15 November 2013

Physiomics Plc

("Physiomics" or "the Company")

Final Results for the year ended 30 June 2013

Chairman's Statement

Summary of Results in the year ended 30 June 2013

- The turnover of the Company increased by 77% to £240,000 (2012: £135,306).
- The operating loss reduced by 5% to £548,342 (2012: £577,922).
- On 30 June 2013 the surplus of shareholders' funds was £255,821 (2012: £734,570).

This year, Physiomics has cemented its commercial relationships with a number of large and mid-size pharma companies, continued to extend its product range and crucially started to develop its flagship Virtual Tumour Clinical platform.

In summary we have

- Signed up our first commercial customer for VT Clinical.
- Won further projects from our existing large pharma customer base and started discussions regarding licensing of the existing platform.
- Started significant talks with one academic and one large pharma partner to help further develop Virtual Tumour Clinical via access to more extensive clinical data.
- Started to extend the reach of the pre-clinical Virtual Tumour platform, in particular to model emergence of drug resistance.
- Won an important Technology Strategy Board ("TSB") Feasibility grant for development of Virtual Tumour Clinical, which could lead to more significant funding in future.
- Launched our cardio toxicology platform and signed up our first customer.
- Continued to develop the DrugCARD database product which allows users to rapidly search through pre-clinical and clinical dosing regimens. This product is expected to be launched in 2013

- Made further progress with the search for M&A partners, identified relevant partners and had several discussions. Identified a number of potential partners with the opportunity to join forces to increase the scope of the company's offerings.

Dr Paul Harper, Non-Executive Chairman

Chairman and Chief Executive Officer's Statement

Introduction

Drug discovery and development uses tried and tested procedures and processes to design and select the most appropriate molecule and then to determine its safety and efficacy. A single drug development programme costs many millions of dollars (US) to complete and many fail along the way, adding to the overall discovery cost of the ones that succeed. Whilst new technology designed to improve decision making, especially in the early phases of the programme, which reduce cost and more importantly, save time are very attractive, there is a risk. Will implementing new decision making testing and modelling be as accurate and predictive as current methods? It is a bold development team that will adopt new ideas without being really sure that they can deliver all the benefits without misdirecting the discovery process.

Pilot studies and proving studies therefore become a fundamental part of building confidence in the Physiomics models and the team's ability to make accurate predictions, which can be tested out against classical *in vitro* and *in vivo* methodologies. It is through these relationships that the Company sees more clearly what the client's needs are and it is as a result of this unique position that we have directed the development of existing models into new areas of forecasting and added wholly new models to our portfolio of products.

Good progress has been made this year in further developing our relationships with large pharma and developing our new products, in particular Virtual Tumour Clinical. The Company has identified that the clinical market is significantly larger than the pre-clinical market which its current models address, and the unmet need is also greater. The Company won its first Virtual Tumour Clinical customer in the period, demonstrating a substantial level of interest even though the technology is still in development.

The relationships with two of our large pharma customers in particular have progressed. The first of these is looking at further individual projects in the near future with a view to ultimately licensing the technology if benefit is shown over these projects as it has been in the past. The second is poised to do further pre-clinical work and is looking to extend the collaboration to encompass Virtual Tumour Clinical, helping to develop the platform at the same time as applying the emerging technology to commercial clinical projects.

Physiomics' scope of services has been increased with the launch of our cardiotoxicity model and development of our DrugCARD database, which is nearing conclusion. Together with grant income, these services will serve to increase incremental revenues and support the company through development of its flagship Virtual Tumour Clinical platform.

Finally the Company has increased its efforts to find an appropriate partner to enhance critical mass through M&A. These efforts are focused in two main areas; increasing the scope of services and adding therapeutic assets to our portfolio. The latter search is primarily focused on companies where Physiomics' modelling platforms could have a significant impact on internal as well as external projects.

Technology Development

(i) Virtual Tumour product improvements

One of the critical stumbling blocks in cancer treatment is the development of resistance to drug treatments. Physiomics has noted an increase in experimental combination therapies being pursued by customers in an attempt to combat this problem, in some cases involving triple combinations. Regimens of drugs combinations and dosing schedules emerge largely through trial and error and will vary according to the sort of cancer being treated. The Virtual Tumour platform already adds more value to projects where combinations are involved. For example in a recent pilot study we determined the optimal regimen for a DNA repair inhibitor combined with irradiation. We successfully predicted an improved regimen giving complete growth inhibition with negligible toxicity. This regimen was better than predicted by expert opinion, showing at the same time that the Virtual Tumour could help to reduce by up to 50% the number of animal experiments and accelerate the discovery of optimal drug regimens. However, in order to enhance its usefulness by a further step, we have embarked on a research project to specifically incorporate the development of resistance into our cell-based model.

(ii) Virtual Tumour Clinical

The first pilot version of Virtual Tumour is now up and running using literature data as calibration inputs. Within the next year, data from customers and academic sources in addition to the TSB funding should allow us to launch a fully validated platform. If successful this technology would initially improve the success rate of cancer drugs proceeding through clinical trials. And in the long run, if applied directly to patients, it would lead to real improvements in overall survival rates.

(iii) DrugCARD database

Our Drug Combinations and Regimens database is close to completion. The database itself is approaching completion and the web interface is completed. The database compiles clinical and pre-clinical data from both literature and proprietary sources. This should allow

subscribers to rapidly compare drug regimens relevant to their targets and help them to make better decision about their regimens and combination partners. We anticipate that this platform should be launched soon.

(iv) Cardiac toxicity prediction service

This model was launched in the period and we now have our first commercial deal. The model uses readily available lab-based data to predict the risk that drugs in development with cause serious cardiac side effects which could lead to withdrawal. Three versions of the model are now available, two to predict outcomes in animal experiments and a third one to predict cardiac liability in humans. Benchmarking tests against state of the art models were presented at the 13th Annual Meeting of the Safety Pharmacology Society. The results show that Physiomics' model is more predictive in all of its three versions. Also given that the same structural model is used for making predictions in different species the model is ideally placed to make translational predictions, i.e. from animal to human. The Company is now looking at whether these platforms can be extended to web-based applications thereby greatly simplifying access for customers.

Business Development Strategy

Physiomics continues to build incremental revenues from its growing pipeline of pre-clinical platforms. In addition, its established pre-clinical Virtual Tumour is now more firmly entrenched with some large pharma customers. We believe that the next step will be for these customers to sign longer term contracts or licensing deals.

Virtual Tumour Clinical remains the flagship product development, with comparable products in other therapeutic areas suggesting that significant revenues could be gained, probably from a licensing and subscription business model.

The Company continues to use workshops and conferences to target Virtual Tumour customers, with face-to-face meetings on site when relationships have progressed. Additionally in the period the Company started to broadcast technology update webinars on all of its platforms, and these have proved to be quite productive in terms of lead generation.

Our decision last year to appoint David Jobes, based in the US, to undertake business development has shown a number of positive results. He has managed to access companies that had before been resistant to approaches from Physiomics from the UK or via biopartnering conferences.

For its other platforms the Company will look to develop web-based approaches where possible and then use direct/e-marketing in the main to target customers. Once set up, such platforms are relatively easy to maintain and become their 'own advert' for the modelling services provided.

M&A activities during the year

Physiomics has for some time been pursuing M&A opportunities. We concluded that a broader and more vertically integrated offering to client companies would be attractive and in many cases beneficial to our delivery of high-quality modelling applications. Alternatively, joining forces with a company pursuing its own therapeutics would provide strong synergies where Physiomics' models could be applied to internal projects. We appointed an agent in the US to assist with identifying US-based companies where collaboration or more would provide valuable synergies. We identified a number of possibilities and initiated preliminary discussions. Some led to no useful outcome but a number are on-going. We have set down a series of criteria that collaboration must meet and it is a measured process to move discussions forward because of the need to make confidential disclosures.

Outlook

The directors believe that the pharmaceutical industry is still facing rapid change which poses a continuing challenge for suppliers. In particular, cancer treatment is undergoing a radical advance. The requirement for more tailored or personalised treatments is leading customers to investigate more complex combinations, using diagnostics to choose which combinations are appropriate. This emerging market should be ripe for technologies such as Virtual Tumour to rapidly assess the outcomes of different combinations, where doing the same experimentally would not be feasible in terms of timelines and economics. Physiomics is looking to deepen the relationships with large pharmaceutical customers to apply the technology as routine tool in drug discovery but as noted earlier, they need to be certain that tactical use of modelling is a sound alternative to current methodologies. Once this is achieved, and we are close to that point with a number of customers, then this could lead to a licensing and subscription business model, with the Company providing support functions and developing new updated versions of the platform on an annual basis.

While sources of financing have been tight, the Company signed a SEDA structured equity deal with Yorkville LLC in the period and also won a TSB Biomedical Catalyst feasibility grant. The SEDA has been used sparingly so far and the Company intends to aggressively pursue sources of more substantial grant funding, in particular the larger second stage Biomedical Catalyst awards.

Finally, the prospect of increasing the scope of the Company's offerings via M&A remains a real opportunity and one that the Company is pursuing with some vigour.

Dr Paul Harper, Non-Executive Chairman

Dr Mark Chadwick, Chief Executive Officer

Income Statement for the year ended 30 June 2013

	Year ended	Year ended
	30-Jun-13	30-Jun-12
	£	£
Revenue	**240,000**	135,306
Net operating expenses	**(776,520)**	(703,932)
Share-based compensation	**(11,822)**	(9,296)
Operating loss	**(548,342)**	(577,922)
Finance income	**4,551**	5,674
Finance costs	**-**	-
Loss before taxation	**(543,791)**	(572,248)
UK corporation tax	**43,220**	32,671
Loss for the year attributable to equity shareholders	**(500,571)**	(539,577)
Loss per share (pence)		
Basic and diluted	**(0.033)** p	(0.045) p

Statement of financial position as at 30 June 2013 **Company Number: 4225086**

	Year ended 30-Jun-13 £	Year ended 30-Jun-12 £
Non-current assets		
Intangible assets	**16,336**	21,047
Property, plant and equipment	**4,250**	6,227
Investments	**1**	1
	20,587	27,275
Current assets		
Trade and other receivables	**180,717**	121,874
Cash and cash equivalents	**179,162**	690,950
	359,879	812,824
Total assets	**380,466**	840,099
Current liabilities		
Trade and other payables	**(124,645)**	(105,529)
Total liabilities	**(124,645)**	(105,529)
Net assets	**255,821**	734,570
Capital and reserves		
Share capital	**602,620**	599,420
Capital reserves	**3,796,358**	3,777,736
Retained earnings	**(4,143,157)**	(3,642,586)
Equity shareholders' funds	**255,821**	734,570

The financial statements were approved by the Board of Directors and authorised for issue on 13 November 2013 and are signed on its behalf by:

Dr Paul Harper
Chairman

Statement of changes in equity for the year ended 30 June 2013

	Share capital £	Share premium account £	Share-based compensation reserve £	Retained earnings £	Total shareholders' funds £
At 1 July 2011	451,420	3,335,829	71,271	(3,103,009)	755,511
Share issue (net of costs)	148,000	361,340	-	-	509,340
Loss for the year	-	-	-	(539,577)	(539,577)
Share-based compensation	-	-	9,296	-	9,296
At 30 June 2012	599,420	3,697,169	80,567	(3,642,586)	734,570
Share issue (net of costs)	3,200	6,800	-	-	10,000
Loss for the year	-	-	-	(500,571)	(500,571)
Share-based compensation	-	-	11,822	-	11,822
At 30 June 2013	602,620	3,703,969	92,389	(4,143,157)	255,821

Cash Flow Statement for the year ended 30 June 2013

	Year ended 30-Jun-13 £	Year ended 30-Jun-12 £
Cash flows from operating activities:		
Operating loss	**(548,342)**	(577,922)
Amortisation and depreciation	**8,540**	7,865
Share-based compensation	**11,822**	9,296
Increase in receivables	**(47,994)**	(26,106)
Increase (decrease) in payables	**19,114**	(6,510)
Cash generated from operations	**(556,860)**	(593,377)
UK corporation tax received	**32,373**	41,605
Interest paid	**-**	-
Net cash generated from operating activities	**(524,487)**	(551,772)
Cash flows from investing activities:		
Interest received	**4,551**	5,674
Purchase of non-current assets, net of grants received	**(1,852)**	(1,907)
Net cash received by investing activities	**2,699**	3,767
Cash outflow before financing	**(521,788)**	(548,005)
Cash flows from financing activities:		
Issue of ordinary share capital (net of expenses)	**10,000**	509,340
Net cash from financing activities	**10,000**	509,340
Net (decrease) increase in cash and cash equivalents	**(511,788)**	(38,665)
Cash and cash equivalents at beginning of year	**690,950**	729,615
Cash and cash equivalents at end of year	**179,162**	690,950

Earnings per share

The calculations of loss per share are based on the following losses and numbers of shares.

	2013	2012
	£	£
Loss on ordinary activities after tax	**(500,571)**	(539,577)
	No.	No.
Weighted average no of shares: For basic and diluted loss per share	**1,502,013,088**	1,195,271,385
Basic and diluted loss per share	**(0.033p)**	(0.045p)

Notes

1. Extract from Annual Report and Accounts

The financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 2006.

2. Basis of preparation

Physiomics Plc has adopted International Financial Reporting Standards ("IFRS"), IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS.

3. Report Distribution

Copies of the annual report will be sent to shareholders on 20 November 2013 and will be available for a period of one month to the public at the offices of Physiomics Plc, The Magdalen Centre, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GA, and at the Company's website www.physiomics-plc.co.uk

4. Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Taylor Vinters LLP, Tower 42, 33rd Floor, 25 Old Broad Street, London, EC2N 1HQ at 11.00 am on 17 December 2013.

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