Physiomics Plc

Annual Report and Financial Statements

For the Year Ended 30 June 2012

Company Registration No 4225086

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Officers and Professional Advisers

DIRECTORS

Dr P B Harper — Chairman
Dr M P Chadwick — Chief Executive Officer
Dr C D Chassagnole — Chief Operating Officer

SECRETARY

R J Jones

REGISTERED OFFICE

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NOMINATED ADVISOR, BROKER AND FINANCIAL ADVISER

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SOLICITOR

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Merlin Place,
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Physiomics Plc is a limited liability company incorporated in England & Wales and domiciled in United Kingdom.

Chairman's Statement

Summary of Results in the year ended 30 June 2012

- Fundraising in April 2012 generated cash of £555,000 before issue expenses
- The turnover of the Company more than doubled to £135,306 (2011 £53,345)
- The operating loss reduced to £577,922 (2011 £693,795)
- On 30 June 2012 the surplus of shareholders' funds was £734,570 (2011 £755,511)

With a now fully validated Virtual Tumour technology, Physiomics has concentrated its efforts on product extension, new product development and increasing the customer base

In summary we have

- Signed up our second top tier global pharma customer
- Signed up our third major pharma company, a top-five pharma company
- Initiated our development of Virtual Tumour Clinical to enable optimisation of drug regimens in humans
- Commenced using client project data to develop Virtual Tumour Clinical
- Developed a new database product which allows users to rapidly search through pre-clinical and clinical dosing regimens This product is expected to be launched in 2013
- Developed a new model to predict drug cardiac toxicity based on laboratory data
- Identified a number of potential partners with the potential to join forces to increase the scope of the company's offerings

Dr Paul Harper, Non-Executive Chairman

Chairman and Chief Executive Officer's Statement

Introduction

The vision and strategy for Physiomics remains unchanged, and the Company has made good progress towards its declared goals in the period Signing up two new major pharmaceutical companies to utilise Virtual Tumour represents an important landmark in establishing the Company's technology platform in the drug discovery process in oncology In addition to signing Lilly Inc earlier, adding two further top tier pharma companies this year would suggest that our strategy is working While the initial revenues for first projects are always modest, since these usually take the form of pilot studies, the Directors believe that there are good prospects for increased business and revenue flow from such customers In particular, such prospects could arise from internal policy decisions to use Virtual Tumour as a standard modality in drug discovery programmes In addition, growing the customer base has increased our awareness of the potential for new decision and forecasting tools, leading us to develop Virtual Tumour Clinical It continues to be the view of the Directors that development of a clinical version of Virtual Tumour will be a major source of future revenues, since a tool with this capability has been requested by most of our current and potential customers The Company has also developed two new products, namely its drug combinations and regimens database and cardiac toxicity prediction model These are designed to augment our credentials as a business committed to providing predictive tools to the pharma and healthcare Industry Such tools are used by professionals to improve the outcomes of drug design, development, combination dosing strategies and clinical outcomes

Technology Development

(i) Virtual Tumour product improvements

Physiomics is constantly striving to improve the value-adding capability of Virtual Tumour, in particular by reducing the data requirements to calibrate the model The Company has begun a collaboration with the Swiss company, InSphero, aimed at using *in vitro* 3D 'spheroid' cultures to replace xenografts, so that Physiomics could start to make predictions even before xenograft experiments are initiated To date the collaborators have tested one cell line and are looking to expand the collaboration to test multiple cell lines relevant to different types of cancer

(ii) Virtual Tumour Clinical

The work to adapt Virtual Tumour to work in humans is progressing The first phase, to develop and calibrate the model using literature data, will allow us to evaluate the predictive power of the model against known outcomes The second phase involves using client data to calibrate and test the model The third phase will be to use the calibrated model to guide clinical decision-making on drug/drug combination dosing and scheduling

(iii) Drug combinations and regimens database

The database should be of interest to drug researchers and clinicians alike It collates multiple sources of data, both literature and proprietary, into an easily searchable web-based format The beta version of the database is completed and is now undergoing quality improvement, data checking and testing internally It expected to be released commercially in the 2013 The database will be accessed by annual subscription

(iv) Cardiac toxicity prediction service

A new modelling platform has been implemented in-house to predict which drug candidates are likely to exhibit toxic effects on the heart using only laboratory-based calibration data This is a particular problem in the industry, with several high profile failures in the past due to cardiac toxicity This technology has already been implemented and adopted by some large pharmaceutical companies Our new service will make the technology accessible to a broader number of companies who lack expertise and resources for in-house implementation In the first phase, Physiomics has already implemented the modelling platform and started to develop new functionalities in collaboration with our new Scientific Advisory Board member, Dr Jonathan Swinton The Company is now seeking collaborators who have data sets that can be used to test and improve the platform This new service should start commercially in 2013

Business Development Strategy

The continuing strategy of the Company to target large pharmaceutical companies is starting to bear fruit, as evidenced by the recent announcements Our experience is that, once a pilot study has been completed, such companies look to apply the technology to other projects To date, the pilot studies have led to successful validation by each of the companies concerned There is then an opportunity for Virtual Tumour to become part of the standard protocol used by the company to evaluate the performance of their lead molecules The pharmaceutical company could then benefit from improved timelines and reduced cost relative to traditional methods The ultimate business goal is therefore to get a number of large pharma companies to sign up for annual contracts covering a number of projects and then to extend this to the use of Virtual Tumour Clinical to aid clinical trial design Alternatively, granting non-exclusive licenses to the technology has been discussed with some potential customers, although this is not a short-term prospect

The Company completed its first workshop at a conference which was highly successful This format included case study presentations and interactive discussions and will be repeated at future relevant events

While approaches to smaller biotechnology companies have not translated into revenue in the period, they continue to be another important target in particular in the US Nevertheless, the company has signed a revenue sharing deal with ValiRx This model provides the promise of significant downstream revenues to augment the short-term service fees we typically receive

The Company is also seeking to expand its reach in the US and signed up a new business development consultant, David Jobes, who is based on the East Coast

Outlook

The directors believe the pharmaceutical market place remains in some disarray, with several high-profile downsizing announcements coupled with regular strategy reviews which impact on development priorities The financial status of our nearest market, the EU, especially over the past year, is a factor that all fee-for-service providers must work with We believe that our menu driven approach to providing focused services has been a contributory factor to our ability to add two new global pharma customers to our portfolio The Company has also successfully raised further equity funds and is expecting to be in a strong position to contemplate corporate deal-making as well as progressing with development of its flagship product, Virtual Tumour Clinical

The Company is currently looking at opportunities to further strengthen its financial position both to enable it to undertake corporate deals and for future working capital, if necessary One such option under consideration is a Standby Equity Distribution Agreement (SEDA) and a further announcement will be made in due course if the Company enters into such an arrangement

In the short term, the most likely source of significant revenue growth is an extension of the relationships with the existing customers and continuing to sign up new clients particularly large pharmaceutical companies In the longer term, the Company is planning to develop a potentially game-changing technology in Virtual Tumour Clinical The Directors believe that there is currently no adequate technology in the market that can optimise drug combination dosing and scheduling for clinical trials, and certainly not for individual patients This represents an unmet need which Physiomics is uniquely positioned to exploit by developing its existing technology

Dr Paul Harper, Non-Executive Chairman

Dr Mark Chadwick, Chief Executive Officer

Directors' Report

The Directors submit their report and the audited financial statements of Physiomics Plc for the year ended 30 June 2012.

Principal Activities and Performance Review

The Company is principally engaged in providing services to pharmaceutical companies in the areas of outsourced systems and computational biology

There was a loss for the year after taxation amounting to £539,577 (2011 loss. £644,532). 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.

Performance Indicators

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

- The turnover of the Company increased to £135,306 (2011 £53,345)
- The operating loss was £577,922 (2011: £693,795)
- At the 30 June 2012 the surplus of shareholders' funds was £734,570 (2011. £755,511)

Future Risks

The Company faces many risks on the way to building shareholder value. The process of winning major contracts in a competitive environment is rarely simple and can be delayed for reasons outside the Company's control This means the Company faces major uncertainties in its cash flow

Addressing the Risks

The Board addresses the financial uncertainties by careful budget monitoring and by quickly responding to variations If there are delays in signing contracts then recruitment and capital expenditure is frozen until the anticipated income is achieved.

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 income values do not bear interest

Interest rate profile

The Company had no bank borrowings at the 30 June 2012

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

Fair values

Fair values of financial instruments equate to the best value as disclosed in the financial information. There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements

Statement of Directors' responsibilities

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

UK company law requires the directors to prepare financial statements for the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 2006 and Article 4 of the IAS Regulation

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 they have been prepared in accordance with IFRS as adopted by the EU,

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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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.

Directors' Report - continued

Substantial shareholdings

The Company has been informed that on 30 June 2012 the following shareholders held substantial holdings in the issued ordinary shares of the Company

	Number of Ordinary shares	Holding %
TD Direct Investing Nominees (Europe) Limited	261,269,879	17 4%
Barclayshare Nominees Limited	229,537,807	15 3%
HSDL Nominees Limited	179,966,502	12 0%
XCAP Nominees Limited	112,293,428	7.5%
LR Nominees Limited	95,266,733	6.4%
HSBC Client Holdings Nominee (UK) Limited	78,251,702	5.2%
James Capel (Nominees) Limited	70,705,050	4.7%
Hargreaves Lansdown (Nominees) Limited	63,799,652	4.3%
Dr Paul Harper	52,570,787	3.5%
Investor Nominees Limited	46,696,065	3 1%

No other person has reported an interest of more than 3% in the ordinary shares

On 30 June 2012 Dr Mark Chadwick held 3,970,151 ordinary shares and Dr Christophe Chassagnole held 15,189,740 ordinary shares. The holding percentages were 0.26% and 1 01% respectively.

Directors' remuneration

Details of Directors' remuneration in the year ended 30 June 2012 is set out below:

	Emoluments £	Benefits £	Pension contributions £	Total £
Dr P B Harper	35,000	-	-	35,000
Dr C D Chassagnole	58,941	-	3,030	61,971
Dr M P Chadwick	105,144	-	-	105,144
Total	**199,085**	**-**	**3,030**	**202,115**

Directors' Report - continued

Payment policy

The Company pays its suppliers as it would wish to be paid and supports initiatives aimed at ensuring good practice in this area. Trade creditors of the Company were equivalent to 58 days purchases (2011 57 days), based on the average daily amount invoiced by suppliers to the Company during the year.

Post balance sheet events

There are no material post balance sheet events

Statement as to disclosure of information to auditors

The directors in office on 14 November 2012 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

Corporate Governance

The Board of Directors is accountable to the Company's shareholders for good corporate governance The company takes corporate governance seriously and the statement below sets out how the Board apply the principles of good corporate governance

Directors

The Company supports the concept of an effective Board leading and controlling the Company The Board is responsible for formulating and approving the strategy of the business and meets at least six times per year Various matters are specifically reserved for Board decision, ensuring that the Board maintains full control over strategic, financial, organisational, risk and compliance issues Management supply the Board with appropriate and timely information, while the directors are encouraged to seek any further information they consider necessary

The Board comprises two executive directors, who fulfill the main operational roles in the Company, and a non-executive Chairman. Due to the size of the Company, the Board does not consider the appointment of a senior non-executive director to be necessary. A full list of the directors is shown above.

Directors' Report - continued

Accountability

The Board endeavours to present a balanced and comprehensible assessment of the Company's situation and prospects in all of its published statements, including interim reports, price-sensitive announcements, reports to regulators and information supplied to comply with statutory requirements

The Audit Committee consists of Christophe Chassagnole and Roger Jones and is chaired by Paul Harper. The Committee meets at least three times per year to consider matters relating to the Company's financial position and financial reporting. The Audit Committee reviews the independence and objectivity of the external auditors, as well as the amount of non-audit work undertaken by Shipleys LLP to satisfy the Committee that this will not compromise their independence Details of the fees paid to Shipleys LLP during the current accounting period are given in note 3 to the accounts. There are no areas of work where Shipleys LLP are prohibited from carrying out work

Remuneration Committee

The Remuneration Committee has been established primarily to determine the remuneration, terms and conditions of employment of the executive directors of the Company The Committee comprises Mark Chadwick and Roger Jones and is chaired by Paul Harper It meets at least twice a year. The primary concern of the Committee is to establish a system of rewards and incentives that aim to align the interests of the executive directors with the long-term interests of the share-holders. These are based on the achievement of both scientific and commercial milestones while taking no account the financial position of the Company at this stage in its development Any remuneration issues concerning non-executive directors are resolved by this Committee and no director participates in decisions that concern his own remuneration

Going Concern

After making appropriate enquiries, 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
- detailed monthly management accounts are produced by an independent third party for the Board to review and take appropriate action

Directors' Report - continued

Internal Control

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 uses its website www physiomics-plc com as another means of providing information to shareholders and other interested parties The website displays the annual report and accounts, interim results and other relevant announcements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Taylor Vinters LLP, Tower 42, 33rd Floor, 25 Old Broad Street, London, EC2N 1HQ at 11.00 am on 17 December 2012

By order of the board

Dr Paul Harper
Chairman
14 November 2012

Independent Auditors Report to the shareholders of Physiomics Plc

We have audited the financial statements of Physiomics Plc for the year ended 30 June 2012 which comprise the income statement, 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 the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion·

- the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2012 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;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditor's Report to the shareholders of Physiomics Plc - continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, 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 and not made, or
- we have not received all the information and explanations we require for our audit

Benjamin Bidnell
Benjamin Bidnell (senior statutory auditor)
For and on behalf of Shipleys LLP statutory auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

14 November 2012

Income Statement for the year ended 30 June 2012

	Notes	Year ended 30-Jun-12 £	Year ended 30-Jun-11 £
Revenue	2	**135,306**	53,345
Net operating expenses		**(703,932)**	(725,746)
Share-based compensation		**(9,296)**	(21,394)
Operating loss	3	**(577,922)**	(693,795)
Finance income	4	**5,674**	7,869
Finance costs	5	**-**	-
Loss before taxation		**(572,248)**	(685,926)
UK corporation tax	7	**32,671**	41,394
Loss for the year attributable to equity shareholders		**(539,577)**	(644,532)
Loss per share (pence)			
Basic and diluted	8	**(0.045)** p	(0.063) p

Statement of financial position as at 30 June 2012 Company Number: 4225086

	Notes	Year ended 30-Jun-12 £	Year ended 30-Jun-11 £
Non-current assets			
Intangible assets	10	21,047	25,759
Property, plant and equipment	11	6,227	7,473
Investments		1	1
		27,275	33,233
Current assets			
Trade and other receivables	12	121,874	104,703
Cash and cash equivalents		690,950	729,615
	9	812,824	834,318
Total assets		840,099	867,551
Current liabilities			
Trade and other payables	9,12	(105,529)	(112,040)
Total liabilities		(105,529)	(112,040)
Net assets		734,570	755,511
Capital and reserves			
Share capital	14	599,420	451,420
Capital reserves	15	3,777,736	3,407,100
Retained earnings	16	(3,642,586)	(3,103,009)
Equity shareholders' funds		734,570	755,511

The financial statements were approved by the Board of Directors and authorised for issue on 14 November 2012 and are signed on its behalf by

Dr Paul Harper
Chairman

Statement of changes in equity for the year ended 30 June 2012

	Share capital £	Share premium account £	Share-based compensation reserve £	Retained earnings £	Total shareholders' funds £
At 30 June 2010	399,690	2,795,735	49,877	(2,458,477)	786,825
Share issue (net of costs)	51,730	540,094	-	-	591,824
Loss for the year	-	-	-	(644,532)	(644,532)
Share-based compensation	-	-	21,394	-	21,394
At 30 June 2011	451,420	3,335,829	71,271	(3,103,009)	755,511
Share issue (net of costs)	148,000	361,340	-	-	509,340
Loss for the year	-	-	-	(539,577)	(539,577)
Share-based compensation	-	-	9,296	-	9,296
At 30 June 2012	599,420	3,697,169	80,567	(3,642,586)	734,570

Cash Flow Statement for the year ended 30 June 2012

	Year ended 30-Jun-12 £	Year ended 30-Jun-11 £
Cash flows from operating activities		
Operating loss	**(577,922)**	(693,795)
Amortisation and depreciation	**7,865**	6,332
Share-based compensation	**9,296**	21,394
(Increase) decrease in receivables	**(26,106)**	13,394
Decrease in payables	**(6,510)**	(2,006)
Decrease in deferred income	**-**	(21,132)
Cash generated from operations	**(593,377)**	(675,813)
UK corporation tax received	**41,605**	33,037
Interest paid	**-**	-
Net cash generated from operating activities	**(551,772)**	(642,776)
Cash flows from investing activities.		
Interest received	**5,674**	7,869
Purchase of non-current assets, net of grants received	**(1,907)**	(7,356)
Net cash received by investing activities	**3,767**	513
Cash outflow before financing	**(548,005)**	(642,263)
Cash flows from financing activities		
Issue of ordinary share capital (net of expenses)	**509,340**	591,824
Net cash from financing activities	**509,340**	591,824
Net (decrease) increase in cash and cash equivalents	**(38,665)**	(50,439)
Cash and cash equivalents at beginning of year	**729,615**	780,054
Cash and cash equivalents at end of year	**690,950**	729,615

Notes on the Financial Statements

Basis of preparation

Physiomics Plc has adopted International Financial Reporting Standards ("IFRS"), IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS

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

Accounting policies

Revenue recognition

The revenue shown in the income statement relates to amounts received or receivable from the provision of outsourced systems and computational biology services to pharmaceutical companies

Revenue from the provision of its principal activities are recognised when the Company has transferred to the buyer the significant risks and rewards of ownership, has no continuing managerial involvement or control to the degree normally associated with ownership and can reliably measure the economic benefits of the transaction.

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.

Going concern

The accounts have been prepared on the going concern basis The Company primarily operates in the relatively defensive pharmaceutical industry which we expect to be less affected by current economic conditions compared to other industries

The Company had £690,950 of cash and cash equivalents as at 30 June 2012 (2011 £729,615). 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 forecasts, taking into account likely revenue streams, show that the Company has sufficient funds to operate for the foreseeable future

After reviewing the Company's forecasts, the Directors believe that the Company is adequately placed to manage its business and financing risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Intangible assets

Intangible assets acquired separately from third parties are recognised as assets and measured at cost

Following initial recognition, intangible assets are measured at cost or fair value at the date of acquisition less any amortisation and any impairment losses Amortisation costs are included within the net operating expenses disclosed in the income statement

Intangible assets are amortised over their useful lives as follows

	Useful Life	Method
Software	15 years	Straight line

Useful lives are also examined on an annual basis and adjustments, where applicable are made on a prospective basis. The Company does not have any intangible assets with indefinite lives

Property, plant and equipment

All items are initially recorded at cost

Impairment of 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

Depreciation

Depreciation is calculated to write off the cost of an asset over its useful economic life as follows·

Leasehold improvements - the remaining life of the lease

Fixtures and computers - three years, straight-line basis

Research and development expenditure

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

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.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less

Notes on the Financial Statements - continued

Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating result

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright The amount capitalised is the present value of the minimum lease payments payable during the lease terms The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss in proportion to the remaining balance outstanding.

All other leases are 'operating leases' and the annual rentals are charged to the income statement on a straight-line basis over the lease term.

Government Grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the income statement over the estimated useful life of the assets to which they relate

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

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 an estimated vesting period Fair value is measured by use of a binomial model.

Investments

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

Taxation

Tax currently payable is based on the taxable profit for the period which may differ from net profit reported in the income statement

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay further tax, or a right to pay less tax in future Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the gains or losses in tax assessments in period different from those in which they are recognised in the financial statements. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse

Adoption of International accounting standards

In the current financial year, the Company has adopted the following Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee:

IAS 24 - Related Party Disclosures

IAS 32 (Amendment) (October 2009) - Classification of Rights Issues

IAS 39 (Amendment) (July 2008) - Eligible Hedged Items

IFRS 1 (revised November 2008) - First-Time Adoption of International Financial Reporting Standards

IFRS 1 (Amendment) (July 2009) - Additional Exemptions for First-Time Adopters

IFRS 1 (Amendment) (January 2010) - Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

IFRS 3 (revised January 2008) - Business Combinations

IFRS 7 Amendment - Financial Instrument Disclosures Transfers of Financial Assets

Annual Improvements to IFRSs 2009 and IFRSs 2010

IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement

IFRIC 17 - Distributions of Non-cash Assets to Owners

IFRIC 18 - Transfers of Assets from Customers

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Adoption of these Standards and Interpretations did not have any effect on the financial statements of the Company, or result in changes in accounting policy or additional disclosure.

The IASB and IFRIC have issued a number of Standards and Interpretations with an effective date after the date of these financial statements. The new Standards and Interpretations issued include.

IAS 12 Amendment - Deferred Tax Recovery of Underlying Assets is effective from 1 January 2012

IAS 19 (revision) - Employee Benefits is effective from 1 January 2013

IAS 27 (revised 2011) - Separate Financial Statements is effective from 1 January 2013

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities is effective from 1 January 2013

IFRS 9 - Financial Instruments - effective from 1 January 2013

IFRS 11 - Joint Arrangements is effective from 1 January 2013

IFRS 12 - Disclosures of Interest in Other Entities is effective from 1 January 2013

IFRS 13 - Fair Value Measurement is effective from 1 January 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the Company's financial statements.

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

There was no material accounting estimates or areas of judgements required.

2 REVENUE AND SEGMENTAL REPORTING

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

This activity comprises a single segment of operation of a sole UK base and entirely UK based assets

Revenue was derived in the UK and European Union from its principal activity

3 OPERATING PROFIT

	2012	2011
	£	£
Operating Loss is stated after charging		
Research and development		
Current year expenditure	**149,409**	257,809
Depreciation charge for the year		
- Owned assets	**3,153**	1,643
Amortisation charge for the year	**4,712**	4,689
Audit services, refer to below	**12,000**	12,000

	Payable to.	**2012**	2011
		£	£
Amounts payable for both audit and non-audit services			
Audit services - Statutory audit	Shipleys LLP	**10,000**	10,000
Tax services - Compliance services	Shipleys LLP	**2,000**	2,000
		12,000	12,000

4 FINANCE INCOME

	2012 £	2011 £
Bank interest receivable	**5,674**	7,869

5 FINANCE COSTS

	2012 £	2011 £
Interest payable	-	-

6 STAFF COSTS

	2012 £	2011 £
Staff costs during the year		
Wages and salaries	**107,968**	120,971
Social security costs	**11,546**	12,492
Pension costs	-	-
	119,514	133,463
Average number of employees	**3**	4

Details of the remuneration of directors are included in the Directors' report on page 10

7 TAXATION

(a) Analysis of charge in the year

	2012	2011
	£	£
Research and Development tax credit current year	32,460	41,394
Research and Development tax credit. prior year	211	-
Total current tax	32,671	41,394

(b) Factors affecting current tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK The timing differences are explained below:

	2012	2011
	£	£
Loss on ordinary activities before taxation	(572,248)	(685,926)
Tax on loss on ordinary activities at standard corporation tax rate of 19 51% (2011. 20%)	(111,646)	(137,185)
Expenses not deductible for tax purposes	-	528
Capital allowances (less than)/ in excess of depreciation	(117)	1,285
Unrelieved tax losses and other deductions arising in the year	111,763	135,372
Research and Development tax credit current and prior year	32,671	41,394
Total current tax	32,671	41,394

At 30 June 2012 tax losses of approximately £2,488,000 (2011 £2,046,000) remained available to carry forward against future taxable trading profits

8 EARNINGS PER SHARE

The calculations of loss per share are based on the following losses and numbers of shares

	2012	2011
	£	£
Loss on ordinary activities after tax	(539,577)	(644,532)
	No.	No
Weighted average no of shares For basic and diluted loss per share	1,195,271,385	1,026,913,773
Basic and diluted loss per share	(0.045p)	(0.063p)

9 FINANCIAL INSTRUMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	Held for trading 2012	2011
	£	£
Current financial assets		
Trade and other receivables	**121,874**	104,703
Cash and cash equivalents	**690,950**	729,615
	812,824	834,318
Current financial liabilities		
Trade and other payables	**105,529**	112,040
	105,529	112,040

10 INTANGIBLE FIXED ASSETS

	Patents, trade marks and software
	£
Cost	
At 1 July 2011	75,646
Additions	-
At 30 June 2012	**75,646**
Amortisation	
At 1 July 2011	49,887
Provided in the year	4,712
At 30 June 2012	**54,599**
Net book value	
30 June 2012	**21,047**
30 June 2011	25,759

11 PROPERTY PLANT AND EQUIPMENT

	Fixtures and computers £
Cost	
At 1 July 2011	47,473
Additions	1,907
At 30 June 2012	**49,380**
Depreciation	
At 1 July 2011	40,000
Provided in the year	3,153
At 30 June 2012	**43,153**
Net book value	
30 June 2012	**6,227**
30 June 2011	7,473

12 OTHER FINANCIAL ASSETS AND LIABILITIES

	2012 £	2011 £
Trade and other receivables are as follows		
Trade receivables	**27,500**	-
Prepayments	**35,531**	37,225
Other receivables	**26,383**	26,084
Corporation tax recoverable	**32,460**	41,394
	121,874	104,703

	2012 £	2011 £
Trade and other payables are as follows		
Amounts payable relating to the purchase of goods and services	**60,770**	84,600
Other payables	**10,223**	9,905
Accruals	**34,536**	17,535
	105,529	112,040

Trade payables of the Company were equivalent to 58 days of purchases (2011: 57 days). The directors consider the carrying amount of trade payables approximates to their fair value

13 LOANS

There were no loans with directors at 30 June 2011 and 30 June 2012

14 SHARE CAPITAL

	2012	2011
Ordinary shares of 0.04p each	Number	Number
Authorised:	**25,000,000,000**	25,000,000,000
Issued and fully paid	**£**	£
Balance at 1 July 2010	**399,690**	249,856
Issue of share capital	**51,730**	149,834
As at 30 June 2011	**451,420**	399,690
Issue of share capital	**148,000**	51,730
As at 30 June 2012	**599,420**	451,420

The Company has one class of ordinary shares which carry no right to fixed income.

On 26 April 2012 the Company issued 370,000,000 ordinary shares of 0 04p at a price of 0.15p per ordinary share for working capital purposes.

15 CAPITAL RESERVES

	Share premium account	Share-based compensation reserve	Total
	£	£	£
Balance at 1 July 2010	2,795,735	49,877	2,845,612
Issue of share capital	577,594	-	577,594
Share issue costs	(37,500)	-	(37,500)
Share-based compensation	-	21,394	21,394
Balance at 30 June 2011	3,335,829	71,271	3,407,100
Issue of share capital	407,000	-	407,000
Share issue costs	(45,660)	-	(45,660)
Share-based compensation	-	9,296	9,296
Balance at 30 June 2012	3,697,169	80,567	3,777,736

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)

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

16 RETAINED EARNINGS

	£
Balance at 1 July 2010	(2,458,477)
Loss for the year	(644,532)
Balance at 30 June 2011	(3,103,009)
Loss for the year	(539,577)
Balance at 30 June 2012	(3,642,586)

17 CAPITAL COMMITMENTS

At 30 June 2011 and 30 June 2012 the Company had no capital commitments.

18 SHARE BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme under the Enterprise Management Initiative Scheme ("EMI") The following share options have been granted over ordinary shares of 0.04p each and remain exercisable under the scheme

	Granted at 30 June 2011	Awarded	Exercised in year	Cancelled	Granted at 30 June 2012	Exercise price p	Expiry date
Christophe Chassagnole	7,499,453				7,499,453	0.383	06-Sep-17
Christophe Chassagnole	5,624,590				5,624,590	0.15	18-Dec-18
Christophe Chassagnole	11,856,584				11,856,584	0.40	28-Feb-20
Christophe Chassagnole		3,233,125			3,233,125	0.34	08-Nov-21
Mark Chadwick	24,980,625			-4,996,125	19,984,500	0.27	05-Dec-20
Mark Chadwick		3,233,127			3,233,127	0.34	08-Nov-21
Mark Chadwick		4,996,125			4,996,125	0.293	18-Dec-21
Other staff	3,490,000				3,490,000	0.383	06-Sep-17
Other staff	3,448,824				3,448,824	0.15	18-Dec-18
Other staff	10,547,616				10,547,616	0.40	28-Feb-20
Other staff		10,727,314			10,727,314	0.34	08-Nov-21
Total	**67,447,692**	**22,189,691**	-	**-4,996,125**	**84,641,258**		

Certain performance conditions for EMI share options are unmet at the date of these statements. All other options are vested in full.

The Company also operates an unapproved share option scheme The following share options have been granted over ordinary shares of 0.04p each and remain exercisable under the scheme·

	Granted at 30 June 2011	Awarded	Exercised in year	Cancelled	Granted at 30 June 2012	Exercise price p	Expiry date
Paul Harper	2,327,710				2,327,710	0.15	18-Dec-18
Paul Harper	7,664,541				7,664,541	0.40	28-Feb-20
Paul Harper		1,293,250			1,293,250	0.34	08-Nov-21
Total	**9,992,251**	**1,293,250**	-	-	**11,285,501**		

All performance conditions for unapproved options have been met and are vested in full.

The fair value of share options awarded during the year was determined using the Black-Scholes pricing model In addition to the information disclosed above, the assumptions employed in the pricing model were as follows - expected volatility 20%, expected dividends nil, risk-free interest rate: 3.75% per annum. Where performance conditions are unmet a probability of success factor has been applied to such awards

19 FINANCIAL INSTRUMENTS

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, which have been excluded from the disclosures other than the currency disclosures.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and foreign currency risk The policies for managing these are regularly reviewed and agreed by the board.

It is and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

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 income values do not bear interest.

Interest rate profile

The Company had no bank borrowings at the 30 June 2012

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.

Fair values

Fair values of financial instruments equate to the best value as disclosed in the financial information There are no material differences between the fair value of financial instruments and the amount at which they are stated in the financial statements.

20 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 10.

21 ULTIMATE 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