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

8 October 2018

Physiomics Plc

("Physiomics" or "the Company")

Final Results for the year ended 30 June 2018

Highlights

Financial Highlights

- Total income (revenue and grant income) increased 90% to £512,899 (2017: £270,465)
- Second half income (six months to 30 June 2018) increased 162% to £371,370 compared with the first half (six months to 31 December 2017: £141,529)
- The operating loss before exceptional costs decreased 47% to £260,391 (2017 £489,190); exceptional costs were £nil (2017: £41,362)
- The loss after taxation decreased 54% to £183,341 (2017: £400,526)
- At 30 June 2018, the surplus of shareholders' funds was £690,026 (30 June 2017: £328,254)
- Successful placing of 13,125,000 ordinary shares of 0.4p each at 4.0p per share raising £525,000 gross to support expansion of the business
- Cash and cash equivalents at 30 June 2018 of £571,869 (30 June 2017: £209,752)

Operational highlights:

- Agreement signed with Merck KGaA for 500k Euro for consulting services in 2018
- Signed contracts with two further undisclosed large pharmaceutical companies with total value of £105k
- Signed contracts with two biotech companies (one in Aug 2018, after the period end) with total value £103k
- Awarded a second Innovate UK Grant in as many years, in the field of personalised cancer treatment
- Recruited new scientific team member to expand capacity to deliver client projects
- Marketing efforts increased including comprehensive update of the website and attendance and participation at industry conferences
- Presented at AACR, one of the world's largest oncology focused conferences

"The Company made considerable progress last year and there is a renewed sense of momentum in the business. Following the deal with Merck KGaA, the team led by Dr Jim Millen secured further contracts in H2. This success is underpinned by acceptance of the use of modelling and simulation in the R&D process and the evolution of our Virtual Tumour technology to take advantage of this. This performance has continued into the new financial year with a healthy pipeline of new opportunities underpinned by existing contracts."

Dr Paul Harper, Non-Executive Chairman

Chairman and Chief Executive Officer's Statement

Introduction

We are very pleased to report on a year when we generated the highest total income in the Company's history. Having secured the agreement with Merck KGaA in November 2017, we were able to turn our attention to our pipeline and, leveraging the publicity generated by the Merck deal we converted two large pharmaceutical clients and a biotech client in the second half of the financial year, with a further biotech client landing after the year end.

In addition, the Company won a second Innovate UK grant in consecutive years in the field of personalised cancer treatment targeting prostate cancer.

The progress during the year was the result of increased marketing efforts and the pipeline of new business that has been built up since Dr Millen joined the company in 2016.

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

Financial Review

The Company's full year total income of £512,899 reflects these achievements, being the highest in its history as a quoted company, and a 90% increase on the previous full year to 30 June 2017. As expected, income was weighted in the second half with total income of £371,370, 2.6x that of our unaudited first half.

The operating loss before exceptional costs decreased 47% to £260,391 (2017 £489,190); exceptional costs for the full year £nil (2017: £41,362). The loss after taxation decreased 54% to £183,341 (2017: £400,526).

To support further expansion of the business, the Company raised £525,000 (before expenses) in May 2018 by way of a placing. The funds are being allocated towards expanding the in-house team, increasing marketing spend, updating the IT infrastructure and potential match funding of new grant projects.

Net assets at the year-end were £690,026 (2017: £328,254) of which £571,869 (2017: £209,752) comprised cash and cash equivalents.

Governance

The Group applies appropriate corporate governance standards throughout its operations, overseen by an experienced Board. Following the recently revised AIM Rule 26 requirements, the Board has chosen to adhere to the Quoted Companies Alliance (QCA) Corporate Governance Code and has recently updated its website to reflect the QCA requirements (see https://www.physiomics-plc.com/investors/corporate-governance/).

In accordance with those requirements, the Annual Report also sets out the required Corporate Governance disclosures for an annual report.

Staff

As a result of the significant volume of new business generated during the second half, the Company made the decision to hire a new full-time employee to supplement its delivery team. It was a testament to the raised profile of the Company that we were able to secure the services of a high-quality candidate who we believe will not only expand our capacity to deliver for clients but help us to develop our service offering. Further expansion will be considered over the course of the new financial year.

We would also like to thank our staff for their hard work and commitment during the year.

Directors' remuneration

Details of Directors' remuneration in the year ended 30 June 2018 is set out below:

	Emoluments	Benefits	Pension Contributions	Total 2018	Total 2017
	£	£	£	£	£
Dr P B Harper	35,049	-	-	35,049	35,000
Dr J S Millen	130,049	1,457	-	131,506	131,277
Dr C D Chassagnole	62,374	717	4,130	67,221	65,993
Total	**227,472**	**2,174**	**4,131**	**235,526**	**232,270**

Note: for comparability 2017 totals have been adjusted to remove the remuneration of Mark Chadwick who left the Company in November 2016.

Outlook

We continue to make solid progress in executing our strategy and the efforts of the last 18 months crystallised with the signing of the Merck contract and have continued through the second half and into the new financial year. The Company has a healthy base of existing customers as well as a pipeline of potential new business opportunities which we are working hard to convert. In addition, we are developing expertise in the field of personalised medicine with the aim of building long term value for our customers and shareholders. We expect further news flow in the coming year and look forward to updating investors on our progress.

Dr Jim Millen, Chief Executive Officer

Dr Paul Harper, Non-Executive Chairman

Independent Auditors' Report to the Members of Physiomics Plc

Opinion

We have audited the financial statements of Physiomics PLC for the year ended 30th June 2018 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 2018 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.

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	Income was tested on a sample basis from contracts.

understated due to fraud.	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 £17,775. 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 our 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
Haymarket
London
WC2H 7DQ

Income Statement for the year ended 30 June 2018

	Notes	Year ended 30 June 2018 £	Year ended 30 June 2017 £
Revenue	**3**	428,277	219,647
Other operating income	**3**	84,622	50,818
Total income		512,899	270,465
Net operating expenses		(773,290)	(759,655)
Exceptional items	**4**	-	(41,362)
Operating loss	**4**	(260,391)	(530,552)
Investment revenues	**7**	31	153
Finance costs	**8**	(41)	-
Loss before taxation		(260,401)	(530,399)
Income tax income	**9**	77,060	129,873
Loss for the year attributable to equity shareholders	**27**	(183,341)	(400,526)
Presented as:			
Loss before exceptional costs		(260,391)	(489,190)
Operating exceptional costs		-	(41,362)
Operating loss		(260,391)	(530,552)
Earnings per share	**10**		
Basic		(0.31)	(0.78)
Diluted		(0.31)	(0.78)

Statement of Comprehensive Income

	Year ended 30th June 2018 £	Year ended 30th June 2017 £
Loss for the year	(183,341)	(400,526)
Other comprehensive income	-	-
Total comprehensive income/ (expense) for the year	(183,341)	(400,526)
Attributable to:		
Equity holders	(183,341)	(400,526)

Statement of Financial Position as at 30 June 2018

	Notes	2018	2017
		£	£
Non-current assets -			
Property, plant and equipment	**13**	5,003	5,830
Investments	**14**	1	1
		5,004	5,831
Current assets			
Trade and other receivables	**16**	241,358	199,592
Cash and cash equivalents		571,869	209,752
		813,227	409,344
Total assets		818,231	415,175
Current liabilities			
Trade and other payables	**20**	59,765	86,921
Deferred revenue	**21**	68,440	-
		128,205	86,921
Net current assets		685,022	322,423
Total liabilities		128,205	86,921
Net assets		690,026	328,254
Equity			
Called up share capital	**24**	1,181,038	1,121,463
Share premium account	**25**	5,228,172	4,753,538
Other reserves	**26**	169,814	158,910
Retained earnings	**27**	(5,888,998)	(5,705,657)
Total equity		690,026	328,254

The financial statements were approved by the Board of directors and authorised for issue on 8th October 2018

Dr P B Harper - Chairman
Company Registration No. 04225086

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Share capital	Share premium account	Share-based com-pensation on reserve	Retained earnings	Total
		£	£	£	£	£
Balance at 1 July 2016		1,032,663	4,327,573	149,048	(5,305,131)	204,153
Loss and total comprehensive Income/(expense) for the year		-	-	-	(400,526)	(400,526)
Issue of share capital (net of costs)	**24**	88,800	425,965	-	-	514,765
Transfer to other reserves	**26**	-	-	9,862	-	9,862
Balance at 30 June 2017		1,121,463	4,753,538	158,910	(5,705,657)	328,254
Loss and total comprehensive income/(expense) for the year		-	-	-	(183,341)	(183,341)
Issue of share capital	**24**	59,575	474,634	-	-	534,209
Transfer to other reserves	**26**	-	-	10,904	-	10,904
Balance at 30 June 2018		1,181,038	5,228,172	169,814	(5,888,998)	690,026

Cash Flow Statement for the year ended 30 June 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash absorbed by operations	**35**		(244,951)		(539,713)
Interest paid			(41)		-
Tax refunded			75,195		102,439
Net cash outflow from operating activities			(169,797)		(437,274)
Investing activities					
Purchase of tangible fixed assets		(2,326)		(6,802)	
Interest received		31		153	
Net cash used in investing activities			(2,295)		(6,649)
Financing activities					
Proceeds from issue of shares		578,899		514,765	
Share issue costs		(44,690)		-	
Net cash generated from financing activities			534,209		514,765
Net increase in cash and cash equivalents			362,117		70,842
Cash and cash equivalents at beginning of year			209,752		138,910
Cash and cash equivalents at end of year			571,869		209,752

Notes to the Financial Statements

1 Accounting policies

Company information

Physiomics PLC is a company limited by shares incorporated in England and Wales. The registered office is The Magdalen Centre, Oxford Science Park, Robert Robinson Avenue, Oxford, OX4 4GA.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

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

The company has taken advantage of the exemption under section 402 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

1.2 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 £571,869 of cash and cash equivalents as at 30 June 2018 (2017 £209,752).

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 notes that current cash and currently contracted projects are projected to cover all budgeted expenses during this period. In addition to currently contracted projects the Company anticipates a number of new clients as well as repeat business from some existing clients.

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.

1.3 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.

1.4 Intangible assets other than goodwill

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.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	3 years straight line
IT Equipment	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Research and development expenditure

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

1.7 Fixed asset investments

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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

1.8 Impairment of tangible and intangible 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.

1.9 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the Company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the Company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.11 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through the income statement, which are measured at fair value.

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.

Impairment of financial assets

Financial assets, other than those at fair value through the income statement, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards
of ownership to another entity.

1.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through the income statement or other financial liabilities.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 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.

1.18 Leases

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

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

1.20 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.21 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.

1.22 Adoption of international accounting standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 "financial instruments" will be effective for the year ending June 2019 onwards, the main impact being the impairment assessments methodology used to value our trade receivables.
- IFRS 15 "Revenue from contracts with customers" will be effective from the year ending 30th June 2019 onwards, and is not expected to have a significant impact on the Company's revenues.
- IFRS 16 "leases" will be effective for the year ending June 2020 onwards and the impact is not expected to be significant. IFRS16 requires lessees to recognise the future liability reflecting the future lease payments and a right-of-use asset for all lease contracts.

2 Critical accounting estimates and judgements

Revenue for projects started and completed during the financial year is recognised in full during the year. Revenue from a project which commences in one financial year and is completed in a subsequent financial year is recognised over the life of the project based on the expected period to completion as anticipated at each balance sheet date less what has already been recognised during a previous financial period or periods.

There were no other material accounting estimates or areas of judgements required.

3 Revenue & segmental reporting

An analysis of the company's revenue is as follows:

	2018 £	2017 £
Revenue	428,277	219,647
Other operating income		
Grant income	84,622	50,818
	84,622	50,818

The principal activities are the provision of outsourced systems and computational biology services to pharmaceutical companies.

This activity comprises a single segment of operation of a sole UK base and entirely UK based assets. Revenue was derived in the UK and European Union from its principal activity.

4 Operating loss

	2018	2017
	£	£
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	(2,328)	38
Research and development costs	-	211,220
Government grants	(84,622)	(50,818)
Fees paid to the Company's auditor, refer to below	15,250	20,250
Depreciation of property, plant and equipment	3,153	2,529
Amortisation of intangible assets	-	2,381
Operating exceptional costs, refer to below	-	41,362
Share-based payments	10,904	9,862

Operating exceptional costs in the prior year comprised due diligence and other legal and professional costs in relation to the anticipated acquisition of Biomoti Limited. During the prior year the Board decided not to proceed with this acquisition.

5 Auditors remuneration

	2018	2017
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the company's financial statements	10,000	10,000
For other services		
Taxation compliance services	2,000	2,750
Audit-related assurance services	750	6,000
Innovate UK grant related services	2,500	1,500
Total fees	15,250	20,250

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018	2017
	Number	Number
	6	6

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	342,918	342,527
Social security costs	37,681	52,172
Other pension and insurance benefit costs	10,728	8,111
	391,327	402,810

Details of the remuneration of Directors are included above.

7 Finance income

	2018	2017
	£	£
Interest income		
Bank deposits	31	153

8 Finance costs

	2018	2017
	£	£
Other interest payable	41	-

Interest rate risk
The Company finances its operations by cash and short-term deposits. The Company's policy on interest rate management is agreed at board level and is reviewed on an ongoing basis. Other creditors, accruals and deferred revenue values do not bear interest.

Interest rate profile
The Company had no bank borrowings at the 30 June 2018 and 30 June 2017.

9 Income tax expense

	Continuing	
operations		
	2018	2017
	£	£
Current tax		
Research and development tax credit: current year	(81,905)	(80,039)
Research and development tax credit: prior year	4,845	(49,834)
	(77,060)	(129,873)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2018	2017
	£	£
Loss before taxation	(260,401)	(530,399)
Expected tax charge based on a corporation tax rate of 19.00%	(49,476)	(100,776)
Expenses not deductible in determining taxable profit	2,072	9,839
Unutilised tax losses carried forward	(2,878)	33,904
Adjustment in respect of prior years research and development	4,845	(31,861)
Research and development expenditure tax credit	(9,588)	(5,167)
Deferred / (accelerated) capital allowances	83	(871)
Research and development enhancement	(22,118)	(34,941)
Tax charge for the period	(77,060)	(129,873)

At 30 June 2018 tax losses of £3,811,775 (2017: £3,796,626) remained available to carry forward against future taxable trading profits. These amounts are in addition to any amounts surrendered for Research and Developments tax credits. There is an unrecognised deferred tax asset of £724,237 (2017: £721,359).

10 Earnings per share

	2018 £	2017 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	59,095,673	51,542,606
Earnings - Continuing operations		
Loss for the period from continued operations	(183,341)	(400,528)
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	(183,341)	(400,526)
Earnings per share for continuing operations		
Basic and diluted earnings per share	(0.31)	(0.78)
Basic and diluted earnings per share		
From continuing operations	(0.31)	(0.78)
	(0.31)	(0.78)

The loss attributable to equity holders (holders of ordinary shares) of the Company for the purpose of calculating the 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'.

11 Financial instruments recognised in the statement of financial position

Held for trading:	2018 £	2017 £
Current financial assets		
Trade and other receivables	54,160	42,034
Cash and cash equivalents	571,869	209,752
	626,029	251,786
Current financial liabilities		
Trade and other payables	41,799	75,890
Deferred revenue	68,440	-
	110,239	75,890

The Company's financial instruments comprise cash and short-term deposits. The Company has various other financial instruments, such as trade debtors and creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies for managing these are regularly reviewed and agreed by the board. It is and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken

12 Intangible assets

	Software
	£
Cost	
At 1 July 2016	75,646
At 30 June 2017	75,646
At 30 June 2018	75,646
Amortisation and impairment	
At 1 July 2016	73,265
Charge for the year	2,381
At 30 June 2017	75,646
At 30 June 2018	75,646
Carrying amount	
At 30 June 2018	-
At 30 June 2017	-

13 Tangible fixed assets

	Fixtures and fittings	IT equipment	Total
Cost	£	£	£
At 1 July 2016	2,206	34,272	36,478
Additions	-	6,802	6,802
At 30 June 2017	2,206	41,074	43,280
Additions	-	2,326	2,326
At 30 June 2018	2,206	43,400	45,606
Accumulated depreciation and impairment			
At 1 July 2016	2,076	32,845	34,921
Charge for the year	130	2,399	2,529
At 30 June 2017	2,206	35,244	37,450
Charge for the year	-	3,153	3,153
At 30 June 2018	2,206	38,397	40,603
Carrying amount			
At 30 June 2018	-	5,003	5,003
At 30 June 2017	-	5,830	5,830

14 Investments

	Current		Non-current	
	2018	2017	2018	2017
	£	£	£	£
Investment in subsidiaries	-	-	1	1

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

15 Subsidiaries

Details of the company's subsidiaries at 30 June 2018 are as follows:

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
E-Phen Limited	United Kingdom	100.00%	100.00%	Dormant

The above subsidiary is currently in the process of being liquidated.

16 Trade and other receivables

	Due within one year	
	2018	**2017**
	£	**£**
Trade debtors	50,382	37,296
Other receivables	3,778	4,738
Corporation tax recoverable	81,905	80,040
VAT recoverable	15,040	16,551
Prepayments and accrued income	90,253	60,967
	241,358	199,592

17 Fair value of trade receivables

There are no material differences between the fair value of financial assets and the amount at which they are stated in the financial statements.

18 Fair value of financial liabilities

There are no material differences between the fair value of financial liabilities and the amount at which they are stated in the financial statements.

19 Liquidity risk

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

20 Trade and other payables

	Due within one year	
	2018	2017
	£	£
Trade creditors	15,497	23,227
Accruals and deferred income	25,469	33,811
Social security and other taxation	17,965	11,031
Other creditors	834	18,852
	59,765	86,921

21 Deferred revenue

	2018	2017
	£	£
Arising from invoices in advance	68,440	-

Analysis of deferred revenue
Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018	2017
	£	£
Current liabilities	68,440	-

22 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £6,164 (2017: £3,439).

As at the statement of financial position date the company had unpaid pension contributions totalling £834 (2017: £631).

23 Share-based payment transactions

The Company operates two share option schemes: (1) under the Enterprise Management Initiative Scheme (“EMI”) and (2) an unapproved share option scheme. Both are equity settled. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. Some options are subject to performance criteria relating to either share price performance or the achievement of certain corporate milestones. The contractual life of the options is 10 years from the date of issue.

A summary of the options at the start and end of period for directors and all other employees is presented in the following table:

Holder	Outstanding at start of period	Granted during period	Forfeited during period	Exercised during period	Outstanding at end of period	Exercisable at end of period	Exercise price (p)	Date of grant	Date of expiry
Christophe Chassagnole	74,994	-	74,994	-	-	-	38.30	07-Sep-07	07-Sep-17
Christophe Chassagnole	56,245	-	-	-	56,245	56,245	15.00	18-Dec-08	18-Dec-18
Christophe Chassagnole	118,565	-	-	-	118,565	118,565	40.00	28-Feb-10	28-Feb-20
Christophe Chassagnole	32,331	-	-	-	32,331	16,166	34.00	09-Nov-11	09-Nov-21
Christophe Chassagnole	129,381	-	-	-	129,381	129,381	13.20	11-Feb-13	11-Feb-23
Christophe Chassagnole	322,615	-	-	-	322,615	322,615	6.20	24-Mar-15	24-Mar-25
Christophe Chassagnole	645,231	-	-	645,231	-	-	3.50	21-Dec-15	21-Dec-25
Christophe Chassagnole	879,521	-	-	219,880	659,641	659,641	2.50	28-Feb-17	27-Feb-27
Christophe Chassagnole	-	350,000	-	-	350,000	-	5.35	27-Mar-18	26-Mar-28
Jim Millen	1,938,564	-	-	484,641	1,453,923	1,453,923	2.50	28-Feb-17	27-Feb-27
Jim Millen	-	520,000	-	-	520,000	-	5.35	27-Mar-18	26-Mar-28
Paul Harper	23,277	-	-	-	23,277	23,277	15.00	18-Dec-08	18-Dec-18
Paul Harper	76,645	-	-	-	76,645	76,645	40.00	28-Feb-10	28-Feb-20
Paul Harper	12,932	-	-	-	12,932	6,466	34.00	09-Nov-11	09-Nov-21
Paul Harper	51,752	-	-	-	51,752	51,752	13.20	11-Feb-13	11-Feb-23
Paul Harper	129,046	-	-	-	129,046	129,046	6.20	24-Mar-15	24-Mar-25
Paul Harper	258,092	-	-	-	258,092	258,092	3.50	21-Dec-15	21-Dec-25
Paul Harper	-	140,000	-	-	140,000	-	5.35	27-Mar-18	26-Mar-28
Other staff	34,900	-	34,900	-	-	-	38.30	07-Sep-07	07-Sep-17
Other staff	34,488	-	26,175	-	8,313	8,313	15.00	18-Dec-08	18-Dec-18
Other staff	105,476	-	63,828	-	41,648	41,648	40.00	28-Feb-10	28-Feb-20
Other staff	107,272	-	16,165	-	91,107	45,554	34.00	09-Nov-11	09-Nov-21
Other staff	142,318	-	64,690	-	77,628	77,628	13.20	11-Feb-13	11-Feb-23
Other staff	349,912	-	161,307	-	188,605	188,605	6.20	24-Mar-15	24-Mar-25
Other staff	699,826	-	322,615	322,615	54,596	54,596	3.50	21-Dec-15	21-Dec-25
Other staff	500,229	-	-	96,448	403,781	403,781	2.50	28-Feb-17	27-Feb-27
Other staff	-	490,000	-	-	490,000	-	5.35	27-Mar-18	26-Mar-28
Total	6,723,612	1,500,000	764,674	1,768,815	5,690,123	4,121,938			

The weighted average share price at the date of grant for share options granted in the year was £0.0535, (2017: £0.019).

The options outstanding at 30 June 2018 had an exercise price ranging from £0.025 to £0.40, and a remaining contractual life of 10 years

During 2018, options were granted on 27 March 2018. The weighted average fair value of the options on the measurement date was £0.00727. Options vest according to time and performance based criteria.

The options were granted with an exercise price of £0.054.

During 2017, options were granted on 19 December 2016. The weighted average fair values of the options on the measurement date was £0.002972.

The options were granted with an exercise price of £0.025.

Fair value was measured using Black-Scholes share option pricing model. Inputs were as follows:

	2018	2017
Expected volatility	62.97%	40.08%
Expected life	2.3 years	2.5 years
Risk free rate	0.91%	0.15%

The expected volatility is based on the sixty day average historical volatility of the Company over 3 years.

The expected life of options is now based on the share option exercise history with the company. The risk-free rate of return is derived from UK treasury yields at 2 and 3 years.

Total expenses of £10,904 related to equity settled share-based payment transactions were recognised in the year. (2017: £9,862).

24 Share capital

	2018 £	2017 £
Ordinary share capital, issued and fully paid		
71,910,394 Ordinary of 0.4p each	287,641	228,066
2,481,657,918 Deferred of 0.036p each	893,397	893,397
	1,181,038	1,121,463

The ordinary shares carry no rights to fixed income. The deferred shares have no voting rights and have no rights to receive dividends or other income.

Reconciliation of movements during the year:	**Ordinary Number**	**Deferred Number**
At 1 July 2017	57,016,579	2,481,657,918
Issue of fully paid shares	14,893,815	-
At 30 June 2018	71,910,394	2,481,657,918

Current year changes to Ordinary share capital

On 14 December 2017 the Company issued 800,969 ordinary shares of 0.4p at a price of 2.5p per ordinary share, as well as 967,846 ordinary shares of 0.4p at a price of 3.5p per ordinary share following the exercise of employee share options, the proceeds of which were used for working capital purposes.

On 31 May 2018 the Company issued 13,125,000 ordinary shares of 0.4p at a price of 4p per ordinary share for working capital purposes.

Prior year changes to Ordinary share capital

On 21 September 2016 the Company issued 2,220,000,000 ordinary shares of 0.004p at a price of 0.025p per ordinary share for working capital purposes.

On 16 December 2016, the Company consolidated its ordinary shares in a ratio of 100:1. Following this, the issued share capital of the Company reduced from 5,701,657,918 ordinary shares of 0.004p each to 57,016,579 ordinary shares of 0.4p each. The 2,481,657,918 Deferred Shares of 0.036p each remained unchanged.

25 Share premium account

	£
At 1 July 2016	4,327,573
Issue of new shares	466,199
Share issue expenses	(40,234)
At 30 June 2017	4,753,538
Issue of new shares	519,324
Share issue expenses	(44,690)
At 30 June 2018	5,228,172

The share premium account consists of proceeds from the issue of shares in excess of their par value (which is included in the share capital account).

26 Other reserves: share-based compensation reserve

	£
At 30 June 2016	149,048
Additions	9,862
At 30 June 2017	158,910
Additions	10,904
At 30 June 2018	169,814

The share-based compensation reserve represents the credit arising on the charge for share options calculated in accordance with IFRS 2.

27 Retained earnings

	£
At 1 July 2016	(5,305,131)
Loss for the period	(400,526)
At 30 June 2017	(5,705,657)
Loss for the period	(183,341)
At 30 June 2018	(5,888,998)

Retained earnings includes an amount of £237,889 (2017: £237,889) in relation to the Equity Swap Agreement in 2014 which under the Companies Act is not distributable.

28 Operating lease commitments

Lessee

Amounts recognised in the income statement as an expense during the period in respect of operating lease arrangements are as follows:

	2018	2017
	£	£
Minimum lease payments under operating leases	55,151	52,903

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	£	£
Within one year	4,625	4,375
	4,625	4,375

29 Capital commitments

At 30 June 2018 and 30 June 2017 the Company had no capital commitments.

30 Capital risk management

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in notes 24 to 27.

The board's policy is to maintain an appropriate capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company has a record of managing the timing and extent of discretionary expenditure in the business.

In order to maintain or adjust the capital structure the Company may issue new shares.

31 Events after the reporting date

No material post balance sheet events occurred after the end of the period.

32 Related party transactions

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out above.

In the prior year, there was an outstanding Directors Loan to Christophe Chassagnole of £960 relating to a historical share purchase. This loan has been repaid during 2018.

33 Controlling party

The Company does not currently have an ultimate controlling party and did not have one in this reporting year or the preceding reporting year.

34 Cash generated from operations

	2018	2017
	£	£
Loss for the year after tax	(183,341)	(400,526)
Adjustments for:		
Taxation credited	(77,060)	(129,873)
Finance costs	41	-
Investment income	(31)	(153)
Amortisation and impairment of intangible assets	-	2,381
Depreciation and impairment of tangible fixed assets	3,153	2,529
Equity settled share based payment expense	10,904	9,862
Movements in working capital:		
Increase in debtors	(39,901)	(11,696)
Decrease in creditors	(27,157)	(12,237)
Increase/(decrease) in deferred revenue	68,440	-
Cash absorbed by operations	(244,951)	(539,713)

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 Tuesday 20 November 2018. 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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Notes to Editor

About Physiomics

Physiomics plc (AIM: PYC) is a solutions provider to the R&D based pharmaceutical and biotechnology industry with a focus on oncology. The Company's Virtual Tumour technology uses computer modelling to predict the effects of cancer drugs and treatments to improve the success rate of drug discovery and development projects while reducing time and cost. The predictive capability of Virtual Tumour has been confirmed by 55 projects, involving over 25 targets and 60 drugs, and has worked with clients such as Merck KGaA, Merck & Co, Bayer and Lilly.

Based in Oxford UK, the Company works with clients worldwide to support their pre-clinical and clinical oncology development programs. Its team of scientists and computer modelling experts provide bespoke solutions encompassing data, analytics and insight.

Physiomics senior management has academic and commercial expertise, including over 90 years collectively of working in oncology and/or computational biology and over 100 publications in peer reviewed journals.

For more information please visit:
www.physiomics-plc.com
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