Preliminary results statement for the 12 months ended 30 June 2005.

Oxford, UK, 8 September 2005 The Board of Physiomics plc (AIM:PYC), a European systems biology simulation company, today announces the financial results for the year to 30 June 2005. Physiomics plc is a computational systems biology services company, developing computer simulations aimed at reducing the high cost and attrition rates of clinical trials, particularly for cancer therapies.

Highlights of the period

- Turnover of £204,695, an increase of over 330%
- £750,000 before expenses raised in AIM listing
- Losses after tax of £381,843, reflecting one-off pre-IPO costs and higher R&D expenditure
- Physiomics appointed distributor for Bayer's PK-Sim®
- Option agreement to license two therapeutic products from Cronos Therapeutics signed
- New research staff appointments & employee share scheme
- UK trademark granted for Physiomics' SystemCell® software (virtual cell replication)

Mr David Evans, Chairman of Physiomics plc, commented

"I have great pleasure in introducing the first Annual Report and Accounts since Physiomics was listed on AIM in December 2004. It was only on the 25th of August 2005 that I accepted the position of Chairman succeeding Dr Stephen Parker who took the Company through its flotation.

For my part I am looking forward to working with everyone at Physiomics to ensure it moves forward positively over the short, medium and long term.

As I have only just joined the Company the review of the year and an update on commercial progress is contained within the Chief Executive's review."

For further information please contact:

Physiomics plc

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Notes to Editors

Physiomics plc

Physiomics plc (AIM:PYC) is a computational systems biology services company applying simulations of cell behaviour to drug development to reduce the high attrition rates of clinical trials. As 80-90 per cent of all clinical drug candidates fail to reach the market, estimates show that an overall ten per cent. improvement in success rates could reduce the cost of one drug's development by as much as $242 million, from the current estimate of around $800 million.

Physiomics is currently focused on optimising the design of cancer clinical trials as a service to major pharmaceutical companies. In addition, it has secured an option to in-license two innovative molecules in the cancer area from Cronos Therapeutics. Physiomics has a major collaboration with Bayer Technology Services GmbH to develop globally clinical response prediction services using both companies' proprietary technologies and mathematical cell models, including the SystemCell® technology developed by Physiomics. In June 2005, Physiomics became a distributor of Bayer's PK-Sim® product for understanding the way pharmaceuticals are distributed round the body.

Physiomics, based in Oxford, UK, was founded in 2001, and floated on AIM in 2004.

For further information, please visit www.physiomics-plc.com

SystemCell is a registered trademark of Physiomics plc

CEO's statement

Financial review

The period from July 2004 to June 2005 included the company's IPO on AIM in December 2004 and was an eventful time for the Company in which substantial progress was made in the development and commercialisation of the Company's technology. The Company recorded turnover of £204,695, up 330% on the previous year (£61,815). There was a loss after tax of £381,843 (2004: £225,027); the pre-tax loss was £431,917 (2004: £230,027). Since the IPO in December 2004, underlying internal costs have, as planned, risen due to investment in R&D and marketing plus the standard corporate costs associated with maintaining a stock market listing. The loss before tax in the second half was approximately £205,000 on turnover of £108,000.

Management has worked hard to minimise 'cash burn' and the cash balance at the year end was £294,908. As part of this cash burn, the Company invested £18,500 in capital expenditure, mainly in computer systems to support the R&D programme. In addition, the Company has a call facility available with Billam plc and Billam AG until June 2006 for a maximum of £243,000.

Bayer Collaboration

On 20 July 2004, a major collaboration agreement was concluded with Bayer Technology Services GmbH. This gave Physiomics access to a very sophisticated software product and service for physiological analysis (PK-Sim®, a way of simulating the entire body) to examine the efficiency with which pharmaceuticals are utilised by the patients' body. In addition, the two Companies have developed joint marketing initiatives based on Clinical Response Prediction to look at how a dose of a drug affects disease progression in cancer. Finally, a close research and development process was initiated which has strengthened Physiomics capabilities, for example, in the development of accurate simulation of the gene copying process which occurs as cells divide. This is critical to the simulation of the action of many anti-cancer drugs and of great importance to actual and potential customers.

Marketing and Business Development

Using business development consultants, Physiomics has refined the marketing platform for Clinical Response Prediction. This integrates Physiomics' model of the human cell cycle, the process by which cells, especially cancer cells, grow and divide, with PK-Sim and combines it with Physiomics' SystemCell® software through a process known as the Clinicophore™. SystemCell® allows Physiomics to "grow" a diverse population of virtual cancer cells to assess therapeutic outcomes.

Clinical Response Prediction is global in scope and has attracted interest from major companies in both Europe and the USA. It is designed as a high value service. Customers can access it through an initial pilot study before embarking on a highly customised and focussed collaboration. In essence, customers are outsourcing computational biology based on Physiomics' proprietary software and, most importantly, mathematical models of cell processes. Market development of this brand is continuing, with a US marketing campaign underway.

Physiomics' efforts in marketing and sales have led to it, in a separate agreement on 23 June 2005, being appointed as a distributor for PK-Sim. Marketing and sales activity started on this at the end of the financial year and is now building up with the UK as the immediate target market. This distribution agreement enables Physiomics to sell into all therapeutic areas including brain disorders, inflammatory disease (such as rheumatoid arthritis) and metabolic diseases (like diabetes), as well as cancer.

With the potential for a variety of commercial agreements from late calendar 2005 onwards, the Company is well placed to take advantage of the growing interest in systems and computational biology to improve the success rates in clinical development. The Company looks forward to announcing further progress in this regard during the current financial period.

Cronos Therapeutics

In November 2004, Physiomics and Cronos Therapeutics announced an alliance whereby Physiomics will use its novel *in silico* technology to select optimal targets for the highly-selective GeneICE technology from Cronos Therapeutics. The alliance will co-develop the lead GeneICE constructs.

The Cronos GeneICE technology is a highly gene-specific and potentially longer acting alternative to antisense and RNAi technologies, developed at Imperial College, London. It has been shown that

GeneICE can switch off specific genes following one administration. As GeneICE acts on the genes directly, it is anticipated that much lower doses may need to be administered compared to conventional therapies.

Intellectual property

Legal issues over the assignment of the patent covering SystemCell software were partly resolved by the assignment to Physiomics of the UK patent prior to Christmas. A successful High Court application in April will now enable the Official Receiver to sign patent assignments in favour of Physiomics in respect of other European jurisdictions. Physiomics has owned the US version of this patent since 2003. The UK trademark for SystemCell software was received in the period and a trademark for Clinicophore giving worldwide priority has been applied for.

Board Changes

The Board was extended during the year by the appointment of Dr Paul Harper in September 2004 and Mr John Pool in December 2004. Mr Pool represents the majority shareholder, EiRx Pharma Ltd., and is a non-independent Director.

As a post balance sheet event, regretfully the Board accepted the resignation of Dr Stephen Parker and wished him well in his new career. The Board was, however, delighted that Mr David Evans was able to join as the new Chairman. Mr Evans brings extensive small listed company experience to the Board, particularly in the life science sector, and will be key to the Company's corporate development.

Staff and Share options

Two key new members of staff, both at Ph.D. level, were recruited in the period, one from a leading German mathematical biology group and the other in computation and software from an international, US-led systems biology software team. This has significantly boosted the strength and capacity of the development team.

For a rapidly developing high technology business like Physiomics, staff retention and motivation are essential to long-term shareholder returns. On 24 June 2005, an unapproved share option scheme was established. In addition, staff and directors were given the chance to subscribe for shares to a maximum value of £5,000 each. This subscription was partly funded by an interest free loan. These incentives are designed to ensure that the enthusiasm and commitment of all employees is kept within the business and rewarded, to the benefit of all shareholders. The terms of these schemes were established by the Remuneration Committee. In addition, a stakeholder pension scheme was established and other cost-effective benefits introduced such as Death in Service insurance.

Prospects for 2006

The Company is actively focussing its science efforts on commercially relevant pharmaceutical targets where substantive potential markets clearly exist. The USA is likely to be the continued focus of attention given the interest in systems approaches now apparent. The period since the IPO laid the basis for a strong development of the business and will enable us to take advantage of appropriate commercial opportunities as they arise.

Dr John Savin

CEO

7 September 2005

Financial Statements for the Year Ended 30 June 2005

Profit and Loss Account

	2005	2004
	£	£
Turnover	204,695	61,815
Other operating expenses	(645,140)	(298,898)
Other operating income	-	7,056
Operating loss	(440,445)	(230,027)
Interest receivable	8,528	-
Loss before tax	(431,917)	(230,027)
Tax on loss on ordinary activities	50,074	5,000
Loss transferred from reserves	(381,843)	(225,027)
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Basic and diluted loss per share (pence)	(0.19)	(0.13)

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses other than the results for the year as set out above.

Balance Sheet for the year ending 30 June 2005

	2005 £	2004 £
Fixed assets		
Intangible assets	53,463	58,107
Tangible assets	24,924	13,557
Investments	1	1
	78,388	71,665
Current assets		
Debtors	154,505	12,605
Cash at bank	294,908	8,687
	449,413	21,292
Creditors: amounts falling due within one year	(114,302)	(447,020)
Net current assets / (liabilities)	335,111	(425,728)
Total assets less current liabilities	413,499	(354,063)
Net assets/(liabilities)	413,499	(354,063)
Capital and reserves		
Called up share capital	92,810	67,140
Share premium account	1,329,022	205,287
Profit and loss account	(1,008,333)	(626,490)
Shareholders' funds	413,499	(354,063)

Cash Flow Statement

	2005 £	2004 £
Net cash outflow from operating activities	(447,066)	(218,305)
Returns on investments and servicing of finance		
Interest received	8,528	-
Net cash inflow from returns on investments and servicing of finance	8,528	-
Taxation	18,777	-
Capital expenditure		
Purchase of tangible fixed assets	(18,503)	(11,943)
Net cash outflow from capital expenditure	(18,503)	(11,943)
Net cash outflow before financing	(438,264)	(230,248)
Financing		
Issue of shares	724,485	-
Net inflow from related parties	-	235,591
Net cash inflow from financing	724,485	235,591
Increase in cash	286,221	5,343

1 Basis of Preparation

The preliminary announcement has been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies of the company have remained unchanged from those set out in the company's 2004 annual report and financial statements.

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The summarised balance sheet as at 30 June 2005 and the summarised profit and loss account, summarised cash flow statement and associated notes for the year then ended have been extracted from the Company's 2005 statutory financial statements upon which the auditors opinion is unqualified and does not include any statement under section 237 of the Companies Act 1985.

Those financial statements have not yet been delivered to the registrar of companies.

2 Reconciliation of movements in shareholders funds

	2005 £	2004 £
Loss for the financial year	(381,843)	(225,027)
Issue of shares	1,149,405	-
Net increase / (decrease) in shareholders' funds	767,562	(225,027)
Shareholders' funds at 1 July 2004	(354,063)	(129,036)
Shareholders' funds at 30 June 2005	413,499	(354,063)

3 Net cash outflow from operating activities

	2005 £	2004 £
Operating loss	(440,445)	(230,027)
Depreciation	7,136	2,645
Amortisation	4,644	4,648
(Increase) / decrease in debtors	(90,606)	1,129
Increase in creditors	72,205	3,300
Net cash (outflow) from operating activities	(447,066)	(218,305)

4 Reconciliation of net cash flow to movement in net debt

	2005 £	2004 £
Increase in cash in the year	286,221	5,343
Net cash inflow from other long-term creditors	-	(235,591)
Change in net funds resulting from cash flows	286,221	(230,248)
Other non-cash items : debt / equity conversion	404,920	-
Movement in net debt in the year		
Net debt at 1 July 2004	(396,233)	(165,985)
Net cash / (debt) at 30 June 2005	294,908	(396,233)

5 Earnings per share note

The calculation of the basic earnings per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	Loss £	Weighted average number of shares	2005 Loss per share Pence	Loss £	Weighted average number of shares	2004 Loss per share Pence
Loss attributable to shareholders	(381,843)	203,149,976	(0.19)	(225,027)	167,850,900	(0.13)

On 6 December 2004, the existing share capital was sub-divided and each ordinary share of 1 pence was divided into 25 ordinary shares of 0.04p. The above calculations show the 2004 loss per share on a comparable basis, as though the shares had been sub-divided in 2004.

The share options in issue do not have any dilutive effect.

6 Tax on ordinary activities

a) The tax credit represents:

	2005 £	2004 £
United Kingdom Corporation tax at 30% (2004: 30%)	-	-
Research and Development tax credits: current year	(36,297)	-
Research and Development tax credit in respect of prior year	(13,777)	(5,000)
Total current tax	(50,074)	(5,000)

Unrelieved tax losses of approximately £425,000 (2004: £280,000) remain available to offset against future trading profits subject to Inland Revenue approval.

b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the United Kingdom of 19% (2004: 19%).

	2005 £	2004 £
Loss on ordinary activities before taxation	(431,917)	(230,027)
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2004: 19%)	(82,064)	(43,705)
Expenses not deductible for tax purposes	1,400	1,440
Capital allowances for period in excess of depreciation	(785)	(462)
Unutilised tax losses	45,052	42,727
Adjustments to tax charge in respect of previous periods	(13,677)	(5,000)
Total current tax (note 6(a))	(50,074)	(5,000)

7 Availability of accounts

The annual report and accounts will be posted to shareholders during October 2005 and will be available at www.physiomics-plc.com for at least a month following the mailing date.

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