26 October 2015

Avacta Group plc
("Avacta" or "the Group")

Preliminary Results for the Year Ended 31 July 2015

Substantial progress in early commercialisation of Affimer® molecules as potentially superior alternatives to antibodies

Significant funds raised to establish in-house Affimer therapeutics programme

Avacta Group plc (AIM: AVCT), the developer of Affimer® biotherapeutics and research reagents, announces its preliminary results for the year ended 31 July 2015.

Substantial progress has been made against the key objectives set for the Affimer technology at the beginning of the reporting period and the Group reports revenues from sales of products and Affimer services that are in line with market expectations and the pre-close trading statement issued on 7 July 2015.

Highlights

Operational

- Established high throughput Affimer reagents screening, characterisation and production operations sufficient to meet potential mid-term demand.
- Affimer bio-therapeutic programme initiated:
  - Experienced team of biotech scientists led by Dr Amrik Basran (GSK, Domantis).
  - Initial key development milestones met.
  - In-house programmes in oncology and blood clotting disorders begun (post-period).

Commercial

- Key research partnership with Moderna Therapeutics signed.
  - Development of Affimers for mRNA therapeutics.
- Business development team established.
  - Key hires from major antibody suppliers such as Abcam (AIM: ABC) and Cell Signaling Technologies (Private US).
- Order intake of 30 custom Affimer projects achieved in the period.
  - Customers include pharmaceutical, biotechnology and diagnostics companies as well as academics.
- Revenue from commercialisation of Affimer technology of £0.44m, in line with market expectations.
  - Good pipeline of orders and qualified sales enquiries carried forward into FY16.
- On-line catalogue of Affimer reagents now focused on a tool kit to probe the ubiquitin proteasome system - a significant gap in antibody research reagent market.

Financial

- Group revenues of £1.81m (2014: £1.62m) following disposal of Optim product to US acquirer.
  - Avacta Life Sciences revenue £0.44m (2014 £0.03m).
    - Moderna Therapeutics contributed revenue of £0.36m (2014: £Nil).
  - Avacta Animal Health revenue fell by 14% to £1.37m (2014: £1.59m), representing the loss of one bulk customer late in the prior financial year.
- Underlying operating loss increased to £2.85m (2014: £1.62m).

- Statutory operating loss increased to £5.57m (2014: £2.05m).
    - Impairment of Sensipod development costs of £2.38m.
- Sale of non-core Optim product which realised cash of $3.5m (£2.21m), with a potential further $1.5m in deferred consideration.
    - Loss on disposal with impairment of £5.10m.
- Total loss for the period increased to £9.99m (2014: £1.49m).
    - Loss per share increased to 0.20p (2014: (0.04p)).
    - Underlying[1] loss per share increased to 0.06p (2014: (0.04p).
- Group reported cash balances of £7.33 million at 31 July 2015 prior to successful fund raising which completed post period end on 3rd August. (2014: £11.48 million).

Post-Period

- Successful fund raising generating net proceeds of £21m to support development of the first therapeutic Affimers into the clinic.
- Dr Mike Owen appointed as Non-executive Director. Previously SVP and global Head of Biopharmaceuticals Research at GlaxoSmithKline.

Alastair Smith, Chief Executive Officer, commented:
"The Board believes that the Affimer technology has enormous potential both as a source of novel bio-therapeutics and research reagents. These molecules possess innate attributes that suggest they could be *superior alternatives to antibodies. Our strategic mission is to realise this potential and take a meaningful share of a very large and growing market and we have made important progress towards this goal in the last financial year.*

"There has been good early interest in our Affimer research reagents and the scaled up operations that we have established have delivered the first commercial Affimer reagents into customers' hands.

"The strategic deal with Moderna Therapeutics in large part underpinned the rationale for our subsequent significant fund raise, completed during August, which has allowed the Company to expand significantly its in-house Affimer therapeutics development programme. These monies should allow us, amongst other objectives, to deliver at least one Affimer drug candidate in to the clinic in the next few years. We are therefore particularly delighted to have attracted Dr Mike Owen as a Non-executive Director to the Board as he brings huge scientific, clinical trial and commercial experience in this space."

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[1] Excluding the loss from discontinued operations and impairment of intangible assets.

Notes to Editors

Avacta Group plc (www.avacta.com)

Avacta's principal focus is on its proprietary Affimer® technology which is a novel engineered alternative to antibodies that has wide application in Life Sciences for diagnostics, therapeutics and general research and development.

Antibodies dominate markets worth in excess of $50bn despite their shortcomings. The Affimer technology has been designed to address many of these negative performance issues, principally: the time taken to generate new antibodies, the reliance on an animal's immune response, poor specificity in many cases, and batch to batch variability. The Affimer technology is based on a small protein that can be quickly generated to bind with high specificity and affinity to a wide range of protein targets.

Avacta has a pre-clinical biotech development programme with an in-house focus on oncology and bleeding disorders as well as several partnered development programmes. Avacta is commercialising Affimer reagents through custom Affimer services to provide bespoke solutions to customers and via a growing on-line catalogue of Affimer reagents.

Chairman's and Chief Executive's Report

Overview

The year ended 31 July 2015 has been a transformational one for the Affimer technology and for Avacta. The Directors believe that the Affimer technology presents the most significant opportunity for the Group to deliver value growth for shareholders and therefore, the Company has been through a process of focusing its resources on the technology. The progress made during the past year helped secure the Company's first substantial therapeutic partnership with Moderna Therapeutics and allowed the Company to raise £21m on 3rd August to support in-house drug development plans as well as put the infrastructure in place to allow additional therapeutic partnerships to be established. The Affimer technology has significant potential as the next generation biotherapeutic platform whilst also offering the benefit of near term revenues from a research reagents business capable of addressing the weaknesses of antibodies as research tools.

Avacta Life Sciences

Key performance targets for the year met

The key performance targets established for the Affimers business for the period ending 31 July 2015 were: to achieve scale-up of the established Affimer reagents generation and production processes to support future growth; to demonstrate clearly that commercial traction was being achieved; to grow the on-line catalogue of Affimer reagents; and to generate pre-clinical data that would demonstrate the potential of Affimer therapeutics. The Company has met these targets and has been able to capitalise on this progress to secure a substantial fund raise that will accelerate the first Affimer therapeutics into the clinic. The Directors believe this will provide a significant value inflection point for the technology and the business.

Early traction with custom Affimer projects highlights potential as research reagents

A business development team was established in Q2 of the reporting period to promote Affimer reagents as research tools, as diagnostic reagents and as therapeutics. The team comprises senior sales executives from major antibody suppliers such as Abcam and Cell Signaling Technologies. The team has rapidly grown the pipeline of sales enquiries and delivered an order intake in the reporting period of 30 custom Affimer projects from a wide range of customer types including several large biopharmaceutical and pharmaceutical companies, smaller biotechs, diagnostics and other life sciences companies and academics. Around a third of these projects were delivered during the year and the rest carried through as order book and work in progress into FY16. The team continues to add new sales leads for custom Affimer projects and convert this interest into order intake.

Trading in the first part of the current year is in line with last year and first repeat orders have been received.

At this early stage in the commercialisation of Affimer research reagents, the key driver of growth is increasing awareness of the technical and commercial advantages of the Affimer technology over antibodies including:

- Quick to develop
- Excellent engineered-in specificity
- Targets not limited by an immune response
- Security of supply and batch to batch consistency
- Small, robust and stable; easily functionalised
- Functional within live cells
- Unencumbered IP - straightforward licensing/exclusivity
- No use of animals required to generate the Affimer
- Can be lyophilised for shipping and storage

In-house and third party applications data are key to speed of commercial success

The Company has made good progress in generating data to demonstrate all of the technical benefits which can be seen in technical presentations, data sheets and application notes on the Avacta Life Sciences web site. Reports by third parties of their own data that demonstrate the performance of Affimer reagents in their hands is the most powerful marketing material. Such reports are now beginning to appear and the Company recently reported two such examples (1. ProtATonce demonstrated the use of Affimer reagents to replace antibodies in assays run on the Luminex platform, the market leading multiplexed assay system; 2. University of Copenhagen demonstrated the use of Affimer reagents to reduce the susceptibility of barley to powdery mildew). A number of key opinion leaders are now working with the Company and their first peer reviewed publications of Affimer reagents performance is anticipated in the current financial year.

During the reporting period significant advances have been made in generating data demonstrating the use of Affimer reagents in a much wider range of applications than had previously been exemplified. These now include several high value market opportunities:

- Immunohistochemistry/immunofluorescence – a form of staining of tissue sections to highlight the presence and distribution of proteins which are often indicative of disease. This is a very widely used technique in pathology and in drug and diagnostics development. The immunohistochemistry market is the dominant segment (c.$1bn) of the tissue diagnostics market which is expected to reach $3.9bn by 2018[2]
- Super high-resolution microscopy – modern techniques in microscopy (e.g. PALM, STORM, STED)[3] are delivering resolution that is now limited by the size of the antibodies used. Since Affimer reagents are ten times smaller than antibodies the resolution of these techniques could be pushed even further down to molecular levels.
- Flow cytometry – is a laser based technique used for cell counting, cell sorting and biomarker detection. It allows for very high throughput analysis of complex biological samples to be carried out, analyzing up to thousands of particles per second. Flow cytometry applications represent about 16% of the research antibody market.[4]
- Pull-downs and affinity purification – use of an affinity reagent to pull a target out of a complex mixture as a purification or concentration step widely used in bioprocessing and biochemical analyses of many different types.
- Inhibition of protein-protein interactions – the blocking or modulation of a biological interaction. Affimer reagents have been shown to have inhibitory effects in vitro and in living cells. Affimer reagents that block SH2 domains (signal transduction), FcGRIIIa (inflammatory disease), PD-L1 (immune checkpoint; oncology), kRas (oncology) and fibrinogen (blood clotting) have all been demonstrated. The Affimer reagents discovery process that has been put in place during the reporting period is capable of differentiating between Affimer reagents that simply bind to the target and those that inhibit the target's biology. Therefore, promising potential Affimer therapeutics may be selected from the Affimer reagents repertoire for separate development.

One interesting commercial application of Affimer reagents lies in producing multiplexed assays, which are assays that measure more than one target at once. The degree of multiplexing in assays that are dependent on antibodies is typically limited by the lack of specificity of the range of antibodies required leading to cross-reactivity. Since Affimer reagents can be selected to not cross-react with each other, the degree of multiplexing that can be achieved is in principle much greater. The Company has been researching whether Affimer reagents can be used successfully in multiplexed microarray assays for drug and

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[2] http://tissuepathology.com/2014/04/16/tissue-diagnostics-market-worth-3924-01-million-by-2018/#axzz3oe25ALlu

[3] https://en.wikipedia.org/wiki/Super-resolution_microscopy; http://www.nobelprize.org/nobel_prizes/chemistry/laureates/2014/betzig-facts.html

[4] http://www.bioastrum.com/home/sites/docs/Antibody-reagent-market-2012.pdf

biomarker discovery as well as working with partners such as ProtATonce to develop multiplexed assays on established platforms like Luminex. The Affimer microarrays that have been developed show good performance and acceptable shelf-life, and have been successfully used to highlight proteomic differences between diseased and healthy clinical samples. However, in their current format the microarrays require a subsequent analysis step using mass spectrometry and this is proving insufficiently sensitive to provide a robust assay using currently available mass spectrometers. The underlying array technology will be utilized in future in other product formats that do not require mass spectrometry but in the near term the Company does not expect significant revenues from array based products and will focus on the nearer term opportunities and on working with third parties, such as ProtATonce, to commercialise Affimer reagents in multiplexed assay products.

Follow on licensing/supply deals are key to strong Affimer reagents revenue growth in the medium term

A key element of the research reagents business model is that some of the custom Affimer projects lead to Affimer reagents being incorporated into third parties' products, such as diagnostic tests or affinity purification systems, that will generate long term recurring revenue streams from royalties and exclusivity payments. Agreements with Agrisera (purification of plant proteins), ProtATonce (Luminex assay development), Phoremost (drug target discovery) and Moderna Therapeutics (mRNA therapeutics development) were reported during the period. A number of additional long term commercial relationships are in discussion and progress in this important area will be reported to the market as further agreements are put in place.

Affimer technology key benefits as a biotherapeutic platform

The success of the Affimer technology as a therapeutic platform, and therefore the Company's ability to deliver the potential value of a next generation of biotherapeutics, depends on the company continuing to demonstrate and leverage several fundamental technical performance benefits:

- Speed of development due to rapid generation of high affinity leads Affimers.
- Ease of production which makes available sufficient material to allow development to progress quickly.
- Generation of bi- and tri-specifics and drug conjugates due to ease of modification.
- Lack of target limitations due to no reliance on an animal's immune response.
- Potential for topical delivery due to stability and small size.
- Addressing "undruggable targets" due to intracellular activity.

A highly experienced team of five scientists led by Dr Amrik Basran was established at the Stevenage Bioscience Catalyst to spearhead the generation of a data pack that would allow the Company to secure therapeutic licensing deals and raise funding for infrastructure and in-house development programmes.

The in-house development progress during the period, and the Moderna partnership, were the catalysts for a significant fund raising which completed on 3 August 2015 and that has allowed the Company to expand considerably its in-house Affimer therapeutics development programme. The £21 million net raised will allow the Company also to expand into new facilities in Cambridge, which it anticipates will be ready in Spring 2016, to grow the development team and so as to support the in-house therapeutic development programmes and further therapeutic R&D partnerships.

The Company's key strategic objective with respect to Affimer therapeutics is for the first candidates to enter into the clinic, either through in-house or partnered programmes, while generating a pipeline of therapeutic assets to be taken forwards by the Company or licensed out. The Company has a balanced risk development plan leveraging the Affimer technology's technical advantages to produce best-in-class therapies in areas where the disease biology is

well understood, alongside the development of first-in-class therapies where the development risk may be greater but the value of such treatments may be much higher.

The two principle in-house programmes which are now being established are:

- Oncology – developing combination therapies combining multiple immune checkpoint inhibitors by making bi- and tri-specific Affimer constructs.
- Blood clotting disorders – proof of concept data obtained in collaboration with a clinical group at the University of Leeds led by Dr Ramzi Ajjan indicate that Affimer therapeutics can be generated that modulate blood clot formation with the potential for anti-thrombotic as well as wound healing therapies.

Further details on the progress of these programmes will be given later in the current financial year.

Research partnership with Moderna Therapeutics

During Q4 of the reporting period the first significant therapeutic development and licensing deal was signed with Moderna Therapeutics to use their mRNA technology to deliver Affimer therapeutics. Under the terms of the agreement, Moderna made an upfront payment of $500,000 which provides Moderna exclusive access to custom Affimers reagents against certain targets which may be extended to include additional targets by a further payment. Moderna will also make certain payments to Avacta for research services to deliver pre-clinical development milestones. Moderna has the option to enter into exclusive license agreements for selected therapeutic Affimer candidates for clinical development and in each case Avacta will be entitled to milestone payments. The total value of these payments could reach several tens of millions of dollars. Avacta is also entitled to royalties in connection with future product sales.

The Company is restricted from providing any development updates relating to its research partnership with Moderna Therapeutics but will make announcements as key development and commercial milestones are achieved.

Avacta Animal Health

Algorithm based test pipeline growing

The first algorithm-based Sensitest, to assist in the diagnosis of Canine Lymphoma, was launched early in the financial year with strong support from key opinion leaders. Initial sales have been to oncology specialists and veterinarians in the UK and North America.

The next such launch is expected to be a diagnostic for Canine Pancreatitis, helping veterinarians to diagnose the acute form of the disease more effectively. This test is in the advanced stages of development. Two further algorithm based tests are in early stages of development and in each case results are expected to lead to diagnostic performance levels exceeding those currently available.

Assay and Affimer based test pipeline also strong

The development team has made significant progress with further allergy tests, designed to strengthen the Company's leadership in allergy testing, and is building a range of acute phase protein tests to help veterinarians diagnose and monitor canine and feline health.

Affimers represent a strong opportunity for Avacta Animal Health to offer novel and high performing assays and the first such project is in progress. The specificity and consistency offered by Affimers make them ideal for use in companion animal diagnostics.

Point of care delivery

Following the decision to cease work indefinitely on Sensipod, the Company is in early discussions with potential partners to enable the delivery of its Sensitest diagnostics over their point of care instruments. The Directors believe this approach will lead to earlier and better sales at the point of care.

Core allergy business

The Company's core allergy business was maintained with the exception of one bulk customer which was lost late in the previous financial year. Significant marketing and promotional efforts have maintained customer and test numbers.

Alongside the planned expansion of allergy tests, a distribution deal was signed to enable Avacta Animal Health to offer exclusively a range of high quality nutraceuticals to veterinarians in the second half of the financial year. This range addresses, amongst other conditions, skin problems and has a clear link to core products.

Establishment of US sales presence

In contrast to some allergy testing, which is region-specific, most other diagnostic tests can be used equally effectively in other territories. A small US presence has therefore been set up to market and sell these other tests. This also permits links to US key opinion leaders and is consequently a significant addition to the Company's development efforts.

Trading in the first part of the current year is in line with last year and new tests are expected to contribute materially to next financial year's performance.

Financial Performance

The Group's results are extracted from the Operating segment analysis (see note 2) below.

	Avacta Life Sciences		Avacta Animal Health		Avacta Analytical	
	2015	2014	2015	2014	[1]2015	2014
	£ million	£ million	£ million	£ million	£ million	£ million
Performance						
Revenue	0.44	0.03	1.37	1.59	0.17	1.56
Gross profit	0.37	0.02	0.92	1.07	0.09	0.95
Gross margin	84%	67%	67%	67%	52%	61%
Adjusted EBITDA[2]	(0.67)	(0.27)	(0.10)	(0.01)	(0.26)	0.22
Operating (loss)/profit	(1.21)	(0.57)	(0.20)	(0.28)	(0.30)	0.15
Investment						
Development costs	2.52	1.55	0.40	0.31	-	-
Plant and equipment	0.83	0.79	0.01	0.03	-	0.03

Note 1: This business unit was sold on 11 February 2015 and the amounts above (in respect of 2015) are the results for the 6 months and 11 days to the date of sale.

Note 2: Excluding non-recurring administrative expenses principally relating to impairment and amortisation of intangible assets and share based payment charges

Avacta Life Sciences recorded revenues of £0.44 million (2014 £0.03 million) for its custom Affimer reagents services including £0.36 million from the different elements of the Moderna Therapeutic contract.

Avacta Animal Health revenues from its existing allergy and acute phase protein SensiTest and SensiPak products fell to £1.37 million (2014: £1.59 million. The canine lymphoma blood test contributed £0.03 million (2014: £0.01 million) of revenue during the first full year of operation.

Gross margins across the Group improved to 71% (2014: 67%) due to the positive impact of the Moderna Therapeutic contract.

Underlying overhead increased significantly to £4.21 million (£2.72 million) following the ramp up of activity during this and the previous financial period in respect, particularly, of the Avacta Life Sciences business unit. Non-recurring administrative expenses, impairment and amortisation of development costs and share based payment charges of £2.71 million (2014: £0.42 million) pushed total overhead up to £6.93 million (2014: £3.14 million).

The Group recognised £0.65 million (2014: £0.55 million) of R&D tax credits during the year.

On 11 February 2015, the Group sold the Avacta Analytical business unit for an initial consideration of $3.50 million (£2.21 million) in cash. In addition, contingent consideration of up to $1.5 million could be receivable depending upon future sales performance over the five calendar years ending 31 December 2019. The Group has not recognised any of this contingent consideration. This sale realised a loss of £5.10 million in total, comprising a small profit of £0.15 million against the selected assets and liabilities sold but a pre-sale post tax loss of £0.30 million and a loss of £4.94 million resulting from the impairment of goodwill.

The loss retained increased to £9.99 million (2014: £1.49 million) leaving loss per share at 0.20 pence (2014: 0.04 pence).

Development expenditure capitalised during the year increased to £3.11 million (2014: £1.86 million) through the accelerated development of the Affimer platform where £2.52 million was capitalised (2014: £1.55 million). £0.40 million (2014: £0.31 million) was capitalised into Avacta Animal Health but £2.38 million was impaired to reflect the Board's decision to cease further investment in the Sensipod device. A further £1.64 million of development cost was disposed of and £4.94 million of goodwill impaired as part of the sale of the Analytical business unit. These factors resulted in net intangible assets reducing to £10.36 million (2014: £16.29 million).

The Group's capital expenditure increased during the period to £0.84 million (2014: £0.92 million) through the continued investment of £0.83 million (2014: £0.79 million) in the development and production facilities within Avacta Life Sciences.

The Group reported cash balances of £7.33 million at 31 July 2015 (2014: £11.48 million). On 3 August 2015, the Group completed a placing of £21.00 million (before expenses) at a price of 1.25 pence per share.

Outlook

We believe that the Affimer technology has enormous potential both as a source of novel bio-therapeutics and research reagents. These molecules possess innate attributes that suggest they could be superior alternatives to antibodies. Our strategic mission is to realise this potential and take a meaningful share of a very large and growing market. We are confident that we are well positioned to achieve this, initially through the sale of custom Affimer research reagents and longer-term through the development, and ultimately the commercialisation, of valuable Affimer-based drugs. We look forward to reporting on key performance indicators of progress in meeting these goals over the next few years.

Trevor Nicholls
Chairman
26 October 2015

Alastair Smith
Chief Executive Officer
26 October 2015

Consolidated Income Statement for the year ended 31 July 2015

	Note	**2015** **£000**	Restated 2014 £000
Revenue		**1,813**	1,618
Cost of sales		**(526)**	(527)
Gross profit		**1,287**	1,091
Administrative expenses		**(6,925)**	(3,136)
Operating loss before non-recurring items, amortisation, impairment and share-based payment charges		**(2,853)**	(1,624)
Non-recurring administrative expenses		**-**	(232)
Amortisation of development costs		**(58)**	-
Impairment of intangible assets		**(2,407)**	-
Share-based payment charges		**(249)**	(189)
Operating loss		**(5,567)**	(2,045)
Financial income		**26**	24
Loss before taxation from continuing operations		**(5,541)**	(2,021)
Taxation		**648**	551
Loss after taxation		**(4,893)**	(1,470)
Loss from discontinued operations, net of tax		**(5,098)**	(22)
Loss		**(9,991)**	(1,492)
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Share based payment charges		**265**	209
Total comprehensive income		**(9,726)**	(1,283)
Loss per ordinary share:			
- Basic and diluted	4	**(0.20p)**	(0.04p)

Consolidated Balance Sheet as at 31 July 2015

	2015	2014
	£000	£000
Non-current assets		
Intangible assets	**10,360**	16,289
Property, plant & equipment	**1,546**	1,401
	11,906	17,690
Current assets		
Inventories	**333**	469
Trade and other receivables	**767**	985
Income taxes	**1,066**	425
Cash and cash equivalents	**7,330**	11,480
	9,496	13,359
Total assets	**21,402**	31,049
Current liabilities		
Trade and other payables	**(1,407)**	(1,390)
Contingent consideration	**(395)**	(350)
	(1,802)	(1,740)
Non-current liabilities		
Contingent consideration	**(468)**	(472)
Deferred tax liabilities	**-**	-
	(468)	(472)
Total liabilities	**(2,270)**	(2,212)
Net assets	**19,132**	28,837
Equity attributable to equity holders of the Company		
Share capital	**5,057**	5,045
Share premium	**35,756**	35,747
Capital reserve	**2,669**	2,669
Other reserve	**(1,729)**	(1,729)
Reserve for own shares	**(1,590)**	(1,590)
Retained earnings	**(21,031)**	(11,305)
Total equity	**19,132**	28,837

Consolidated Statement of Changes in Equity for the year ended 31 July 2015

	Share capital £000	**Share premium** £000	**Other reserve** £000	**Capital reserve** £000	**Reserve for own shares** £000	**Retained earnings** £000	**Total equity** £000
At 1 August 2013	3,234	22,990	(1,729)	2,669	(1,590)	(10,022)	15,552
Transactions with owners of the company recognised directly in equity							
Shares issued for cash	1,807	12,729	-	-	-	-	14,536
Shares issued as consideration for business combinations	4	28	-	-	-	-	32
Total comprehensive income for the period							
Result for the period	-	-	-	-	-	(1,492)	(1,492)
Share based payment charges	-	-	-	-	-	209	209
At 31 July 2014	5,045	35,747	(1,729)	2,669	(1,590)	(11,305)	28,837
Transactions with owners of the company recognised directly in equity							
Shares issued for cash	12	9	-	-	-	-	21
Total comprehensive income for the period							
Result for the period	-	-	-	-	-	(9,991)	(9,991)
Share based payment charges	-	-	-	-	-	265	265
At 31 July 2015	5,057	35,756	(1,729)	2,669	(1,590)	(21,031)	19,132

Consolidated Statement of Cash Flows for the year ended 31 July 2015

	2015	2014
	£000	£000
Operating activities		
Loss for the year	**(9,991)**	(1,492)
Loss on disposal and impairment of goodwill on discontinued operations	**4,793**	-
Amortisation and impairment losses	**2,465**	171
Depreciation	**518**	356
Loss on disposal of property, plant and equipment	**33**	-
Share based payment charges to employees	**265**	209
Net finance income	**(26)**	(24)
Income tax credit	**(648)**	(551)
Operating cash outflow before changes in working capital	**(2,591)**	(1,331)
Movement in inventories	**(210)**	(89)
Movement in trade and other receivables	**197**	-
Movement in trade and other payables	**56**	142
Operating cash outflow from operations	**(2,548)**	(1,278)
Finance income received	**26**	24
Income tax received	**7**	416
Net cash flow from operating activities	**(2,515)**	(838)
Investing activities		
Purchase of plant and equipment	**(806)**	(922)
Purchase of intangible assets	**-**	(17)
Development expenditure capitalised	**(3,060)**	(1,861)
Disposal of discontinued operations	**2,210**	-
Net cash flow from investing activities	**(1,656)**	(2,800)
Financing activities		
Proceeds from issue of shares	**21**	14,536
Net cash flow from financing activities	**21**	14,536
Net increase in cash and cash equivalents	**(4,150)**	10,898
Cash and cash equivalents at the beginning of the year	**11,480**	582
Cash and cash equivalents at the end of the year	**7,330**	11,480

Notes

1. These preliminary results have been prepared on the basis of the accounting policies which are to be set out in Avacta Group plc's annual report and financial statements for the year ended 31 July 2015.

   The consolidated financial statements of the Group for the year ended 31 July 2015 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted for use in the EU ("adopted IFRSs") and applicable law.

   The financial information set out above does not constitute the company's statutory financial statements for the years ended 31 July 2015 or 2014 but is derived from those financial statements. Statutory financial statements for 2014 have been delivered to the Registrar of Companies and distributed to shareholders, and those for 2015 will be respectively delivered and distributed on or before 31 December 2015. The auditors have reported on those financial statements and their reports were:

   (i) unqualified;
   (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and
   (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006 in respect of the financial statements for 2014 or 2015.

2. Basis of preparation
   The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

   The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

   The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

   The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's and Chief Executive Officer's Report. The financial position of the Group, its financial performance and its cash flows and liquidity position are described there also and within the financial statements presented.

   The financial statements have been prepared on a going concern basis. The current economic conditions create uncertainty particularly over the level of demand for the Group's products and over the availability of finance which the directors are mindful of. In addition, the Group has incurred significant losses over the last few years of which a substantial element is in cash.

   The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in 2009, and the Directors have considered this when preparing these financial statements. These have been prepared on a going concern basis, notwithstanding the loss for the period ended 31 July 2015. The Directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate, and that the carrying value of intangibles remains supported by future cash flows. The key

conclusions are summarised below.

- The Group is at a critical point in its development as it seeks to launch the Affimer suite of products and services. These are expected to generate significant revenues for the Group over the coming years, aiding both profitability and cash flows.
- The Group has, in the past, taken a significant amount of annualised costs out of the business and will continue to take all appropriate steps to manage its cost base in light of any deviations from the forecast sales levels.
- The Group raised £21.0 million net through a placing of its shares on 3 August 2015.
- The Directors have prepared sensitised cash flow forecasts extending to the end of the financial year ended 31 July 2018. These show that the Group has sufficient funds available to meet its obligations as they fall due over that period.
- The Group's year to date financial performance is materially in line with this budget cumulatively.
- The Directors are not aware of any evidence to suggest that the budgeted improvement in the level of performance over the short term future will not be realised although the Directors recognise that it is possible that a worsening of performance could become evident, at which point they would act accordingly to mitigate the impact of such a worsening. The action may include cost reduction strategies, curtailed capital expenditure programs or equity issues.
- The Group does not have external borrowings or any covenants based on financial performance.
- The Directors have considered the position of the individual trading companies in the group to ensure that these companies are also in a position to continue to meet their obligations as they fall due.
- The markets in which the business operates are not considered to be at significant risk due to the ongoing global economic recession.
- There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.

Following this assessment, the Directors have reasonable expectation that the Group has adequate resources to continue for the foreseeable future and that carrying values of intangible assets are supported. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

3. Segmental reporting

Operating segment analysis 2015

	Animal Health £000	Life Sciences £000	**Total £000**
Sale of goods	706	-	**706**
Provision of services	668	82	**750**
Licence related income	-	357	**357**
Revenue	**1,374**	**439**	**1,813**
Cost of goods sold	(452)	(74)	**(526)**
Gross profit	**922**	**365**	**1,287**
Depreciation	(64)	(363)	**(427)**
Other operating expenses	(1,019)	(1,040)	**(2,059)**
Operating loss before impairment charges, amortisation and share-based payment charges	**(161)**	**(1,038)**	**(1,199)**
Amortisation	-	(57)	**(57)**
Share-based payment charges	(41)	(119)	**(160)**
Segment operating loss	**(202)**	**(1,214)**	**(1,416)**
Corporate and other unallocated items			**(1,744)**
Impairment and amortisation of development costs			**(2,407)**
Operating loss			**(5,567)**
Finance income			**26**
Finance expenses			**-**
Loss before taxation			**(5,541)**
Taxation			**648**
Discontinued operations[1]			**(5,098)**
Amount attributable to equity holders of the Company			**(9,991)**
Segment intangible assets	3,8	6,484	**10,327**
Segment other assets	3(	2,371	**2,678**
Segment assets	**4,150**	**8,855**	**13,005**
Corporate and other unallocated items			**8,397**
Total assets			**21,402**
Segment liabilities	**(992)**	**(1,001)**	**(1,993)**
Corporate and other unallocated items			**(277)**
Total liabilities			**(2,270)**

Note 1 – The Group's Analytical operating segment was disposed of on 11 February 2015 at which point selected assets and liabilities were sold.

Operating segment analysis 2014

	Animal Health £000	Life Sciences £000	**Total £000**
Sale of goods	896	-	**896**
Provision of services	692	30	**722**
Revenue	**1,588**	**30**	**1,618**
Cost of goods sold	(516)	(11)	**(527)**
Gross profit	**1,072**	**19**	**1,091**
Depreciation	(56)	(191)	**(247)**
Other operating expenses	(1,081)	(292)	**(1,373)**
Operating profit/(loss) before non-recurring expenses, amortisation and share-based payment charges	**(65)**	**(464)**	**(529)**
Non-recurring administrative expenses	(179)	-	**(179)**
Share-based payment charges	(40)	(106)	**(146)**
Segment operating profit/(loss)	**(284)**	**(570)**	**(854)**
Corporate and other unallocated items			**(1,191)**
Operating loss			**(2,045)**
Finance income			**24**
Finance expenses			**-**
Loss before taxation			**(2,021)**
Taxation			**551**
Discontinued operations[1]			**(22)**
Amount attributable to equity holders of the Company			**(1,492)**
Segment intangible assets	5,805	3,876	**9,681**
Segment other assets	595	2,065	**2,660**
Segment assets	**6,400**	**5,941**	**12,341**
Corporate and other unallocated items			**11,126**
Discontinued operations[1]			**7,582**
Total assets			**31,049**
Segment liabilities	**(1,037)**	**(755)**	**(1,792)**
Corporate and other unallocated items			**(248)**
Discontinued operations[1]			**(172)**
Total liabilities			**(2,212)**

Note 1 – The Group's Analytical operating segment was disposed of on 11 February 2015 at which point selected assets and liabilities were sold.

4. Basic and diluted loss per ordinary share

The calculation of earnings per ordinary share is based on the profit or loss for the period and the weighted average number of equity voting shares in issue. The earnings per ordinary share is the same as the diluted earnings per ordinary share because the earnings per share is negative.

	2015	2014
Loss (£000)	**(9,991)**	(1,492)
Underlying loss[1] (£000)	**(2,968)**	(1,470)
Weighted average number of shares (number '000)	**4,972,982**	4,181,527
Basic and diluted loss per ordinary share (pence)	**(0.20p)**	(0.04p)
Underlying basic and diluted loss per ordinary share (pence)	**(0.06p)**	(0.04p)

Note 1 – Excluding discontinued operations and impairment charges

- Ends -