

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

Tel 01865 784980
Fax 08701 671931

10 November 2015

**Physiomics Plc
("Physiomics" or the "Company")**

Final Results for the year ended 30 June 2015

Chairman's Statement

Summary of Results in the year ended 30 June 2015

- The turnover of the Company was £235,486 (2014: £267,903).
- The operating loss reduced to £414,755 (2014: £465,265).
- On 30 June 2015 the surplus of shareholders' funds was £325,617 (2014: £136,487).

This year, Physiomics extended its product range and made a key commercial breakthrough, signing its first long term Virtual Tumour Clinical deal with a large pharmaceutical company.

In summary we have:

- Signed a first Virtual Tumour Clinical deal with Merck Serono, the global pharmaceutical company;
- Disclosed that our third large pharma customer is Merck & Co;
- Adapted Virtual Tumour to the emerging field of immune therapy and won our first pharma project to apply this new version of the model;
- Launched our new web-based cardiac toxicity modelling service, EasyAP™
- Continued to investigate ways to enter the personalised medicine market by developing a software product to stratify patients based on their biomarker profiles.

After the end of the period we also:

- Extended our collaboration with a long-term large pharma customer for the 5th time.
- Added a further large pharma customer (our 4th) for Virtual Tumour

Dr Paul Harper, Non-Executive Chairman

Chairman and Chief Executive Officer's Statement

Introduction

During the period under review Physiomics signed its first long-term Clinical Virtual Tumour project with Merck Serono. The Directors believe this deal was transformational for a number of reasons. Firstly, because it demonstrated that large pharmaceutical companies want to utilise the technology and that they are prepared to pay for it. Secondly, because adoption of the technology by a large pharmaceutical company has raised the interest level of other potential customers. As a general rule, Pharma companies need compelling reasons to replace tried and tested approaches to the design of clinical and pre-clinical studies before opting to embrace what, to many, is a revolutionary new approach. The cost of making the wrong call could be high. Finally, the Directors believe that the early adopters, particularly when we are to announce repeat contracts with those companies, will lead to new broader customer base.

Additionally, the Company is seeking to access academic partnerships and strengthen its pool of clinical expertise. The appointment of Professor Mark Middleton to our SAB has already started to bear fruit in this regard. He has introduced us to a number of other clinical consultants who should help transition our offerings towards a clinical focus.

Technology Development

(i) Virtual Tumour product improvements

The main development of our Virtual Tumour technology in the period was to develop an immune therapy module and win our first customer. At the outset, it was unclear whether immune therapy could be modelled in a similar way to other drugs, as these new drugs target the immune response to a tumour rather than the tumour itself. However, with some modifications, our model was shown to work in a pre-clinical setting in the first commercial immune therapy project. This is a promising result and the Directors hope it will pave the way for larger clinical deals in due course, when the relevant clinical data becomes available.

(ii) Cardiac toxicity prediction service

During the period Physiomics launched its web-based EasyAP™ platform. The most important development in this field is the intention by regulatory authorities to make cardiac toxicity modelling a mandatory part of the drug development process. EasyAP™ already incorporates a few of the possible models which may be required and Physiomics has the technology and expertise to rapidly deploy other models should they be required and present them via the EasyAP™ portal. Assuming that a significant amount of modelling becomes mandatory, this may transform the market for such services. A large part of the required service will still involve lab-based experimental tests, and so Physiomics has once more sought to align itself with a strong player in this field.

(iii) Personalised medicine software

Physiomics is looking to develop a software tool in order to determine which cancer drugs to give to which groups of patients based on particular individual patient data. The software will use pharmacological information for the anticancer and supporting drugs as an input, coupled with physiological, genomic, and metabolomic information about the patient, including tumour genomic data (when available), and focus on forecasting which treatment and schedule are likely to lead to an

increase in survival. The Company is in talks with leading clinicians and collaborators regarding the required data and is seeking grant funding to develop the software tool.

Business Development Strategy

Over the last few years the strategic focus of the Company has centred around two ways to build long-term value.

The first approach has been to develop new products and services, and in particular to transition our pre-clinical Virtual Tumour technology into the clinic. While the technology has taken some time to develop and, equally, it takes time to convince large pharma of the utility of a novel approach, this strategy has now started to bear fruit. The Directors anticipate that disclosure of further results from our Merck Serono project and other new projects will naturally attract further business in addition to our lead generation efforts, mainly through conferences.

In this context the development of software to stratify or personalise cancer treatments would once again increase the scope of services that the Company could sell into its existing sales channel of large pharma and biotechnology companies. Experience has shown us that the lead times for gaining new customers in this field tend to be long. Therefore the most productive strategy for Physiomics services is to sell as broad and integrated suite of services to each customer as possible, thus increasing transaction values and lowering lead generation efforts relative to returns for each customer. The development of Virtual Tumour Clinical has already proven that this strategy can work, increasing the average transaction value per contract by around 5-fold.

The second strategy has been to seek corporate transactions to build value more quickly. The objective would be to either establish some form of collaborative joint venture managed by Physiomics or (the preferred option) to acquire the asset (be that the company or its IP) to provide a closer integration with our modelling capabilities.

We are targeting companies with their own pipeline and where Physiomics could add value by applying Virtual Tumour and other modelling approaches. Again, the preferred option would be to acquire the full rights to a pre-clinical stage oncology molecule or to acquire the company and its pipeline. A key element of this strategy is the synergy between our core modelling competencies and their application to the development of our own molecule; we have and continue to resource an intensive effort to find the right prospect. Physiomics would effectively become a biotechnology company with its own assets to progress alongside selling its services. An oncology asset would have the potential to increase the value of the business with modelling activities generating some of the cash needed for the development whilst providing a solid fall-back position. The Company's strategy in this regard is well advanced and we look forward to providing updates in due course if these matters progress.

Outlook

Physiomics now has three strong strategic objectives.

The first is the further development of its Virtual Tumour business which is growing year on year. The second is to accelerate its cardiotoxicity offering through an alliance. The third is the opportunity to rapidly accelerate the value proposition by acquiring oncology assets of our own.

While the service business remains a strong proposition for growth, it is the belief of the Directors that the greatest chance of maximising the value of the Company for shareholders will come from owning

and developing our own oncology assets through early clinical trials to the point at which the efficacy is clear enough to do licensing deals with pharmaceutical companies. The Company is already well placed to deliver on such opportunities; the Chairman Dr Harper has experience with several biotech companies and the CEO, Dr Chadwick, has experience working at BioFocus plc, a company that successfully developed a drug discovery and service business in parallel. The Directors believe that a number of key consultants are also in place to help progress a candidate pipeline. Should an appropriate deal be concluded, the relevant announcement will be made at the time.

Dr Paul Harper, Non-Executive Chairman
Dr Mark Chadwick, Chief Executive Officer

Income Statement for the year ended 30 June 2015

	Year ended 30-Jun-15	Year ended 30-Jun-14
	£	£
Revenue	235,486	267,903
Net operating expenses	(630,815)	(733,168)
Share-based compensation	(19,426)	-
Operating loss	<u>(414,755)</u>	<u>(465,265)</u>
Finance income	304	1,013
Finance costs	-	-
Loss before taxation	<u>(414,451)</u>	<u>(464,252)</u>
UK corporation tax	56,795	38,631
Loss for the year attributable to equity shareholders	<u>(357,656)</u>	<u>(425,621)</u>
Loss per share (pence)		
Basic and diluted	(0.017) p	(0.026) p

Statement of Comprehensive Income

	Year ended 30-Jun-15	Year ended 30-Jun-14
	£	£
Net loss for the year	(357,656)	(425,621)
Other comprehensive income	-	-
Total comprehensive (expense) for the year	<u>(357,656)</u>	<u>(425,621)</u>
Attributable to:		
Equity shareholders	<u>(357,656)</u>	<u>(425,621)</u>

Statement of Financial Position as at 30 June 2015

	Year ended 30-Jun-15 £	Year ended 30-Jun-14 £
Non-current assets		
Intangible assets	7,025	11,669
Property, plant and equipment	2,242	3,589
Investments	1	1
	<u>9,268</u>	<u>15,259</u>
Current assets		
Trade and other receivables	47,851	51,576
Taxation recoverable	55,000	45,000
Cash and cash equivalents	266,746	132,358
	<u>369,597</u>	<u>228,934</u>
Total assets	<u>378,865</u>	<u>244,193</u>
Current liabilities		
Trade and other payables	(53,248)	(107,706)
Total liabilities	<u>(53,248)</u>	<u>(107,706)</u>
Net assets	<u>325,617</u>	<u>136,487</u>
Capital and reserves		
Share capital	992,663	687,663
Capital reserves	4,259,388	4,017,602
Retained earnings	(4,926,434)	(4,568,778)
Equity shareholders' funds	<u>325,617</u>	<u>136,487</u>

Statement of Changes in Equity for the year ended 30 June 2015

	Share capital £	Share premium account £	Share-based compensation reserve £	Retained earnings £	Total shareholders' funds £
At 1 July 2013	602,620	3,703,969	92,389	(4,143,157)	255,821
Share issue (net of costs)	85,043	221,244	-	-	306,287
Loss for the year	-	-	-	(425,621)	(425,621)
Share-based compensation	-	-	-	-	-
At 30 June 2014	687,663	3,925,213	92,389	(4,568,778)	136,487
Share issue (net of costs)	305,000	222,360	-	-	527,360
Loss for the year	-	-	-	(357,656)	(357,656)
Share-based compensation	-	-	19,426	-	19,426
At 30 June 2015	992,663	4,147,573	111,815	(4,926,434)	325,617

Cash Flow Statement for the year ended 30 June 2015

	Year ended 30-Jun-15 £	Year ended 30-Jun-14 £
Cash flows from operating activities:		
Operating loss	(414,755)	(465,265)
Amortisation and depreciation	6,616	7,925
Share-based compensation	19,426	-
Decrease in receivables	3,725	85,833
Decrease in payables	(54,458)	(16,939)
Cash generated from operations	<u>(439,446)</u>	<u>(388,446)</u>
UK corporation tax received	46,795	36,939
Interest paid	-	-
Net cash generated from operating activities	<u>(392,651)</u>	<u>(351,507)</u>
Cash flows from investing activities:		
Interest received	304	1,013
Purchase of non-current assets	(625)	(2,597)
Net cash received by investing activities	<u>(321)</u>	<u>(1,584)</u>
Cash outflow before financing	(392,972)	(353,091)
Cash flows from financing activities:		
Issue of ordinary share capital (net of expenses)	527,360	306,287
Net cash from financing activities	<u>527,360</u>	<u>306,287</u>
Net increase / (decrease) cash and cash equivalents	134,388	(46,804)
Cash and cash equivalents at beginning of year	132,358	179,162
Cash and cash equivalents at end of year	<u>266,746</u>	<u>132,358</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 11th November 2015 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 4th December 2015.

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