Physiomics Plc
The Magdalen Centre
The Oxford Science Park
Robert Robinson Avenue
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UK

16 October 2017

Physiomics Plc

("Physiomics" or "the Company")

Final Results for the year ended 30 June 2017

Chairman's Statement

Summary of Results in the year ended 30 June 2017

- Total income (revenue and grant income) decreased 9% to £270,465 (2016: £297,120)
- The operating loss before exceptional costs increased 20% to £489,190 (2016: £408,614)
- The loss for the year attributable to equity shareholders increased 6% to £400,526 (2016: £378,697)
- On 30 June 2017, the surplus of shareholders' funds was £328,254 (2016: £204,153)

This year, Physiomics focused on extending and initiating new client projects utilizing its Virtual Tumour Clinical technology and in addition invested in an Innovate UK funded feasibility study in the area of personalised medicine that may provide a meaningful second arm to the Company's business going forwards. Second half revenues and profit are slightly behind our expectations mainly as a result of the timing of a major client deal that is currently in term sheet discussions (see below) and spend on the personalised medicine project. The Company's cash position will remain constrained pending the finalisation of a deal with a major client that was the subject of a company update on 2nd October, however the Directors are keeping this under regular review and have implemented active cost control measures.

In summary the Company has:

- Completed the placing of 2,220,000,000 new ordinary shares of 0.004p each at a price of 0.025p per share to raise a total of £555,000 gross
- Received payments from Sareum for modelling carried out in 2010 to support the identification of an optimal combination regime of a Chk1 inhibitor and a DNA-damaging agent following the licensing of a compound in this family to ProNAi Therapeutics (now Sierra Oncology)
- Announced that it remains engaged with Merck Serono on a project (first announced on 3rd March 2015) using Physiomics' Virtual Tumour Clinical technology

- Confirmed the award of a substantial Innovate UK Grant in the field of personalised medicine. The objective of the project is to create a prototype decision support system to improve cancer care by helping medical professionals make treatment decisions based on patient specific data
- Announced the signing of two new contracts with a global pharma company for Virtual Tumour pre-clinical predictions relating to a new oncology target, marking the sixth year of collaboration with this company
- Announced that it was in term sheet discussions with a major client on a deal that would, if completed, secure a significant volume of work for the Company over a multi-year period

Chairman and Chief Executive Officer's Statement

Introduction

The Company has consolidated its position during the first year of Dr Jim Millen's tenure as CEO and invested in talent development, business development, extending the relationship with a major client and the diversification into the personalised medicine space.

The Company has had significant success in maintaining and extending its relationship with a major pharma client and established or re-established contact with more than fifty potential clients (in some cases past clients) over the course of the year. The Directors believe that leveraging the Company's capabilities and technology into the related discipline of personalised medicine will, if successful, create significant shareholder value.

The key areas of focus for the Company are outlined in this statement and explored further in the Strategic Report.

Modelling and simulation utilising Virtual Tumour Clinical

The Company's main commercial revenue driver continues to be the Virtual Tumour ("VT") predictive software and its development to allow predictions in the clinical space. This will remain the focus for commercial pharmaceutical and biotech clients although other services continue to be sold opportunistically. In particular, the Company has invested significant effort to deepen its relationship with a major client and, as previously announced, is in an active term sheet discussion on a deal that would, if successful, deliver substantial revenues over a multi-year period.

Exploration of collaborations with other service providers

Although the Directors believe the Company has a unique offering, it clearly has fewer opportunities to develop new business than broader based companies (e.g. contract research organisations) which offer services across a spectrum of R&D activity. On the other hand, we do not believe these companies have our capability in the oncology predictive modelling space. As a result, the Company has explored the potential for collaboration with other such service providers and will continue to do so in its next financial year.

Personalised medicine

The personalised medicine initiative is aimed at improving the successful treatment of cancer patients, turning dosing and management from being an art form to being a science. Following the Company's early success in winning a competitive Innovate UK grant in this space and encouraging results from its feasibility project (due to complete in January 2018), the Company has identified other non-dilutive funding opportunities in this space and intends to pursue these where appropriate. There appears to be a significant level of investor and government interest in developing technologies in this area.

Income Statement for the year ended 30 June 2017

	Year ended 30-Jun-17 £	Year ended 30-Jun-16 £
Revenue	219,647	297,120
Other operating income	50,818	-
Total income	**270,465**	**297,120**
Net operating expenses	(759,655)	(705,734)
Operating exceptional costs	(41,362)	(22,947)
Operating loss	**(530,552)**	**(431,561)**
Presented as:		
Loss before exceptional costs	(489,190)	(408,614)
Operating exceptional costs	(41,362)	(22,947)
Operating loss	**(530,552)**	**(431,561)**
Finance income	153	143
Finance costs	-	(8)
Loss before taxation	(530,399)	(431,426)
UK corporation tax	129,873	52,729
Loss for the year attributable to equity shareholders	**(400,526)**	**(378,697)**
Loss per share (pence)		
Basic and diluted - restated	(0.78p) p	(1.3) p

Statement of Comprehensive Income

	30-Jun-17	30-Jun-16
	£	£
Net loss for the year	(400,526)	(378,697)
Other comprehensive income	-	-
Total comprehensive (expense) for the year	(400,526)	(378,697)
Attributable to:		
Equity shareholders	(400,526)	(378,697)

Statement of Financial Position as at 30 June 2017

	Year ended 30-Jun-17	Year ended 30-Jun-16
	£	£
Non-current assets		
Intangible assets	-	2,381
Property, plant and equipment	5,830	1,557
Investments	1	1
	5,831	3,939
Current assets		
Trade and other receivables	119,552	107,856
Taxation recoverable	80,040	52,606
Cash and cash equivalents	209,752	138,910
	409,344	299,372
Total assets	415,175	303,311
Current liabilities		
Trade and other payables	(86,921)	(99,158)
Total liabilities	(86,921)	(99,158)
Net assets	328,254	204,153
Capital and reserves		
Share capital	1,121,463	1,032,663
Capital reserves	4,912,448	4,476,621
Retained earnings	(5,705,657)	(5,305,131)
Equity shareholders' funds	328,254	204,153

Statement of Changes in Equity for the year ended 30 June 2017

	Share capital	Share premium account	Share-based compensation reserve	Retained earnings	Total shareholders' funds
	£	£	£	£	£
At 1 July 2015	992,663	4,147,573	111,815	(4,926,434)	325,617
Share issue (net of costs)	40,000	180,000	-	-	220,000
Loss for the year	-	-	-	(378,697)	(378,697)
Share-based compensation	-	-	37,233	-	37,233
At 30 June 2016	1,032,663	4,327,573	149,048	(5,305,131)	204,153
Share issue (net of costs)	88,800	425,965	-	-	514,765
Loss for the year	-	-	-	(400,526)	(400,526)
Share-based compensation	-	-	9,862	-	9,862
At 30 June 2017	1,121,463	4,753,538	158,910	(5,705,657)	328,254

Cash Flow Statement for the year ended 30 June 2017

	Year ended 30-Jun-17	Year ended 30-Jun-16
	£	£
Cash flows from operating activities:		
Operating loss	(530,552)	(431,561)
Amortisation and depreciation	4,910	6,439
Share-based compensation	9,862	37,233
Decrease in receivables	(11,696)	(60,005)
Decrease in payables	(12,237)	45,910
Cash generated from operations	(539,713)	(401,984)
UK corporation tax received	102,439	55,123
Interest paid	-	(8)
Net cash generated from operating activities	(437,274)	(346,869)
Cash flows from investing activities:		
Interest received	153	143
Sale of non-current assets	-	725
Purchase of non-current assets	(6,802)	(1,835)
Net cash received by investing activities	(6,649)	(967)
Cash outflow before financing	(443,923)	(347,836)
Cash flows from financing activities:		
Issue of ordinary share capital (net of expenses)	514,765	220,000
Net cash from financing activities	514,765	220,000
Net increase / (decrease) cash and cash equivalents	70,842	(127,836)
Cash and cash equivalents at beginning of year	138,910	266,746
Cash and cash equivalents at end of year	209,752	138,910

Independent Auditors' Report to the Members of Physiomics Plc

Opinion

We have audited the financial statements of Physiomics PLC (the "company") for the year ended 30th June 2017 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30th June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the notes to the financial statements page 11, concerning the Company's ability to continue as a going concern. In this note the Directors set out a number of sources of revenue which form the basis of their revenue projections for the next twelve months including a major client deal currently under discussion, the conversion of at least one of a number of currently active discussions with potential new clients into commercial contracts, the award of a new non-dilutive grant and (only if required) a placing to cover working capital needs. However, there is uncertainty relating to each of these and should several fail to happen there would be doubt about the Company's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	How the Scope of our audit responded to the risk
Management override of controls Journals can be posted that significantly alter the Financial Statements.	We examined journals posted around the year end, specifically focusing on areas which are more easily manipulated such as accruals, prepayments, investment valuation and the bank reconciliation.
Going Concern There is a risk that the company is not a going concern.	We made enquires with the Directors regarding how they have assessed going concern. We have reviewed projections and disclosed accordingly.
Fraud in Revenue Recognition There is a risk that revenue is materially understated due to fraud.	Income was tested on a sample basis from contracts. No evidence of fraud or other understatement was identified.
Accounting Estimates Potential risk of inappropriate accounting estimates giving rise to misstatement in the accounts.	All areas were examined to identify any potential accounting estimates. These estimates were then reviewed and tested for adequacy.
Misstatement of Grant Income There is a risk that grant income has been incorrectly accounted for.	Grant income was tested and cut off agreed as correct. No evidence of misstatement was identified.
Overstatement of Intangible Assets Risk that the asset has no cash generating value.	An impairment review of the asset was undertaken and no evidence of such was identified.
Overstatement of Administrative Expenses There is a risk that the company's administrative expenses are overstated.	A proof in total calculation and substantive testing were both undertaken and no evidence of overstatement was identified.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that of materiality makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be £13,900. We agreed with the Audit Committee that we would report to them all audit differences in excess of 10% of materiality, as well as differences below that which would, in our view, warrant reporting on a qualitative basis. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out in the full annual report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements in located on the Financial Reporting Council's website at www.frc.org.uk. This description forms part of our auditor's report.

Joseph Kinton (Senior Statutory Auditor)
For and on behalf of Shipleys LLP,
Chartered Accountants and Statutory Auditor
10 Orange Street
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WC2H 7DQ

Notes to the Financial Statements

Basis of preparation

The financial statements of Physiomics Plc have been prepared in accordance with applicable law and International Financial Reporting Standards incorporating International Accounting Standards and Interpretations (collectively "IFRS") as endorsed by the European Union.

The financial statements have been prepared on the historical cost basis. The significant accounting policies are set out below.

Accounting policies

Revenue recognition

The revenue shown in the income statement relates to amounts received or receivable from the provision of services associated with outsourced systems and computational biology services to pharmaceutical companies.

Revenue from the provision of the principal activities is recognised by reference to the stage of completion of the transaction at the balance sheet date where the amount of revenue can be measured reliably and sufficient work has been completed with certainty to ensure that the economic benefit will flow to the Company.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Going concern

The accounts have been prepared on the going concern basis. The Company primarily operates in the relatively defensive pharmaceutical industry which we expect to be less affected by current economic conditions, including the potential consequences of Brexit, compared to other industries.

The Company had £209,752 of cash and cash equivalents as at 30 June 2017 (2016 £138,910).

The board operates an investment policy under which the primary objective is to invest in low-risk cash or cash equivalent investments to safeguard the principal.

The Company's projections, taking into account anticipated revenue streams, show that the Company has sufficient funds to operate for the next twelve months. In coming to this conclusion, the Company assumes but cannot guarantee that in addition to currently contracted revenue streams, it will receive revenue from some combination of a major client deal currently under discussion (as announced on 2nd October 2017), the conversion of at least one of a number of currently active discussions with potential new clients into commercial contracts, the award of a new non-dilutive grant and (only if required) a placing to cover working capital needs. Until one or more of these events happens, the Company's cash position will remain constrained, however the Directors are keeping this under regular review and have implemented cost control measures.

After reviewing the Company's projections, the Directors believe that the Company is adequately placed to manage its business and financing risks for the next twelve months. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Intangible assets

Intangible assets acquired separately from third parties are recognised as assets and measured at cost.

Following initial recognition, intangible assets are measured at cost or fair value at the date of acquisition less any amortisation and any impairment losses. Amortisation costs are included within the net operating expenses disclosed in the income statement.

Intangible assets are amortised over their useful lives as follows:

	Useful Life	Method
Software	15 years	Straight line

Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis. The Company does not have any intangible assets with indefinite lives.

Property, plant and equipment

All items are initially recorded at cost.

Impairment of assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets that do not individually generate cash flows are assessed as part of the cash generating unit to which they belong. Cash generating units are the lowest levels for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets.

Depreciation

Depreciation is calculated to write off the cost of an asset over its useful economic life as follows:

Leasehold improvements - the remaining life of the lease

Fixtures and computers - three years, straight-line basis

Research and development expenditure

Expenditure on research activity is recognised as an expense in the period in which it is incurred.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Balances are written off when the probability of recovery is considered to be remote.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Government Grants

Government grants of a revenue nature are credited to the profit and loss account in the same period as the related expenditure.

Share based payments

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. Fair value is measured by use of a Black-Scholes model.

Investments

Participating interests are stated at cost less amounts written off in the Company balance sheet.

Taxation

Tax currently payable is based on the taxable profit for the period which may differ from net profit reported in the income statement.

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay further tax, or a right to pay less tax in future. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the gains or losses in tax assessments in period different from those in which they are recognised in the financial statements. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse.

Adoption of international accounting standards

No Standards or Interpretations adopted in the year had any material impact on the financial statements of the Company.

The following Standards and Interpretations were issued with an effective date after the date of these financial statements. These have not been applied as they are not yet effective or endorsed.

		Effective for accounting periods starting on or after
IFRS 9	Financial Instruments IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments.	1 January 2018
IFRS 15	Revenue from contracts with customers IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.	1 January 2018
IFRS 16	Leases IFRS 16 replaces IAS 17 Leases. It eliminates the classification of leases as either operating leases or finance leases. Any leases with more than 12 months' term are to be recognised as a lease asset on the balance sheet and the related future lease obligations as a liability.	1 January 2019

The Directors anticipate that the adoption of these Standards and Interpretations in future period will have no material impact on the Company's financial statements.

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. Annual General Meeting
The Annual General Meeting ("AGM") of the Company will be held at the offices of Physiomics plc, The Magdalen Centre, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GA at 10.00 am on Wednesday 13 December 2017. Copies of the annual report and the documentation convening the AGM will be sent to shareholders, and made available on the Company's website, in due course and a further announcement will be made when they have been dispatched.

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