**Bioventix plc**

("Bioventix" or "the Company")

**Results for the year ended 30 June 2019**

Bioventix plc (BVXP), a UK company specialising in the development and commercial supply of high-affinity monoclonal antibodies for applications in clinical diagnostics, announces its audited results for the year ended 30 June 2019.

**Highlights:**

- Revenue up 6% to £9.3 million
- Profit before tax up 1% to £7.0 million
- Cash down £0.5 million to £6.5 million
- Second interim dividend of 43p per share (2018: 36p)
- Special dividend of 47p per share (2018: 55p)

**Introduction and Technology**

Bioventix creates and supplies antibodies for use on blood-testing machines that are used in hospitals and other labs around the world. These blood-testing machines are supplied by large multinationals such as Roche Diagnostics, Siemens Healthineers, Abbott Diagnostics & Beckman Coulter. Antibody-based tests are used to diagnose many different conditions in the fields of heart disease, thyroid function, fertility, infectious disease, cancer etc. Bioventix makes antibodies using our sheep monoclonal antibody (SMA) technology for supply to diagnostic companies for subsequent manufacture into reagent packs that are used on the blood-testing machines. Our antibodies are preferred for use if they confer an improved performance when compared to other antibodies available to the machine manufacturers, which are often made in their own antibody creation labs.

Testosterone testing is a good example of a hormone test in which a Bioventix antibody facilitates an improvement. Testosterone tests sold by a number of customers using our 6A3 antibody enable reliable testing of testosterone levels not only in men, but also in women and children where testosterone levels are much lower.

We currently sell a total of around 10 grams of purified physical antibody per year which is mostly exported and charged in $/mg and Euro/mg. In addition to revenues for physical antibody supplies, the sale by our customers of diagnostic products (based on our antibodies) to their downstream end-users attracts a modest royalty payable to Bioventix. These downstream royalties currently account for approximately 70% of our annual revenue.

Bioventix has own-risk antibody projects which results in our complete freedom to commercialise the antibodies produced. We also engage in contract antibody creation projects where customers supply materials, know-how and funding which results in antibodies that can only be commercialised with the partner company. In both cases, after initiation of a new project, it takes around a year for our scientists to create a panel of purified antibodies for evaluation by our customers. The evaluation process at customers' labs generally requires the fabrication of prototype reagent packs which can be compared to other tests (eg the customer's existing sales test or perhaps another "gold standard" method) on the assay platform being considered. The process of subsequent development thereafter at our customers can take many years before registration or approval (eg from the US FDA or EU authorities) is obtained and products can be sold to the benefit of the customers – and Bioventix - through the agreed sales royalty. This does mean that there is a gap of 4-10 years between our own research work and receipt by Bioventix of royalty revenue from product sales. It does also mean however, that after having achieved approval of an accurate diagnostic test using a Bioventix antibody, there is a natural continuity of use as a result of a reluctance by a customer to change from one antibody to another.

Another consequence of the approval process is that the antibodies discussed in the revenue review below for the current accounting period were created many years ago. Indeed, growth over the next few years will come from research work already carried out. By the same dynamics, the current research work active at our labs now is more likely to influence sales in the period 2023-2030.

**2018/19 Financial Results**

We are pleased to report our results for the financial year ended 30 June 2019. Revenues for the year increased by 16% to £9.29 million (2017/18: £7.98 million, excluding a back-royalty of £772k described in detail last year). This revenue increase, when coupled to a modest increase in costs has resulted in increased profits before tax of £6.97 million, 14% up on the 2017/18 figure of £6.09 million (again, excluding the back-royalty above). Despite increased dividend distribution, cash balances at the year-end stood at £6.5 million.

Our most significant revenue stream continues to come from the vitamin D antibody called vitD3.5H10. This antibody is used by a number of small, medium and large diagnostic companies around the world for use in vitamin D deficiency testing. Sales of vitD3.5H10 increased by 27% to £4.3 million during the year. Once again, sales have surpassed our expectations. Despite this pleasing news, we are increasingly sure that price pressure (i.e. $/test prices achieved in the downstream market) is balancing the increase in market volume leading to a flattening total market in US Dollar terms. This is clearly evidenced by a number of our vitamin D customer revenue streams which, after a period of significant growth now appear to have reached a plateau.

An element of the growth in sales this year has come from certain individual customers who appear to be performing well in the downstream market with our antibody. Diazyme (San Diego, US) have made progress with their vitamin D assay which has the attractive feature of being run on general "chemistry" analysers. Boditech (South Korea) is another Bioventix customer who use the vitD3.5H10 antibody and has achieved significant success in the growing Asian vitamin D market with their vitamin D assay.

Sales of some other established "core" antibodies also enjoyed increased sales in the year. These are listed below together with the respective percentage increase/decrease from 2017/18:

- NT-proBNP: approximately £ 1.25M (+19%) [note: expires July 2021]
- testosterone: approximately £ 0.80M (+23%);
- T3: approximately £ 0.64M (+40%);
- drug-testing antibodies: approximately £ 0.49M (-24%);
- progesterone: approximately £ 0.47 (+18%);
- estradiol: approximately £ 0.33M (+14%)

The increase in most of these core antibodies that are sold to a number of customers in many countries does not have a single explanation over and above the 5-10% increase in the global diagnostics industry that is reported by third party analysts.

We have reported previously on the importance of our troponin project with Siemens Healthineers and troponin-related revenues via another separate technology sub-license. Total troponin sales during the reporting period were £120k. Whilst sales have materialised during the year, we are still in the early stages of product roll-outs for the new high sensitivity troponin assays support by SMAs. We have no reason to question our belief that these assays will generate significant value into the future and we look forward to continuing growth in the current financial year.

Our shipments of physical antibody to China continued to increase. Some sales are made directly but the majority are made through five appointed distributors. We are increasingly optimistic that these physical antibody sales will result in additional royalty payments which already flow in modest terms.

As with previous reporting periods, our revenues continue to be dominated by US Dollars and Euros. We have commented in recent reports on the effect of exchange rates on our revenues in the absence of any hedging mechanisms. We have no current plans to institute any hedging mechanisms and therefore any future changes in exchange rates, up or down will impact our reported Sterling revenues accordingly.

The cost of sales has been influenced (ie increased) to some extent by a reduction in antibody stocks. This is a transient effect that should be reversed during 2019/20 of approximately £200k on external contract chemistry services linked to the biotin and pollution projects described below. This level of expenditure will be maintained in 2019/20 reflecting continued activity with these research projects. All such research costs appear in full in the profit and loss account as there is no capitalisation of these costs.

**Cash Flows and Dividends**

The strong performance of the business during the year has resulted in cash balances of £6.5 million despite increased dividend distribution during the year. Over previous years, the Board has followed a cautious dividend policy that embraces continuity and it is the general intention of the Board to continue with this policy into the future. For the current year, the Board is pleased to announce a second interim dividend of 43 pence per share which, when added to the first interim dividend of 30 pence per share makes a total of 73 pence per share for the current year.

Our current view is that a cash balance of approximately £5 million is sufficient to facilitate operational and strategic agility with respect to possible corporate or technological opportunities that could arise in the

foreseeable future. On this occasion, we have decided to distribute some surplus cash that is in excess of anticipated needs and we are pleased to announce a special dividend of 47 pence per share.

Accordingly, dividends totalling 90 pence per share will be paid in November 2019. The shares will be marked ex-dividend on 31 October 2019 and the dividend will be paid on 15 November 2019 to shareholders on the register at close of business on 1 November 2019.

**Research and Future developments**

As mentioned above, we expect that the commercial development of the new troponin assays will have a significant influence on Bioventix sales in the next few years. There are no antibodies in the future pipeline that are comparable to troponin in clear potential value and the ability to influence revenues in the next few years.

We have undertaken a range of research projects over the previous few years and have attempted to define these in terms of value and probability of success in the tables below:

| | | | | |
|---|---|---|---|---|
| **↑ Increasing potential value** | ***high*** | **Secretoneurin (CardiNor)**<br>**Amyloid (Pre-Diagnostics)**<br>**MyC (King's/St Thomas's)** | **Pollution monitoring** | |
| | ***medium*** | | **Biotin (own-risk)**<br>**virus (contract)**<br>**T4 (thyroxine)** | |
| | ***Low*** | | **thyroglobulin (contract)**<br>**Vitamin (contract)** | **Cancer (contract)** |
| | | ***Low*** | ***Medium*** | ***high*** |
| **Increasing probability of success →** | | | | |

At our lab, we have reached a pause point in our work with secretoneurin and have transferred a series of antibodies and assay protocols to our partners at CardiNor (Oslo) and their Scandinavian collaborators. We await news in 2020 of their work to validate secretoneurin as a useful cardiac biomarker.

Work on amyloid beta continues in our lab and we expect to spend around another year making antibodies and constructing assays for the testing of amyloid beta fragments in human samples. Our partners at Pre-Diagnostics (coincidentally, also in Oslo) and their clinical collaborators are performing work to identify the utility of these antibodies and assays in dementia diagnostics. We made a further investment in Pre-Diagnostics of approximately £100k during the year and a further £200k shortly after the year-end.

Biotin is a vitamin supplement that is widely available and has been associated by some people with claims relating to hair and skin health. Biotin is also part of a "chemical Velcro" that is used in assay formats by some of our customers. It has become clear that high dose consumption of these biotin supplements can result in aberrant results from some clinical assays and a solution to this problem could have value. During the year, we have (through external chemistry contractors) made progress in synthesising the reagents required to support antibody creation. The first antibodies are emerging from this pipeline and should be delivered to candidate customers before the end of the calendar year. We believe that the largest potential customer for these antibodies has solved their particular biotin problem through internal means and no longer represent a sales opportunity for Bioventix. However, we know that other customers exist reassuring us that a modest potential market exists for these biotin interference products should we find a technical solution.

A new project that was initiated during the year relates to air pollution. Currently, atmospheric pollution is

monitored using static air analysers but direct human exposure or “biomonitoring” is not routinely performed as no convenient tests exist. We are currently making antibodies and prototype tests that could be used in such direct human exposure biomonitoring. This project is outside our normal clinical focus but we speculate that human pollution biomonitoring could become significant in the years to come as populations become increasingly aware of the impact of pollution on health.

Regarding our core SMA antibody technology, we have successfully generated superior antibodies over the last 10-15 years and these antibodies are now in routine use at our customers. The antibody technology landscape has evolved over this time period. We are aware that rabbit monoclonal technology – a competitive antibody technology – does exist at some of our customers labs and this is likely to have resulted in some lost opportunities for our SMA technology. In addition, the steady development of “synthetic” antibody technology (known in the industry as “library” or “display” technology”) has continued. This technology is perhaps not so directly competitive but is useful for targets which are fragile and liable to dissociation upon immunisation into sheep.

We continue to be aware of such technology developments and shape our research efforts accordingly into the future.

**The Bioventix Team**

The composition of the Bioventix team has remained relatively stable over the year facilitating excellent performance and know how retention. The total head-count of 12 full-time equivalents is expected to remain largely unchanged as this adequately serves our manufacturing and research needs.

Starting towards the end of the financial year and continuing during Autumn 2019, we have embarked on a modest expansion of the production and research labs. Together with furniture and lab equipment upgrades, an investment of approximately £300k will be made in the Farnham facility, demonstrating our long-term commitment to the site.

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.

**Conclusion**

We are delighted to be able to report such positive news for the current year which is in line with the Board’s expectations. Looking ahead to the future, we keenly anticipate the roll-out of high sensitivity troponin assays and modest growth from additional vitamin D and other antibody sales and royalties. Beyond that, growth will be linked not only to the troponin project but also our continued research activities as we look to seed additional projects that will germinate in the period 2025/2030 to create additional shareholder value.

**For further information please contact:**


| | | |
|---|---|---|
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**About Bioventix plc:**

Bioventix (www.bioventix.com) specialises in the development and commercial supply of high-affinity monoclonal antibodies with a primary focus on their application in clinical diagnostics, such as in automated immunoassays used in blood testing. The antibodies created at Bioventix are generated in sheep and are of particular benefit where the target is present at low concentration and where conventional monoclonal or polyclonal antibodies have failed to produce a suitable reagent. Bioventix currently offers a portfolio of antibodies to customers for both commercial use and R&D purposes, for the diagnosis or monitoring of a broad range of conditions, including heart disease, cancer, fertility, thyroid function and drug abuse. Bioventix currently supplies antibody products and services to the majority of multinational clinical diagnostics companies. Bioventix is based in Farnham, UK and its shares are traded on AIM under the symbol BVXP.

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

| | 2019<br>£ | *2018*<br>*£* |
|---|---|---|
| Turnover | **9,290,029** | *7,979,217* |
| Back dated royalty income | **-** | *772,391* |
| Total turnover | **9,290,029** | *8,751,608* |
| Cost of sales | **(875,089)** | *(573,204)* |
| **Gross profit** | **8,414,940** | *8,178,404* |
| Administrative expenses | **(1,268,937)** | *(1,177,711)* |
| Share option charge | **(133,490)** | *(136,127)* |
| Difference on foreign exchange | **(99,559)** | *(71,901)* |
| Research and development tax credit | **17,906** | *40,223* |
| **Operating profit** | **6,930,860** | *6,832,888* |
| Interest receivable and similar income | **34,628** | *33,825* |
| Interest payable and expenses | **-** | *(15)* |
| **Profit before tax** | **6,965,488** | *6,866,698* |
| Tax on profit | **(1,103,825)** | *(1,203,351)* |
| **Profit for the financial year** | **5,861,663** | *5,663,347* |
| **Total comprehensive income for the year** | **5,861,663** | *5,663,347* |

**Earnings per share:**

| | 2019 | 2018 |
|---|---|---|
| Basic | **114.04** | **110.21** |
| Diluted | **112.12** | **108.31** |

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

| | | 2019<br>£ | | *2018*<br>*£* |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Tangible assets | | **514,821** | | *497,802* |
| Investments | | **388,377** | | *291,424* |
| | | **903,198** | | *789,226* |
| **Current assets** | | | | |
| Stocks | **239,295** | | *283,093* | |
| Debtors: amounts falling due within one year | **3,933,915** | | *3,816,790* | |
| Cash at bank and in hand | **6,537,322** | | *6,986,514* | |
| | **10,710,532** | | *11,086,397* | |
| Creditors: amounts falling due within one year | **(756,573)** | | *(838,432)* | |
| **Net current assets** | | **9,953,959** | | *10,247,965* |
| **Total assets less current liabilities** | | **10,857,157** | | *11,037,191* |
| **Provisions for liabilities** | | | | |
| Deferred tax | **(30,854)** | | *(26,225)* | |
| | | **(30,854)** | | *(26,225)* |
| **Net assets** | | **10,826,303** | | *11,010,966* |
| **Capital and reserves** | | | | |
| Called up share capital | | **257,134** | | *256,934* |
| Share premium account | | **435,908** | | *395,108* |
| Capital redemption reserve | | **1,231** | | *1,231* |
| Profit and loss account | | **10,132,030** | | *10,357,693* |
| | | **10,826,303** | | *11,010,966* |

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

| | Called up share capital | Share premium account | Capital redemption reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| At 1 July 2018 | **256,934** | **395,108** | **1,231** | **10,357,693** | **11,010,966** |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | **-** | **-** | **-** | **5,861,663** | **5,861,663** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **5,861,663** | **5,861,663** |
| Dividends: Equity capital | **-** | **-** | **-** | **(6,220,816)** | **(6,220,816)** |
| Shares issued during the year | **200** | **40,800** | **-** | **-** | **41,000** |
| Share option charge | **-** | **-** | **-** | **133,490** | **133,490** |
| **Total transactions with owners** | **200** | **40,800** | **-** | **(6,087,326)** | **(6,046,326)** |
| **At 30 June 2019** | **257,134** | **435,908** | **1,231** | **10,132,030** | **10,826,303** |

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018**

| | Called up share capital | Share premium account | Capital redemption reserve | Profit and loss account | Total equity |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| At 1 July 2017 | **256,934** | **395,108** | **1,231** | **9,491,347** | **10,144,620** |
| **Comprehensive income for the year** | | | | | |
| Profit for the year | **-** | **-** | **-** | **5,663,347** | **5,663,347** |
| **Total comprehensive income for the year** | **-** | **-** | **-** | **5,663,347** | **5,663,347** |
| Dividends: Equity capital | **-** | **-** | **-** | **(4,933,128)** | **(4,933,128)** |
| Share option charge | **-** | **-** | **-** | **136,127** | **136,127** |
| **Total transactions with owners** | **-** | **-** | **-** | **(4,797,001)** | **(4,797,001)** |
| **At 30 June 2018** | **256,934** | **395,108** | **1,231** | **10,357,693** | **11,010,966** |

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

| | **2019** **£** | *2018* *£* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the financial year | **5,861,663** | *5,663,347* |
| **Adjustments for:** | | |
| Depreciation of tangible assets | **67,499** | *58,498* |
| Loss on disposal of tangible assets | **-** | *353* |
| Interest paid | **-** | *15* |
| Interest received | **(34,628)** | *(33,825)* |
| Taxation charge | **1,103,825** | *1,203,351* |
| Decrease/(increase) in stocks | **43,797** | *(56,918)* |
| (Increase) in debtors | **(117,124)** | *(509,732)* |
| Increase in creditors | **26,047** | *27,237* |
| Corporation tax (paid) | **(1,207,102)** | *(566,356)* |
| Share option charge | **133,490** | *136,127* |
| **Net cash generated from operating activities** | **5,877,467** | *5,922,097* |
| **Cash flows from investing activities** | | |
| Purchase of tangible fixed assets | **(84,518)** | *(107,591)* |
| Sale of tangible fixed assets | **-** | *250* |
| Purchase of unlisted and other investments | **(96,953)** | *(95,864)* |
| Interest received | **34,628** | *33,825* |
| **Net cash from investing activities** | **(146,843)** | *(169,380)* |
| **Cash flows from financing activities** | | |
| Issue of ordinary shares | **41,000** | - |
| Dividends paid | **(6,220,816)** | *(4,933,128)* |

| | | |
|---|---|---|
| Interest paid | **-** | *(15)* |
| **Net cash used in financing activities** | **(6,179,816)** | *(4,933,143)* |
| **Net (decrease)/increase in cash and cash equivalents** | **(449,192)** | *819,574* |
| Cash and cash equivalents at beginning of year | **6,986,514** | *6,166,940* |
| **Cash and cash equivalents at the end of year** | **6,537,322** | *6,986,514* |
| **Cash and cash equivalents at the end of year comprise:** | | |
| Cash at bank and in hand | **6,537,322** | *6,986,514* |
| | **6,537,322** | *6,986,514* |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The following principal accounting policies have been applied:

#### 1.2 Revenue

Turnover is recognised for product supplied or services rendered to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria determine when turnover will be recognised:

**Direct sales**

Direct sales are recognised at the date of dispatch.

**R&D income**

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

**Licence revenue and royalties**

Annual licence revenue is recognised, in full, based upon the date of the invoice, and royalties are accrued over the period to which they relate. Revenue is recognised based on the returns and notifications received from customers and in the event that subsequent adjustments are identified, they are recognised in the period in which they are identified.

#### 1.3 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

### 1.4 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

### 1.5 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 1.6 Pensions

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

### 1.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 1.8 Research and development

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

### 1.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives on the following basis:

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

### 1.10 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

### 1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 1.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 1.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

### 1.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 1.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

**1.16 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

**1.17 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**1.18 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.

**2. Judgments in applying accounting policies and key sources of estimation uncertainty**

In the application of the company's accounting policies (as described in note 2), management is required to make judgments, estimates and assumptions. These estimates and underlying assumptions and are reviewed on an ongoing basis.

There were no areas requiring significant management judgment during the year ended 30 June 2019.

**3. Turnover**

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

| | **2019**<br>**£** | *2018*<br>*£* |
|---|---|---|
| Product revenue and R&D income | **3,010,496** | *2,487,049* |
| Royalty and licence fee income | **6,279,533** | *5,492,168* |

| | | |
|---|---|---|
| Back dated royalty income | **-** | *772,391* |
| | **9,290,029** | *8,751,608* |

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| United Kingdom | **468,692** | *619,714* |
| Other EU | **1,759,224** | *1,522,545* |
| Rest of the world | **7,062,113** | *6,609,348* |
| | **9,290,029** | *8,751,607* |

**4. Operating profit**

The operating profit is stated after charging:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Depreciation of tangible fixed assets | **67,499** | *58,498* |
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | **10,350** | *10,150* |
| Exchange differences | **99,559** | *71,901* |
| Research and development costs | **1,116,210** | *868,515* |

**5. Taxation**

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Corporation tax** | | |
| Current tax on profits for the year | **1,099,196** | *1,193,240* |
| | **1,099,196** | *1,193,240* |
| **Total current tax** | **1,099,196** | *1,193,240* |

**Deferred tax**

| | | |
|---|---|---|
| Origination and reversal of timing differences | **4,629** | *10,111* |
| **Total deferred tax** | **4,629** | *10,111* |
| **Taxation on profit on ordinary activities** | **1,103,825** | *1,203,351* |

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19% *(2018 - 19%)*. The differences are explained below:

| | **2019**<br>**£** | *2018*<br>*£* |
|---|---|---|
| Profit on ordinary activities before tax | **6,965,488** | *6,866,698* |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | **1,323,443** | *1,304,673* |
| **Effects of:** | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | **403** | *284* |
| Capital allowances for year in excess of depreciation | **(3,390)** | *(9,448)* |
| Research and development tax credit | **(238,848)** | *(128,131)* |
| Share based payments | **17,588** | *25,864* |
| Other differences leading to an increase in the tax charge | **4,629** | *10,109* |
| **Total tax charge for the year** | **1,103,825** | *1,203,351* |

**Factors that may affect future tax charges**

There were no material factors that may affect future tax charges.

## 6. Dividends

| | **2019**<br>**£** | *2018*<br>*£* |
|---|---|---|
| Dividends paid | **6,220,816** | *4,933,128* |

| | | |
|---|---|---|
| | **6,220,816** | *4,933,128* |

## 7. Share capital

| | **2019** | *2018* |
|---|---|---|
| | **£** | *£* |
| **Allotted, called up and fully paid** | | |
| 5,142,674 *(2018 - 5,138,674-)* Ordinary shares of £0.05 each | **257,134** | *256,934* |

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 8. Share based payments

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

The company has applied the requirements of FRS 102 Section 26 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.

| | **Weighted average exercise price (pence) 2019** | **Number 2019** | *Weighted average exercise price (pence) 2018* | *Number 2018* |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **13.40** | **89,938** | *13.40* | *89,938* |
| Granted during the year | | **-** | | - |
| Exercised during the year | **10.25** | **(4,000)** | | - |
| **Outstanding and exercisable at the end of the year** | **13.50** | **85,938** | *13.40* | *89,938* |

| | **2019** | *2018* |
|---|---|---|
| Option pricing model used | **Black Scholes** | *Black Scholes* |
| Issue price | **£3.12-£13.50** | *£3.12-£13.50* |

| | | |
|---|---|---|
| Exercise price (pence) | **£3.12-£13.50** | *£3.12-£13.50* |
| Option life | **10 years** | *10 years* |
| Expected volatility | **25.15%** | *25.15%* |
| Fair value at measurement date | **£1.72-£4.66** | *£1.72-£4.66* |
| Risk-free interest rate | **1.02%** | *1.02%* |

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

The expense recognised for share-based payments during the year ended 30 June 2019 was £133,490 (2018 : £136,127).

The number of staff and officers holding share options at 30 June 2019 was 15 (2018: 15). The share options have been issued to underpin staff service conditions.

**10. Publication of Non-Statutory Accounts**

The financial information set out in this preliminary announcement does not constitute the Group's financial statements for the year ended 30 June 2019. The financial statements for the year ended 30 June 2018 have been delivered to the Registrar of Companies. The financial statements for the year ended 30 June 2019 will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors' report on both accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under sections 498(2) or (3) of the Companies Act 2006. The audited financial statements of Bioventix plc for the period ended 30 June 2019 are expected to be posted to shareholders shortly, will be available to the public at the Company's registered office, 7 Romans Business Park, East Street, Farnham, Surrey, GU9 7SX and available to view on the Company's website at www.bioventix.com once posted.