Physiomics

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

30 September 2020

Physiomics plc
("Physiomics" or "the Company")

Final Results for the year ended 30 June 2020 and Notice of AGM

Highlights

Financial Highlights

- Total income (revenue and grant income) increased 7% to £841,649 (2019: £783,101), the highest in the Company's history
- The operating loss decreased 33% to £134,385 (2019: £201,219)
- The loss after taxation decreased 38% to £64,424 (2019: £104,040)
- Placing and subscription in May 2020 raised £828,750 (gross) through the issue of 23,678,571 new ordinary shares at an issue price of 3.5 pence per share
- At 30 June 2020, the surplus of shareholders' funds was £1,314,981 (30 June 2019: £607,914)
- Cash and cash equivalents at 30 June 2020 of £1,047,860 (30 June 2019: £405,366)

Operational highlights

- Renewal of agreement with Merck KGaA in December 2019
- Repeat contracts with clients CellCentric and Bicycle Therapeutics
- Award of NIHR grant to fund clinical study relating to Physiomics' personalised dosing tool for prostate cancer and ongoing discussion relating to its commercialisation
- Post period end, award of contract by new big-pharma client, Astellas Pharma Inc
- Ongoing discussion with several large CROs relating to potential collaborations
- Strongest ever business development pipeline resulting from higher marketing spend

Dr Paul Harper, Non-Executive Chairman, commented:

"The Company continues to make good progress, with all key indicators of performance moving in the right direction. We are pleased to be working with Cancer Research UK (announced July 2019) and to have repeat contracts with both CellCentric and Bicycle Therapeutics, as well as our first contract with Astellas Pharma Inc.

The team has also worked hard to ensure that our on-going relationship with Merck led to a renewal of the arrangement (first announced in December 2017). We believe that the Merck *team recognises the quality and value of our modelling itself, coupled with the interpretation and guidance we are able to provide. The relationship with Merck represents an independent endorsement of the quality of the Physiomics® package, 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 portfolio, opening wholly new opportunities. Meanwhile the team has embarked on a more extensive business development strategy aimed at bringing in new business.*

I cannot stress too highly the quality of the team. They combine an extraordinary range of skills across many disciplines. They have evolved into an exceptional group, combining their skills, expertise and experience to provide clients with an outstanding service. This has enabled Dr Millen to orchestrate a major business development initiative which has achieved significant success."

Annual General Meeting
The Company is closely monitoring the COVID-19 situation, including UK Government guidance and will continue to do so in the lead up to the AGM. The health of our shareholders, employees and stakeholders remains extremely important to us and accordingly, the board has taken into consideration the current UK government stay at home measures as well as ICSA guidance. Should these directives remain in place up to the AGM, shareholders, advisors and other guests will not be allowed to attend the AGM in person and anyone seeking to attend the meeting will be refused entry. As such, shareholders should note they are not entitled to attend the AGM in person unless notified otherwise via the Company's website at www.physiomics.co.uk.

Shareholders are requested to therefore submit their votes, in respect of the business to be discussed, via proxy as early as possible. Shareholders should appoint the Chair of the meeting as their proxy. If a shareholder appoints someone else as their proxy, that proxy will not be able to attend the meeting in person or cast the shareholder's vote.

The business at the AGM will be curtailed to the formal business section only, with no wider presentations on business performance or Q&A. If any shareholder has a question they would like to pose to the board, this should be submitted to the Chair via info@physiomics.co.uk. In addition, as detailed in our announcement of 23 September 2020, the Company will be holding an investor presentation at 11.00 a.m. on 5 October 2020. Please see this announcement for details of how to register for this event.

In the event that further disruption to the 2020 AGM becomes unavoidable, we will announce any changes to the meeting (such as timing or venue). The website also provides links to the annual report and accounts, interim results and other relevant announcements immediately after they have been made available via RNS.

The Annual General Meeting of the Company will be held at the offices of Physiomics Plc, The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 10.00 a.m. on 17 November 2020.

The full annual report and accounts for the year ended 30 June 2020 along with the notice of AGM will be uploaded on the Company's website at www.physiomics.co.uk and posted to shareholders during October.

Chairman and Chief Executive Officer's Statement

Introduction
The Company is pleased to report that it has continued to grow its top line and reduce its losses despite some challenges as a result of the COVID 19 epidemic. Encouragingly, key clients Merck, CellCentric and Bicycle Therapeutics each awarded the Company repeat contracts during the year.

It was particularly pleasing that the announcement of a further contract with Bicycle Therapeutics on 30 June 2020 represented the fourth Bicycle asset that Physiomics has now supported. Just after the financial year end, on 31 July, the Company was also delighted to announce that it had been retained by a major new big pharma client, Astellas Pharma Inc., to conduct a project on an undisclosed asset utilising Physiomics' Virtual Tumour immuno-oncology modelling platform.

In order to capitalise on its current momentum, the Company completed an oversubscribed fundraise in May 2020, raising £829k (gross). Key uses of these funds are to increase the Company's marketing capability, hire new technical staff and invest further in its personalised dosing technology initiative.

In addition to achieving strong organic growth in its consulting business, the Company has also been engaging in discussions with several contract research organisations with regard to possible collaborations. Previously reported discussions relating to the potential commercialisation of the Company's personalised dosing technology also remain ongoing.

Overall, the year has been a productive one for Physiomics. The Company's reputation amongst both investors and clients appears to be strengthening and we continue to focus on generating shareholder value.

Financial Review

The Company's full year total income of £841,649 reflects these achievements, being the highest in its history, and a 7% increase on the previous full year to 30 June 2019. Total income grew to £499,037 in the second half compared with the first half unaudited total income of £342,612. This pattern is consistent with previous years and substantially due to both summer and Christmas holidays falling in the first half of the Company's financial year.

The operating loss decreased 33% to £134,385 (2019: £201,219). The loss after taxation decreased 38% to £64,424 (2019: £104,040).

Following the Company's fundraise in May 2020, which raised £829k (gross), the Company allocated funds to expand the in-house team, increase marketing spend and invest further in its personalised medicine initiative, all of which are expected to continue to help to generate and support the increased levels of business going forwards.

Net assets at the year-end were £1,314,981 (2019: £607,914) of which £1,047,860 (2019: £405,366) comprised cash and cash equivalents. This is the highest net asset position in the Company's history, combined with the lowest loss since 2009. The net cash outflow from operating activities fell by £27,402 (2019: £26,025) compared with the previous year.

COVID 19

These results were achieved despite the ongoing COVID 19 crisis and the Company is pleased to say that there appears to be only very minimal effects of COVID 19 on its business so far. In particular:

- There has been no reduction in the number of new business meetings achieved, if anything such meetings have increased; and
- The Company's employees achieved a smooth transition to remote working, without impacting on the quality of interactions with clients. This is currently being maintained and will be kept under review

As previously disclosed, there has been the delay in the commencement of our NIHR funded trial at the Portsmouth Technology Trials Unit, as a result of which some grant income anticipated for the financial year ended 30 June 2020 will now fall into the current financial year ending 30 June 2021, though it is not anticipated that there will be any overall loss of income relating to the grant over its term.

Staff
The Company's staff remain critical to a business which is essentially about delivering analysis to clients. This is derived from rigorous analysis by individuals experienced in oncology drug development, applied mathematics and from their ability to clearly communicate this analysis to the client. We believe our staff score highly on both these fronts and remain the key to our continuing success. The Company has publicly stated its intention to utilise some of the funds raised in its May 2020 fundraise to recruit a further full-time staff member and this process is ongoing. In addition, the Company has decided to retain an intern for a period of around four months starting in September 2020. For both the full-time and the intern position, the Company attracted a significant number of applications from well-qualified individuals, which is further validation of the Company's reputation in the job market and of the profile it is achieving through its work. The board regularly reviews staff utilisation rates and anticipated workload and this will continue.

The Company would like to thank all its staff for their continuing hard work and commitment during the year.

Outlook
The Company continues to develop its reputation amongst investors and clients as it moves ever closer to profitability and cashflow break-even. With additional funding from our May 2020 fundraise applied to marketing activities, the Company's business development pipeline is the strongest it has ever been. The Company expects to continue to attract both repeat business and new clients of all sizes, to develop its personalised dosing technology and to explore innovative collaboration opportunities over the course of the current financial year.

Dr Jim Millen, Chief Executive Officer
Dr Paul Harper, Non-Executive Chairman

Strategic Report

Principal activities
Physiomics is engaged in providing consulting services to pharmaceutical companies in the areas of outsourced quantitative pharmacology and computational biology, using a combination of industry standard technologies and its own proprietary technology platform, Virtual Tumour™. In simple terms, this means helping companies to put the right drugs together, at the right dose, in the right types of cancer to help achieve the best possible results at the most economic cost.

Modelling and simulation using Virtual Tumour™ and other tools
The Company's focus is almost exclusively in the provision of modelling, simulation and data analysis services covering the full range of oncology R&D and with a focus on quantitative pharmacology techniques. The Company's main commercial revenue driver is its proprietary Virtual Tumour™ predictive software in the pre-clinical and clinical space, and in particular extensions to this software that have been developed over the last few years to address specialist areas such as immune-oncology, DNA damage repair, radiation therapy and others. The Company also utilises other industry standard tools, such as NONMEM and MATLAB as well as developing its own bespoke models using the R programming language. Projects often require a blend of several approaches to deliver the optimal insights to clients.

Working in the late discovery, preclinical and clinical phases of pharmaceutical R&D, Physiomics adds value by helping companies to efficiently derive insights from their data. This is achieved in a variety of ways ranging from data analysis, visualisation and interpretation to mathematical modelling of pharmacokinetic and pharmacodynamic effects (i.e. how much drug is in the body and what effect it is having). The end result is that our clients are in a better position to optimise the treatments they are developing by selecting the right targets, drugs, dosages, timing and combinations. We believe that we add particular value in early development during the transition from pre-clinical to first-in-man studies where our experience and capabilities have been helpful in supporting clients such as UK-based CellCentric and Bicycle Therapeutics in identifying optimal clinical trial designs and justifying this to regulatory authorities. In the 2019/20 financial year, the Company has been able to:

- Support big pharma companies in making strategic decisions about how to optimise combinations of investigational and approved agents in mid-stage clinical development programs. The potential value of getting these decisions right first time and hitting a target profile is significant.
- Support small and medium sized biotechs by providing a full spectrum of pharmacokinetic and pharmacodynamic modelling, analysis and interpretation services as well as by helping them to translate their pre-clinical data to clinical settings and enable them to respond more dynamically to new data coming out of their first human studies.

The Company is beginning to see an increased willingness for clients to allow their name to be associated with Physiomics®, which we believe is an indication of the value that we are adding and the increased credibility and recognition of the Physiomics® brand. We believe that this in turn further improves our ability to attract and retain new business. The most recent example of this was the public announcement of a contract award by Astellas Pharma Inc.

Personalised medicine
In addition to its core modelling and simulation business, the Company has continued to develop its technology for use in the field of personalised medicine. The term "personalised medicine" is used in many ways but is most often associated with the use of genetic markers in the selection of drugs to treat a particular group of patients. Physiomics' approach has been to use its expertise in interpreting pre-clinical and clinical cancer data to help predict when to treat patients and with what dose of drug. This approach relies more on advanced analytical techniques, many of which (such as machine learning and neural networks) are in the field of artificial intelligence (AI). To date this has been funded by two Innovate UK Grants and most recently by an NIHR grant awarded in March 2020. This latest grant is being used to fund an observational trial at Portsmouth's Technology Trials Unit, which is intended to gather data to further validate and support the use of the Company's personalised dosing technology. In parallel with these ongoing research activities, the Company is exploring how it can accelerate the commercialisation of its technology via collaboration with other companies that are more established in this field, especially in the USA.

Business Model
The Company's main commercial business is the provision of consulting services which rely substantially on our Virtual Tumour™ pre-clinical and clinical models that are proprietary to the Company. Physiomics works primarily on a fee for service basis, although we are open to and continue to explore other approaches including risk sharing and collaboration including:

- The incorporation of success-based milestones in our consulting contracts. Examples of companies where Physiomics has historically entered into risk-sharing arrangements include Sareum Holdings plc and ValiRx plc;
- The embedding of our technology as part of a broader offering in collaboration with another service provider. The Company is in several active discussions of this nature and will report further once specific agreements have been reached; and
- The creation of a version of Virtual Tumour™ that could be licensed to a client for its own use rather than by the Company as part of a consulting service. The Company already creates executable versions of a number of its models on request by clients. A further step would be to develop Virtual Tumour™ into a tool whose full functionality could be utilised by a client, either alongside a consulting project or possibly independently.

The Company will continue to explore these alternative approaches, though envisages that consulting will continue to be the main driver of revenues in the short to medium term.

Key strengths

The consulting business is the core of the Company's commercial activity and we believe that it is unique in a number of respects:

- *We focus almost exclusively on oncology*. Our team has over 120 years of combined experience in the development of cancer drugs and computational biology, and in particular of quantitative pharmacology (essentially analysing how much drug to use and trying to predict what effect it will have). Over the Company's lifetime it has completed over 85 projects covering hundreds of targets, cell lines, drugs, and cancer types;
- *We use a proprietary in-house platform called Virtual Tumour™*. Although the team can take advantage of all commonly used modelling, simulation and data analysis techniques in the cancer field, we also have access to an internally developed platform that is uniquely useful when considering combinations of cancer drugs (and most anti-cancer regimes eventually involve using multiple agents simultaneously); and
- *We provide a responsive and dedicated service*. Many large companies offer services in the cancer space though do not restrict themselves to cancer nor to quantitative pharmacology. As a result, we believe, many of these companies cannot offer the same level of bespoke, responsive service that Physiomics can and does.

Our strategy

Physiomics' strategy is to grow its fee for service business model by leveraging its own proprietary modelling and simulation technology to the benefit of its customers. Our main strategic aims are to:

- Form close partnerships with customers, attract repeat business and grow alongside them (as evidenced by having now worked on four assets with Bicycle Therapeutics and by repeat business with Merck and CellCentric);
- Diversify the customer base by working with a variety of commercial and not-for-profit clients (such as the NIHR grant to fund a personalised medicine study announced in March 2020);
- Broaden our geographical presence in Europe and North America by leveraging the Company's existing contact base and increasing marketing efforts (our most recent new client, Astellas Pharma is based in the US and Japan);
- Work with a mix of early pre-clinical stage projects and high value clinical development phase of oncology (we have active translational stage projects with Merck, Bicycle Therapeutics, CellCentric and Astellas Pharma); and
- Develop new, complementary areas of business such as immune-oncology and personalised medicine that can add long term value to the business.

Obligations under s172 of the Companies Act

The Directors are mindful of their obligations under s172(1) of the Companies Act 2006 to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following:

Principle	**Company's actions**
The likely consequences of any decision in the long term.	The Company has a long term vision as set out in this report.
The interests of the company's employees.	The Company values its employees and implements training, offers development opportunities and has in place appropriate incentive programs to support their retention.

Principle	Company's actions
The need to foster the company's business relationships with suppliers, customers and others.	The Company spends significant effort in reaching out to new and existing customers and in soliciting their feedback following engagements.
The impact of the company's operations on the community and the environment.	The Company's operations have minimal impact on the community and environment. As a result of COVID-19, home working has been implemented so the environmental costs of commuting have been further reduced.
The desirability of the company maintaining a reputation for high standards of business conduct.	The Company maintains a high standard of business ethics, complying with the QCA code for corporate governance.
The need to act fairly as between members of the company.	The Company treats all members equitably and attempts to ensure a timely and accurate flow of information to all members.

Review of Business

The Company is principally engaged in providing consulting services to pharmaceutical companies in the areas of outsourced quantitative pharmacology and computational biology.

- Total income (revenue and grant income) increased 7% to £841,649 (2019: £783,101)
- The operating loss decreased 33% to £134,385 (2019: £201,219)
- The loss after taxation decreased 38% to £64,424 (2019: £104,040)
- At 30 June 2020, the surplus of shareholders' funds was £1,314,981 (30 June 2019: £607,914)
- Cash and cash equivalents at 30 June 2020 of £1,047,860 (30 June 2019: £405,366)

Consulting Business

Physiomics' consulting business is at the heart of its offering to clients. The Company uses its proprietary Virtual Tumour™ software platform but also develops mathematical models from scratch and leverages models in the public domain. It is a combination of our technology and the oncology experience of our team that enables us to be able to deliver clients both a targeted product offering that meets their needs whilst at the same time delivering value for money. We believe that we are unique in offering a combination of:

- Deep experience and knowledge of oncology;
- An exclusive focus on model-based approaches to supporting our clients' R&D projects; and
- A level of flexibility and responsiveness that is not typically found in larger organisations.

We have continued to develop our brand through a variety of marketing and business development activities including:

- Expansion of our digital marketing strategy with significantly increased social media activity focused on areas of interest to our clients;
- Use of a third-party marketing agency to conduct targeted calls to potential new clients, generating a significantly increased volume of potential new business discussions;
- Despite the virtualisation of conferences this year due to the ongoing COVID pandemic, we have presented at BioTrinity and AACR; and
- Development and dissemination of case studies based on actual client projects.

The Company has been successful in attracting repeat business this year from clients such as Bicycle Therapeutics, CellCentric as well as long-standing client Merck KGaA. The Company has now worked with Merck for over eight years and is in the third year of the major collaboration announced in November 2017.

The Company's clients in this financial year have been located in the USA, UK and Europe. Recent marketing efforts have targeted further business in the USA, where there is a high level of company formation and funding and this has paid off in the form of the recently announced contract with Japan and US-based Astellas Pharma Inc. In terms of the mix of work, we continue to work across the full spectrum of R&D from discovery to development, though we continue to focus increasingly on translational projects involving assets entering clinical development for the first time. This is particularly exciting, as it raises our profile and can involve exposure to regulatory authorities. The Company continues to work in the immuno-oncology space with several of its clients, including the recently announced Astellas Pharma, and it is anticipated that the industry focus on this treatment approach is likely to continue for some time.

Personalised Medicine

The personalised medicine and digital health space continues to generate significant interest from both investors and healthcare systems. Many start-ups in this area focus on the use of genetic markers or the pattern-recognition capabilities of artificial intelligence applications. However, we believe that there is a significant opportunity in the analysis of existing clinical data to identify better ways to treat patient using existing drugs and procedures.

In April 2019, we completed our second Innovate UK funded project in this field in which we developed a demonstration version of a tool to optimise dosing of docetaxel in castrate resistant, metastatic prostate cancer patients. The key outcomes of the project were presented in a poster at the prestigious American Association for Cancer Research Annual Meeting in March 2019. In parallel, working with the Oxford Academic Health Sciences Network, we were able to access some of the UK's leading clinicians in this space which culminated in our being invited to present at an event jointly sponsored by the Royal Marsden Hospital NHS Trust, the Institute of Cancer Research and the National Institute for Health Research. In March 2020, the Company announced a further grant from the NIHR of up to £150k which is being used to fund an observational clinical trial at Portsmouth's Technology Trials Unit. The purpose of this trial is to gather additional patient data to validate and further develop the Company's personalised dosing tool. Subject to any restrictions imposed due to COVID 19, the trial is now expected to start in Q4 2020 and will last up to 12 months. In parallel, the Company is focused on finding an appropriate commercial partner to gain any required regulatory approvals to make the tool available in a real-world clinical environment and, to this end, the Company is also in discussion with a company with an established presence in this field.

Strategic and financial performance indicators

The Company is focused on the creation of long-term value for its shareholders.

The Directors consider that the key performance indicators are those that communicate the financial performance and strength of the Company as a whole, these being revenue, profitability, and shareholders' funds. In the last four financial years (from YE June 2017 to YE June 2020) revenues have increased 264%, losses after tax have decreased 84% and net assets increased 301%.

Principal Risks

The Company faces a number of risks on the way to building shareholder value. The Company maintains a risk register that identifies specific risks, their potential impact, their likelihood and mitigating actions. This register is updated as required and on an annual basis as a minimum. Some selected key risks are addressed below.

Risk	Description	Mitigation
Loss of major customer	Currently the business has a high dependence on a small number of customers. This leads to the risk that a large customer could significantly reduce or cancel its contracts with the Company.	In the last two years the Company has been successful in growing its pipeline of business, broadening its customer base and reducing its reliance on major customers and has also secured an agreement with its major customer Merck KGaA that envisages a multi-year relationship and is currently in its third year. Additionally, the Company has recently signed a further big pharma client, Astellas Pharma Inc., as well as securing repeat contracts with CellCentric and Bicycle.
Competition / pricing pressure	Physiomics operates in a competitive environment which could lead to pricing pressure. Whilst the business uses its own proprietary technology a competitor could attempt to replicate its Virtual Tumour™ technology.	Our focus on oncology and the way in which we employ Virtual Tumour™ requires a combination of technology and specialised skills, which we believe is hard to replicate. We continually develop our model to improve the scope and applicability of the technology, adding further value to our clients and differentiating our service from our competitors. In addition, in the last two years we have developed a personalised medicine offering that we are currently seeking to commercialise and which would help reduce dependency on our consulting business.
Personnel & skills	The success and future growth of the Company is in part dependent on the continued performance and delivery of certain Directors, managers, key staff and contractors. The Company operates in a highly specialised field where there is strong competition for required skills and talent. Key personnel leaving the Company could lead to a short-term reduced capacity to service client projects.	The Company seeks to recruit, develop, and manage talent on a continuous basis and have built a network of contracted specialists who can provide additional resource when required. In order to attract the best talent, the Company offers competitive packages to its staff which includes a share option scheme, private medical insurance and flexible working. A collegiate working environment and opportunities for personal and professional development also help to maintain staff satisfaction. The Company recently took on an intern and is recruiting for a full time position. In both cases a high number of qualified applications have been received.

Risk	Description	Mitigation
Financial	The financial risks faced by the Company include the ability to cover working capital needs, raise sufficient funds to support the Company through to profitability and failure to secure further contracts. The process of winning major contracts is typically protracted and the Company operates in a competitive environment. This means the Company often faces significant uncertainties in its cash flow.	The board addresses financial uncertainties by monitoring actual performance against internal projections and responding to significant variances. The Company also employs tight cost controls across the business and has from time to time raised funds from investors. The Company seeks to ensure cash availability for working capital purposes and to reduce credit risk arising from cash and short term deposits with banks and other financial institutions by holding deposits with an institution with a medium grade credit rating or better. Following completion of the recent fundraise, the Company had cash and cash equivalents of over £1.0 million at the year end, which the board believes is sufficient for its current needs and to enable it to increase its marketing spend to expand its client base.
Regulation Changes	The Company's customers are predominately pharmaceutical companies who require outsourced quantitative pharmacology and computational biology services. There is a risk that the business model is impacted by future changes in regulations in the medical and pharmaceutical industry.	The Company regularly reviews regulations changes through proactive discussions with key industry officials, professional advisors and regulatory bodies where appropriate. Major agencies such as the FDA are actively promoting the use of modelling and simulation and issue advisory papers which set out their thinking.
Systems & infrastructure	The Company is dependent on its IT technical infrastructure and systems for the management of its core operations and research and development programmes.	Continuity of access to data and integrity of data is maintained through the implementation of a system of data storage, offsite backup and monitoring of key coding and modelling data. In the most recent financial year, the company invested further in a server dedicated to high speed computation which has significantly reduced the time required to complete complex simulations.
COVID 19	The current COVID 19 pandemic has far-reaching consequences for many companies.	Despite some clients experiencing delays in clinical trials, there has been no appreciable drop off in client commitments to new projects. The Company has also sought to mitigate direct risk of COVID 19 infection by implementing home working since March 2020. This has been achieved seamlessly with no discernible impact on business operations. The board reviews risks relating to COVID 19 on a monthly basis. The Directors have considered and assessed the impact of COVID-19 on the Company's projections and cashflows. Taking into account COVID-19, the Directors believe that the Company has sufficient funds to operate for at least 12 months from the signing date of these financial statements.

By order of the board

Dr Paul Harper
Chairman

Directors' Report

The Directors submit their report and the audited financial statements of Physiomics Plc for the year ended 30 June 2020.

Results

There was a loss for the year after taxation amounting to £64,424 (2019 loss: £104,040). In view of accumulated losses, and given the stage of the Company's development, the Directors are unable to recommend the payment of a dividend.

Directors

The directors who served during the year were:
Dr P B Harper
Dr J S Millen
Dr C D Chassagnole

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the financial performance and cash flows of the Company for that year.

The financial statements are required by law, and IFRS as adopted by the EU, to give a true and fair view of the state of affairs of the Company.

In preparing the Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether in preparation of the financial statements the Company has complied with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Physiomics Plc website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Substantial shareholdings
The Company has been informed that as at 22 September 2020, the following shareholders had over 3% interests in the issued ordinary shares of the Company.

	Holding %
Mr Zahid Ali*	5.12%
Mr Paul McKillen**	3.08%

** Mr Zahid Ali notified the Company on 10 September 2020 that he held 4,982,142 ordinary shares (which represents a current interest of 5.12% in the Company).*

*** Mr Paul McKillen notified the Company on the 19 July 2019 that he held 3,000,000 ordinary shares (which represents a current interest of 3.08% in the Company).*

On 22 September 2020, Dr Paul Harper held 668,564 ordinary shares, Dr Jim Millen held 1,386,747 ordinary shares and Dr Christophe Chassagnole held 602,723 ordinary shares. The holding percentages were 0.69%, 1.42% and 0.62% respectively.

Directors' remuneration
Details of Directors' remuneration in the year ended 30 June 2020 is set out below:

	Emoluments	**Bonus**	**Benefits**	**Pension Contributions**	**Total 2020**	**Total 2019**
	£	£	£	£	£	£
Dr P B Harper	37,000	-	-	-	37,000	35,500
Dr J S Millen	123,500	-	1,647	10,400	135,547	142,388
Dr C D Chassagnole	65,697	-	1,432	9,062	76,191	76,142
Total	**226,196**	**-**	**3,079**	**19,462**	**248,738**	**254,030**

Post balance sheet events
The only material post-balance sheet event was the award of a contract by Astellas Pharma Inc. on 31 July 2020.

Statement as to disclosure of information to auditors
The Directors in office on 29 September 2020 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Going concern, responsibilities and disclosure
After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal controls and risk management
The board is responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. The Directors have a reasonable expectation that the Company will safeguard the Company's assets. The risk management process and internal control systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The key features of the Company's system of internal control are as follows:

- a clearly defined organisational structure and set of objectives;
- the executive Directors play a significant role in the day to day operation of the business; and

- detailed monthly management accounts are produced for the board to review and take appropriate action.

Annual General Meeting
The Company is closely monitoring the COVID-19 situation, including UK Government guidance and will continue to do so in the lead up to the AGM. The health of our shareholders, employees and stakeholders remains extremely important to us and accordingly, the board has taken into consideration the current UK government stay at home measures as well as ICSA guidance. Should these directives remain in place up to the AGM, shareholders, advisors and other guests will not be allowed to attend the AGM in person and anyone seeking to attend the meeting will be refused entry. As such, shareholders should note they are not entitled to attend the AGM in person unless notified otherwise via the Company's website at www.physiomics.co.uk.

Shareholders are requested to therefore submit their votes, in respect of the business to be discussed, via proxy as early as possible. Shareholders should appoint the Chair of the meeting as their proxy. If a shareholder appoints someone else as their proxy, that proxy will not be able to attend the meeting in person or cast the shareholder's vote.

The business at the AGM will be curtailed to the formal business section only, with no wider presentations on business performance or Q&A. If any shareholder has a question they would like to pose to the board, this should be submitted to the Chair via info@physiomics.co.uk. In addition, as detailed in our announcement of 23 September 2020, the Company will be holding an investor presentation at 11.00 a.m. on 5 October 2020. Please see this announcement for details of how to register for this event.

In the event that further disruption to the 2020 AGM becomes unavoidable, we will announce any changes to the meeting (such as timing or venue). The website also provides links to the annual report and accounts, interim results and other relevant announcements immediately after they have been made available via RNS.

The Annual General Meeting of the Company will be held at the offices of Physiomics Plc, The Magdalen Centre, Oxford Science Park, Oxford OX4 4GA at 10.00 a.m. on 17 November 2020.

By order of the board
Dr Paul Harper, Chairman

Independent Auditors' Report to the Members of Physiomics Plc

Opinion
We have audited the financial statements of Physiomics Plc for the year ended 30 June 2020 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 notes to the financial statements, including significant accounting policies. 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 30 June 2020 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements 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.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

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 and COVID-19 There is a risk that the Company is not a going concern and have been impacted from COVID-19 materially.	We reviewed the Directors' assessment of the risks and impacts of COVID-19 on the business. We compared this assessment to our own understanding of the risks, and the nature of the Company's operations and customer base. We then conducted a review of going concern in respect of COVID-19, which included reviewing forecasts and current trading performance, and carrying out stress testing. The work undertaken considered a period of at least 12 months from the date of approving these financial statements. The disclosures in the financial statements adequately reflect the Directors' conclusions around the uncertainties and impact of COVID-19 and, that the going concern assumption remains appropriate.
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.
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.
Grant Income There is a risk that grant income may be materially misstated.	Grant income was reviewed and a sample basis from contracts. No evidence of misstatement was identified.

Our audit procedures relating to these matters were designed 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.

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 £16,560. 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 16 of the full annual report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our 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/auditorsreponsibilities. 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.

Benjamin Bidnell (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 2020

	Notes	Year ended 30 June 2020 £	Year ended 30 June 2019 £
Revenue	3	799,055	718,965
Other operating income	3	42,594	64,136
Total income		841,649	783,101
Net operating expenses		(976,034)	(984,320)
Operating loss	4	(134,385)	(201,219)
Finance Income	7	679	470
Loss before taxation		(133,706)	(200,749)
Income tax income	9	69,282	96,709
Loss for the year attributable to equity shareholders	26	(64,424)	(104,040)
Earnings per share (shown in pence)	10		
Basic		(0.09)p	(0.14)p
Diluted		(0.09)p	(0.14)p

Statement of Comprehensive Income

	Year ended 30 June 2020 £	Year ended 30 June 2019 £
Loss for the year	(64,424)	(104,040)
Other comprehensive income	-	-
Total comprehensive income/ (expense) for the year	(64,424)	(104,040)
Attributable to:		
Equity holders	(64,424)	(104,040)

Statement of Financial Position as at 30 June 2020

	Notes	2020 £	2019 £
Non-current assets -			
Intangible assets	**12**	3,864	1,373
Property, plant and equipment	**13**	11,536	18,438
Investments	**14**	-	-
		15,400	19,811
Current assets			
Trade and other receivables	**15**	383,238	269,110
Cash and cash equivalents		1,047,860	405,366
		1,431,098	674,476
Total assets		1,446,498	694,287
Current liabilities			
Trade and other payables	**19**	123,819	85,123
Deferred revenue	**20**	7,698	1,250
		131,517	86,373
Net current assets		1,299,581	588,103
Net assets		1,314,981	607,914
Equity			
Called up share capital	**23**	1,275,752	1,181,038
Share premium account	**24**	5,896,737	5,228,172
Other reserves	**25**	199,954	191,742
Retained earnings	**26**	(6,057,462)	(5,993,038)
Total equity		1,314,981	607,914

Statement of Changes in Equity for the year ended 30 June 2020

	Notes	Share capital	Share premium account	Share-based compensation on reserve	Retained earnings	Total
		£	£	£	£	£
Balance at 1 July 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
Loss and total comprehensive income/ (expense) for the year		-	-	-	(64,424)	(64,424)
Issue of share capital (net of costs)	**23**	94,714	668,565	-	-	763,279
Transfer to other reserves	**25**	-	-	8,212	-	8,212
Balance at 30 June 2020		1,275,752	5,896,737	199,954	(6,057,462)	1,314,981

Cash Flow Statement for the year ended 30 June 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Cash flows from operating activities					
Cash absorbed by operations	**33**		(200,008)		(226,244)
Tax refunded			83,638		82,472
Net cash outflow from operating activities			(116,370)		(143,772)
Investing activities					
Purchase of intangible assets		(2,913)		(1,385)	
Purchase of tangible fixed assets		(2,181)		(21,816)	
Interest received		679		470	
Net cash used in investing activities			(4,415)		(22,731)
Financing activities					
Proceeds from issue of shares		828,750		-	
Share issue costs		(65,471)		-	
Net cash generated from financing activities			763,279		-
Net increase in cash and cash equivalents			642,494		(166,503)
Cash and cash equivalents at beginning of year			405,366		571,869
Cash and cash equivalents at end of year			1,047,860		405,366

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. The Company's ordinary shares of 0.4p each are admitted to trading on the AIM market of the London Stock Exchange plc.

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.

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 the board expects to be less affected by current economic conditions, including the potential consequences of Brexit, compared to other industries.

The Company had £1,047,860 of cash and cash equivalents as at 30 June 2020 (2019 £405,366).

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 at least the next 12 months. In coming to this conclusion, the board notes that current cash and currently contracted projects are projected to more than cover budgeted expenses for this period.

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
Patents and licenses	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 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Retirement benefits

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

1.16 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.

1.17 Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish, or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

In the comparative period, as a lessee applying IAS 17, the company classified leases as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessees. All other leases were classified as operating leases. Assets held under finance leases were recognised as assets at the lower of the assets' fair value at the date of inception and the present value of the minimum lease payments. The related liability was included in the balance sheet as a finance lease obligation. Lease payments were treated as consisting of capital and interest elements and the interest was charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability. Rentals payable under operating leases, less any lease incentives received, were charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

1.18 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.

1.19 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.

1.20 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.

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:

	2020	2019
	£	£
Revenue	799,055	718,965
Other operating income		
Grant income	42,594	64,137
	42,594	64,137

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 (2019: UK, European Union and USA) from its principal activity.

4 Operating loss

	2020	2019
	£	£
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	169	(276)
Research and development costs	-	-
Government grants	(42,594)	(64,137)
Fees paid to the Company's auditor, refer to below	14,000	14,433
Depreciation of property, plant and equipment	9,083	8,381
Amortisation of intangible assets	422	12
Share-based payments	8,212	21,928

5 Auditors remuneration

	2020	2019
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	-	-
Other taxation services	2,000	1,183
Innovate UK grant related services	-	1,250
Total fees	14,000	14,433

6 Employees

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

	2020	2019
	Number	Number
	7	7

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	408,051	420,315
Social security costs	44,785	48,361
Other pension and insurance benefit costs	35,636	22,662
	488,472	491,338

Details of the remuneration of Directors are included in the Directors Report.

7 Finance income

	2020	2019
	£	£
Interest income		
Bank deposits	679	470

8 Finance costs

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 2020 and 30 June 2019.

9 Income tax expense

	Continuing operations 2020 £	2019 £
Current tax		
Research and development tax credit: current year	(81,786)	(96,142)
Adjustment in respect of prior years' research and development	12,504	(567)
	(69,282)	(96,709)

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

	2020 £	2019 £
Loss before taxation	(133,706)	(200,749)
Expected tax charge based on a corporation tax rate of 19.00%	(25,404)	(38,142)
Expenses not deductible in determining taxable profit	1,271	4,645
Unutilised tax losses carried forward	-	-
Adjustment in respect of prior years' research and development	12,504	(567)
Research and development expenditure tax credit	(81,786)	(7,280)
Deferred / (accelerated) capital allowances	1,562	(2,613)
Research and development enhancement	(48,254)	(52,752)
Research and development enhancement	70,825	-
Tax charge for the period	(69,282)	(96,709)

At 30 June 2020 tax losses of £3,846,025, (2019: £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 £729,527, (2019: £648,002).

10 Earnings per share

	2020 £	2019 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	73,721,869	71,910,394
Earnings - Continuing operations		
Loss for the period from continued operations	(64,424)	(104,040)
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the Company for continued operations	(64,424)	(104,040)
Earnings per share for continuing operations		
Basic and diluted earnings per share (shown in pence)	(0.09)	(0.14)
Basic and diluted earnings per share		
From continuing operations (shown in pence)	(0.09)	(0.14)
	(0.09)	(0.14)

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

	2020	2019
Held for trading:	£	£
Current financial assets		
Trade and other receivables	78,863	107,622
Cash and cash equivalents	1,047,860	405,366
	1,126,723	512,988
Current financial liabilities Trade and other payables		
	109,029	70,626
Deferred revenue	7,698	1,250
	116,727	71,876

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 periodically 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

	Trademarks	Patents & Licenses	Total
	£	£	£
Cost			
At 1 July 2018	-	75,646	75,646
At 30 June 2019	1,385	-	1,385
Additions - purchased	2,913	-	2,913
Disposals	-	-	-
At 30 June 2020	4,298	-	4,298
Amortisation and impairment			
At 1 July 2018	-	75,646	75,646
At 30 June 2019	12	-	12
Charge for the year	422	-	422
Eliminated on disposals	-	-	-
At 30 June 2020	434	-	434
Carrying amount			
At 30 June 2020	3,864	-	3,864
At 30 June 2019	1,373	-	1,373

13 Tangible fixed assets

Cost	Fixtures and fittings £	IT equipment £	Total £
At 1 July 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
Additions	79	2,102	2,181
Disposals	-	-	-
At 30 June 2020	3,028	58,640	61,668
Accumulated depreciation and impairment			
At 1 July 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
Charge for the year	408	8,675	9,083
Eliminated on disposal	-	-	-
At 30 June 2020	2,300	47,832	50,132
Carrying amount			
At 30 June 2020	728	10,808	11,536
At 30 June 2019	1,058	17,380	18,438
At 30 June 2018	-	5,003	5,003

14 Investments

	Current		Non-current	
	2020 £	2019 £	2020 £	2019 £
Investment in subsidiaries	-	-	-	1
Impairment of investment	-	-	-	(1)
	-	-	-	-

The Company owned 100% of E-Phen Limited, a dormant company incorporated in the England and Wales. E-Phen Limited was dissolved on 7 September 2019.

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	
	2020 £	2019 £
Trade debtors	75,085	103,844
Other receivables	3,778	3,778
Corporation tax recoverable	81,786	96,142
VAT recoverable	10,475	22,518
Prepayments and accrued income	212,114	42,828
	383,238	269,110

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 2020 £	2019 £
Trade creditors	27,932	26,479
Accruals and deferred income	78,618	41,712
Social security and other taxation	14,790	14,497
Other creditors	2,479	2,435
	123,819	85,123

20 Deferred revenue

	2020 £	2019 £
Arising from invoices in advance	7,698	1,250

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:

	2020 £	2019 £
Current liabilities	7,698	1,250

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 £29,719 (2019: £16,334).

As at the statement of financial position date the Company had unpaid pension contributions totalling £2,479 (2019: £2,435).

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	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	28-Feb-27

Dr. C. Chassagnole	350,000	-	-	-	350,000	350,000	5.35	26-Mar-18	26-Mar-28
Dr. C. Chassagnole	267,000	-	-	-	267,000	267,000	3.16	26-Mar-19	26-Mar-29
Dr. J. Millen	1,453,923	-	-	-	1,453,923	1,453,923	2.50	28-Feb-17	28-Feb-27
Dr. J. Millen	520,000	-	-	-	520,000	520,000	5.35	26-Mar-18	26-Mar-28
Dr. J. Millen	400,000	-	-	-	400,000	400,000	3.16	26-Mar-19	26-Mar-29
Dr. P. Harper	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	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	28-Feb-27
Other staff	490,000	-	-	-	490,000	490,000	5.35	26-Mar-18	26-Mar-28
Other staff	533,000	-	-	-	533,000	533,000	3.16	26-Mar-19	26-Mar-29
Total	6,802,288	-	236,858	-	6,565,430	5,297,245			

The weighted average share price at the date of the grant for share options granted in the year was £Nil as no share options were granted during the current year (2019: £0.0316).

The options outstanding at 30 June 2020 had an exercise price ranging from £0.025 to £0.40, and a remaining contractual life of 8 years.

During 2020, no options were granted. Options vest according to time and performance-based criteria.

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.

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

	2020	**2019**
Expected volatility	60.18%	60.18%
Expected life	2.34 years	2.34 years
Risk free rate	0.664%	0.664%

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 £8,212 related to equity settled share-based payment transactions were recognised in the year. (2019 -£21,928).

23 Share capital

	2020	**2019**
	£	**£**
Ordinary share capital, issued and fully paid		
95,588,965 Ordinary of 0.4p each (2019: 71,910,394)	382,355	287,641
2,481,657,918 Deferred of 0.036p each	893,397	893,397
	1,275,752	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 2019	71,910,394	2,481,657,918
Issue of fully paid shares	23,678,571	-
At 30 June 2020	95,588,965	2,481,657,918

Current year changes to Ordinary share capital

On 3 June 2020, the Company issued 23,678,571 ordinary shares of 0.4p at a price of 3.5p per ordinary share for working capital purposes.

24 Share premium account

	£
At 30 June 2018 & at 30 June 2019	5,228,172
Issue of new shares	734,036
Share issue expenses	(65,471)
At 30 June 2020	5,896,737

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 2018	169,814
Additions	21,928
At 30 June 2019	191,742
Additions	8,212
At 30 June 2020	199,954

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 2018	(5,888,998)
Loss for the period	(104,040)
At 30 June 2019	(5,993,038)
Loss for the period	(64,424)
At 30 June 2020	(6,057,462)

Retained earnings includes an amount of £237,889 (2019: £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:

	2020	**2019**
	£	**£**
Minimum lease payments under operating leases	59,293	57,331

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:

	2020	2019
	£	£
Within one year	6,013	4,818
	6,013	4,818

28 Capital commitments

At 30 June 2020 and 30 June 2019 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 23 to 26.

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

The only material post-balance sheet event was the award of a contract by Astellas Pharma Inc. on 31 July 2020.

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 17.

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

	2020	2019
	£	£
Loss for the year after tax	(64,424)	(104,040)
Adjustments for:		
Taxation credited	(69,282)	(96,709)
Finance costs	-	-
Investment income	(679)	(470)
Amortisation and impairment of intangible assets	422	13
Depreciation and impairment of tangible fixed assets	9,083	8,381
Equity settled share-based payment expense	8,212	21,928
Movements in working capital:		
Increase in debtors	(128,484)	(13,515)
Decrease in creditors	38,696	25,358
Increase/(decrease) in deferred revenue	6,448	(67,190)
Cash absorbed by operations	(200,008)	(226,244)

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About Physiomics

Physiomics plc (AIM: PYC) is an oncology consultancy using mathematical models to support the development of cancer treatment regimens and personalised medicine solutions. 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.

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