assets	45,522	20,932
Profit on disposal of tangible fixed assets	(514)	-
Increase in stocks	(28,863)	(15,577)
Increase in debtors	(270,220)	(490,990)
Increase/(decrease) in creditors	20,227	(39,855)
Share option charge	51,467	78,653
<b>Net cash inflow from operating activities</b>	<b>2,915,212</b>	<b>1,765,290</b>

**25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2015 £	2014 £
<b>Returns on investments and servicing of finance</b>		
Interest received	9,972	28,584
Interest paid	(1,872)	(104)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>8,100</b>	<b>28,480</b>



BIOVENTIX PLC

NOTES TO THE FINANCIAL STATEMENTS  
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25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2015 £	2014 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(113,750)	(1,909)
Sale of tangible fixed assets	681	-
<b>Net cash outflow from capital expenditure</b>	<b>(113,069)</b>	<b>(1,909)</b>
	2015 £	2014 £
<b>Financing</b>		
Issue of ordinary shares	20,995	58,709

26. ANALYSIS OF CHANGES IN NET FUNDS

	1 July 2014 £	Cash flow £	Other non-cash changes £	30 June 2015 £
Cash at bank and in hand	3,351,479	779,143	-	4,130,622
<b>Net funds</b>	<b>3,351,479</b>	<b>779,143</b>	<b>-</b>	<b>4,130,622</b>