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

30 September 2019

Physiomics Plc

("Physiomics" or "the Company")

Final Results for the year ended 30 June 2019

Highlights

Financial:

- Total income (revenue and grant income) increased 53% to £783,101 (2018: £512,899)
- The operating loss decreased 23% to £201,219 (2018 £260,391)
- The loss after taxation decreased 43% to £104,040 (2018: £183,341)
- At 30 June 2019, the surplus of shareholders' funds was £607,914 (30 June 2018: £690,026)
- Cash and cash equivalents at 30 June 2019 of £405,366 (30 June 2018: £571,869)

Operational:

- Agreements signed with Merck KGaA for £435,000 for consulting services in calendar year 2019
- Addition of two new biotech clients, Convert Pharmaceuticals (Belgium) and Bicycle Therapeutics (UK)
- Attendance at major conferences including EORTC-NCI-AACR (Dublin), Biotech Showcase (San Francisco), AACR (Atlanta), BioTrinity (London) and PAGE (Stockholm)
- Presentation of posters at both the AACR and PAGE conferences
- Signing of a strategic collaboration with the Medicines Discovery Catapult (Alderley Park, UK)
- Completion of Innovate UK funded personalised oncology project and presentation at NIHR/ ICR event at the Royal Marsden Hospital
- Transfer of NOMAD services to Strand Hanson Limited.

Dr Paul Harper, Non-Executive Chairman, commented:

"The Company continues to make good progress, maintaining the momentum seen in the previous year. We are excited to be working with two new biotech clients (Convert Pharmaceuticals and Bicycle Therapeutics) as well as, for the first time, Cancer Research UK (announced just after the end of the period). The landmark deal with Merck KGaA was renewed reflecting the recognition by the Merck team of the quality and value on both the modelling itself and of the quality of the interpretation and guidance provided by an experienced Physiomics® team. The relationship with Merck represents an independent endorsement of the quality of the Physiomics® package in the drug discovery field in oncology which has allowed Dr Millen and his team to create new relationships and to secure new contracts. This success has led to a healthy pipeline of new opportunities going forward. It is also my firm belief that the emerging personalised medicine package will add significantly to the Company's skill set, opening wholly new opportunities. Meanwhile the team has embarked on a more extensive business development strategy aimed at bringing in new business."

Chairman and Chief Executive Officer's Statement

Introduction

We are pleased to report in the financial year ended 30 June 2019, for the second year running, the Company achieved its highest ever level of total income. A combination of the acquisition of two important new clients, repeat business from some existing ones and a second year of significant commitments by Merck KGaA, all contributed to what was our most successful year to date. Increased marketing spend, publicity relating to the Merck contract and important new clients who have shared their name publicly have all helped to create the momentum we've experienced in the last twelve months as well as the increasing recognition that Physiomics is becoming the "go-to" company for cancer modelling services.

In addition, the Company completed its second Innovate UK grant in consecutive years in the field of personalised cancer treatment. The project achieved a good level of engagement with clinicians including an important presentation at the Royal Marsden Hospital (one of the UK's leading cancer centres) at an event jointly organised with the National Institute for Health Research and the Institute for Cancer Research.

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 £783,101 reflects these achievements, being the highest in its history, and a 53% increase on the previous full year to 30 June 2018. Total income grew to £411,195 in the second half compared with the first half unaudited total income of £371,906, showing a steady growth of the business from period to period.

The operating loss decreased 23% to £201,219 (2018 £260,391). The loss after taxation decreased 43% to £104,040 (2017: £183,341).

Following the Company's placing in May 2018, the Company allocated funds to expand the in-house team, increase marketing spend and update its IT infrastructure, all of which have helped to generate and support the increased level of business transacted during this financial year compared with previous years.

Net assets at the year-end were £607,914 (2018: £690,026) of which £405,366 (2018: £571,869) comprised cash and cash equivalents. Net cash outflow from operating activities fell by £26,025 (2018: £267,477) compared with the previous year although this was offset by increased investment in IT infrastructure (see Cash Flow statement below). No further funds were raised during this financial year.

Staff

As a consulting business, our staff are critical to our business and represent not just the "engine room" but also the client facing side of Physiomics. The Company's decision to hire an additional full-time employee to supplement its delivery team in July 2018 has allowed it to execute more client and grant business than ever before. The Board regularly reviews staffing versus workload and as required the Company will consider expanding its permanent, full-time, in-house team to address its increasing workload.

We would 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 2019 is set out below:

	Emoluments	Bonus	Benefits	Pension Contributions	Total 2019	Total 2018
	£	£	£	£	£	£
Dr P B Harper	35,500	-	-	-	35,500	35,049
Dr J S Millen	128,375	9,750	1,663	2,600	142,388	131,506
Dr C D Chassagnole	62,716	4,989	1,416	7,021	76,142	67,221
Total	**226,591**	**14,739**	**3,079**	**9,621**	**254,030**	**233,776**

Governance

The Company's full Annual Report will contain details of its governance, in accordance with the Quoted Company's Alliance Corporate Governance Code.

Outlook

With another record year behind us, we continue our journey to becoming a sustainably profitable business. In the next twelve months we're aiming to execute more projects than ever before and to add further new clients both in the UK, Europe and North America. We expect and indeed welcome a balance between larger and small clients and target a further diversification of our client base. In parallel with our core commercial activities we are actively exploring how we can capitalise on the expertise and capabilities we've developed in the field of personalised medicine.

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 2019 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th June 2019 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 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.

Risk	How the Scope of our audit responded to the risk
Debtors Recoverability There is a risk that trade debtors are irrecoverable.	Debtors held at the year end will be reviewed to post year end receipts and agreed to bank statements. No evidence of irrecoverability was identified.
Deferred Income There is a risk that deferred income may be materially understated.	Income was reviewed close to the year end and a sample basis from contracts. No evidence of misstatement 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 £16,950. We agreed with the Audit Committee that we would report to them all audit differences in excess of 5% 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 on page 15 of the Company's gull 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.

Use of our report

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.

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 2019

	Notes	Year ended 30 June 2019 £	Year ended 30 June 2018 £
Revenue	3	718,965	428,277
Other operating income	3	64,136	84,622
Total income		783,101	512,899
Net operating expenses		(984,320)	(773,290)
Operating loss	4	(201,219)	(260,391)
Investment revenues	7	470	31
Finance costs	8	-	(41)
Loss before taxation		(200,749)	(260,401)
Income tax income	9	96,709	77,060
Loss for the year attributable to equity shareholders	26	(104,040)	(183,341)
Earnings per share	10		
Basic		(0.14)	(0.31)
Diluted		(0.14)	(0.31)

Statement of Comprehensive Income

	Year ended 30th June 2019 £	Year ended 30th June 2018 £
Loss for the year	(104,040)	(183,341)
Other comprehensive income	-	-
Total comprehensive income/ (expense) for the year	(104,040)	(183,341)
Attributable to:		
Equity holders	(104,040)	(183,341)

Statement of Financial Position as at 30 June 2019

	Notes	2019 £	2018 £
Non-current assets -			
Intangible assets	**12**	1,373	-
Property, plant and equipment	**13**	18,438	5,003
Investments	**14**	-	1
		19,811	5,004
Current assets			
Trade and other receivables	**15**	269,110	241,358
Cash and cash equivalents		405,366	571,869
		674,476	813,227
Total assets		694,287	818,231
Current liabilities			
Trade and other payables	**19**	85,123	59,765
Deferred revenue	**20**	1,250	68,440
		86,373	128,205
Net current assets		588,103	685,022
Net assets		607,914	690,026
Equity			
Called up share capital	**23**	1,181,038	1,181,038
Share premium account	**24**	5,228,172	5,228,172
Other reserves	**25**	191,742	169,814
Retained earnings	**26**	(5,993,038)	(5,888,998)
Total equity		607,914	690,026

Statement of Changes in Equity for the year ended 30 June 2019

	Notes	Share capital	Share premium account	Share-based com-pensation on reserve	Retained earnings	Total
		£	£	£	£	£
Balance at 1 July 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 (net of costs)	**23**	59,575	474,634	-	-	534,209
Transfer to other reserves	**25**	-	-	10,904	-	10,904
Balance at 30 June 2018		1,181,038	5,228,172	169,814	(5,888,998)	690,026
Loss and total comprehensive income/ (expense) for the year		-	-	-	(104,040)	(104,040)
Issue of share capital (net of costs)	**23**	-	-	-	-	-
Transfer to other reserves	**25**	-	-	21,928	-	21,928
Balance at 30 June 2019		1,181,038	5,228,172	191,742	(5,993,038)	607,914

Cash Flow Statement for the year ended 30 June 2019

		2019		2018	
	Notes	**£**	**£**	**£**	**£**
Cash flows from operating activities					
Cash absorbed by operations	**33**		(226,244)		(244,951)
Interest paid			-		(41)
Tax refunded			82,472		75,195
Net cash outflow from operating activities			(143,772)		(169,797)
Investing activities					
Purchase of intangible assets		(1,385)		-	
Purchase of tangible fixed assets		(21,816)		(2,326)	
Interest received		470		31	
Net cash used in investing activities			(22,731)		(2,295)
Financing activities					
Proceeds from issue of shares		-		578,899	
Share issue costs		-		(44,690)	
Net cash generated from financing activities			-		534,209
Net increase in cash and cash equivalents			(166,503)		362,117
Cash and cash equivalents at beginning of year			571,869		209,752
Cash and cash equivalents at end of year			405,366		571,869

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 £405,366 of cash and cash equivalents as at 30 June 2019 (2018 £571,869).

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 budgeted expenses for the majority of 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
Trademarks	10 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 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:

	2019	2018
	£	£
Revenue	718,965	428,277
Other operating income		
Grant income	64,137	84,622
	64,137	84,622

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, European Union and USA from its principal activity.

4 Operating loss

	2019	2018
	£	£
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	(276)	(2,328)
Research and development costs	-	-
Government grants	(64,137)	(84,622)
Fees paid to the Company's auditor, refer to below	14,433	15,250
Depreciation of property, plant and equipment	8,381	3,153
Amortisation of intangible assets	12	-
Share-based payments	21,928	10,904

5 Auditors remuneration

	2019	2018
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	2,000
Audit-related assurance services	-	750
Other taxation services	1,183	-
Innovate UK grant related services	1,250	2,500
Total fees	14,433	15,250

6 Employees

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

	2019	2018
	Number	Number
	7	6

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	420,315	342,918
Social security costs	48,361	37,681
Other pension and insurance benefit costs	22,662	10,728
	491,338	391,327

Details of the remuneration of Directors are included in the Directors Report on page 16 of the Company's full Annual Report.

7 Finance income

	2019	2018
	£	£
Interest income		
Bank deposits	470	31

8 Finance costs

	2019	2018
	£	£
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 2019 and 30 June 2018.

9 Income tax expense

	Continuing operations	
	2019	2018
	£	£
Current tax		
Research and development tax credit: current year	(96,142)	(81,905)
Research and development tax credit: prior year	(567)	4,845
	(96,709)	(77,060)

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

	2019	2018
	£	£
Loss before taxation	(200,749)	(260,401)

Expected tax charge based on a corporation tax rate of 19.00%	(38,142)	(49,476)
Expenses not deductible in determining taxable profit	4,645	2,072
Unutilised tax losses carried forward	-	(2,878)
Adjustment in respect of prior years research and development	(567)	4,845
Research and development expenditure tax credit	(7,280)	(9,588)
Deferred / (accelerated) capital allowances	(2,613)	83
Research and development enhancement	(52,752)	(22,118)
Tax charge for the period	(96,709)	(77,060)

At 30 June 2019 tax losses of £3,811,775, (2018: £3,811,775) 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 £648,002, (2018: £724,237).

10 Earnings per share

	2019 £	2018 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	71,910,394	59,095,673
Earnings - Continuing operations		
Loss for the period from continued operations	(104,040)	(183,341)
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the Company for continued operations	(104,040)	(183,341)
Earnings per share for continuing operations		
Basic and diluted earnings per share	(0.14)	(0.31)
Basic and diluted earnings per share		
From continuing operations	(0.14)	(0.31)
	(0.14)	(0.31)

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:	2019 £	2018 £
Current financial assets		
Trade and other receivables	107,622	54,160
Cash and cash equivalents	405,366	571,869
	512,988	626,029
Current financial liabilities		
Trade and other payables	70,626	41,799
Deferred revenue	1,250	68,440
	71,876	110,239

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

	Patents & Licences £	Total £
Cost		
At 1 July 2017	75,646	75,646
At 30 June 2018	75,646	75,646
Additions - purchased	1,385	1,385
Disposals	(75,646)	(75,646)
At 30 June 2019	1,385	1,385
Amortisation and impairment		
At 1 July 2017	75,646	75,646
At 30 June 2018	75,646	75,646
Charge for the year	12	12
Eliminated on disposals	(75,646)	(75,646)
At 30 June 2019	12	12
Carrying amount		
At 30 June 2019	1,373	1,373
At 30 June 2018	-	-

13 Tangible fixed assets

	Fixtures and fittings	IT equipment	Total
Cost	**£**	**£**	**£**
At 1 July 2017	2,206	41,074	43,280
Additions	-	2,326	2,326
At 30 June 2018	2,206	43,400	45,606
Additions	1,154	20,662	21,816
Disposals	(411)	(7,525)	(7,936)
At 30 June 2019	2,949	56,537	59,486
Accumulated depreciation and impairment			
At 1 July 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
Charge for the year	96	8,285	8,381
Eliminated on disposal	(411)	(7,525)	(7,936)
At 30 June 2019	1,891	39,157	41,048
Carrying amount			
At 30 June 2019	1,058	17,380	18,438
At 30 June 2018	-	5,003	5,003
At 30 June 2017	-	5,830	5,830

14 Investments

	Current		Non-current	
	2019	**2018**	**2019**	**2018**
	£	**£**	**£**	**£**
Investment in subsidiaries	-	-	1	1
Impairment of investment	-	-	(1)	-
	-	-	-	1

The company owned 100% of E-Phen Limited, a dormant company incorporated in the England and Wales. The company was dissolved on 7 September 2019. As a result of this the investment has been fully impaired at the statement of financial position date.

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 Trade and other receivables

	Due within one year	
	2019	**2018**
	£	**£**
Trade debtors	103,844	50,382
Other receivables	3,778	3,778
Corporation tax recoverable	96,142	81,905
VAT recoverable	22,518	15,040
Prepayments and accrued income	42,828	90,253
	269,110	241,358

16 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.

17 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.

18 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.

19 Trade and other payables

	Due within one year	
	2019	**2018**
	£	**£**
Trade creditors	26,479	15,497
Accruals and deferred income	41,712	25,469
Social security and other taxation	14,497	17,965
Other creditors	2,435	834
	85,123	59,765

20 Deferred revenue

	2019	2018
	£	£
Arising from invoices in advance	1,250	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:

	2019	2018
	£	£
Current liabilities	1,250	68,440

21 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 £16,334 (2018: £6,164).

As at the statement of financial position date the company had unpaid pension contributions totalling £2,435 (2018: £834).

22 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
Dr. C. Chassagnole	56,245	-	56,245	-	-	-	15.00	18-Dec-08	18-Dec-18
Dr. C. Chassagnole	118,565	-	-	-	118,565	118,565	40.00	28-Feb-10	28-Feb-20
Dr. C. Chassagnole	32,331	-	-	-	32,331	16,166	34.00	09-Nov-11	09-Nov-21
Dr. C. Chassagnole	129,381	-	-	-	129,381	129,381	13.20	11-Feb-13	11-Feb-23
Dr. C. Chassagnole	322,615	-	-	-	322,615	322,615	6.20	24-Mar-15	24-Mar-25
Dr. C. Chassagnole	659,641	-	-	-	659,641	659,641	2.50	28-Feb-17	27-Feb-27
Dr. C. Chassagnole	350,000	-	-	-	350,000	350,000	5.35	26-Mar-18	27-Mar-28
Dr. C. Chassagnole	-	267,000	-	-	267,000	-	3.16	26-Mar-19	25-Mar-29
Dr. J. Millen	1,453,923	-	-	-	1,453,923	1,453,923	2.50	28-Feb-17	27-Feb-27
Dr. J. Millen	520,000	-	-	-	520,000	520,000	5.35	26-Mar-18	27-Mar-28
Dr. J. Millen	-	400,000	-	-	400,000	-	3.16	26-Mar-19	25-Mar-29
Dr. P. Harper	23,277	-	23,277	-	-	-	15.00	18-Dec-08	18-Dec-18
Dr. P. Harper	76,645	-	-	-	76,645	76,645	40.00	28-Feb-10	28-Feb-20
Dr. P. Harper	12,932	-	-	-	12,932	6,466	34.00	09-Nov-11	09-Nov-21
Dr. P. Harper	51,752	-	-	-	51,752	51,752	13.20	11-Feb-13	11-Feb-23
Dr. P. Harper	129,046	-	-	-	129,046	129,046	6.20	24-Mar-15	24-Mar-25
Dr. P. Harper	258,092	-	-	-	258,092	258,092	3.50	21-Dec-15	21-Dec-25
Dr. P. Harper	140,000	-	-	-	140,000	140,000	5.35	26-Mar-18	27-Mar-28
Other staff	8,313	-	8,313	-	-	-	15.00	18-Dec-08	18-Dec-18
Other staff	41,648	-	-	-	41,648	41,648	40.00	28-Feb-10	28-Feb-20
Other staff	91,107	-	-	-	91,107	45,554	34.00	09-Nov-11	09-Nov-21
Other staff	77,628	-	-	-	77,628	77,628	13.20	11-Feb-13	11-Feb-23
Other staff	188,605	-	-	-	188,605	188,605	6.20	24-Mar-15	24-Mar-25
Other staff	54,596	-	-	-	54,596	54,596	3.50	21-Dec-15	21-Dec-25
Other staff	403,781	-	-	-	403,781	403,781	2.50	28-Feb-17	27-Feb-27
Other staff	490,000	-	-	-	490,000	490,000	5.35	26-Mar-18	27-Mar-28
Other staff	-	533,000	-	-	533,000	-	3.16	26-Mar-19	25-Mar-29
Total	5,690,123	1,200,000	87,835	-	6,802,288	5,534,103			

The weighted average share price at the date of the grant for share options granted in the year was £0.0316, (2018: £0.0535).

The options outstanding at 30 June 2019 had an exercise price ranging from £0.025 to £0.40, and a remaining contractual life of 9 years.

During 2019, options were granted on 26 March 2019. The weighted average fair value of the options on the measurement date was £0.011366. Options vest according to time and performance-based criteria.

The options were granted with an exercise price of £0.032.

During 2018, options were granted on 27 March 2018. The weighted average fair values of the options on the measurement date was £0.00727.

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

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

	2019	2018
Expected volatility	60.18%	62.97%
Expected life	2.34 years	2.3 years
Risk free rate	0.664%	0.91%

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 £21,928 related to equity settled share based payment transactions were recognised in the year. (2018 - £10,904).

23 Share capital

	2019	2018
	£	£
Ordinary share capital, issued and fully paid		
71,910,394 Ordinary of 0.4p each	287,641	287,641
2,481,657,918 Deferred of 0.036p each	893,397	893,397
	1,181,038	1,181,038

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 2018	71,910,394	2,481,657,918
At 30 June 2019	71,910,394	2,481,657,918

Prior 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.

24 Share premium account

	£
At 30 June 2017	4,753,538
Issue of new shares	519,324
Share issue expenses	(44,690)
At 30 June 2018 & at 30 June 2019	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).

25 Other reserves: share-based compensation reserve

	£
At 30 June 2017	158,910
Additions	10,904
At 30 June 2018	169,814
Additions	21,928
At 30 June 2019	191,742

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

26 Retained earnings

	£
At 1 July 2017	(5,705,657)
Loss for the period	(183,341)
At 30 June 2018	(5,888,998)
Loss for the period	(104,040)
At 30 June 2019	(5,993,038)

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.

27 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:

	2019	**2018**
	£	**£**
Minimum lease payments under operating leases	57,331	55,151

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:

	2019	**2018**
	£	**£**
Within one year	4,818	4,625
	4,818	4,625

28 Capital commitments

At 30 June 2019 and 30 June 2018 the Company had no capital commitments.

29 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.

30 Events after the reporting date

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

31 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 on page 16 of the Company's full Annual Report.

32 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.

33 Cash generated from operations

	2019	**2018**
	£	**£**
Loss for the year after tax	(104,040)	(183,341)
Adjustments for:		
Taxation credited	(96,709)	(77,060)
Finance costs	-	41
Investment income	(470)	(31)
Amortisation and impairment of intangible assets	13	-
Depreciation and impairment of tangible fixed assets	8,381	3,153
Equity settled share-based payment expense	21,928	10,904
Movements in working capital:		
Increase in debtors	(13,515)	(39,901)
Decrease in creditors	25,358	(27,157)
Increase/(decrease) in deferred revenue	(67,190)	68,441
Cash absorbed by operations	(226,244)	(244,951)

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 19 November 2019. 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 provider of technology-based solutions to predict the effects of cancer treatment regimens for the biopharma industry. 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 Physiomics' technologies have been confirmed by over 70 projects, involving over 30 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 120 years collectively of working in oncology and/or computational biology and over 120 publications in peer reviewed journals that have attracted thousands of citations.