

29 September 2022

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

Final Results for the year ended 30 June 2022 and Date of AGM

## Highlights

### Financial Highlights

- Total income (revenue and grant income) increased 23% to £900,707 (2021: £730,899)
- The operating loss increased 6.5% to £359,114 (2021: £337,040)
- The loss after taxation increased 17.3% to £253,138 (2021: £215,827)
- At 30 June 2022, the surplus of shareholders' funds was £974,807 (30 June 2021: £1,165,714)
- Cash and cash equivalents at 30 June 2022 of £687,674 (30 June 2021: £1,043,450)

### Operational highlights

- Recruitment of two additional technical team members
- Recruitment of the Company's first ever Head of Business Development
- Recruitment of first patient in the Company's personalised dosing PARTNER study being run by Portsmouth University Hospitals NHS Trust
- Award of contracts by long term client Merck KGaA
- Second project with client Numab Therapeutics
- Signing of new biotech clients Ankyra Therapeutics and Ducentis Biotherapeutics
- Appointment of two new independent Non-Executive Directors to the Company's board Dr Tim Corn and Mr Shalabh Kumar
- Signing of new large-pharma client, Servier

*"The Company has returned to a growth trajectory in the year ended 30 June 2022, coming in slightly ahead of analyst forecasts and also beating the Company's previous highest ever total income. Cash outflows reflected a deliberate strategy to invest for growth through the recruitment of both additional technical team members and the Company's first Head of Business Development, as well as investment in various marketing activities. These enabled us to sign a number of new clients including Ankyra Therapeutics, Ducentis BioTherapeutics and Servier with many other potential new customers in the pipeline.*

*As all companies start to establish new normal working practices post-COVID, staff motivation remains high with flexible working arrangements allowing us to attract highly talented and experienced staff who might otherwise not be available to us.*

*In parallel with its consulting activities, the Company is coming to the end of its personalised dosing PARTNER trial in Portsmouth and looks forward to the final analysis of data being completed by the end of this calendar year.*

*Finally, the Company has secured the services of two highly experienced independent Non-Executive Directors and I look forward to working with them and the rest of the board to identify and action what we believe are significant growth opportunities for the Company going forward."*

## **Executive Chairman and Chief Executive Officer's Statement**

### **Overview**

The Company is pleased to report that, following a challenging financial year 2021, it has returned to a growth trajectory in the year ended 30 June 2022, slightly ahead of analyst forecasts and beating its previous highest ever total income. Planned investments in expanded capacity, marketing and business development capability, led to higher cash outflows than in the comparable previous period, however the Directors believe that these will be reflected in higher levels of new business during 2023.

In its consulting business, the Company continues to exhibit a strong ability to generate repeat business from clients such as Merck, Bicycle Therapeutics and Numab Therapeutics, while also attracting first time customers such as Servier, Ankyra Therapeutics and Ducentis BioTherapeutics.

In parallel with its consulting activities, the Company continues to explore the opportunity of personalised oncology through its collaboration with DoseMeRx and its observational PARTNER trial being run by Portsmouth Hospitals University NHS Trust, which reaches the end of its recruitment period this month and whose data will be analysed by the end of this calendar year.

Since the Company last raised funds 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 three new staff members, two scientists 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 create a platform for future growth. These include the collaborations with ValiRx and DoseMeRx and account for the additional losses not attributable to COVID-related factors.

With the addition of two new and highly experienced Non-Executive Directors to the Board, the Company intends to once again review strategic opportunities to accelerate growth in both its core consulting business and personalised oncology, as well as other areas where we believe our modelling and quantitative analysis capabilities would give us a competitive advantage.

### **Financial Review**

The Company's total income for the year ended 30 June 2022 of £900,707 represents a 23% increase over year ended 30 June 2021 and is 7% higher than its previous highest ever total income of £841,649 in year ended 30 June 2020.

The loss after taxation increased 17.3% to £253,138 (2021: £215,827) with a significant part of this due to investment in new team members and marketing as noted above.

At 30 June 2022, the surplus of shareholders' funds was £974,807 (30 June 2021: £1,165,714) of which cash and cash equivalents were £687,674 (30 June 2021: £1,043,450), representing around two years of cash runway at the Company's current burn rate.

### **COVID 19**

The COVID 19 crisis led to a delay in the commencement of our NIHR funded trial at the Portsmouth University Hospitals NHS Trust. The trial eventually started recruiting in September 2021, having received ethics committee approval in December 2020, and will complete recruitment in September 2022. Data from the trial will be received by Physiomics and analysed over the course of the remainder of calendar year 2022.

By contrast with the comparable prior period, the Company's clients have experienced fewer delays due to COVID and most projects have generally proceeded according to anticipated timelines.

Employees continue to work effectively from a mixture of office and home office settings with no reduction in efficiency and the Company envisages that it will continue with this flexible model

for the foreseeable future. As noted above, flexible working also offers significant advantages in attracting new talent to the team.

### **Staff**

The Company recruited two highly talented new technical team members during the year, as well as a new Head of Business Development, to drive and service a larger pipeline of new business. When advertising new positions, the Company continues to receive a significant number of applications from qualified and experienced individuals, which reflects the profile of the Company and the positive image it continues to foster.

Staff utilisation rates are regularly reviewed as part of the Company's workforce planning process and the Company would like to thank all its staff for their continuing hard work and commitment during the year.

In addition, the Company appointed two new and highly experienced Non-Executive Directors, one in April and one in September after the year end.

### **Outlook**

The Company is pleased to have bounced back to its highest ever level of total income for the year ended 30 June 2022 and sees opportunities for the current financial year in both its core consulting business and in personalised oncology. The global oncology pharmaceuticals market is anticipated to continue to grow strongly at around 11.6% per annum through 2027<sup>1</sup> with the biosimulation technology market (all therapy areas) predicted to grow even more strongly at 13% per annum through to 2030<sup>2</sup>.

With a strengthened Board, the Company plans to continue to explore other areas where its expertise in lifesciences modelling and data analysis could create additional value for its shareholders.

*Dr Jim Millen, Executive Chairman and Chief Executive Officer*

## **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 outcomes for patients, at the lowest 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 generates fee for service revenues by providing insights to clients based on its modelling. The Company utilises its proprietary Virtual Tumour™ predictive software, industry standard tools (such as NONMEM and MATLAB), as well as developing bespoke models using the R programming language. Extensions to Virtual Tumour™ have been developed over the last few years to address specialist areas such as immuno-oncology, DNA damage repair inhibitors, radiation therapy and other areas of specialism. 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

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<sup>1</sup> <https://www.fortunebusinessinsights.com/oncology-drugs-market-103431>

<sup>2</sup> <https://growthplusreports.com/report/biosimulation-technology-market/7766>

team's exposure to and expanding expertise in a wide range of cancer treatment modalities is attractive to new and existing clients.

The Company's expertise in the late discovery, preclinical and clinical phases of pharmaceutical R&D, enables it to add 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-human studies. We believe our experience and capabilities have been helpful in supporting clients in identifying optimal clinical trial designs and justifying them to regulatory authorities. In recent projects, the Company has been able to:

- Support big pharma companies in developing evidence-based dose selection to optimise the balance of efficacy and toxicity
- 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
- 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
- Support and inform first in human dosing based on predictions of biologically effective dose from computer models

#### 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 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 work has been funded by two Innovate UK Grants and one NIHR grant and has not drawn materially on shareholder funds. The Company's ongoing observational "PARTNER" trial being run at Portsmouth's University Hospitals NHS Trust should complete recruitment by the end of September 2022 and data from the trial will be analysed over the course of the rest of this calendar year, with a particular focus on:

- Validating the ability of the tool to predict levels of neutropaenia
- Exploring the tool's ability to predict the effect of drugs commonly used to counteract the neutropaenia normally associated with chemotherapy (in this case the use of docetaxel in prostate cancer)

In parallel with the PARTNER study, the Company continues to be in dialogue with its US partner DoseMeRx (a subsidiary of TabulaRasa Healthcare Inc.) to identify commercially attractive applications of Physiomics technology that could potentially be marketing to US customers of the DoseMeRx platform.

#### **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. An example of this includes the risk-sharing deal with ValiRx plc announced in February 2021 for which terms have been fully disclosed and which would be triggered by the receipt by ValiRx of licensing revenues related to VAL-201.

With the involvement of its two new Non-Executive Directors, the Company will continue to explore alternative approaches, although it is envisaged 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 140 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 provide its clients.

### 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, attracting repeat business and growing alongside them (as evidenced by having now worked on multiple projects with Bicycle Therapeutics, Numab Therapeutics, Merck and others);
- Diversify the Company's 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 and other service offerings in drug discovery and development 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.
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.
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 23% to £900,707 (2021: £730,899)
- The operating loss increased 6.5% to £359,114 (2021: £337,040)
- The loss after taxation increased 17.3% to £253,138 (2021: £215,827)
- At 30 June 2022, the surplus of shareholders' funds was £974,807 (30 June 2021: £1,165,714)
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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 bespoke mathematical models for clients 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;
- Retention of a full-time Head of Business Development;
- Beginning once again (post-COVID) to have a significant presence at key conferences (e.g. we will attend, present, and have a stand at the SITC immune-oncology conference in

November 2022); 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 Numab Therapeutics, as well as long-standing client Merck KGaA.

The Company's clients in this financial year have been located in the USA, UK, EU and Switzerland. 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 and one NIHR grant as noted above.

### 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. Total revenues during the last five financial years (from year ended June 2018 to year ended June 2022) exceed the total revenues of the 15 years prior to that. In particular, total income for the past 3 financial years (year ended June 2020 to year ended June 2022) has averaged £824k annually, compared with £522k for the 3 years before that (year ended June 2017 to year ended June 2019). Similarly, loss after tax for the past 3 financial years (year ended June 2020 to year ended June 2022) has averaged £178k, compared with an average of £229k for the 3 years before that (year ended June 2017 to year ended June 2019). Year-end net assets at 30 June 2022 of £975k have fallen from their year-end peak at June 2020 of £1,314,981 but remain higher than all year ends prior to that.

### Principal Risks

The Company faces a number of risks and 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. Selected key risks are addressed below.

Risk	Description	Mitigation
Loss of major customer	The business has a high dependence on a single large customer (Merck KGaA). This leads to the risk that the 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 fifth year of a master services agreement signed with that client in 2017.

Risk	Description	Mitigation
<b>Competition</b>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>In addition, in the last three 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.</p> <p>We are in parallel seeking other ways in which to broaden the base of activities of the Company.</p>
<b>Personnel &amp; skills</b>	<p>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.</p> <p>Key personnel leaving the Company could lead to a short-term reduced capacity to service client projects.</p>	<p>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.</p> <p>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.</p> <p>Over the course of this financial year, the Company took on two new technical team members and a Head of Business Development. In all cases a high number of qualified applications were received.</p>
<b>Financial</b>	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Although cash outflows this year (£356k) were significantly higher than the comparable previous period (£4k), this was in large part to planned investments in staff which are expected to translate to increased revenues during the current financial year. The Company had £688k in cash and equivalents at the year end and projections indicate that cash by December 2023 will not fall significantly below this level.</p>

Risk	Description	Mitigation
<b>Regulation Changes</b>	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.
<b>Systems &amp; infrastructure</b>	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. The Company maintains CyberEssentials accreditation of its systems hardware and processes in order to increase resilience vs cyber related attacks and risks.
<b>COVID 19</b>	The COVID 19 pandemic had far-reaching consequences for many companies although the threat appears to be receding	The COVID pandemic appears to be receding, and its impact on business this year has been minimal other than in delaying the completion of the Company's PARTNER study in Portsmouth (as detailed elsewhere in this report). Some individual employees have contracted COVID during the year but none seriously and there has been no material impact on project timelines as a result of illness on our side.
<b>Prevailing economic conditions</b>	Publicly listed biotech companies share prices have come under some pressure during calendar 2022 and our clients' ability to raise capital may be impacted by this and adverse sentiment related to energy prices and the war in Ukraine	We have not noted any material negative impact on our projects resulting from our clients scaling back their development plans over the course of this financial year ended 30 June 2022 however we continue to monitor carefully.

By order of the board

*Dr Jim Millen*

*Executive Chairman and Chief Executive Officer*

## Directors' Report

The Directors submit their report and the audited financial statements of Physiomics Plc for the year ended 30 June 2022.

### Results

There was a loss for the year after taxation amounting to £253,138 (2021 loss after tax: £215,827). 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 (until 22 February 2022)

Dr J S Millen

Dr C D Chassagnole

Dr T H Corn (from 1 April 2022)

### 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 UK. 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, based on a beneficial ownership search carried out by its registrar, that as at 15 August 2022, the following individual shareholders had over 3% interests in the issued ordinary shares of the Company.

	Shares (m)	Holding %
Mr Zahid Ali	4,649,642	4.77%
Mr Ben Ryden	3,872,833	3.98%

On 15 August 2022, Dr Jim Millen held 1,384,393 ordinary shares and Dr Christophe Chassagnole held 602,723 ordinary shares. The holding percentages were 1.42% and 0.62% respectively.

### Directors' remuneration

Details of Directors' remuneration in the year ended 30 June 2022 is set out below:

	Emoluments	Bonus	Benefits	Pension	Total	Total
	£	£	£	Contributions	2022	2021
	£	£	£	£	£	£
Dr P B Harper	34,595	-	-	-	34,595	37,185
Dr J S Millen	125,970	-	1,864	10,608	138,442	146,079
Dr C D Chassagnole	69,572	-	1,530	9,579	80,681	83,198
Dr T H Corn	5,000	-	-	-	5,000	-
<b>Total</b>	<b>235,137</b>	<b>-</b>	<b>3,394</b>	<b>20,187</b>	<b>258,718</b>	<b>266,462</b>

## 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 employees, four are women and three 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 28 September 2022 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 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. In the event that any changes to the 2022 AGM become unavoidable, however, we will announce them on the Company's website at [www.physiomics.co.uk](http://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 22 November 2022.**

*By order of the board*

*Dr Jim Millen*

*Executive Chairman and Chief Executive Officer*

## **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 2022 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 2022 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
<b>Management override of controls</b> 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.
<b>Going Concern and COVID-19</b> 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.
<b>Fraud in Revenue Recognition</b> 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.
<b>Accounting Estimates</b>	

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.
<b>Overstatement of Administrative Expenses</b> 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.
<b>Grant Income</b> 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 2022

	Notes	Year ended 30 June 2022 £	Year ended 30 June 2021 £
Revenue	3	830,266	702,314
Other operating income	3	70,441	28,585
<b>Total income</b>		<u>900,707</u>	<u>730,899</u>
Net operating expenses		(1,259,821)	(1,067,939)
<b>Operating loss</b>	4	<u>(359,114)</u>	<u>(337,040)</u>
Finance income	7	142	110
<b>Loss before taxation</b>		<u>(358,972)</u>	<u>(336,930)</u>
Income tax income	9	105,834	121,103
<b>Loss for the year attributable to equity shareholders</b>	25	<u>(253,138)</u>	<u>(215,827)</u>
<b>Earnings per share (shown in pence)</b>	10		
Basic and diluted		(0.26)p	(0.22)p

## Statement of Comprehensive Income

	Year ended 30 June 2022 £	Year ended 30 June 2021 £
<b>Loss for the year</b>	(253,138)	(215,827)
Other comprehensive income	-	-
<b>Total comprehensive income/ (expense) for the year</b>	(253,138)	(215,827)
<b>Attributable to:</b>		
Equity holders	<u>(253,138)</u>	<u>(215,827)</u>

## Statement of Financial Position as at 30 June 2022

		2022	2021
	Notes	£	£
<b>Non-current assets</b>			
Intangible assets	12	3,005	3,435
Property, plant and equipment	13	14,365	15,700
Other receivables	14	395	-
		<hr/>	<hr/>
		17,765	19,135
		<hr/>	<hr/>
<b>Current assets</b>			
Trade and other receivables	14	409,977	260,699
Cash and cash equivalents		687,674	1,043,450
		<hr/>	<hr/>
		1,097,651	1,304,149
		<hr/>	<hr/>
<b>Total assets</b>		1,115,416	1,323,284
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	18	126,347	114,042
Deferred revenue	19	14,262	43,528
		<hr/>	<hr/>
<b>Total liabilities</b>		140,609	157,570
		<hr/>	<hr/>
<b>Net current assets</b>		957,042	1,146,579
		<hr/>	<hr/>
<b>Net assets</b>		974,807	1,165,714
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Called up share capital	22	1,283,096	1,282,736
Share premium account	23	5,936,478	5,933,993
Other reserves	24	281,660	222,274
Retained earnings	25	(6,526,427)	(6,273,289)
		<hr/>	<hr/>
<b>Total equity</b>		974,807	1,165,714
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the board of directors and authorised for issue on 29 September 2022.

## Statement of Changes in Equity for the year ended 30 June 2022

	Share capital £	Share premium account £	Other Reserves £	Profit and loss reserves £	Total £
<b>Balance at 1 July 2020</b>	1,275,752	5,896,737	199,954	(6,057,462)	1,314,981
<b>Year ended 30 June 2021:</b>					
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
<b>Balance at 30 June 2021</b>	<u>1,282,736</u>	<u>5,933,993</u>	<u>222,274</u>	<u>(6,273,289)</u>	<u>1,165,714</u>
<b>Year ended 30 June 2022:</b>					
Loss and total comprehensive income for the year	-	-	-	(253,138)	(253,138)
Issue of share capital	360	2,485	-	-	2,845
Transfer to other reserves	-	-	59,386	-	59,386
<b>Balance at 30 June 2022</b>	<u><u>1,283,096</u></u>	<u><u>5,936,478</u></u>	<u><u>281,660</u></u>	<u><u>(6,526,427)</u></u>	<u><u>974,807</u></u>

## Cash Flow Statement for the year ended 30 June 2022

	Notes	2022		2021	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	32		(468,767)		(116,122)
Tax refunded			119,374		83,515
			<hr/>		<hr/>
<b>Net cash outflow from operating activities</b>			(349,393)		(32,607)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(9,370)		(16,153)	
Interest received		142		110	
		<hr/>		<hr/>	
<b>Net cash used in investing activities</b>			(9,228)		(16,043)
<b>Financing activities</b>					
Proceeds from issue of shares		2,845		44,240	
		<hr/>		<hr/>	
<b>Net cash generated from financing activities</b>			2,845		44,240
			<hr/>		<hr/>
<b>Net decrease in cash and cash equivalents</b>			(355,776)		(4,410)
Cash and cash equivalents at beginning of year			1,043,450		1,047,860
			<hr/>		<hr/>
Cash and cash equivalents at end of year			687,674		1,043,450
			<hr/>		<hr/>

# 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 United Kingdom 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.

The Company had £687,674 of cash and cash equivalents as at 30 June 2022 (2021: £1,043,450).

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:

	2022	2021
	£	£
<b>Revenue</b>	830,266	702,314
<b>Other operating income</b>		
Grant income	70,441	28,585

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 Switzerland and USA (2021: UK, European Union Switzerland and USA) from its principal activity.

### 4 Operating loss

	2022	2021
	£	£
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	548	160
Government grants	(70,441)	(28,585)
Fees paid to the Company's auditor, refer to below	10,500	10,500
Depreciation of property, plant and equipment	10,705	11,989
Amortisation of intangible assets	430	429
Share-based payments	59,386	22,320

### 5 Auditors remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor and associates:		
<b>For audit services</b>		
Audit of the Company's financial statements	10,500	10,500

### 6 Employees

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

	2022	2021
	Number	Number
	8	7

Their aggregate remuneration comprised:

	2022	2021
--	------	------

	£	£
Wages and salaries	484,570	435,071
Social security costs	52,026	48,134
Other pension and insurance benefit costs	44,528	36,997
	<u>581,124</u>	<u>520,202</u>

Details of the remuneration of Directors are included in the Directors Report on page 18.

## 7 Finance income

	2022	2021
	£	£
<b>Interest income</b>		
Bank deposits	142	110
	<u>142</u>	<u>110</u>

## 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 2022 and 30 June 2021.

## 9 Income tax expense

	<b>Continuing operations</b>	
	2022	2021
	£	£
<b>Current tax</b>		
Research and development tax credit: current year	(105,834)	(119,374)
Research and development tax credit: prior year	-	(1,729)
	<u>(105,834)</u>	<u>(121,103)</u>

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

	2022	2021
	£	£
Loss before taxation	(358,972)	(336,930)
Expected tax charge based on a corporation tax rate of 19.00%	(68,205)	(64,017)
Expenses not deductible in determining taxable profit	10,964	(8,943)
Unutilised tax losses carried forward	786	9,636
Adjustment in respect of prior years' research and development	-	(1,729)
Research and development expenditure tax credit	(105,834)	(119,374)
Deferred / (accelerated) capital allowances	(315)	(832)
Research and development enhancement	(68,125)	(83,404)

Loss surrendered for tax credits	124,895	147,560
Tax charge for the year	(105,834)	(121,103)

At 30 June 2022 tax losses of £3,892,521, (2021: £3,888,387) 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 £737,640, (2021: £736,649).

#### 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 1<sup>st</sup> April 2023.

## 10 Earnings per share

	2022 £	2021 £
<b>Number of shares</b>		
Weighted average number of ordinary shares for basic earnings per share	97,372,997	97,127,381
<b>Earnings - Continuing operations</b>		
Loss for the period from continued operations	(253,138)	(215,827)
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the Company for continued operations	(253,138)	(215,827)
<b>Earnings per share for continuing operations</b>		
Basic and diluted earnings per share (shown in pence)	(0.26)	(0.22)
<b>Basic and diluted earnings per share</b>		
Loss from continuing operations (shown in pence)	(0.26)	(0.22)

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

	2022 £	2021 £
Held for trading:		
<b>Current financial assets</b>		
Trade and other receivables	83,903	31,356
Cash and cash equivalents	687,674	1,043,450
	771,577	1,074,806
<b>Current financial liabilities</b>		
Trade and other payables	108,014	98,916
Deferred revenue	14,262	43,528
	122,276	142,444

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 £
<b>Cost</b>		
At 1 July 2020	4,298	4,298
At 30 June 2021	4,298	4,298
At 30 June 2022	4,298	4,298
<b>Amortisation and impairment</b>		
At 1 July 2020	434	434
Charge for the year	429	429
At 30 June 2021	863	863
Charge for the year	430	430
At 30 June 2022	1,293	1,293
<b>Carrying amount</b>		
At 30 June 2022	3,005	3,005
At 30 June 2021	3,435	3,435

### 13 Tangible fixed assets

	Fixtures and fittings	IT equipment	Total
Cost	£	£	£
At 1 July 2020	3,028	58,640	61,668
Additions	-	16,153	16,153
At 30 June 2021	<u>3,028</u>	<u>74,793</u>	<u>77,821</u>
Additions	-	9,370	9,370
Disposals	(179)	(3,182)	(3,361)
At 30 June 2022	<u>2,849</u>	<u>80,981</u>	<u>83,830</u>
<b>Accumulated depreciation and impairment</b>			
At 1 July 2020	2,300	47,832	50,132
Charge for the year	411	11,578	11,989
At 30 June 2021	<u>2,711</u>	<u>59,410</u>	<u>62,121</u>
Charge for the year	316	10,389	10,705
Eliminated on disposal	(179)	(3,182)	(3,361)
At 30 June 2022	<u>2,848</u>	<u>66,617</u>	<u>69,465</u>
<b>Carrying amount</b>			
At 30 June 2022	1	14,364	14,365
At 30 June 2021	<u>317</u>	<u>15,383</u>	<u>15,700</u>
At 30 June 2020	<u>728</u>	<u>10,808</u>	<u>11,536</u>

### 14 Trade and other receivables

	Due within one year	
	2022	2021
	£	£
Trade debtors	80,125	27,578
Other receivables	3,778	3,778
Corporation tax recoverable	105,834	119,374
VAT recoverable	32,988	9,098
Prepayments and accrued income	187,252	100,871
	<u>409,977</u>	<u>260,699</u>
	<b>Due after one year</b>	
	2022	2021
	£	£
Prepayments and accrued income	395	-
	<u>395</u>	<u>-</u>

## 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	
	2022	2021
	£	£
Trade creditors	26,847	18,842
Accruals	78,197	77,547
Social security and other taxation	18,333	15,126
Other creditors	<u>2,970</u>	<u>2,527</u>
	<u>126,347</u>	<u>114,042</u>

## 19 Deferred revenue

	2022	2021
	£	£
Arising from invoices in advance	<u>14,262</u>	<u>43,528</u>

### 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:

	2022	2021
	£	£
Current liabilities	<u>14,262</u>	<u>43,528</u>

## 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 £36,012 (2021: £30,471).

As at the statement of financial position date the Company had unpaid pension contributions totalling £2,970 (2021: £2,527).

## 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	-	-	-	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	694,287	7.55	02-Mar-21	01-Mar-31
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	985,454	7.55	02-Mar-21	01-Mar-31
Dr. P. Harper	12,932	-	12,932	-	-	-	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	448,760	7.55	02-Mar-21	01-Mar-31
Other staff	91,107	-	91,107	-	-	-	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	201,891	-	-	-	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	443,000	-	-	90,000	353,000	353,000	3.16	26-Mar-19	26-Mar-29
Other staff	1,371,499	-	-	-	1,371,499	1,371,499	7.55	02-Mar-21	01-Mar-31
Other staff	-	850,000	-	-	850,000	-	4.38	29-Apr-22	29-Apr-32
<b>Total</b>	<b>8,319,617</b>	<b>850,000</b>	<b>136,370</b>	<b>90,000</b>	<b>8,943,247</b>	<b>8,093,247</b>			

The weighted average share price at the date of the grant for share options granted in the year was £0.0438 (2021: £0.0755).

The options outstanding at 30 June 2022 had an exercise price ranging from £0.025 to £0.132, and a remaining contractual life ranging between 7 months and 10 years.

During 2022, 850,000 options were granted on 29 April 2022 (2021: 3,500,000). The weighted average fair value of the options on the measurement date was £0.0438. Options vest according to time and performance based criteria.

The options were granted with an exercise price of £0.0438.

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

Inputs were as follows:

	2022	2021
Expected volatility	56.70%	67.64%
Expected life	2.47 years	2.47 years
Risk free rate	1.614%	0.093%

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 £59,386 related to equity settled share based payment transactions were recognised in the year. (2021: £22,320).

## 22 Share capital

	2022 £	2021 £
<b>Ordinary share capital, issued and fully paid</b>		
97,424,778 Ordinary of 0.4p each (2021: 97,334,778)	389,699	389,339
2,481,657,918 Deferred of 0.036p each	<u>893,397</u>	<u>893,397</u>
	<u>1,283,096</u>	<u>1,282,736</u>

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 2021	97,334,778	2,481,657,918
Issue of fully paid shares	<u>90,000</u>	<u>-</u>
At 30 June 2022	<u>97,424,778</u>	<u>2,481,657,918</u>

### Current year changes to Ordinary share capital

On 27 January 2022 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 2020	5,896,737
Issue of new shares	<u>37,256</u>
At 30 June 2021	5,933,994
Issue of new shares	<u>2,484</u>
At 30 June 2022	<u>5,936,478</u>

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 2020	199,954
Additions	<u>22,320</u>
At 30 June 2021	222,274
Additions	<u>59,386</u>
At 30 June 2022	<u>281,660</u>

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 2020	(6,057,462)
Loss for the period	<u>(215,827)</u>
At 30 June 2021	(6,273,289)
Loss for the period	<u>(253,138)</u>
At 30 June 2022	<u>(6,526,427)</u>

Retained earnings includes an amount of £237,889 (2021: £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:

	2022	2021
	£	£
Minimum lease payments under operating leases	64,012	61,351

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:

	2022	2021
	£	£
Within one year	6,588	6,128

## 27 Capital commitments

At 30 June 2022 and 30 June 2021 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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Loss for the year after tax	(253,138)	(215,827)
<b>Adjustments for:</b>		
Taxation credited	(105,834)	(121,103)
Investment income	(142)	(110)
Amortisation and impairment of intangible assets	430	429
Depreciation and impairment of tangible fixed assets	10,705	11,989
Equity settled share-based payment expense	59,386	22,320
<b>Movements in working capital:</b>		
Increase in contract assets	(395)	-
(Increase)/decrease in debtors	(162,818)	160,127
Increase/(decrease) in creditors	12,305	(9,777)
(Decrease)/increase in deferred revenue outstanding	(29,266)	35,830
<b>Cash absorbed by operations</b>	<b><u>(468,767)</u></b>	<b><u>(116,122)</u></b>

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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.