

Physiomics Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the Year Ended

30 June 2009

Company Registration Number 4225086



Contents

Officers and Professional Advisers	3
Chairman's Statement	4
The Directors' Report	7
Independent Auditor's Report to the members	13
Income Statement	15
Balance Sheet	16
Statement of changes in equity	17
Cash Flow Statement	18
Notes on the Financial Statements	19

Officers and Professional Advisers

DIRECTORS

Dr P B Harper
Dr C D Chassagnole

Chairman
Chief Operating Officer

SECRETARY

R J Jones

REGISTERED OFFICE

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Robert Robinson Avenue
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Oxford
OX4 4GA

AUDITOR

Shipleys LLP
10 Orange Street
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London
WC2H 7DQ

REGISTRAR

Capita Registrars
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34 Beckenham Road
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Kent
BR3 2YU

BANKER

National Westminster Bank Plc
Willow Court
Minns Business Park
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OX2 0JB

NOMINATED ADVISOR, BROKER AND FINANCIAL ADVISER

WH Ireland Limited
11 St James's Square
Manchester
M2 3WH

SOLICITOR

Bircham Dyson Bell LLP
50 Broadway
Westminster
London
SW1H 0BL

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

Chairman's Statement

This past year has been a defining one for Physiomics as we announce a maiden net profit despite cutbacks in R&D expenditure by the pharmaceutical industry. Whilst the future is not without its challenges, we believe we are well positioned to take advantage of the opportunities in front of us.

Summary of Results

The efforts of the company have been rewarded by an improvement in our balance sheet, the highlights of which are noted below.

In the year ended 30 June 2009:

- The turnover of the Company increased to £459,550 (2008: £91,221), a creditable five-fold increase.
- The operating profit was £8,569 (operating loss 2008: £435,440), the Company's maiden profit.
- At the 30 June 2009 the deficit of shareholders funds was £85,347 - a substantial reduction from the deficit of £354,075 at 30 June 2008

A key element of the improved financial position is the increase in revenue. In addition, the conversion of the loan from EiRx Pharma Limited (in members' voluntary liquidation) into ordinary shares not only removed a liability but substantially reduced our gearing with the consequent impact on the balance sheet.

Out-Licensing - ModelPlayer™

The continuing confidence shown in Physiomics by Eli Lilly is, we believe, testament to the value of our technology platform - modelling drug/target interactions. The development of a ModelPlayer™ customised to deliver data on specific targets of interest has been an important driver in forming new relationships within the industry. We are now in discussion with other leading pharmaceutical companies on a number of possible projects. This new feature now forms part of Physiomics' core competences, which could generate recurring licence fees for the use of our software.

Chronotherapy

We believe that the European TEMPO project has validated another of our models to determine an optimal dosing regimen for both newly developed and established cancer drugs. Designed to improve treatment outcomes, the project has been exploring chronotherapy, an approach to drug dosing regimens, to determine the optimal time i.e. when during the day a drug can provide more therapeutic effect; the model also has the potential to lower treatment side effects by reducing the size and/or frequency of dosing. The optimal time varies from patient to patient as it is related to an individual's circadian (body) clock. An additional potential benefit is that the capability of establishing an optimal dosing regime can now also be offered by Physiomics to pharmaceutical companies as part of their drug development package.

Combination therapies in oncology

Oncology treatment frequently involves the administration of a cocktail of drugs, each targeted to interrupt a specific step of a cancer cell's growth process, with the expectation that this would lead to cancer cell death. Anti-cancer drugs will usually damage the infrastructure of a cell and this leads to cell death by one or more mechanisms. However, cells are programmed to repair some forms of damage and researchers have discovered that certain proteins can promote this repair. The consequence is

Chairman's Statement - continued

clear, if the damage caused by the anti-cancer drug is repaired or much reduced the cancer cells may still survive and propagate.

A number of new drug treatments are emerging which are designed to work synergistically with existing drugs, the combination being used to block the cancer cell's repair mechanism whilst the original drug continues to damage the cancer cell. Inhibitors of CHK1 protein kinase are good examples of these new drugs. However, before they can be utilised it needs to be determined how much of each drug should be administered; which drug should be given first or whether they should be administered at the same time; and whether there is to be an interval between administration of each drug. The Physiomics SystemCell® technology has been adapted to complement existing research tools in addressing these unknowns. Through our collaboration with the University of Swansea, Physiomics can simulate thousands of scenarios using a supercomputer, to test various permutations and identify some optimised options which can then be tested in *in vivo* model systems. This reduces the need to use animal models, reduces cost and importantly, reduces the time to reach the clinical phase of the development programme for the sponsor company. It could also be used to support a company's application to regulatory bodies for drug approval. The Food and Drug Administration in the USA and the European Medicines Evaluation Agency have indicated that they would welcome reasoned and rational model-based predictions as the basis for *in vivo* experimentation, which could validate a dosage recommendation as the basis of a clinical research programme.

Physiomics is currently validating its modelling as a valuable addition to the research armamentarium used by drug discovery companies in the drug candidate selection process.

Conclusion

To conclude, in a time of financial difficulties and cutbacks in corporate spending, the Company's response has been to develop and exploit our SystemCell® modelling platform to provide new functionality. Some of our developments have emerged as a consequence of working with sponsor companies, from novel concepts like TEMPO and chronotherapy, whilst others have resulted from the application of a skilled team of modelling experts matching what their art can deliver to what we believe the drug discovery companies require giving them a significant edge on their competitors. The Directors believe that these important technical achievements will provide the Company with a valuable springboard towards integrating our technology with that of drug discovery companies in the oncology field, turning a "nice to have" proposition into a "must have" proposition.

As Chairman of the Company, I never cease to be amazed at the apparent ease with which a small but dedicated team of very special individuals is able to combine the disciplines of advanced mathematics, physics and software engineering, with an in depth grasp of the biology and biochemistry of cancer and a detailed knowledge of the biology of cancer in a human cell. They have created a unique platform and from it a range of new functionality which has the ability to open doors that until recently, we were not sure existed. I and my fellow Board members congratulate them on what has been an exemplary year of endeavour and achievement.

Outlook

The Company has worked hard this past year to build a strong technical platform and a more robust balance sheet. The new functionality that we are offering to client companies should provide a strong basis for the business to grow and firmly occupy the modelling space in oncology research and development. The key now will be to convert this potential into more value-added contracted business. To this end, we have increased our business development resource and evolved our commercial strategy to amplify the benefits of working with the Physiomics scientific team.

Chairman's Statement - continued

Whilst it is difficult to cite any one event in evidence, the business environment does not appear to be deteriorating further and there may even be some signs of activity in our sector. We have been cautious about our forecasts for the coming year since whilst we are in discussion with a number of pharmaceutical companies the timing of outcomes is still too difficult to assess. We have a number of valuable new features and functionality in our offering to sponsor companies. We believe that these will prove to be attractive and that there will be demand but that this will come on the back of more validation data and pilot activities with clients to match what we can deliver to what they believe that they need.

We believe that the new financial year is likely to be similar overall to the year just ended as we create momentum in delivery of new services and open up new opportunities. This should lead to business opportunities with new client companies, through providing a broader range of competences and revenue generating opportunities.

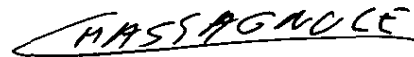
Dr Paul Harper

Non-Executive Chairman



Dr Christophe Chassagnole

Chief Operating Officer



Directors' Report

The Directors submit their report and the audited financial statements of Physiomics Plc for the year ended 30 June 2009.

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 profit for the year after taxation amounting to £24,584 (2008 loss: £434,469). 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 £459,550 from £91,221 in 2008, a five-fold increase.

The operating profit was £8,569 against an operating loss of £435,440 in 2008.

At 30 June 2009 the deficit of shareholders funds was £85,347 - a substantial reduction from the deficit of £354,075 at 30 June 2008.

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 2009. Interest bearing loan notes are in issue at that date on terms set out in note 9 to the financial statements

Directors' Report - continued

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 2009 the following shareholders held substantial holdings in the issued ordinary shares of the Company.

	Number of Ordinary shares	Holding %
Pershing Nominees Limited	122,579,310	19.6%
Barclayshare Nominees Limited	70,027,743	11.2%
Dr Paul Harper	52,570,787	8.4%
Energiser Investments PLC	51,469,649	8.2%
JIM Nominees Limited	41,224,014	6.6%
Pershing Nominees Limited	35,000,000	5.6%
Mr and Mrs J Pool	21,357,937	3.4%
Incremental Capital LLP	20,724,062	3.3%

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

Directors' remuneration

Details of Directors' remuneration in the year ended 30 June 2009 is set out below:

	Emoluments £	Benefits £	Pension contributions £	Total £
Dr P B Harper	35,000	-	-	35,000
Dr C D Chassagnole	45,884	-	3,030	48,914
Total	80,884	-	3,030	83,914
	=====	=====	=====	=====

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 55 days purchases (2008: 69 days), based on the average daily amount invoiced by suppliers to the Company during the year.

Post balance sheet events

The Company has offered to lenders the opportunity to convert existing indebtedness, including interest payable where applicable, into equity on the basis of 0.1p of debt for 1 ordinary share of 0.04p in the capital of the Company. Subsequently on 12 August 2009 the Company issued and allotted 24,556,640 ordinary shares of 0.04p each for conversion of indebtedness, including interest payable of £24,556.

Statement as to disclosure of information to auditors

The directors in office on 30 November 2009 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 an executive director, who fulfills the main operational role 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 Christophe Chassagnole 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

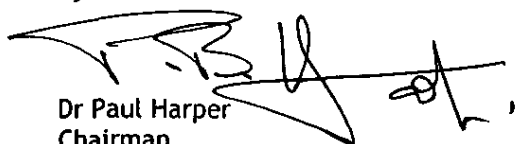
The Company values the views of its shareholders and recognises their interest in the Company's strategy, performance and the ability of the Board. The AGM provides an opportunity for two way communication and all shareholders are encouraged to attend and participate. Separate resolutions will be put 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 Bircham Dyson Bell, 50 Broadway, London, SW1H 0BL at 10.00 am on Tuesday 29 December 2009.

By order of the board



Dr Paul Harper
Chairman
30 November 2009

Independent Auditors Report to the shareholders of Physiomics Plc

We have audited the financial statements of Physiomics Plc for the year ended 30 June 2009 which comprise the income statement, the balance sheet, 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 sections 495 and 496 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 2009 and of its profit 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

30 November 2009

Income Statement for the year ended 30 June 2009

	Notes	Year ended 30-Jun-09 £	Year ended 30-Jun-08 £
Revenue	2	459,550	91,221
Net operating expenses		(450,981)	(526,661)
Operating profit (loss)	3	8,569	(435,440)
Finance income	4	67	347
Finance costs	5	(4,021)	(9,376)
Profit (loss) before taxation		4,615	(444,469)
UK corporation tax	7	19,969	10,000
Profit (loss) for the year attributable to equity shareholders		24,584	(434,469)
Profit (loss) per share (pence)			
Basic and diluted	8	0.005 p	(0.116) p

Balance Sheet as at 30 June 2009

	Notes	Year ended 30-Jun-09 £	Year ended 30-Jun-08 £
Non-current assets			
Intangible assets	10	34,932	39,764
Property, plant and equipment	11	2,142	3,779
Investments		1	1
		<u>37,075</u>	<u>43,544</u>
Current assets			
Trade and other receivables	12	143,402	61,935
Cash and cash equivalents		95,080	8,716
	9	<u>238,482</u>	<u>70,651</u>
Total assets		<u>275,557</u>	<u>114,195</u>
Current liabilities			
Trade and other payables		(203,996)	(310,270)
Loans		(63,500)	(8,000)
Deferred income		(93,408)	-
	9,12	<u>(360,904)</u>	<u>(318,270)</u>
Non-current liabilities			
Other payables	9	-	(150,000)
Total liabilities		<u>(360,904)</u>	<u>(468,270)</u>
Net assets		<u>(85,347)</u>	<u>(354,075)</u>
Capital and reserves			
Share capital	14	249,856	149,989
Capital reserves	15	1,755,713	1,611,436
Retained earnings	16	(2,090,916)	(2,115,500)
Equity shareholders' funds		<u>(85,347)</u>	<u>(354,075)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30 November 2009 and are signed on its behalf by:

Dr Paul Harper
Chairman



Statement of changes in equity for the year ended 30 June 2009

	Share capital £	Share premium account £	Other reserves £	Retained earnings £	Total shareholders' funds £
At 30 June 2007	149,989	1,611,436	18,381	(1,681,031)	98,775
Loss for the year	-	-	-	(434,469)	(434,469)
Equity element of loan notes	-	-	(18,381)	-	(18,381)
At 30 June 2008	149,989	1,611,436	-	(2,115,500)	(354,075)
Share issue (net of costs)	99,867	144,277	-	-	244,144
Profit for the year	-	-	-	24,584	24,584
At 30 June 2009	249,856	1,755,713	-	(2,090,916)	(85,347)

Cash Flow Statement for the year ended 30 June 2009

	Year ended 30-Jun-09 £	Year ended 30-Jun-08 £
Cash flows from operating activities:		
Operating profit (loss)	8,569	(435,440)
Amortisation and depreciation	7,049	11,318
(Increase) decrease in receivables	(68,998)	62,978
Increase (decrease) in payables	(14,071)	178,984
Increase in deferred income	93,408	-
Cash generated from operations	25,957	(182,160)
UK corporation tax received	-	58,922
Interest paid	-	-
Net cash generated from operating activities	25,957	(123,238)
Cash flows from investing activities:		
Interest received	67	347
Purchase of non-current assets, net of grants received	(580)	(1,216)
Net cash used by investing activities	(513)	(869)
Cash inflow (outflow) before financing	25,444	(124,107)
Cash flows from financing activities:		
Receipt of loans	30,000	8,000
Issue of ordinary share capital (net of expenses)	30,920	-
Receipt from related parties	-	50,000
Net cash from financing activities	60,920	58,000
Net increase (decrease) in cash and cash equivalents	86,364	(66,107)
Cash and cash equivalents at beginning of year	8,716	74,823
Cash and cash equivalents at end of year	95,080	8,716

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.

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.

Notes on the Financial Statements - continued

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 balance sheet 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.

Notes on the Financial Statements - continued

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

IFRS 8 'Operating Segments' (effective for periods commencing on or after 1 January 2009).

IFRS 8 introduces new disclosure requirements for segmental information and supersedes IAS 14 "Segmental Reporting". The directors do not believe that the impact of the change in disclosure will be significant.

IAS 1 (amended) Presentation of Financial Statements (effective for periods commencing on or after 1 January 2009).

IAS1 introduces a Statement of Comprehensive Income for all non-owner changes in equity. In addition Balance Sheet and Cash Flow statement will be renamed the Statement of Financial Position and Statement of Cash Flows. The directors will reflect the changes in the appropriate financial statements.

IFRS 2 (amended) Share based payments (effective for periods commencing on or after 1 January 2009)

The changes to IFRS 2 clarify the treatment of non-vesting conditions and the definitions of "vest" and "vesting conditions". The company will review the impact for the relevant accounting period.

IFRIC 12, 'Service Concession Arrangements' (effective from 1 April 2008).

IFRIC 12 addresses the accounting by operators of public-private service concession arrangements. The company has assessed the impact of this interpretation and has concluded it will have no effect on the company's financial statements.

IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

IFRIC13 addresses accounting by entities that grant loyalty award credits to customers that buy the entities' goods or services. Specifically, the interpretation explains how the entities should account for their obligations to provide free or discounted goods or services ('awards') to customers that redeem award credits. The company has assessed the impact of this interpretation and has concluded it will have no effect on the company's financial statements.

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

IFRIC 14, its recent interpretation of International Accounting Standard IAS19, will affect employers that sponsor defined benefit schemes. At 30 June 2008 the company had no defined benefit schemes and had no current plans to introduce such schemes.

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. More than 90% of total revenue was provided by one customer.

3 OPERATING PROFIT

	2009 £	2008 £
Operating profit is stated after charging (2008: loss)		
Research and development Current year expenditure	72,536	110,970
Depreciation charge for the year - Owned assets	2,173	5,027
Amortisation charge for the year	4,876	6,291
Staff costs, refer to note 6		
Audit services, refer to below		

		2009 £	2008 £
Amounts payable for both audit and non-audit services	Payable to:		
Audit services - Statutory audit	Shipleys LLP	10,000	10,000
Tax services - Compliance services	Shipleys LLP	1,500	1,500
		<u>11,500</u>	<u>11,500</u>

Notes on the Financial Statements - continued

4 FINANCE INCOME

	2009 £	2008 £
Bank interest receivable	<u>67</u>	<u>347</u>

5 FINANCE COSTS

	2009 £	2008 £
Interest payable on loan notes	<u>4,021</u>	<u>9,376</u>

6 STAFF COSTS

	2009 £	2008 £
Staff costs during the year		
Wages and salaries	148,088	136,231
Social security costs	15,764	13,978
Pension costs	-	1,800
	<u>163,852</u>	<u>152,009</u>
Average number of employees	<u>5</u>	<u>6</u>

Details of the remuneration of directors are included in the Directors' report on page 9.

Notes on the Financial Statements - continued

7 TAXATION

(a) Analysis of charge in the year

	2009	2008
	£	£
Research and Development tax credit: current year	10,000	10,000
Research and Development tax credit: prior year	9,969	-
Total current tax	19,969	10,000

(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:

	2009	2008
	£	£
Profit (loss) on ordinary activities before taxation	4,615	(444,469)
Tax on profit (loss) on ordinary activities at standard corporation tax rate of 21% (2008: 19%)	969	(84,449)
Expenses not deductible for tax purposes	361	-
Capital allowances in excess of depreciation	7	394
(Relieved tax profits) unrelieved tax losses and other deductions arising in the year	(1,337)	84,055
Research and Development tax credit: current and prior year	19,969	10,000
Total current tax	19,969	10,000

At 30 June 2009 tax losses of approximately £1,247,000 (2008: 1,338,000) 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.

	2009	2008
	£	£
Profit (loss) on ordinary activities after tax	24,625	(434,469)
	No.	No.
Weighted average no of shares:		
For basic profit per share (2008: basic and diluted loss per share)	512,460,174	374,972,639
For diluted profit per share	540,799,685	-
Basic and diluted profit (loss) per share	0.005p	(0.116p)

Notes on the Financial Statements - continued

9 FINANCIAL INSTRUMENTS RECOGNISED IN THE BALANCE SHEET

	Held for trading 2009 £	2008 £
Current financial assets		
Trade and other receivables	143,402	61,935
Cash and cash equivalents	95,080	8,716
	<u>238,482</u>	<u>70,651</u>
Current financial liabilities		
Trade and other payables	203,996	310,270
Loans	63,500	8,000
Deferred income	93,408	-
	<u>360,904</u>	<u>318,270</u>

Current financial liabilities includes 5% unsecured convertible loan notes of £13,500 granted to EiRx Pharma Limited (in members' voluntary liquidation) and 7% secured convertible loan notes of £50,000 granted to Energiser Investments PLC (formerly known as Billam PLC). The conversion price of each loan note is the lower of 0.3p per ordinary share or, at the holder's option, such lower price at which the Company has undertaken further ordinary share issues for cash prior to 31 December 2009. On 12 August 2009 the Company issued and allotted ordinary shares for conversion of indebtedness under these loan notes of £13,500 to EiRx Pharma Limited.

Non-current financial liabilities

Other payables	-	150,000
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10 INTANGIBLE FIXED ASSETS

	Patents, trade marks and software £
Cost	
At 1 July 2008 and 30 June 2009	75,442
Amortisation	
At 1 July 2008	35,678
Provided in the year	4,832
At 30 June 2009	40,510
Net book value	
30 June 2009	34,932
30 June 2008	39,764

Notes on the Financial Statements - continued

11 PROPERTY PLANT AND EQUIPMENT

	Fixtures and computers £
Cost	
At 1 July 2009	38,309
Additions	580
At 30 June 2009	<u>38,889</u>
Depreciation	
At 1 July 2008	34,530
Provided in the year	2,217
At 30 June 2009	<u>36,747</u>
Net book value	
30 June 2009	2,142
30 June 2008	3,779

12 OTHER FINANCIAL ASSETS AND LIABILITIES

	2009 £	2008 £
Trade and other receivables are as follows:		
Trade receivables	74,330	.
Prepayments	24,373	24,300
Other receivables	14,730	27,635
Corporation tax recoverable	29,969	10,000
	<u>143,402</u>	<u>61,935</u>

Trade and other payables are as follows:

Amounts payable relating to the purchase of goods and services	86,863	166,599
Other payables	43,551	64,485
Accruals	73,582	79,186
Loans	63,500	8,000
Deferred income	93,408	.
	<u>360,904</u>	<u>318,270</u>

Trade payables of the Company were equivalent to 55 days of purchases (2008: 69 days). The directors consider the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements - continued

13 LOANS

During the year the Company repaid loans of £8,000 from directors that were outstanding at 30 June 2008. There were no loans with directors at 30 June 2009.

14 SHARE CAPITAL

	2009	2008
	Number	Number
Ordinary shares of 0.04p each		
Authorised:	25,000,000,000	25,000,000,000
	<u> </u>	<u> </u>
Issued and fully paid:	£	£
Balance at 1 July 2007 and 1 July 2008	149,989	149,989
Issue of share capital	99,867	-
	<u> </u>	<u> </u>
As at 30 June 2009	249,856	149,989
	<u> </u>	<u> </u>

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

On 12 December 2008 the Company issued 249,666,420 ordinary shares of 0.04p each at a price of 0.1p per ordinary share. The purpose of the placement was primarily to convert a proportion of existing debt into equity including the conversion of £86,500 of a £100,000 loan note. Cash consideration of £35,000 was also received on that day.

Subsequent to the year end, on 12 August 2009 the Company issued 24,556,640 ordinary shares of 0.04p at a price of 0.1p per ordinary share for the conversion of the remaining loan note principal and accrued interest of the £100,000 loan note referred to above.

Notes to the Financial Statements - continued

15 CAPITAL RESERVES

	Share premium £
Balance at 1 July 2007 and 1 July 2008	1,611,436
Issue of share capital	149,800
Share issue costs	(5,523)
Balance at 30 June 2009	<u>1,755,713</u>

16 RETAINED EARNINGS

	£
Balance at 1 July 2007	(1,681,031)
Loss for the year	(434,469)
Balance at 30 June 2008	<u>(2,115,500)</u>
Profit for the year	24,584
Balance at 30 June 2009	<u>(2,090,916)</u>

CAPITAL COMMITMENTS

At 30 June 2008 and 30 June 2009 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 EMI scheme:

	Granted	Exercised	At 30 June 2009	Exercise Price	Expiry date
Paul Harper	19 Dec 2008	-	2,327,710	0.15p	18 Dec 2018
Christophe Chassagnole	7 Sept 2007	-	7,499,453	0.383p	6 Sept 2017
Christophe Chassagnole	19 Dec 2008	-	5,624,590	0.15p	18 Dec 2018
Other staff	7 Sept 2007	-	10,880,000	0.383p	6 Sept 2017
Other staff	19 Dec 2008	-	10,786,984	0.15p	18 Dec 2018

No expenses are recognised for equity-settled share-based payments transactions in the year. Additionally, in the years of issue of existing share options, no expenses were required to be recognised. All performance conditions have been met and all options are vested in full.

Notes to the Financial Statements - continued

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 2009. Interest bearing loan notes are in issue at that date on terms set out in note 9 to the financial statements

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 9.