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Physiomics Plc

("Physiomics" or "the Company")

Interim Results Statement
for the six month period ended 31 December 2014

Oxford, UK, 17 March 2015: The Board of Physiomics Plc (AIM: PYC), a UK-based systems biology company, today announces its financial results for the six months ended 31 December 2014. Physiomics Plc is a computational systems biology services company, applying simulations supporting pharmaceutical decision making throughout the entire drug discovery process, particularly for cancer therapies.

Summary financial results

- Turnover £131,306 (2013 H1: £131,290)
- Operating loss £240,525 (2013 H1: £214,290)
- Shareholders' funds £245,727 as at 31 December 2014 (31 December 2013: £338,378)

Operational highlights

The Company has made significant progress in the period. Highlights include:

- Disclosed Merck & Co, the global pharmaceutical giant as a key customer.
- Extended the scope of Virtual Tumour to address the large emerging immune therapy market for cancer and signed a deal with a large pharma to develop this technology.
- Launched our EasyAP^{TM} web-based cartiotox portal
- Progressed discussions with Diatech Pharmacogenomics to extend the scope of our services into personalised medicine and diagnostics
- Further developed Virtual Tumour Clinical, setting up potential projects with an academic consortium and large pharmaceutical companies, one of whom (Merck Serono) has subsequently signed up as the first customer on a ground-breaking deal.
- Post-period end raised £270,000 as announced on 12th March 2015.

Chairman and CEO's statement

Introduction I am pleased to report that we believe the continuous high level resource that we have devoted to business development combined with the strategy to broaden and extend the Company's modelling expertise to generate new applications is starting to bear fruit.

Whilst we are usually unable to disclose the identity of our clients, at their request, we were able to disclose on 4 November 2014 that one of the leading global Pharma companies, Merck & Co in the USA, is a key client. This was a consequence of their using our Virtual Tumour technology as part of their drug discovery decision-making process. Such collaboration is indicative of the quality of client company that Physiomics is able to engage with. These projects typically begin as a feasibility study to validate the model(s), progressing into involvement in main stream drug discovery activities.

One of the most active areas in oncology drug discovery is in the immune therapy cancer market. Physiomics detected this trend at an early stage and developed models to explore this novel approach. We have now embarked on a project with a Pharma client to assist with their discovery programme as announced on 14th August 2014. The pre-clinical phase of the project has now been completed.

Physiomics has developed a suite of models to predict the potential for cardiotoxicity in candidate molecules and launched its EasyAP™ web-based portal. We believe we have taken a novel approach to promoting the technology by having an on-line, pay per use service where interested companies could experience, using a simple model, the potential of the technology at an attractive cost. This has now led to discussions concerning the possibility of selling annual licenses. The first customers would provide endorsement of the technology, encourage new users and provide a conduit to the more sophisticated cardiotox models which are capable of greater precision.

We announced that we were working with Diatech in Italy on 12th June 2014 to put together a consortium of clinicians. This potential collaboration would allow Physiomics to enter the burgeoning personalised medicine market for cancer. These discussions are ongoing and we are targeting significant EU grant funding later in 2015.

The interest from pharma and biotech companies in Virtual Tumour is at an all-time high. We believe that Virtual Tumour Clinical is our game-changing product and were very pleased to announce our first large pharma partner, Merck Serono, subsequent to the period on 2 March 2015. We believe that such a contract will encourage those companies who have watched the space and talked with the Physiomics team to take the next step. The typical VT Clinical deal should be five times the value of the typical VT pre-clinical projects undertaken so far, clearly representing a step change in the Company's revenues.

The Company has also put together a large consortium of academic clinicians to apply Virtual Tumour Clinical to several cancer indications beyond the initial melanoma and prostate case studies. Discussions have begun with an organisation who could bring together further academic collaborators and potentially act as a central point of contact for academic VT Clinical studies.

Business development strategy

Virtual Tumour

Virtual Tumour is now an integrated drug discovery and development supporting technology which can be used from pre-clinical lead generation through to late stage clinical trials. While initial engagement with clients will usually be in the preclinical phase, the successful development of VT Clinical has allowed us to extend our support into the much larger clinical market where the unmet need to optimise regimens is much more significant. This means that each new engagement with a client at a preclinical stage, where the transaction values are typically an average of £50-£60k, now has the potential to convert into a clinical deal with average transaction values in the region £250-£300k per project. This clearly represents a step change for the Company. As the Company develops further clients and projects, we will also start to target the clinical market directly to gain further clients.

EasyAP and cardiotoxicity services

Our EasyAP™ web-based cardiotoxicity portal was launched in the period. This software allows clients to directly input their data online and rapidly receive simulations using a number of known literature models. The FDA and other regulatory authorities have shown a keen interest in *in silico* modelling in this area and it is possible that it will become mandatory to use a model as part of a regulatory submission in future. Initial discussions with large pharma have indicated that some are happy to pay-per-click while others are looking at the potential of an annual license or even engaging with Physiomics to build an internal custom suite of models for them.

Growth Strategy

The Company's growth strategy is based on two key targets. While the first target of a strategic merger with a therapeutic oncology company has not yet borne fruit, but is still active, the second key strategy of extending our product offering into the clinic to address a larger market and unmet need is now coming to fruition. The primary focus in the near term will be to deepen our relationships with existing large pharma clients and also to gain new pharma clients, something that the Directors hope will become slightly easier and quicker with the announcement of the first VT Clinical large pharma deal. Given the significantly larger transaction values of clinical deals, far fewer will be needed for the Company to achieve sustainable profitability.

Outlook

The outlook for new large pharma Virtual Tumour Clients is good. The Company will now need to focus on managed growth of projects and staff, while maintaining dialogue with key interested parties with a view to accelerating our growth through strategic M&A.

For further information please contact:

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Unaudited Income Statement for the half year ended 31 December 2014

	Unaudited Half year to 31-Dec-14 £'000		Unaudited Half year to 31-Dec-13 £'000		Audited Year ended 30-Jun-14 £'000	
Revenue	131		131		268	
Net operating expenses	(372)		(346)		(733)	
Share-based compensation	-		-		-	
Operating loss	(241)		(215)		(465)	
Finance income	1		1		1	
Finance costs	-		-		-	
Loss before taxation	(240)		(214)		(464)	
UK corporation tax	25		10		38	
Loss for the period attributable to equity shareholders	(215)		(204)		(426)	
Loss per share (pence)						
Basic and diluted	(0.011)	p	(0.013)	p	(0.026)	p

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Unaudited Statement of financial position as at 31 December 2014

	Unaudited As at 31-Dec-14 £'000	Unaudited As at 31-Dec-13 £'000	Audited As at 30-Jun-14 £'000
Non-current assets			
Intangible assets	9	14	12
Property, plant and equipment	3	3	3
	12	17	15
Current assets			
Trade and other receivables	159	293	97
Cash and cash equivalents	153	198	132
	312	491	229
Total assets	324	508	244
Current liabilities			
Trade and other payables	(78)	(83)	(108)
Deferred income	-	(87)	-
Total liabilities	(78)	(170)	(108)
Net assets	246	338	136
Capital and reserves			
Share capital	813	683	688
Capital reserves	4,217	4,002	4,017
Profit & loss account	(4,784)	(4,347)	(4,569)
Equity shareholders' funds	246	338	136

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Unaudited Statement of changes in equity for the half year ended 31 December 2014

	Share Capital £'000	Share premium account £'000	Share-based compensation reserve £'000	Retained earnings £'000	Total shareholders' Funds £'000
At 30 June 2013	603	3,704	93	(4,143)	257
Share issue (net of costs)	85	220	-	-	305
Loss for the year	-	-	-	(426)	(426)
Share-based compensation	-	-	-	-	-
At 30 June 2014	688	3,924	93	(4,569)	136
Share issue (net of costs)	125	200	-	-	325
Loss for the period	-	-	-	(215)	(215)
At 31 December 2014	813	4,124	93	(4,784)	246

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Unaudited Cash Flow Statement for the half year ended 31 December 2014

	Unaudited Half year to 31-Dec-14 £'000	Unaudited Half year to 31-Dec-13 £'000	Audited Year ended 30-Jun-14 £'000
Cash flows from operating activities:			
Operating loss	(241)	(215)	(465)
Amortisation and depreciation	3	4	8
Share-based compensation	-	-	-
(Increase) decrease in receivables	(37)	(102)	86
(Decrease) in payables	(29)	(42)	(17)
Increase in deferred income	-	87	-
Cash generated from operations	(304)	(268)	(388)
UK corporation tax received	-	-	37
Interest paid	-	-	-
Net cash generated from operating activities	(304)	(268)	(351)
Cash flows from investing activities:			
Interest received	-	1	1
Purchase of non-current assets, net of grants received	-	-	(3)
Net cash used by investing activities	-	1	3
Cash outflow before financing	(304)	(267)	(353)
Cash flows from financing activities:			
Issue of ordinary share capital (net of costs)	325	286	306
Net cash from financing activities	325	286	306
Net decrease in cash and cash equivalents	21	19	(47)
Cash and cash equivalents at beginning of period	132	179	179
Cash and cash equivalents at end of period	153	198	132

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Notes to the Interim Financial Statements

1. General information

   Physiomics Plc is a public limited company ("the Company") incorporated in England & Wales (registration number 4225086). The Company is domiciled in the United Kingdom and its registered address is The Magdalen Centre, Robert Robinson Avenue, The Oxford Science Park, Oxford, OX4 4GA. The Company's ordinary shares are traded on the AIM Market of the London Stock Exchange ("AIM"). Copies of the interim report are available from the Company's website, www.physiomics-plc.com. Further copies of the Interim Report and Annual Report and Accounts may be obtained from the address above.

   The Company's principal activity is the provision of services to pharmaceutical companies in the area of outsourced systems and computational biology.

2. Basis of preparation

   The interim financial statements of the Company for the six months ended 31 December 2014, which are unaudited, have been prepared in accordance with the accounting policies set out in the annual report and accounts for the year ended 30 June 2014, which were prepared under International Financial Reporting Standards ("IFRS").

   The financial information contained in the interim report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The financial information for the full preceding year is based on the statutory accounts for the year ended 30 June 2014. Those accounts, upon which the auditors, Shipleys LLP, issued an unqualified audit opinion, have been delivered to the Registrar of Companies.

   As permitted, this interim report has been prepared in accordance with the AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting" therefore it is not fully compliant with IFRS.

   The interim financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.