

Physiomics plc
The Magdalen Centre
The Oxford Science Park
Robert Robinson Avenue
Oxford
OX4 4GA
UK

Tel 01865 784980
Fax 08701 671931

14 November 2012

Physiomics Plc
("Physiomics" or "the Company")
Final Results for the year ended 30 June 2012

Chairman's Statement

Summary of Results in the year ended 30 June 2012

- Fundraising in April 2012 generated cash of £555,000 before issue expenses.
- The turnover of the Company more than doubled to £135,306 (2011: £53,345).
- The operating loss reduced to £577,922 (2011: £693,795).
- On 30 June 2012 the surplus of shareholders' funds was £734,570 (2011: £755,511).

With a now fully validated Virtual Tumour technology, Physiomics has concentrated its efforts on product extension, new product development and increasing the customer base.

In summary we have

- Signed up our second top tier global pharma customer.
- Signed up our third major pharma company, a top-five pharma company.
- Initiated our development of Virtual Tumour Clinical to enable optimisation of drug regimens in humans.
- Commenced using client project data to develop Virtual Tumour Clinical.
- Developed a new database product which allows users to rapidly search through pre-clinical and clinical dosing regimens. This product is expected to be launched in 2013.
- Developed a new model to predict drug cardiac toxicity based on laboratory data.
- Identified a number of potential partners with the potential 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

The vision and strategy for Physiomics remains unchanged, and the Company has made good progress towards its declared goals in the period. Signing up two new major pharmaceutical companies to utilise Virtual Tumour represents an important landmark in establishing the Company's technology platform in the drug discovery process in oncology. In addition to signing Lilly Inc. earlier, adding two further top tier pharma companies this year would suggest that our strategy is working. While the initial revenues for first projects are always modest, since these usually take the form of pilot studies, the Directors believe that there are good prospects for increased business and revenue flow from such customers. In particular, such prospects could arise from internal policy decisions to use Virtual Tumour as a standard modality in drug discovery programmes. In addition, growing the customer base has increased our awareness of the potential for new decision and forecasting tools, leading us to develop Virtual Tumour Clinical. It continues to be the view of the Directors that development of a clinical version of Virtual Tumour will be a major source of future revenues, since a tool with this capability has been requested by most of our current and potential customers. The Company has also developed two new products, namely its drug combinations and regimens database and cardiac toxicity prediction model. These are designed to augment our credentials as a business committed to providing predictive tools to the pharma and healthcare Industry. Such tools are used by professionals to improve the outcomes of drug design, development, combination dosing strategies and clinical outcomes.

Technology Development

(i) Virtual Tumour product improvements

Physiomics is constantly striving to improve the value-adding capability of Virtual Tumour, in particular by reducing the data requirements to calibrate the model. The Company has begun a collaboration with the Swiss company, InSphero, aimed at using *in vitro* 3D 'spheroid' cultures to replace xenografts, so that Physiomics could start to make predictions even before xenograft experiments are initiated. To date the collaborators have tested one cell line and are looking to expand the collaboration to test multiple cell lines relevant to different types of cancer.

(ii) Virtual Tumour Clinical

The work to adapt Virtual Tumour to work in humans is progressing. The first phase, to develop and calibrate the model using literature data, will allow us to evaluate the predictive power of the model against known outcomes. The second phase involves using client data to calibrate and test the model. The third phase will be to use the calibrated model to guide clinical decision-making on drug/drug combination dosing and scheduling.

(iii) Drug combinations and regimens database

The database should be of interest to drug researchers and clinicians alike. It collates multiple sources of data, both literature and proprietary, into an easily searchable web-based format. The beta version of the database is completed and is now undergoing quality improvement, data checking and testing

internally. It expected to be released commercially in the 2013. The database will be accessed by annual subscription.

(iv) Cardiac toxicity prediction service

A new modelling platform has been implemented in-house to predict which drug candidates are likely to exhibit toxic effects on the heart using only laboratory-based calibration data. This is a particular problem in the industry, with several high profile failures in the past due to cardiac toxicity. This technology has already been implemented and adopted by some large pharmaceutical companies. Our new service will make the technology accessible to a broader number of companies who lack expertise and resources for in-house implementation. In the first phase, Physiomics has already implemented the modelling platform and started to develop new functionalities in collaboration with our new Scientific Advisory Board member, Dr Jonathan Swinton. The Company is now seeking collaborators who have data sets that can be used to test and improve the platform. This new service should start commercially in 2013.

Business Development Strategy

The continuing strategy of the Company to target large pharmaceutical companies is starting to bear fruit, as evidenced by the recent announcements. Our experience is that, once a pilot study has been completed, such companies look to apply the technology to other projects. To date, the pilot studies have led to successful validation by each of the companies concerned. There is then an opportunity for Virtual Tumour to become part of the standard protocol used by the company to evaluate the performance of their lead molecules. The pharmaceutical company could then benefit from improved timelines and reduced cost relative to traditional methods. The ultimate business goal is therefore to get a number of large pharma companies to sign up for annual contracts covering a number of projects and then to extend this to the use of Virtual Tumour Clinical to aid clinical trial design. Alternatively, granting non-exclusive licenses to the technology has been discussed with some potential customers, although this is not a short-term prospect.

The Company completed its first workshop at a conference which was highly successful. This format included case study presentations and interactive discussions and will be repeated at future relevant events.

While approaches to smaller biotechnology companies have not translated into revenue in the period, they continue to be another important target in particular in the US. Nevertheless, the company has signed a revenue sharing deal with ValiRx. This model provides the promise of significant downstream revenues to augment the short-term service fees we typically receive.

The Company is also seeking to expand its reach in the US and signed up a new business development consultant, David Jobes, who is based on the East Coast.

Outlook

The directors believe the pharmaceutical market place remains in some disarray, with several high-profile downsizing announcements coupled with regular strategy reviews which impact on development priorities. The financial status of our nearest market, the EU, especially over the past year, is a factor that all fee-for-service providers must work with. We believe that our menu driven approach to providing focused services has been a contributory factor to our ability to add two new global pharma customers to our portfolio. The Company has also successfully raised further equity funds and is expecting to be in a strong position to contemplate corporate deal-making as well as progressing with development of its flagship product, Virtual Tumour Clinical.

The Company is currently looking at opportunities to further strengthen its financial position both to enable it to undertake corporate deals and for future working capital, if necessary. One such option

under consideration is a Standby Equity Distribution Agreement (SEDA) and a further announcement will be made in due course if the Company enters into such an arrangement.

In the short term, the most likely source of significant revenue growth is an extension of the relationships with the existing customers and continuing to sign up new clients particularly large pharmaceutical companies. In the longer term, the Company is planning to develop a potentially game-changing technology in Virtual Tumour Clinical. The Directors believe that there is currently no adequate technology in the market that can optimise drug combination dosing and scheduling for clinical trials, and certainly not for individual patients. This represents an unmet need which Physiomics is uniquely positioned to exploit by developing its existing technology.

Dr Paul Harper, Non-Executive Chairman

Dr Mark Chadwick, Chief Executive Officer

Income Statement for the year ended 30 June 2012

	Year ended 30-Jun-12	Year ended 30-Jun-11
	£	£
Revenue	135,306	53,345
Net operating expenses	(703,932)	(725,746)
Share-based compensation	(9,296)	(21,394)
Operating loss	(577,922)	(693,795)
Finance income	5,674	7,869
Finance costs	-	-
Loss before taxation	(572,248)	(685,926)
UK corporation tax	32,671	41,394
Loss for the year attributable to equity shareholders	(539,577)	(644,532)
Loss per share (pence)		
Basic and diluted	(0.045) p	(0.063) p

Statement of financial position as at 30 June 2012

Company Number: 4225086

	Year ended 30-Jun-12 £	Year ended 30-Jun-11 £
Non-current assets		
Intangible assets	21,047	25,759
Property, plant and equipment	6,227	7,473
Investments	1	1
	<u>27,275</u>	<u>33,233</u>
Current assets		
Trade and other receivables	121,874	104,703
Cash and cash equivalents	690,950	729,615
	<u>812,824</u>	<u>834,318</u>
Total assets	<u>840,099</u>	<u>867,551</u>
Current liabilities		
Trade and other payables	(105,529)	(112,040)
Total liabilities	<u>(105,529)</u>	<u>(112,040)</u>
Net assets	<u>734,570</u>	<u>755,511</u>
Capital and reserves		
Share capital	599,420	451,420
Capital reserves	3,777,736	3,407,100
Retained earnings	(3,642,586)	(3,103,009)
Equity shareholders' funds	<u>734,570</u>	<u>755,511</u>

Statement of changes in equity for the year ended 30 June 2012

	Share capital £	Share premium account £	Share-based compensation reserve £	Retained earnings £	Total shareholders' funds £
At 30 June 2010	399,690	2,795,735	49,877	(2,458,477)	786,825
Share issue (net of costs)	51,730	540,094	-	-	591,824
Loss for the year	-	-	-	(644,532)	(644,532)
Share-based compensation	-	-	21,394	-	21,394
At 30 June 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

Cash Flow Statement for the year ended 30 June 2012

	Year ended 30-Jun-12 £	Year ended 30-Jun-11 £
Cash flows from operating activities:		
Operating loss	(577,922)	(693,795)
Amortisation and depreciation	7,865	6,332
Share-based compensation	9,296	21,394
(Increase) decrease in receivables	(26,106)	13,394
Decrease in payables	(6,510)	(2,006)
Decrease in deferred income	-	(21,132)
Cash generated from operations	<u>(593,377)</u>	<u>(675,813)</u>
UK corporation tax received	41,605	33,037
Interest paid	-	-
Net cash generated from operating activities	<u>(551,772)</u>	<u>(642,776)</u>
Cash flows from investing activities:		
Interest received	5,674	7,869
Purchase of non-current assets, net of grants received	(1,907)	(7,356)
Net cash received by investing activities	<u>3,767</u>	<u>513</u>
Cash outflow before financing	(548,005)	(642,263)
Cash flows from financing activities:		
Issue of ordinary share capital (net of expenses)	509,340	591,824
Net cash from financing activities	<u>509,340</u>	<u>591,824</u>
Net (decrease) increase in cash and cash equivalents	(38,665)	(50,439)
Cash and cash equivalents at beginning of year	729,615	780,054
Cash and cash equivalents at end of year	<u>690,950</u>	<u>729,615</u>

Earnings per share

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

	2012 £	2011 £
Loss on ordinary activities after tax	<u>(539,577)</u>	<u>(644,532)</u>
	No.	No.
Weighted average no of shares: For basic and diluted loss per share	<u>1,195,271,385</u>	<u>1,026,913,773</u>
Basic and diluted loss per share	<u>(0.045p)</u>	<u>(0.063p)</u>

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 2012 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 2012.

Contacts:

Physiomics Plc

Dr Mark Chadwick, Chief Executive Officer, +44 (0)1865 784980

WH Ireland Limited

Katy Mitchell +44 (0) 161 832 2174

About Physiomics plc

Physiomics (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. 80-90 per cent of all clinical drug candidates fail to reach the market and 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 million¹.

Physiomics develops computational systems biology models to predict and understand cancer drug efficacy from pre-clinical research to clinical development. Physiomics has created detailed mathematical models incorporating the most important molecular events taking place during the human cell cycle and apoptosis processes. The company's SystemCell® technology enables the simulation of populations of "virtual cells". The company has also developed a "Virtual Tumour" model to simulate the effect of anti-cancer drugs on tumour growth. The models are used to optimise compound design and to design drug schedules and combination therapies.

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

¹Tufts Centre Impact Report 2002