PHYSIOMICS

rational therapeutics

Annual Report and Financial Statements

For the Year Ended 30 June 2013

Company Registration No 4225086

Contents

PHYSIOMICS

rational therapeutics

Officers and Professional Advisors

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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Oxford
OX4 4GA

AUDITOR

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BANKER

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NOMINATED ADVISOR, BROKER AND FINANCIAL ADVISER

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11 St James's Square
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M2 3WH

SOLICITOR

Taylor Vinters LLP
Merlin Place,
Milton Road,
Cambridge
CB4 0DP

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 2013

- The turnover of the Company increased by 77% to £240,000 (2012 £135,306)
- The operating loss reduced by 5% to £548,342 (2012 £577,922)
- On 30 June 2013 the surplus of shareholders' funds was £255,821 (2012 £734,570)

This year, Physiomics has cemented its commercial relationships with a number of large and mid-size pharma companies, continued to extend its product range and crucially started to develop its flagship Virtual Tumour Clinical platform

In summary we have

- Signed up our first commercial customer for VT Clinical
- Won further projects from our existing large pharma customer base and started discussions regarding licensing of the existing platform
- Started significant talks with one academic and one large pharma partner to help further develop Virtual Tumour Clinical via access to more extensive clinical data
- Started to extend the reach of the pre-clinical Virtual Tumour platform, in particular to model emergence of drug resistance
- Won an important Technology Strategy Board ("TSB") Feasibility grant for development of Virtual Tumour Clinical, which could lead to more significant funding in future
- Launched our cardio toxicology platform and signed up our first customer
- Continued to develop the DrugCARD database product which allows users to rapidly search through pre-clinical and clinical dosing regimens This product is expected to be launched in 2013
- Made further progress with the search for M&A partners, identified relevant partners and had several discussions Identified a number of potential partners with the opportunity 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

Drug discovery and development uses tried and tested procedures and processes to design and select the most appropriate molecule and then to determine its safety and efficacy A single drug development programme costs many millions of dollars (US) to complete and many fail along the way, adding to the overall discovery cost of the ones that succeed Whilst new technology designed to improve decision making, especially in the early phases of the programme, which reduce cost and more importantly, save time are very attractive, there is a risk Will implementing new decision making testing and modelling be as accurate and predictive as current methods? It is a bold development team that will adopt new ideas without being really sure that they can deliver all the benefits without misdirecting the discovery process

Pilot studies and proving studies therefore become a fundamental part of building confidence in the Physiomics models and the team's ability to make accurate predictions, which can be tested out against classical *in vitro* and *in vivo* methodologies It is through these relationships that the Company sees more clearly what the client's needs are and it is as a result of this unique position that we have directed the development of existing models into new areas of forecasting and added wholly new models to our portfolio of products

Good progress has been made this year in further developing our relationships with large pharma and developing our new products, in particular Virtual Tumour Clinical The Company has identified that the clinical market is significantly larger than the pre-clinical market which its current models address, and the unmet need is also greater The Company won its first Virtual Tumour Clinical customer in the period, demonstrating a substantial level of interest even though the technology is still in development

The relationships with two of our large pharma customers in particular have progressed The first of these is looking at further individual projects in the near future with a view to ultimately licensing the technology if benefit is shown over these projects as it has been in the past The second is poised to do further pre-clinical work and is looking to extend the collaboration to encompass Virtual Tumour Clinical, helping to develop the platform at the same time as applying the emerging technology to commercial clinical projects

Physiomics' scope of services has been increased with the launch of our cardiotoxicity model and development of our DrugCARD database, which is nearing conclusion Together with grant income, these services will serve to increase incremental revenues and support the company through development of its flagship Virtual Tumour Clinical platform

Finally the Company has increased its efforts to find an appropriate partner to enhance critical mass through M&A These efforts are focused in two main areas, increasing the scope of services and adding therapeutic assets to our portfolio The latter search is primarily focused on companies where Physiomics' modelling platforms could have a significant impact on internal as well as external projects

Technology Development

(i) Virtual Tumour product improvements

One of the critical stumbling blocks in cancer treatment is the development of resistance to drug treatments Physiomics has noted an increase in experimental combination therapies being pursued by customers in an attempt to combat this problem, in some cases involving triple combinations Regimens of drugs combinations and dosing schedules emerge largely through trial and error and will vary according to the sort of cancer being treated The Virtual Tumour platform already adds more value to projects where combinations are involved For example in a recent pilot study we determined the optimal regimen for a DNA repair inhibitor combined with irradiation We successfully predicted an improved regimen giving complete growth inhibition with negligible toxicity This regimen was better than predicted by expert opinion, showing at the same time that the Virtual Tumour could help to reduce by up to 50% the number of animal experiments and accelerate the discovery of optimal drug regimens However, in order to enhance its usefulness by a further step, we have embarked on a research project to specifically incorporate the development of resistance into our cell-based model

(ii) Virtual Tumour Clinical

The first pilot version of Virtual Tumour is now up and running using literature data as calibration inputs Within the next year, data from customers and academic sources in addition to the TSB funding should allow us to launch a fully validated platform If successful this technology would initially improve the success rate of cancer drugs proceeding through clinical trials And in the long run, if applied directly to patients, it would lead to real improvements in overall survival rates

(iii) DrugCARD database

Our Drug Combinations and Regimens database is close to completion The database itself is approaching completion and the web interface is completed The database compiles clinical and pre-clinical data from both literature and proprietary sources This should allow subscribers to rapidly compare drug regimens relevant to their targets and help them to make

Chairman and Chief Executive Officer's Statement - continued

better decision about their regimens and combination partners We anticipate that this platform should be launched soon

(iv) Cardiac toxicity prediction service

This model was launched in the period and we now have our first commercial deal The model uses readily available lab-based data to predict the risk that drugs in development with cause serious cardiac side effects which could lead to withdrawal Three versions of the model are now available, two to predict outcomes in animal experiments and a third one to predict cardiac liability in humans Benchmarking tests against state of the art models were presented at the 13th Annual Meeting of the Safety Pharmacology Society The results show that Physiomics' model is more predictive in all of its three versions Also given that the same structural model is used for making predictions in different species the model is ideally placed to make translational predictions, i e from animal to human The Company is now looking at whether these platforms can be extended to web-based applications thereby greatly simplifying access for customers

Business Development Strategy

Physiomics continues to build incremental revenues from its growing pipeline of pre-clinical platforms In addition, its established pre-clinical Virtual Tumour is now more firmly entrenched with some large pharma customers We believe that the next step will be for these customers to sign longer term contracts or licensing deals

Virtual Tumour Clinical remains the flagship product development, with comparable products in other therapeutic areas suggesting that significant revenues could be gained, probably from a licensing and subscription business model

The Company continues to use workshops and conferences to target Virtual Tumour customers, with face-to-face meetings on site when relationships have progressed Additionally in the period the Company started to broadcast technology update webinars on all of its platforms, and these have proved to be quite productive in terms of lead generation

Our decision last year to appoint David Jobes, based in the US, to undertake business development has shown a number of positive results He has managed to access companies that had before been resistant to approaches from Physiomics from the UK or via biopartnering conferences

For its other platforms the Company will look to develop web-based approaches where possible and then use direct/e-marketing in the main to target customers Once set up, such platforms are relatively easy to maintain and become their 'own advert' for the modelling services provided

M&A activities during the year

Physiomics has for some time been pursuing M&A opportunities We concluded that a broader and more vertically integrated offering to client companies would be attractive and in many cases beneficial to our delivery of high-quality modelling applications Alternatively, joining forces with a company pursuing its own therapeutics would provide strong synergies where Physiomics' models could be applied to internal projects We appointed an agent in the US to assist with identifying US-based companies where collaboration or more would provide valuable synergies We identified a number of possibilities and initiated preliminary discussions Some led to no useful outcome but a number are on-going We have set down a series of criteria that collaboration must meet and it is a measured process to move discussions forward because of the need to make confidential disclosures

Outlook

The directors believe that the pharmaceutical industry is still facing rapid change which poses a continuing challenge for suppliers In particular, cancer treatment is undergoing a radical advance The requirement for more tailored or personalised treatments is leading customers to investigate more complex combinations, using diagnostics to choose which combinations are appropriate This emerging market should be ripe for technologies such as Virtual Tumour to rapidly assess the outcomes of different combinations, where doing the same experimentally would not be feasible in terms of timelines and economics Physiomics is looking to deepen the relationships with large pharmaceutical customers to apply the technology as routine tool in drug discovery but as noted earlier, they need to be certain that tactical use of modelling is a sound alternative to current methodologies Once this is achieved, and we are close to that point with a number of customers, then this could lead to a licensing and subscription business model, with the Company providing support functions and developing new updated versions of the platform on an annual basis

While sources of financing have been tight, the Company signed a SEDA structured equity deal with Yorkville LLC in the period and also won a TSB Biomedical Catalyst feasibility grant The SEDA has been used sparingly so far and the Company intends to aggressively pursue sources of more substantial grant funding, in particular the larger second stage Biomedical Catalyst awards

Finally, the prospect of increasing the scope of the Company's offerings via M&A remains a real opportunity and one that the Company is pursuing with some vigour

Dr Paul Harper, Non-Executive Chairman

Dr Mark Chadwick, Chief Executive Officer

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Directors' Report

The Directors submit their report and the audited financial statements of Physiomics Plc for the year ended 30 June 2013.

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 £500,571 (2012 loss. £539,577) 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 £240,000 (2012 £135,306)
- The operating loss was £548,342 (2012: £577,922)
- At the 30 June 2013 the surplus of shareholders' funds was £255,821 (2012 £734,570)

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 2013

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

Substantial shareholdings

The Company has been informed that on 30 June 2013 the following shareholders held substantial holdings in the issued ordinary shares of the Company.

	Number of Ordinary shares	Holding %
HSDL Nominees Limited	273,147,522	18 1%
TD Direct Investing Nominees (Europe) Limited	269,910,486	17 9%
Barclayshare Nominees Limited	265,833,313	17.6%
Hargreaves Lansdown (Nominees) Limited	104,941,599	7.0%
HSBC Client Holdings Nominee (UK) Limited	83,612,141	5 5%
Dr Paul Harper	52,570,787	3 5%
LR Nominees Limited	50,383,597	3 3%
Share Nominees Limited	48,004,412	3.2%
Investor Nominees Limited	47,711,463	3.2%

Directors' Report - continued

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

On 30 June 2013 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 2013 is set out below:

	Emoluments £	Benefits £	Pension contributions £	Total £
Dr P B Harper	35,000	-	-	35,000
Dr M P Chadwick	106,867	-	-	106,867
Dr C D Chassagnole	59,450	-	3,030	62,480
Total	**201,317**	**-**	**3,030**	**204,347**

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 51 days purchases (2012 58 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 13 November 2013 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' Report - continued

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 fulfil 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

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

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Directors' Report - continued

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

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 2013

By order of the board

Dr Paul Harper
Chairman
13 November 2013

Independent Auditors Report to the shareholders of Physiomics Plc

We have audited the financial statements of Physiomics Plc for the year ended 30 June 2013 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 2013 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 (senior statutory auditor)
For and on behalf of Shipleys LLP statutory auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

13 November 2013

Income Statement for the year ended 30 June 2013

	Notes	Year ended 30-Jun-13	Year ended 30-Jun-12
		£	£
Revenue	2	240,000	135,306
Net operating expenses		(776,520)	(703,932)
Share-based compensation		(11,822)	(9,296)
Operating loss	3	(548,342)	(577,922)
Finance income	4	4,551	5,674
Finance costs	5	-	-
Loss before taxation		(543,791)	(572,248)
UK corporation tax	7	43,220	32,671
Loss for the year attributable to equity shareholders		(500,571)	(539,577)
Loss per share (pence)			
Basic and diluted	8	(0.033) p	(0 045) p

PHYSIOMICS

Statement of financial position as at 30 June 2013

Company Number 4225086

	Notes	Year ended 30-Jun-13 £	Year ended 30-Jun-12 £
Non-current assets			
Intangible assets	10	**16,336**	21,047
Property, plant and equipment	11	**4,250**	6,227
Investments		**1**	1
		20,587	27,275
Current assets			
Trade and other receivables	12	**180,717**	121,874
Cash and cash equivalents		**179,162**	690,950
	9	**359,879**	812,824
Total assets		**380,466**	840,099
Current liabilities			
Trade and other payables	9,12	**(124,645)**	(105,529)
Total liabilities		**(124,645)**	(105,529)
Net assets		**255,821**	734,570
Capital and reserves			
Share capital	14	**602,620**	599,420
Capital reserves	15	**3,796,358**	3,777,736
Retained earnings	16	**(4,143,157)**	(3,642,586)
Equity shareholders' funds		**255,821**	734,570

The financial statements were approved by the Board of Directors and authorised for issue on 13 November 2013 and are signed on its behalf by

Dr Paul Harper
Chairman

Statement of changes in equity for the year ended 30 June 2013

	Share capital £	Share premium account £	Share-based compensation reserve £	Retained earnings £	Total shareholders' funds £
At 1 July 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
Share issue (net of costs)	3,200	6,800	-	-	10,000
Loss for the year	-	-	-	(500,571)	(500,571)
Share-based compensation	-	-	11,822	-	11,822
At 30 June 2013	602,620	3,703,969	92,389	(4,143,157)	255,821

Cash Flow Statement for the year ended 30 June 2013

	Year ended 30-Jun-13 £	Year ended 30-Jun-12 £
Cash flows from operating activities:		
Operating loss	(548,342)	(577,922)
Amortisation and depreciation	8,540	7,865
Share-based compensation	11,822	9,296
Increase in receivables	(47,994)	(26,106)
Increase (decrease) in payables	19,114	(6,510)
Cash generated from operations	(556,860)	(593,377)
UK corporation tax received	32,373	41,605
Interest paid	-	-
Net cash generated from operating activities	(524,487)	(551,772)
Cash flows from investing activities		
Interest received	4,551	5,674
Purchase of non-current assets, net of grants received	(1,852)	(1,907)
Net cash received by investing activities	2,699	3,767
Cash outflow before financing	(521,788)	(548,005)
Cash flows from financing activities:		
Issue of ordinary share capital (net of expenses)	10,000	509,340
Net cash from financing activities	10,000	509,340
Net (decrease) increase in cash and cash equivalents	(511,788)	(38,665)
Cash and cash equivalents at beginning of year	690,950	729,615
Cash and cash equivalents at end of year	179,162	690,950

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 £179,162 of cash and cash equivalents as at 30 June 2013 (2012 £690,950) 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.

Notes on the Financial Statements - continued

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.

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.

Notes on the Financial Statements - continued

Adoption of International accounting standards

The following new and revised Standards and Interpretations have been adopted in the current financial year as issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC):

IAS 12 Amendment - Deferred Tax. Recovery of Underlying Assets

IAS 19 (revision) - Employee Benefits

IAS 27 (revised 2011) - Separate Financial Statements

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

IFRS 9 - Financial Instruments

IFRS 11 - Joint Arrangements

IFRS 12 - Disclosures of Interest in Other Entities

IFRS 13 - Fair Value Measurement

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

IFRS 1 (amended) Government Loans

IFRS 10 Consolidated Financial Statements, Investment Entities

IAS 1 (amended) Presentation of Items of Other Comprehensive Income

IAS 28 (revised) Investments in Associates and Joint Ventures

IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities

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.

Notes on the Financial Statements - continued

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

	2013 £	2012 £
Operating Loss is stated after charging		
Research and development Current year expenditure	**186,486**	149,409
Depreciation charge for the year - Owned assets	**3,829**	3,153
Amortisation charge for the year	**4,711**	4,712
Audit services, refer to below	**12,000**	12,000

	Payable to.	2013 £	2012 £
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

Notes on the Financial Statements - continued

4 FINANCE INCOME

	2013 £	2012 £
Bank interest receivable	**4,551**	5,674

5 FINANCE COSTS

	2013 £	2012 £
Interest payable	-	-

6 STAFF COSTS

	2013 £	2012 £
Staff costs during the year		
Wages and salaries	**147,995**	107,968
Social security costs	**16,086**	11,546
Pension costs	-	-
	164,081	119,514
Average number of employees	**4**	3

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

7 TAXATION

(a) Analysis of charge in the year

	2013	2012
	£	£
Research and Development tax credit current year	**43,308**	32,460
Research and Development tax credit prior year	**(88)**	211
Total current tax	**43,220**	32,671

(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

	2013	2012
	£	£
Loss on ordinary activities before taxation	**(543,791)**	(572,248)
Tax on loss on ordinary activities at standard corporation tax rate of 20% (2012 19 51%)	**(108,758)**	(111,646)
Expenses not deductible for tax purposes	**480**	-
Capital allowances less than (in excess of) depreciation	**687**	(117)
Unrelieved tax losses and other deductions arising in the year	**107,591**	111,763
Research and Development tax credit: current and prior year	**43,220**	32,671
Total current tax	**43,220**	32,671

At 30 June 2013 tax losses of approximately £2,851,000 (2012· £2,488,000) 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

	2013	2012
	£	£
Loss on ordinary activities after tax	**(500,571)**	(539,577)
	No.	No
Weighted average no of shares For basic and diluted loss per share	**1,502,013,088**	1,195,271,385
Basic and diluted loss per share	**(0.033p)**	(0.045p)

Notes on the Financial Statements - continued

9 FINANCIAL INSTRUMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

	Held for trading 2013 £	2012 £
Current financial assets		
Trade and other receivables	**180,717**	121,874
Cash and cash equivalents	**179,162**	690,950
	359,879	812,824
Current financial liabilities		
Trade and other payables	**124,645**	105,529
	124,645	105,529

10 INTANGIBLE FIXED ASSETS

	Patents, trade marks and software £
Cost	
At 1 July 2012	75,646
Additions	-
At 30 June 2013	**75,646**
Amortisation	
At 1 July 2012	54,599
Provided in the year	4,711
At 30 June 2013	**59,310**
Net book value	
30 June 2013	**16,336**
30 June 2012	21,047

11 PROPERTY PLANT AND EQUIPMENT

	Fixtures and computers £
Cost	
At 1 July 2012	49,380
Additions	1,852
Disposals	(799)
At 30 June 2013	**50,433**
Depreciation	
At 1 July 2012	43,153
Provided in the year	3,829
Disposals	(799)
At 30 June 2013	**46,183**
Net book value	
30 June 2013	**4,250**
30 June 2012	6,227

12 OTHER FINANCIAL ASSETS AND LIABILITIES

	2013 £	2012 £
Trade and other receivables are as follows		
Trade receivables	**98,000**	27,500
Prepayments	**28,283**	35,531
Other receivables	**11,126**	26,383
Corporation tax recoverable	**43,308**	32,460
	180,717	121,874

	2013 £	2012 £
Trade and other payables are as follows:		
Amounts payable relating to the purchase of goods and services	**56,727**	60,770
Other payables	**26,403**	10,223
Accruals	**41,515**	34,536
	124,645	105,529

Trade payables of the Company were equivalent to 51 days of purchases (2012 58 days) The directors consider the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements - continued

13 LOANS

There were no loans with directors at 30 June 2012 and 30 June 2013.

14 SHARE CAPITAL

Ordinary shares of 0.04p each	2013 Number	2012 Number
Authorised	25,000,000,000	25,000,000,000
Issued and fully paid:	£	£
Balance at 1 July 2011	451,420	399,690
Issue of share capital	148,000	51,730
As at 30 June 2012	599,420	451,420
Issue of share capital	3,200	148,000
As at 30 June 2013	602,620	599,420

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

On 1 July 2013 the Company issued 16,155,088 ordinary shares of 0.04p at a price of 0.1238p per ordinary share for working capital purposes.

On 26 July 2013 the Company issued 24,832,855 ordinary shares of 0.04p at a price of 0 1047p per ordinary share in part satisfaction of a loan from YA Global Master SPV Limited.

On 10 October 2013 the Company issued 160,191,333 ordinary shares of 0.04p at a price of 0.15p per ordinary share for final satisfaction of a loan from YA Global Master SPV Limited and for working capital purposes

15 CAPITAL RESERVES

	Share premium account	Share-based compensation reserve	Total
	£	£	£
Balance at 1 July 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
Issue of share capital	6,800	-	6,800
Share issue costs	-	-	-
Share-based compensation	-	-	-
Balance at 30 June 2013	3,703,969	80,567	3,784,536

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 2011	(3,103,009)
Loss for the year	(539,577)
Balance at 30 June 2012	(3,642,586)
Loss for the year	(502,057)
Balance at 30 June 2013	(4,144,643)

17 CAPITAL COMMITMENTS

At 30 June 2012 and 30 June 2013 the Company had no capital commitments.

Notes to the Financial Statements - continued

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 2012	Awarded	Exercised in year	Cancelled	Granted at 30 June 2013		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
Christophe Chassagnole	-	12,938,121			12,938,121		0 132	11-Feb-23
Mark Chadwick	19,984,500				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
Mark Chadwick	-	12,938,121			12,938,121		0 132	11-Feb-23
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
Other staff	-	23,935,522			23,935,522		0 132	11-Feb-23
Total	**84,641,258**	**49,811,764**	**-**	**-**	**134,453,022**			

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 2012	Awarded	Exercised in year	Cancelled	Granted at 30 June 2013	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
Paul Harper	-	5,175,248			5,175,248	0 132	11-Feb-23
Total	**11,285,501**	**5,175,248**	**-**	**-**	**16,460,749**		

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: 2% 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 2013

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