30 September 2021

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

Final Results for the year ended 30 June 2021 and Date of AGM

Highlights

Financial Highlights

- Total income (revenue and grant income) decreased 13% to £730,899 (2020: £841,649), the third highest in the Company's history despite a full year of the impact of Covid-19
- The operating loss increased 151% to £337,040 (2020: £134,385)
- The loss after taxation increased 235% to £215,827 (2020: £64,424)
- At 30 June 2021, the surplus of shareholders' funds was £1,165,714 (30 June 2020: £1,314,981)
- Cash and cash equivalents at 30 June 2021 of £1,043,450 (30 June 2020: £1,047,860)

Operational highlights

- Renewal of agreement with Merck KGaA in December 2020 and further extension signed in May 2021
- Three additional contracts with Bicycle signed over the course of the financial year
- Addition of new clients Astellas Pharma in July 2020 and Numab Therapeutics in May 2021
- Partnership with TabulaRasa Healthcare's (NASDAQ:TRHC) DoseMeRx subsidiary in Dec 2020
- Enhanced agreement with ValiRx in Feb 2021 which renews and extends the previous collaboration between the two companies
- Approval in Dec 2020 of the NIHR-funded PARTNER study in prostate cancer patients to gather data for validation and further development of the Company's personalised dosing tool
- Creation of a Scientific Advisory Board (SAB) of independent experts to create and evaluate a pool of new ideas and opportunities
- After the period end, the Company also expanded both its technical team through the recruitment of new scientist and enhanced its business development capabilities through the recruitment of its first Head of Business Development

Dr Paul Harper, non-executive Chairman commented: "Despite COVID related headwinds, the Company has hit the trading targets announced on 10 May 2021 and careful cash management has meant that the Company finished the year with over £1m of cash.

In addition to adding new clients Astellas Pharma Inc and Numab Therapeutics over the course of the year, the Company initiated a number of longer-term value-generating activities including an expanded agreement with ValiRx and new personalised medicine partnership with US company TabulaRasa Healthcare's subsidiary DoseMeRx.

Our relationship with Merck has continued to provide a solid base upon which Dr Millen and his team can build. For the first time, the Company has recruited a dedicated full-time Head of Business Development who is expected to significantly develop its pipeline over the course of the current financial year. In parallel with this, the Company convened an external advisory board in the spring which recommended a number of areas felt to have particular potential for the Company and the Directors have taken actions to investigate these further. The team has shown great spirit and resilience during a challenging year and is now poised to drive the Company forward once more."

Annual General Meeting
The Company values the views of its shareholders and recognises their interest in the Company's strategy, performance and the ability of the board. The AGM provides an opportunity for two-way communication and all shareholders are encouraged to attend and participate. Separate resolutions will be put to shareholders at the AGM, giving them the opportunity to discuss matters of interest. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after each has been dealt with on a show of hands.

The Company intends to hold a physical AGM this year however it is closely monitoring the COVID-19 situation, including UK Government and ICSA 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, should guidance change in the run up to the Company's intended AGM date, the Company may make the decision to hold a closed AGM where shareholders, advisors and other guests will not be allowed to attend in person.

In the event that any changes to the 2021 AGM become unavoidable, we will announce them on the Company's website at www.physiomics.co.uk. 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 23 November 2021.

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

Overview
The Company is pleased to report that despite a difficult year, due mainly to the COVID pandemic and partly to investment in longer-term value generating initiatives, it met its revised trading targets as announced on 10 May 2021. In particular, despite a widening of its post-tax losses compared with the financial year ended 30 June 2020, the Company has maintained cash and equivalents of over £1m at 30 June 2021, only £4k down on the closing value at the end of its previous financial year.

Merck and Bicycle Therapeutics each awarded the Company multiple repeat contracts during the year. It is noteworthy that Physiomics is now supporting Bicycle with all its major clinical programs. The addition of Astellas Pharma was flagged as a post-period event in our last annual report, but the Company has also signed on Numab Therapeutics this year. Numab is a well-funded biotech operating in various therapy areas including oncology and boasts Daniel Vasella, the former CEO of Novartis, as its Chairman.

Since its fund raise in May 2020, the Company has increased its marketing activities, invested in its personalised medicine initiatives (both with DoseMeRx and through its PARTNER study in Portsmouth) and hired two new staff members, one scientist and a Head of Business Development.

In addition, the Company has invested in resources and project activities which are not currently cash generative but are designed to build for the future. These include the collaborations with ValiRx and DoseMeRx and account for the additional losses not attributable to COVID-related factors.

The initial integration of our personalised dosing software in DoseMe's cloud-based platform is now complete and user testing is ongoing.

In addition to our core consulting business and personalised dosing, the Company is actively exploring other possible activities to utilise its significant capabilities in the healthcare and mathematical modelling space. An advisory board was convened in April 2021 and a number of potential avenues were recommended for further investigation.

Overall, the year has been a challenging one for Physiomics, however, the Directors believe it is well positioned to recover and advance over the course of the current financial year.

Financial Review

The Company's full year total income of £730,899 reflects a year of Covid-19 related delays but was nevertheless the third highest in its history. Revenue was the second highest in the Company's history (marginally higher than 2019) but grant income slipped back below 2020 and 2019 levels because of the delays to the patient recruitment caused by the focus of hospitals on Covid-19. Total income in the second half fell to £345,209 (second half of prior year: £499,037) although first half unaudited total income of £385,690 had been ahead of the £342,612 for the first half in the previous year.

The operating loss increased 151% to £337,040 (2020: £134,385). The loss after taxation increased 235% to £215,827 (2020: £64,424).

Net assets at the year-end were £1,165,714 (2020: £1,314,981) of which £1,043,450 (2020: £1,047,860) comprised cash and cash equivalents.

The net cash outflow from operating activities fell by £83,763 (2020: £27,402) compared with the previous year to £32,607 (2020: £116,370) despite the increased loss after taxation.

COVID 19

The ongoing COVID 19 crisis has led to a delay in the commencement of our NIHR funded trial at the Portsmouth Technology Trials Unit although the Company was pleased to receive ethics committee and UK Health Research Authority approval for the trial in December 2020 and the trial formally opened in August 2021. It is expected to last around one year.

In addition, a number of the Company's current and potential new clients saw delays in the commencement or recruitment to their own clinical trials, which have had a knock-on effect due to associated delays in the generation of data needed for modelling. We believe, however, that for the most part these will be timing issues leading to delays rather than cancellations of projects.

On a positive note, the Company's employees continue to work effectively from home office settings with no reduction in efficiency or availability and, we believe, without impacting on the quality of interactions with clients. Going forwards the Company will adopt a flexible model with combined home and office working. Such a model has been welcomed by staff and offers the Company significantly more flexibility when recruiting new employees. As government guidelines on home working evolve we will keep this under review.

Staff

The Company's staff remain critical in what is essentially a knowledge-based consultancy business. For this reason, the Company is delighted that it continues to be able to attract new talent as and when required. The Company successfully employed a post-doctoral intern, its first for more than five years, between September 2020 and January 2021, having received a large number of applications from well-qualified candidates. Following our May 2020 fund-raise, where it was stated that funds would be used partly to retain and recruit new staff, the Company has also taken on both a new junior scientist to join the modelling team as well as an experienced Head of Business Development to drive development of our client pipeline and support the growth of the consulting business.

The board will continue to review staff utilisation rates and anticipated workload on an ongoing basis and 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 consulting business, with an increasing number of referrals from the Company's expanding network of past and current clients and contacts as well as new business generated by our marketing activities. In parallel, it is pursuing opportunities in personalised medicine and has identified other potential areas of value-adding activity where its core modelling capabilities could be used.

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.

<u>Modelling and simulation using Virtual Tumour™ and other tools</u>

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 inhibitors, radiation therapy and other areas of specialism. 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. Client companies rely heavily on the knowledge and experience of our team when evaluating data and devising new programmes. The team's exposure to and expanding expertise in a wide range of cancer treatment modalities is attractive to new and existing clients.

The team's expertise 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 the performance of drugs. 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. We believe our experience and capabilities have been helpful in supporting clients in identifying optimal clinical trial designs and justifying this to regulatory authorities. In the 2020/21 financial year, the Company has been able to:

- Support big pharma companies in developing evidence based dose reduction algorithms to optimise the balance of efficacy and toxicity. These algorithms have the potential to be used in the pivotal studies of significant big pharma pipeline drugs
- Predict the clinical efficacy of cancer regimens amongst patients with various specific genetic settings, based on extensive preclinical modelling and then translation of these settings to man
- Use modelling to generate hypotheses as to the mechanism of action of client assets and predict/ explain why they may have a competitive advantage over other marketed drugs with the same targets
- Support and inform first in man dosing based on predictions of biologically effective dose from computer models

<u>Personalised Medicine</u>
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 the observational "PARTNER" 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. This trial was approved by ethics committee and HRA in December 2020 however its start was delayed until July 2021 due to COVID related constraints on hospital activity.

In parallel with the PARTNER study, the Company entered into a research collaboration with the DoseMeRx subsidiary of TabulaRasa Healthcare (TRHC) in the US in December 2020. Through this initiative, Physiomics' personalised docetaxel dosing tool will be integrated into TRHC's market-leading precision dosing solution and tested with its customers. If successful, the next stage would be a commercial collaboration and potential expansion of the tool to address other drugs and disease conditions.

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 risk-sharing deal with ValiRx plc announced in February 2021
- The collaboration with TabulaRasa Healthcare in the US around the Company's personalised dosing software tool announced in December 2020
- The embedding of our technology as part of a broader offering in collaboration with other service providers (discussions on going)

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. Our newly formed SAB is expected to drive the development of new ideas and activities designed to broaden and build our business. New experts will be added as priorities emerge and develop.

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 90 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);
- *We have particular expertise in the sourcing, curating and analysis of healthcare data.* Whether originating from clients or within the public domain, our team comprises experts in data analysis, coding and machine learning (AI) techniques that underpin the modelling activities we carry out on behalf of our clients; 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 consulting business (whether through fee for service or risk-sharing arrangements) while actively investigating other possible applications of our core modelling and simulation capabilities. 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 other clients);
- Diversify the customer base by working with a variety of commercial, and not-for-profit clients and grant funded projects (CRUK, Innovate UK, NIHR etc);
- Broaden our geographical presence in Europe and North America by leveraging the Company's existing contact base and increasing marketing and business development efforts;
- Work with a mix of early pre-clinical stage projects and high value clinical development phase of oncology; and
- Develop new, complementary areas of business such as 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.

Principle	Company's actions
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.
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) decreased 13% to £730,899 (2020: £841,649), the third highest in the Company's history
- The operating loss increased 151% to £337,040 (2020: £134,385)
- The loss after taxation increased 235% to £215,827 (2020: £64,424)
- At 30 June 2021, the surplus of shareholders' funds was £1,165,714 (30 June 2020: £1,314,981)
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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 presented at AACR; and attended ASCO, ESMO and SITC; 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, as well as long-standing client Merck KGaA. The Company has now worked with Merck for over nine years and is in the fourth 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. 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 a 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, 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.

The Company has developed a tool for personalised dosing, funded mainly by two Innovate UK grants and in March 2020 announced a that the NIHR, through its i4i initiative, would be funding an observational study to be carried out by the Portsmouth Technology Trials Unit (PTTU). Although the start of this study was significantly delayed due to restrictions imposed by COVID 19, it was approved in December 2020 and formally commenced in August 2021. The trial is expected to last up to 12 months. In parallel, the Company continues to work on its collaboration with TabulaRasa Healthcare Inc through its DoseMeRx subsidiary (as announced in December 2020).

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. Despite the headwinds experienced by the Company this financial year, total revenues during the last five financial years (from YE June 2017 to YE June 2021) exceed the total revenues of the 15 years prior to that. In particular, revenue for the past 3 financial years (YE June 2019 to YE June 2021) has averaged £740k annually, compared with £315k for the 3 years before that (YE June 2016 to YE June 2018). Similarly, loss after tax for the past 3 financial years (YE June 2019 to YE June 2021) has averaged £128k, compared with an average of £321k for the 3 years before that (YE June 2016 to YE June 2018). Year-end net assets have decreased 11% from their year-end peak for June 2020 but remain higher than all year ends prior to that.

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.	The Company continues to broaden its customer base and create a balance between a small number of large customers and a larger number of small customers. The Company continues to foster a close relationship with its main big pharma client Merck KGaA and is currently in the fourth year of a master services agreement signed with that client in 2017.
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. Over the course of this financial year, the Company took on an intern and recruited a new technical team member. After the end of the period the Company also recruited a head of business development. In all cases a high number of qualified applications were 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. The Company had over £1.0 million in cash and equivalents at the year end and net cash outflows were less than £35k. As such and based on the amount 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 completed CyberEssentials accreditation following an updating of its systems hardware and processes to increase resilience vs cyber related attacks and risks.
COVID 19	The current COVID 19 pandemic has far-reaching consequences for many companies.	As described elsewhere in this Annual Report, the Company experienced significant headwinds relating to COVID this year due to delays in client clinical trials as well as in the Company's own PARTNER trial relating to its personalised medicine. These issues now appear to be resolving and in particular, the Company's PARTNER trial has now formally opened for recruitment from August 2021.

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 2021.

Results

There was a loss for the year after taxation amounting to £215,827 (2020 loss after tax: £64,424). 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 20 August 2021, the following shareholders had over 3% interests in the issued ordinary shares of the Company.

	Shares (m)	Holding %
Mr Zahid Ali*	6.24	6.58%
Mr Paul McKillen**	3.00	3.08%

* Based on beneficial ownership search conducted on 20 August 2021

** Based on TR1 notified to the Company on 19 July 2019

On 20 August 2021, Dr Paul Harper held 668,564 ordinary shares, Dr Jim Millen held 1,384,393 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 2021 is set out below:

	Emoluments £	Bonus £	Benefits £	Pension Contributions £	Total 2021 £	Total 2020 £
Dr P B Harper	37,185	-	-	-	37,185	37,000
Dr J S Millen	124,117	9,750	1,759	10,452	146,079	135,547
Dr C D Chassagnole	67,011	5,495	1,451	9,241	83,198	76,191
Total	**228,313**	**15,245**	**3,210**	**19,693**	**266,461**	**248,738**

Environmental and Social Governance

The Company has a relatively small environmental footprint and implements various policies to ensure it is kept to a minimum, including:

- Use of modular office space with services shared with other occupiers
- Adoption of flexible "hot-desking", especially in light of new more flexible home/ office working models post-COVID
- Recycling of office waste where possible
- Discontinuation of the use of small plastic bottles of water for staff and visitors

The activities of the company are targeted at supporting companies developing drugs and therapies to fight cancer and in addition, the computer-based modelling we undertake serves to reduce the volume of animal testing needed in developing such therapies.

Finally, in terms of diversity and inclusion, of eight full time staff (at the time of going to press), five are women and four are non-UK nationals.

Post balance sheet events

There were no material post-balance sheet events.

Statement as to disclosure of information to auditors

The Directors in office on 29 September 2021 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.

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 2021 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 30 June 2021 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	

Risk	How the Scope of our audit responded to the risk
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 £18,781. 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 17, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined the most significant are those that relate to the reporting framework (IFRS, the Companies Act 2006)) and the relevant tax compliance regulations in which the Company operates.
- We understood how the Company is complying with those frameworks by making enquiries on the management and those responsible for legal and compliance

procedures. We corroborated our enquiries through our review of board minutes and any correspondence received from regulatory bodies.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by enquiring with management during the planning, fieldwork and completion phase of our audit. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk including revenue recognition. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of the management and focus testing.

An auditor conducting an audit in accordance with ISAs (UK) is responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error and in our audit procedures described above. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 2021

	Notes	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Revenue	3	702,314	799,055
Other operating income	3	28,585	42,594
Total income		730,899	841,649
Net operating expenses		(1,067,939)	(976,034)
Operating loss	4	(337,040)	(134,385)
Finance Income	7	110	679
Loss before taxation		(336,930)	(133,706)
Income tax income	9	121,103	69,282
Loss for the year attributable to equity shareholders	25	(215,827)	(64,424)
Earnings per share (shown in pence)	10		
Basic and diluted		(0.22)p	(0.09)p

Statement of Comprehensive Income

	Year ended 30 June 2021 £	Year ended 30 June 2020 £
Loss for the year	(215,827)	(64,424)
Other comprehensive income	-	-
Total comprehensive income/ (expense) for the year	(215,827)	(64,424)
Attributable to:		
Equity holders	(215,827)	(64,424)

Statement of Financial Position as at 30 June 2021

	Notes	2021	2020
		£	£
Non-current assets -			
Intangible assets	**12**	3,435	3,864
Property, plant and equipment	**13**	15,700	11,536
		19,135	15,400
Current assets			
Trade and other receivables	**14**	260,699	383,238
Cash and cash equivalents		1,043,450	1,047,860
		1,304,149	1,431,098
Total assets		1,323,284	1,446,498
Current liabilities			
Trade and other payables	**18**	114,042	123,819
Deferred revenue	**19**	43,528	7,698
Total liabilities		157,570	131,517
Net current assets		1,146,579	1,299,581
Net assets		1,165,714	1,314,981
Equity			
Called up share capital	**22**	1,282,736	1,275,752
Share premium account	**23**	5,933,993	5,896,737
Other reserves	**24**	222,274	199,954
Retained earnings	**25**	(6,273,289)	(6,057,462)
Total equity		1,165,714	1,314,981

The financial statements were approved by the board of directors and authorised for issue on 30 September 2021.

Statement of Changes in Equity for the year ended 30 June 2021

	Share capital	Share premium account	Other Reserves	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 July 2019	1,181,038	5,228,172	191,742	(5,993,038)	607,914
Year ended 30 June 2020:					
Loss and total comprehensive income for the year	-	-	-	(64,424)	(64,424)
Issue of share capital	94,714	668,565	-	-	763,279
Transfer to other reserves	-	-	8,212	-	8,212
Balance at 30 June 2020	1,275,752	5,896,737	199,954	(6,057,462)	1,314,981
Year ended 30 June 2021:					
Loss and total comprehensive income for the year	-	-	-	(215,827)	(215,827)
Issue of share capital	6,984	37,256	-	-	44,240
Transfer to other reserves	-	-	22,320	-	22,320
Balance at 30 June 2021	1,282,736	5,933,993	222,274	(6,273,289)	1,165,714

Cash Flow Statement for the year ended 30 June 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash absorbed by operations	**32**		(116,122)		(200,008)
Tax refunded			83,515		83,638
Net cash outflow from operating activities			(32,607)		(116,370)
Investing activities					
Purchase of intangible assets		-		(2,913)	
Purchase of tangible fixed assets		(16,153)		(2,181)	
Interest received		110		679	
Net cash used in investing activities			(16,043)		(4,415)
Financing activities					
Proceeds from issue of shares		44,240		828,750	
Share issue costs		-		(65,471)	
Net cash generated from financing activities			44,240		763,279
Net increase in cash and cash equivalents			(4,410)		642,494
Cash and cash equivalents at beginning of year			1,047,860		405,366
Cash and cash equivalents at end of year			1,043,450		1,047,860

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

The Company had £1,043,450 of cash and cash equivalents as at 30 June 2021(2020: £1,047,860).

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
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.

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:

	2021	2020
	£	£
Revenue	702,314	799,055
Other operating income		
Grant income	28,585	42,594

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 (2020: UK, European Union and USA) from its principal activity.

its principal activity.

4 Operating loss

	2021	2020
	£	£
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	160	169
Government grants	(28,585)	(42,594)
Fees paid to the Company's auditor, refer to below	10,500	14,000
Depreciation of property, plant and equipment	11,989	9,083
Amortisation of intangible assets	429	422
Share-based payments	22,320	8,212

5 Auditors remuneration

	2021	2020
Fees payable to the Company's auditor and associates:	£	£
For audit services		
Audit of the Company's financial statements	10,500	10,000
For other services		
Taxation compliance services	-	2,000
Other taxation services	-	2,000
Total fees	10,500	14,000

6 Employees

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

	2021	2020
	Number	Number
	7	7

Their aggregate remuneration comprised:

	2021	2020
	£	£
Wages and salaries	435,071	408,051
Social security costs	48,134	44,785
Other pension and insurance benefit costs	36,997	35,636
	520,202	488,472

Details of the remuneration of Directors are included in the Directors Report on page 17.

7 Finance income

	2021	2020
	£	£
Interest income		
Bank deposits	110	679

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 2021 and 30 June 2020.

9 Income tax expense

	Continuing operations	
	2021	**2020**
	£	**£**
Current tax		
Research and development tax credit: current year	(119,374)	(81,786)
Research and development tax credit: prior year	(1,729)	12,504
	(121,103)	(69,282)

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

	2021	**2020**
	£	**£**
Loss before taxation	(336,930)	(133,706)
Expected tax charge based on a corporation tax rate of 19.00%	(64,017)	(25,404)
Expenses not deductible in determining taxable profit	(8,943)	1,271
Unutilised tax losses carried forward	9,636	-
Adjustment in respect of prior years' research and development	(1,729)	12,504
Research and development expenditure tax credit	(119,374)	(81,786)
Deferred / (accelerated) capital allowances	(832)	1,562
Research and development enhancement	(83,404)	(48,254)
Loss surrendered for tax credits	147,560	70,825
Tax charge for the year	(121,103)	(69,282)

At 30 June 2021 tax losses of £3,888,387, (2020: £3,846,025) 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 £736,649, (2020: £729,527).

Future changes to the rate of corporation tax

In the 2021 budget it was announced that the main rate of corporation tax will increase from 19% to 25% from 1st April 2023.

10 Earnings per share

	2021	2020
	£	£
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	97,127,381	73,721,869
Earnings - Continuing operations		
Loss for the period from continued operations	(215,827)	(64,424)
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the Company for continued operations	(215,827)	(64,424)
Earnings per share for continuing operations		
Basic and diluted earnings per share (shown in pence)	(0.22)	(0.09)
Basic and diluted earnings per share		
Loss from continuing operations (shown in pence)	(0.22)	(0.09)

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

	2021	2020
Held for trading:	£	£
Current financial assets		
Trade and other receivables	31,356	78,863
Cash and cash equivalents	1,043,450	1,047,860
	1,074,806	1,126,723
Current financial liabilities		
Trade and other payables	98,916	109,029
Deferred revenue	43,528	7,698
	142,444	116,727

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	Total
	£	£
Cost		
At 1 July 2019	1,385	1,385
Additions	2,913	2,913
At 30 June 2020	4,298	4,298
At 30 June 2021	4,298	4,298
Amortisation and impairment		
At 1 July 2019	12	12
Charge for the year	422	422
At 30 June 2020	434	434
Charge for the year	429	429
At 30 June 2021	863	863
Carrying amount		
At 30 June 2021	3,435	3,435
At 30 June 2020	3,864	3,864

13 Tangible fixed assets

	Fixtures and fittings	IT equipment	Total
Cost	**£**	**£**	**£**
At 1 July 2019	2,949	56,538	59,487
Additions	79	2,102	2,181
At 30 June 2020	3,028	58,640	61,668
Additions	-	16,153	16,153
At 30 June 2021	3,028	74,793	77,821
Accumulated depreciation and impairment			
At 1 July 2019	1,892	39,157	41,049
Charge for the year	408	8,675	9,083
At 30 June 2020	2,300	47,832	50,132
Charge for the year	411	11,578	11,989
At 30 June 2021	2,711	59,410	62,121
Carrying amount			
At 30 June 2021	317	15,383	15,700
At 30 June 2020	728	10,808	11,536
At 30 June 2019	1,058	17,380	18,438

14 Trade and other receivables

	Due within one year	
	2021	**2020**
	£	**£**
Trade debtors	27,578	75,085
Other receivables	3,778	3,778
Corporation tax recoverable	119,374	81,786
VAT recoverable	9,098	10,475
Prepayments and accrued income	100,871	212,114
	260,699	383,238

15 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.

16 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.

17 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.

18 Trade and other payables

	Due within one year	
	2021	**2020**
	£	**£**
Trade creditors	18,842	27,932
Accruals	77,547	78,618
Social security and other taxation	15,126	14,790
Other creditors	2,527	2,479
	114,042	123,819

19 Deferred revenue

	2021	**2020**
	£	**£**
Arising from invoices in advance	43,528	7,698

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:

	2021	**2020**
	£	**£**
Current liabilities	43,528	7,698

20 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 £30,471 (2020: £29,719).

As at the statement of financial position date the Company had unpaid pension contributions totalling £2,527 (2020: £2,479).

21 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	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	6.17	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. C. Chassagnole	-	694,287	-	-	694,287	-	7.55	02-Mar-21	01-Mar-31
Dr. J. Millen	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. J. Millen	-	985,454	-	-	985,454	-	7.55	02-Mar-21	01-Mar-31
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	6.17	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
Dr. P. Harper	-	448,760	-	-	448,760	-	7.55	02-Mar-21	01-Mar-31
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	6.17	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	-	-	201,890	201,891	201,891	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	-	-	90,000	443,000	443,000	3.16	26-Mar-19	26-Mar-29
Other staff	-	1,371,499	-	-	1,371,499	-	7.55	02-Mar-21	01-Mar-31
Total	6,565,430	3,500,000	-	1,745,813	8,319,617	4,751,433			

The weighted average share price at the date of the grant for share options granted in the year was £0.0755 (2020: £Nil).

The options outstanding at 30 June 2021 had an exercise price ranging from £0.025 to £0.34, and a remaining contractual life ranging between 5 months and 10 years.

During 2021, 3,500,000 options were granted on 02 March 2021 (2020: nil). The weighted average fair value of the options on the measurement date was £0.0319. Options vest according to time and performance based criteria.

The options were granted with an exercise price of £0.0755.

Fair value was measured using Black-Scholes share option pricing model.

Inputs were as follows:

	2021	2020
Expected volatility	67.64%	60.18%
Expected life	2.47 years	2.34 years
Risk free rate	0.093%	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 £22,320 related to equity settled share based payment transactions were recognised in the year. (2020: £8,212).

22 Share capital

	2021 £	2020 £
Ordinary share capital, issued and fully paid		
97,334,778 Ordinary of 0.4p each (2020: 95,588,965)	389,339	382,355
2,481,657,918 Deferred of 0.036p each	893,397	893,397
	1,282,736	1,275,752

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 2020	95,588,965	2,481,657,918
Issue of fully paid shares	1,745,813	-
At 30 June 2021	97,334,778	2,481,657,918

Current year changes to Ordinary share capital

On 13 August 2020 the Company issued 1,655,813 ordinary shares of 0.4p at a price of 2.5p per ordinary share following the exercise of employee share options, the proceeds of which were used for working capital purposes.

On 20 August 2020 the Company issued 90,000 ordinary shares of 0.4p at a price of 3.16p per ordinary share following the exercise of employee share options, the proceeds of which were used for working capital purposes.

23 Share premium account

	£
At 1 July 2019	5,228,172
Issue of new shares	734,036
Share issue expenses	(65,471)
At 30 June 2020	5,896,737
Issue of new shares	37,256
At 30 June 2021	5,933,993

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).

24 Other reserves: share-based compensation reserve

	£
At 30 June 2019	191,742
Additions	8,212
At 30 June 2020	199,954
Additions	22,320
At 30 June 2021	222,274

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

25 Retained earnings

	£
At 1 July 2019	(5,993,038)
Loss for the period	(64,424)
At 30 June 2020	(6,057,462)
Loss for the period	(215,827)
At 30 June 2021	(6,273,289)

Retained earnings includes an amount of £237,889 (2020: £237,889) in relation to the Equity Swap Agreement in 2014 which under the Companies Act is not distributable.

26 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:

	2021	2020
	£	£
Minimum lease payments under operating leases	61,351	59,293

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:

	2021	2020
	£	£
Within one year	6,128	6,013
	6,128	6,013

27 Capital commitments

At 30 June 2021 and 30 June 2020 the Company had no capital commitments.

28 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 22 to 25.

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.

29 Events after the reporting date

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

30 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 18.

31 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.

32 Cash absorbed by operations

	2021	2020
	£	£
Loss for the year after tax	(215,827)	(64,424)
Adjustments for:		
Taxation credited	(121,103)	(69,282)
Investment income	(110)	(679)
Amortisation and impairment of intangible assets	429	422
Depreciation and impairment of tangible fixed assets	11,989	9,083
Equity settled share-based payment expense	22,320	8,212
Movements in working capital:		
Increase in debtors	160,127	(128,484)
Decrease in creditors	(9,777)	38,696
Increase in deferred revenue	35,830	6,448
Cash absorbed by operations	(116,112)	(200,008)

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Notes to Editor

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 80 projects, involving over 40 targets and 70 drugs, and has worked with clients such as Merck KGaA, Astellas, Merck & Co and Bicycle Therapeutics.