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Physiomics Plc

("Physiomics" or "the Company")

Interim Results Statement
for the six month period ended 31 December 2016

Oxford, UK, 24 March 2017: 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 2016. Physiomics Plc is a computational systems biology services company whose core technology, Virtual Tumour, predicts the effects of combination chemotherapy in pre-clinical and clinical settings and helps its clients to develop better drugs, faster and more cost-effectively.

Summary financial results

- Revenue £173,867 (2015 H1: £175,810)
- Operating loss before exceptional costs* £222,147 (2015 H1 restated**: £169,877)
- Operating loss £263,509 (2015 H1 restated**: £169,877)
- Cash and cash equivalents as at 31 December 2016 £321,873 (31 December 2015: £178,511)
- Shareholders' funds £495,452 as at 31 December 2016 (31 December 2015: £423,317)

* Exceptional costs of £41,362 relate to termination of the Biomoti acquisition

**2015 H1 is restated to include share based compensation– see note 3

Operational highlights

Key events in the period include:

- Appointed Hybridan LLP as our exclusive broker

- Completed a placing to raise £555,000 (£515,000 net of costs) as announced on 21st September 2016 whose proceeds are to support business development activities
- Received a milestone payment from Cambridge, UK based biotech Sareum Ltd for modelling work carried out in 2010 on a program recently licensed to US company ProNAi Therapeutics (since renamed Sierra Oncology)
- The continuation of the Company's Virtual Tumour Clinical project with key client Merck Serono

Subsequent to the period:

- Attendance at the premier biotech partnering event Biotech Showcase, held in San Francisco at the same time as the JP Morgan Healthcare Conference
- Award of a grant by Innovate UK worth around £132k over 12 months for a project to develop a pilot decision support tool to help clinicians identify the optimal treatment regime for individual cancer patients

Chairman and CEO's statement

Introduction

Following the transition to a new CEO and successful placing in September 2016, the Company is now fully focused on expanding its pipeline of customers and moving its existing customers up the value chain from pre-clinical to the more valuable clinical projects.

As anticipated in our company update on 11th January 2017, first half performance is in line with the comparable prior period. Revenue was similar to the comparable prior period and our operating loss before exceptional costs widened from £169,877 to £222,147. A significant element of the increase is attributable to additional business development related activities which the Company hopes to see bear fruit in the second half of its financial year.

Business development strategy

Our first large scale commercial Virtual Tumour Clinical project with key client Merck Serono is ongoing and it remains a key objective of the Company to become as deeply embedded as possible in its larger clients' R&D structures where Physiomics can bring complementary modelling and prediction skills to the already existing in-house teams.

The Company has devoted considerable time and resource to up-selling with existing clients and to re-engaging with some of the many large clients we've had in the past with the specific objective of signing at least one more VT Clinical project this calendar year. However, it should be noted that the decision process in multi-national companies can be protracted. The Company believes that this would then give it a solid platform to expand more generally with mid-sized as well as new larger clients.

In parallel to our commercial collaborations, Physiomics was pleased to be awarded, in the face of strong competition, a highly competitive Innovate UK grant to develop a pilot decision support tool for use in front-line clinical settings. This is precisely in line with the Company's stated strategy of developing an offering in personalised medicine and could lead to a commercial offering in future years. The Company is collaborating on this grant project with Prof Mark Middleton, Lead Cancer Clinician at Oxford Foundation Hospital NHS Trust.

Outlook

The Directors believe that revenues for the second half of the Company's financial year will be at least in line with the comparable period in the previous year contingent on a contract currently under discussion being finalised during this financial year.

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Unaudited Statement of Comprehensive Income for the half year ended 31 December 2016

	Unaudited Half year to 31-Dec-16 £'000	**Restated** Unaudited Half year to 31-Dec-15 £'000	Audited Year ended 30-Jun-16 £'000
Revenue	174	176	297
Operating expenses before exceptional costs	(396)	(346)	(706)
Operating exceptional costs	(41)	-	(23)
Operating loss	(263)	(170)	(432)
Presented as:			
Operating loss before exceptional costs	(222)	(170)	(372)
Operating exceptional costs	(41)	-	(23)
Operating loss	(263)	(170)	(432)
Loss before taxation	(263)	(170)	(432)
UK corporation tax	30	25	53
Loss for the period attributable to equity shareholders	(233)	(145)	(379)
Loss per share (pence)			
Basic and diluted – **restated**	(0.50) p	(0.57) p	(1.3) p

Restatement of unaudited income statement for half year ended 31 December 2015 is explained in note 3.
Restatement of loss per share for the prior periods is explained in note 4.

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Unaudited Statement of financial position as at 31 December 2016

	Unaudited As at 31-Dec-16 £'000	**Restated** Unaudited As at 31-Dec-15 £'000	Audited As at 30-Jun-16 £'000
Non-current assets			
Intangible assets	-	5	2
Property, plant and equipment	7	3	2
	7	8	4
Current assets			
Trade and other receivables	248	370	160
Cash and cash equivalents	322	179	139
	570	549	299
Total assets	577	557	303
Current liabilities			
Trade and other payables	(82)	(133)	(99)
Total liabilities	(82)	(133)	(99)
Net assets	495	424	(204)
Capital and reserves			
Share capital	1,121	1,033	1,033
Capital reserves	4,912	4,462	4,476
Profit & loss account	(5,538)	(5,071)	(5,305)
Equity shareholders' funds	495	424	(204)

Restatement of unaudited statement of financial position as at 31 December 2015 is explained in note 3.

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Unaudited Statement of changes in equity for the half year ended 31 December 2016

	Share capital £'000	Share premium account £'000	**Restated** Share-based compensation reserve £'000	**Restated** Retained earnings £'000	Total shareholders' funds £'000
At 1 July 2015	993	4,147	112	(4,926)	326
Share issue (net of costs)	40	180	-	-	220
Loss for the period – **restated**	-	-	-	(145)	(145)
Share-based compensation - **restated**	-	-	23	-	23
At 31 December 2015 - **restated**	1,033	4,327	135	(5,071)	424
Loss for the period	-	-	-	(234)	(234)
Share-based compensation	-	-	14	-	14
At 30 June 2016	1,033	4,327	149	(5,305)	204
Share issue (net of costs)	88	426	-	-	514
Loss for the period	-	-	-	(233)	(233)
Share-based compensation	-	-	10	-	10
At 31 December 2016	1,121	4,753	159	(5,538)	495

Restatement of unaudited statement of changes in equity for the half year ended 31 December 2015 is explained in note 3.

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Unaudited Cash Flow Statement for the half year ended 31 December 2016

	Unaudited Half year to 31-Dec-16 £'000	**Restated** Unaudited Half year to 31-Dec-15 £'000	Audited Year ended 30-Jun-16 £'000
Cash flows from operating activities:			
Operating loss - **restated**	(263)	(170)	(432)
Amortisation and depreciation	3	3	7
Share-based compensation - **restated**	10	23	37
(Increase) decrease in receivables	(58)	(242)	(60)
Increase / (decrease) in payables	(17)	80	46
Cash generated from operations	(325)	(306)	(402)
UK corporation tax received	-	-	55
Net cash generated from operating activities	(325)	(306)	(347)
Cash flows from investing activities:			
Sale of non-current assets	-	-	1
Purchase of non-current assets, net of grants received	(7)	(2)	(2)
Net cash used by investing activities	(7)	(2)	(1)
Cash outflow before financing	(332)	(308)	(348)
Cash flows from financing activities:			
Issue of ordinary share capital (net of costs)	515	220	220
Net cash from financing activities	515	220	220
Net (decrease) / increase in cash and cash equivalents	183	(88)	(128)
Cash and cash equivalents at beginning of period	139	267	267
Cash and cash equivalents at end of period	322	179	139

Restatement of unaudited cash flow statement for the half year ended 31 December 2015 is explained in note 3.

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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 2016, 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 2016, 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 2016. 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.

3. Restatement of interim financial statements for the six months ended 31 December 2015

   The interim financial statements for the six months ended 31 December 2015 were previously reported without the inclusion of a share-based compensation charge. They have been restated here to include a share-based compensation charge of £22,517. This additional cost appears in the restated income statement for the six months ended 31 December 2015 and corresponding loss per share for that period (see also note 4), as an adjustment to the capital reserves and profit and loss account within the unaudited statement of financial position at 31 December 2015, as a movement in the unaudited statement of changes in equity for the half year ended 31 December 2015 resulting in an increase in the share-based compensation reserve and a corresponding decrease in retained earnings, and in the unaudited cash flow statement for the half year ended 31 December 2015 within the adjustments to operating loss to derive the cash generated from operations. The charge does not reduce cash or net assets previously reported as at 31 December 2015.

4. Restated loss per share

The loss per share for the half year ended 31 December 2015 and year ended 30 June 2016 has been restated to reflect the share consolidation in December 2016 at a ratio of 100:1 and in both cases the restatement is unaudited. In addition, the loss per share for the half year ended 31 December 2015 has increased reflecting the share based payment compensation charge restatement explained in note 3.

The calculation of the restated basic loss per share is based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The loss attributable to equity holders (holders of ordinary shares) of the Company for the purpose of calculating the restated fully diluted loss per share is identical to that used for calculating the loss per share. The exercise of share options would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 'Earnings per Share'.

Reconciliation of the loss and weighted average number of ordinary shares used in the calculation are set out below:

	Unaudited Half year to 31-Dec-16	**Restated** Unaudited Half year to 31-Dec-15	**Restated** Unaudited Year ended 30-Jun-16
Basic and diluted loss per share			
Reported loss for the period (£'000)	(233)	(145)	(379)
Reported loss per share (pence)	(0.50)	(0.57)	(1.3)

	Unaudited Half year to 31-Dec-16 No Millions	**Restated** Unaudited Half year to 31-Dec-15 No Millions	**Restated** Unaudited Year ended 30-Jun-16 No Millions
Weighted average number of ordinary shares			
Shares in issue at start of period	3,482	2,482	2,482
Effect of shares issued in the period	1,230	76	532
Weighted average number of ordinary shares before share consolidation adjustment	4,712	2,558	3,014
Weighted average number of ordinary shares adjusted for 100:1 share consolidation	47.12	25.58	30.14