



Physiomics Plc

Annual Report and Financial Statements

For the Year Ended

30 June 2023

Company Registration No. 04225086

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Officers and Professional Advisors

DIRECTORS

Dr J S Millen
Dr C D Chassagnole
Dr T H Corn
Mr S Kumar

Chairman and Chief Executive
Chief Operating Officer

(Appointed 1 September 2022)

SECRETARY

Strategic Finance Director Limited

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

Highlights

Financial Highlights

- Total income (revenue and grant income) decreased 33% to £605,734 (2022: £900,707)
- The operating loss increased 60% to £573,733 (2022: £359,114)
- The loss after taxation increased 89% to £477,257 (2022: £253,138)
- At 30 June 2023, the surplus of shareholders' funds was £531,720 (30 June 2022: £974,807)
- Cash and cash equivalents at 30 June 2023 of £416,592 (30 June 2022: £687,674)
- Order pipeline of potential projects that could start in the current financial year ending 30 June 2024 of over £1m.

Operational highlights

- Completion of a fundraise to raise gross proceeds £380,477 to fund further expansion and diversification of the Company's client base, expansion of its consulting business into the adjacent area of pharmaceutical biostatistics services and exploration of opportunities around its personalised oncology software offering
- Successful completion of the NIHR-sponsored PARTNER study at Portsmouth Hospitals University NHS Trust
- Announcement of collaboration with Beyond Blood Diagnostics for personalised cancer treatment
- Announcement of collaboration with wholly owned ValiRx subsidiary Inaphaea Biolabs Ltd
- Podium presentation at American Association for Cancer Research (AACR) on project with client Merck KGaA
- First contract directly with Cancer Research UK (relating to the clinical development of Aleta Biotherapeutics ALETA-001)
- Follow on contracts with existing clients Merck KGaA, Numab Therapeutics, Ankyra Therapeutics and Bicycle Therapeutics
- Appointment of a second highly experienced independent Non-Executive Director, Shalabh Kumar

Post period end

- Received £339k in net proceeds from the fundraise
- Closed four deals with three existing and one new customer
- Announced the recruitment of an experienced Chief Operating Officer, Dr Peter Sargent

Executive Chairman and Chief Executive Officer's Statement

Overview

In what was a difficult year for the Company, its total income was significantly impacted by cost reduction measures carried out by a major client, however these were partially mitigated by Company initiatives (taken over several years and still ongoing) to diversify its client base, with the proportion of revenues derived from its largest customer falling from 85% in FY19 to less than 35% in FY23. As a result of this diversification drive, the Company took on a significant volume of repeat business (from clients that have been with us for up to five years) as well as attracting new clients including Aleta Biotherapeutics (through CRUK), Arjuna Therapeutics and the University of Sheffield. For the first time ever, the Company has felt in a position to quantify the value of its pipeline of potential new contracts that could start in the current financial year which remains at over £1m despite four opportunities having been converted into signed projects during August. This was facilitated through the implementation of a formal CRM process to manage and track opportunities.

The Company completed its personalised dosing PARTNER trial in Portsmouth and is actively exploring possible augmentation of the tool to incorporate the effect of the use of the biological product G-CSF, in preventing neutropenia, with a view to developing a risk scoring algorithm for use by clinicians treating patients with this drug. To complement its in-house activities in this area the Company was further pleased to announce an important collaboration with Beyond Blood Diagnostics.

Finally, the Company completed a fundraise to fuel continued diversification of its client base, exploration of further personalised dosing initiatives and expansion of its consulting activities into the field of biostatistics.

Financial Review

The Company's total income for the year ended 30 June 2023 of £605,734 represents a 33% decrease from the year ended 30 June 2022, due primarily to reduction in spend by the Company's largest client but partially mitigated by increased revenues from a diversified client base.

Largely as a result of lower revenues, the loss after taxation increased 89% to £477,257 (2022: £253,138).

At 30 June 2023, the surplus of shareholders' funds was £531,720 (30 June 2022: £974,807) of which cash and cash equivalents were £416,592 (30 June 2022: £687,674). However, this was just prior to receipt of funds from a fundraise completed on 3rd July 2023 whose gross proceeds were £380,477.

Staff

The Company continued to build its technical team with the addition of two highly qualified new scientists, chosen from among a strong field of applicants. The Company continues to attract significant interest from those who want to be involved at the cutting edge of cancer care and data modelling.

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

Outlook

The impact of the Company's strengthened Board is already being felt through the implementation of new marketing activities, collaborations such as with Inaphaea and Beyond Blood and through the proposed



expansion of its consulting business into the field of biostatistics. The Company is looking forward to a successful financial year 2024 during which it aims to achieve a new best ever level of total income, generated from its current core business and emerging biostatistics consulting offering.

Dr Jim Millen, Executive Chairman and Chief Executive Officer

Strategic Report

Principal activities

Physiomics is engaged in providing consulting services to pharmaceutical companies in the areas of outsourced quantitative pharmacology and computational biology, using a combination of industry standard technologies and its own proprietary technology platform, Virtual Tumour™. In simple terms, this means helping companies to put the right drugs together, at the right dose, in the right types of cancer to help achieve the best possible results at the lowest cost.

Modelling and simulation using Virtual Tumour™ and other tools

The Company's focus is almost exclusively on the provision of modelling, simulation and data analysis services, covering the full range of oncology R&D and with a focus on quantitative pharmacology techniques. The Company generates fee for service revenues by providing insights to clients based on its modelling. The Company utilises its proprietary Virtual Tumour™ predictive software, industry standard tools (such as NONMEM and MATLAB), as well as developing bespoke models using the R programming language. Extensions to Virtual Tumour™ have been developed over the last few years to address specialist areas such as immuno-oncology, DNA damage repair inhibitors, radiation therapy and other areas of specialism. Projects often require a blend of several approaches to deliver the optimal insights to clients. Client companies rely heavily on the knowledge and experience of our team when evaluating data and devising new programmes. The team's exposure to and expanding expertise in a wide range of cancer treatment modalities is attractive to new and existing clients.

The Company's expertise in the late discovery, preclinical and clinical phases of pharmaceutical R&D, enables it to add value by helping companies to efficiently derive insights from their data. This is achieved in a variety of ways ranging from data analysis, visualisation and interpretation, to mathematical modelling of the performance of drugs. The end result is that our clients are in a better position to optimise the treatments they are developing by selecting the right targets, drugs, dosages, timing and combinations. We believe that we add particular value in early development during the transition from pre-clinical to first-in-human studies. We believe our experience and capabilities have been helpful in supporting clients in identifying optimal clinical trial designs and justifying them to regulatory authorities. In recent projects, the Company has been able to:

- Work with one biotech company to support the selection of its first human dose for its lead product
- Work with another biotech company to model the PK of its drug, confirming its potential advantages vs a competitor and contributing to its eventual acquisition
- Support a big pharma company in optimising the balance of efficacy and toxicity for complex combination cancer regimens
- Support another big pharma in exploring the mechanism of action of a new immune-oncology drug targeting NK cells and creating a model to predict its efficacy in preclinical and clinical settings

Personalised Medicine

In addition to its core modelling and simulation business, the Company has continued to develop its technology for use in the field of personalised medicine. The term "personalised medicine" is used in many ways but is most often associated with the use of genetic markers in the selection of drugs to treat a particular group of patients. Physiomics' approach has been to use its expertise in interpreting pre-clinical and clinical cancer data to help predict when to

treat patients and with what dose of drug. This approach relies on advanced analytical techniques, many of which (such as machine learning and neural networks) are in the field of artificial intelligence (AI). To date this work has been funded by two Innovate UK Grants and one NIHR grant and has not drawn materially on shareholder funds. The Company completed its observational “PARTNER” study at Portsmouth University Hospitals NHS Trust which validated the ability of the tool to predict levels of neutropenia. Although this was felt to be of interest by clinicians, it was determined that the tools use to guide the use of the expensive biological drug GCSF (used to counteract neutropenia) might have a higher commercial value and the Company is currently actively exploring ways to further develop its tool to facilitate this.

During the year, the Company’s US partner DoseMeRx announced that it had been divested by its owner Tabula Rasa Healthcare (TRHC) and acquired by a private equity company. Since then, the Company has re-established contact with DoseMeRx and discussions are ongoing around how the Company’s tool might be used in the US.

In addition to this partnership, the Company also entered into a collaboration with UK based start-up Beyond Blood Diagnostics which is developing a miniature device to measure blood counts including white cell levels which are required to calibrate our tool for individual patients. Feedback from clinicians suggests that enabling patients to undergo these diagnostic tests in a primary care or home setting would facilitate use of our tool and as such we are actively exploring opportunities to work with Beyond Blood.

Business Model

The Company’s main commercial business is the provision of consulting services which rely substantially on our Virtual Tumour™ pre-clinical and clinical models that are proprietary to the Company. Physiomics works primarily on a fee for service basis, although we are open to and continue to explore other approaches including risk sharing and collaboration. An example of this includes the risk-sharing deal with ValiRx plc announced in February 2021 for which terms have been fully disclosed and which would be triggered by the receipt by ValiRx of licensing revenues related to VAL-201.

Although the Company continues to be open to alternative approaches, it is envisaged that fee-for-service consulting will continue to be the main driver of revenues in the short to medium term.

Key strengths

The consulting business is the core of the Company’s commercial activity and we believe that it is unique in a number of respects:

- *We focus almost exclusively on oncology.* Our team has over 140 years of combined experience in the development of cancer drugs and computational biology, and in particular of quantitative pharmacology (essentially analysing how much drug to use and trying to predict what effect it will have). Over the Company’s lifetime it has completed over 100 projects covering hundreds of targets, cell lines, drugs, and cancer types;
- *We use a proprietary in-house platform called Virtual Tumour™.* Although the team can take advantage of all commonly used modelling, simulation and data analysis techniques in the cancer field, we also have access to an internally developed platform that is uniquely useful when considering combinations of cancer drugs (and most anti-cancer regimes eventually involve using multiple agents simultaneously);
- *We have particular expertise in the sourcing, curating and analysis of healthcare data.* Whether originating from clients or within the public domain, our team comprises experts in data analysis, coding and machine learning (AI) techniques that underpin the modelling activities we carry out on behalf of our clients; and

- *We provide a responsive and dedicated service.* Many large companies offer services in the cancer space though do not restrict themselves to cancer nor to quantitative pharmacology. As a result, we believe, many of these companies cannot offer the same level of bespoke, responsive service that Physiomics can and does.

Our strategy

Physiomics' strategy is to grow its consulting business while actively investigating other possible applications of our core modelling and simulation capabilities such as in personalised medicine. Our main strategic aims are as follows:

- Continue to expand and diversify our core consulting business both through repeat business and through the acquisition of new clients;
- Supplement our core consulting revenues through grant funded projects, especially in the field of personalised medicine (CRUK, Innovate UK, NIHR etc);
- Expand our core consulting business into related fields, starting with biostatistics. This will be the subject of further announcements later this calendar year;
- Develop new, complementary areas of business such as personalised medicine and other service offerings in drug discovery and development that can add long term value to the business.

Obligations under s172 of the Companies Act

The Directors are mindful of their obligations under s172(1) of the Companies Act 2006 to act in good faith to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following:

Principle	Company's actions
The likely consequences of any decision in the long term.	The Company has a long term vision as set out in this report.
The interests of the company's employees.	The Company values its employees and implements training, offers development opportunities and has in place appropriate incentive programs to support their retention.
The need to foster the company's business relationships with suppliers, customers and others.	The Company spends significant effort in reaching out to new and existing customers and in soliciting their feedback following engagements.
The impact of the company's operations on the community and the environment.	The Company's operations have minimal impact on the community and environment.
The desirability of the company maintaining a reputation for high standards of business conduct.	The Company maintains a high standard of business ethics, complying with the QCA code for corporate governance.
The need to act fairly as between members of the	The Company treats all members equitably and

Principle	Company's actions
company.	attempts to ensure a timely and accurate flow of information to all members.

Review of Business

The Company is principally engaged in providing consulting services to pharmaceutical companies in the areas of outsourced quantitative pharmacology and computational biology.

- Total income (revenue and grant income) decreased 33% to £605,734 (2022: £900,707)
- The operating loss increased 60% to £573,733 (2022: £359,114)
- The loss after taxation increased 89% to £477,257 (2022: £253,138)
- At 30 June 2023, the surplus of shareholders' funds was £531,720 (30 June 2022: £974,807)
- Cash and cash equivalents at 30 June 2023 of £416,592 (30 June 2022: £687,674)

Consulting Business

Physiomics' consulting business is at the heart of its offering to clients. The Company uses its proprietary Virtual Tumour™ software platform but also develops mathematical models from scratch and leverages models in the public domain. It is a combination of our technology and the oncology experience of our team that enables us to be able to deliver clients both a targeted product offering that meets their needs whilst at the same time delivering value for money. We believe that we are unique in offering a combination of:

- Deep experience and knowledge of oncology;
- An exclusive focus on model-based approaches to supporting our clients' R&D projects; and
- A level of flexibility and responsiveness that is not typically found in larger organisations.

We have continued to develop our brand through a variety of marketing and business development activities including:

- Engagement of an external marketing lead to support development and (working with our Head of BD) execution of a marketing strategy
- Continued use of social media to engage with current and potential new clients;
- Attendance at key conferences such as this year at AACR where our poster (in collaboration with Merck KGaA) was upgraded to a podium presentation; and
- Further development of our website to include case studies based on actual client projects.

The Company has been particularly successful in attracting repeat business this year from clients such as Numab Therapeutics and Bicycle Therapeutics which have helped to offset a reduction in revenues from long-standing client Merck KGaA (although at the time of writing Merck has just signed its first new project with us since 2022).

The Company's clients in this financial year have been located in the USA, UK, EU and Switzerland. In terms of the mix of work, we continue to work across the full spectrum of R&D from discovery to development, though we continue to focus increasingly on translational projects involving assets entering clinical development for the first time. This is particularly exciting, as it raises our profile and can involve exposure to regulatory authorities. The Company continues to work in the immuno-oncology space with several of its clients, and it is

anticipated that the industry focus on this treatment approach is likely to continue for some time.

Personalised Medicine

The personalised medicine and digital health space continues to generate significant interest from both investors and healthcare systems. Many start-ups in this area focus on the use of genetic markers or the pattern-recognition capabilities of artificial intelligence applications. However, we believe that there is a significant opportunity in the analysis of existing clinical data to identify better ways to treat patient using existing drugs and procedures.

The Company has developed a tool for personalised dosing, funded mainly by two Innovate UK and one NIHR grant as noted above.

Strategic and financial performance indicators

The Company is focused on the creation of long-term value for its shareholders.

The Directors consider that the key performance indicators are those that communicate the financial performance and strength of the Company as a whole, these being revenue, profitability, and shareholders' funds. As well as looking at annual performance, the Board consider 3 year rolling figures that smooth variation in individual years.

Total revenues during the last five financial years (year ended June 2019 to year ended June 2023) exceed the total revenues of the seventeen years prior to that.

Considering performance trends across periods, total income for the past 3 financial years (year ended June 2021 to year ended June 2023) has averaged £746k annually, compared with £713k for the 3 years before that (year ended June 2018 to year ended June 2020). The delayed client projects in FY23 have reduced the 3 year average upward trend however it remains upward.

Similarly, loss after tax for the past 3 financial years (year ended June 2021 to year ended June 2023) has averaged £320k, compared with an average of £117k for the 3 years before that (year ended June 2018 to year ended June 2020). These increases result mainly from increased investment in technical and business staff intended to drive the Company's key strategic initiatives and increase revenues over time.

The Board anticipate improvements in both these annual 3 year average trends

Year-end net assets at 30 June 2023 of £532k have fallen from their year-end peak at June 2020 of £1,315k but remain higher than all year ends prior to and including year end June 2017.

Principal Risks

The Company faces a number of risks and maintains a risk register that identifies specific risks, their potential impact, their likelihood and mitigating actions. This register is updated as required and on an annual basis as a minimum. Selected key risks are addressed below.

Risk	Description	Mitigation
Loss of major customer	<p>The business has a high dependence on a single large customer (Merck KGaA). This leads to the risk that the customer could significantly reduce or cancel its contracts with the Company.</p>	<p>Over the course of the financial year ended 30 June 2023 Merck did in fact take cost containment measures affecting its US operations which led to a significant reduction in Company revenues as noted in several Company press releases. Fortunately the Company had already taken steps to broaden its customer base (and continued to do so) such that the adverse effect of the reduction in Merck revenue was partially mitigated.</p> <p>The Company continues to foster a close relationship with its main big pharma client Merck KGaA and post the year end has signed a further agreement with this client.</p>
Competition	<p>Physiomics operates in a competitive environment which could lead to pricing pressure. Whilst the business uses its own proprietary technology a competitor could attempt to replicate its Virtual Tumour™ technology.</p>	<p>Our focus on oncology and the way in which we employ Virtual Tumour™ requires a combination of technology and specialised skills, which we believe is hard to replicate.</p> <p>We continually develop our model to improve the scope and applicability of the technology, adding further value to our clients and differentiating our service from our competitors.</p> <p>In addition, in the last three years we have developed a personalised medicine offering that we are currently seeking to commercialise and which would help reduce dependency on our consulting business.</p> <p>We are in parallel seeking other ways in which to broaden the base of activities of the Company and in particular recently announced a proposed expansion of its consulting business into the field of biostatistics.</p>

Risk	Description	Mitigation
Personnel & skills	<p>The success and future growth of the Company is in part dependent on the continued performance and delivery of certain Directors, managers, key staff and contractors. The Company operates in a highly specialised field where there is strong competition for required skills and talent.</p> <p>Key personnel leaving the Company could lead to a short-term reduced capacity to service client projects.</p>	<p>The Company seeks to recruit, develop, and manage talent on a continuous basis and has built a network of contracted specialists who can provide additional resource when required.</p> <p>In order to attract the best talent, the Company offers competitive packages to its staff which includes a share option scheme, private medical insurance and flexible working. A collegiate working environment and opportunities for personal and professional development also help to maintain staff satisfaction.</p> <p>Over the course of this financial year, the Company took on two new technical team members from a field of highly qualified applicants.</p>
Financial	<p>The financial risks faced by the Company include the ability to cover working capital needs, raise sufficient funds to support the Company through to profitability and failure to secure further contracts.</p> <p>The process of winning major contracts is typically protracted and the Company operates in a competitive environment. This means the Company often faces significant uncertainties in its cash flow.</p>	<p>The board addresses financial uncertainties by monitoring actual performance against internal projections and responding to significant variances. The Company also employs tight cost controls across the business and has from time to time raised funds from investors.</p> <p>The Company seeks to ensure cash availability for working capital purposes and to reduce credit risk arising from cash and short-term deposits with banks and other financial institutions by holding deposits with an institution with a medium grade credit rating or better.</p> <p>In July 2023 the Company completed a fundraise of £380k gross to support expansion including into the related biostatistics field and for the purposes of working capital.</p>
Regulation Changes	<p>The Company's customers are predominately pharmaceutical companies who require outsourced quantitative pharmacology and computational biology services. There is a risk that the business model is impacted by future changes in regulations in the medical and pharmaceutical industry.</p>	<p>The Company regularly reviews regulations changes through proactive discussions with key industry officials, professional advisors and regulatory bodies where appropriate.</p> <p>Major agencies such as the FDA are actively promoting the use of modelling and simulation and issue advisory papers which set out their thinking.</p>

Risk	Description	Mitigation
Systems & infrastructure	The Company is dependent on its IT technical infrastructure and systems for the management of its core operations and research and development programmes.	Continuity of access to data and integrity of data is maintained through the implementation of a system of data storage, offsite backup and monitoring of key coding and modelling data. The company maintains CyberEssentials accreditation of its systems hardware and processes in order to increase resilience vs cyber related attacks and risks.
Prevailing economic conditions	The biotech market has seen a significant reduction in funding from both public and private sources since the beginning of 2022. Publicly listed biotech companies share prices have come under some pressure as a result and our clients' ability to raise capital may be impacted by this as well as adverse sentiment related to energy prices and the war in Ukraine.	Several projects that were anticipated to be signed in the financial year 2023 were cancelled or delayed. It is not possible to say for sure what combination of factors led to this however the Company continues to invest in marketing activities to attract new customers and has been successful in generating repeat business. In addition, as noted above, the Company announced its intention to expand its consulting business into the related field of biostatistics consulting which further broadens the base of activity and mitigates the risks of being too narrowly focused.

By order of the board

Dr Jim Millen

Executive Chairman and Chief Executive Officer

Directors' Report

The Directors submit their report and the audited financial statements of Physiomics Plc for the year ended 30 June 2023.

Results

There was a loss for the year after taxation amounting to £477,257 (2022 loss after tax: £253,138). In view of accumulated losses, and given the stage of the Company's development, the Directors are unable to recommend the payment of a dividend.

Directors

The directors who served during the year were:

Dr James Millen

Dr C D Chassagnole

Dr T H Corn

Mr S Kumar (from 1 September 2022)

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom (UK). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the financial performance and cash flows of the Company for that year.

The financial statements are required by law, and IFRS as adopted by the UK, to give a true and fair view of the state of affairs of the Company.

In preparing the Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether in preparation of the financial statements the Company has complied with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Physiomics Plc website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Substantial shareholdings

The Company has been informed, based on a beneficial ownership search carried out by its registrar, that as at 14 August 2023, the following individual shareholders had over 3% interests in the issued ordinary shares of the Company.

	Shares (m)	Holding %
Mr Gary Marshall	4,500,000	3.32%

On 14 August 2023, Dr Jim Millen held 1,884,393 ordinary shares and Dr Christophe Chassagnole held 1,102,723 ordinary shares. The holding percentages were 1.39% and 0.81% respectively.

Directors' remuneration

Details of Directors' remuneration in the year ended 30 June 2023 is set out below:

	Emoluments £	Bonus £	Benefits £	Pension Contributions £	Total 2023 £	Total 2022 £
Dr J S Millen	125,970	-	2,028	10,608	138,606	138,442
Dr C D Chassagnole	75,555	-	1,655	10,267	87,477	80,681
Mr S Kumar	23,667	-	-	-	23,667	-
Dr T H Corn	20,000	-	-	-	20,000	5,000
Dr P B Harper	-	-	-	-	-	34,595
Total	245,192	-	3,683	20,875	269,750	258,718

Corporate governance

Physiomics Plc has chosen to comply with the Quoted Companies Alliance ("QCA") Corporate Governance Code. High standards of corporate governance are a priority for the board, and details of how Physiomics addresses key governance principles defined in the QCA code are set out below.

1. Establish a strategy and business model which promote long-term value for shareholders

The Company's business model is focused on helping big pharma and biotech clients to reduce costs and optimise outcomes of their oncology R&D through modelling and analysis of client and other data. In particular,

the Company leverages its own in-house technology, Virtual Tumour™, which is specifically focused on predicting the effects of combination drug treatments. The Company operates mainly on a fee for service basis but is also open to other arrangements such as risk-based milestones and licensing although these have not formed a material part of the Company's revenues historically. In addition to its commercial business the Company engages in grant driven projects which do not generate profit but which provide valuable "paid for" R&D which can then be leveraged through the Company's commercial activities. The Company aims to deliver shareholder value by increasing the number and value of its commercial clients and by increasing the amount and value of grant projects and by investigating the commercial potential of new areas such as personalised medicine. The Company believes that its strategy will be effective in helping it to meet challenges such as competitive pressure and the rapid pace of technological change in the pharmaceutical industry.

2. Seek to understand and meet shareholder expectations

The Company maintains a dedicated email address which investors can use to contact the Company which is prominently displayed on its website together with the Company's address and phone number. The Company holds an annual general meeting ("AGM") to which all members are invited and during the AGM, time is set aside specifically to allow questions from attending members to any board member. As the Company is too small to have a dedicated investor relations department, the CEO is responsible for reviewing all communications received from members and determining the most appropriate response. In addition to these passive measures, the CEO typically engages with members through a roadshow once or twice each year and the Company subscribes to the InvestorMeetCompany online investor relations platform.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to members, the Company believes its main stakeholder groups are its employees and clients. The Company dedicates significant time to understanding and acting on the needs and requirements of each of these groups via meetings dedicated to obtaining feedback (see principle 2 above).

In addition, the Company has a close relationship with the University of Oxford and the Oxford University Hospitals NHS Foundation Trust. Prof Mark Middleton, who leads oncology research at these institutions is an advisor to the Company and has been a collaborator on several grant projects. The relationship with the Company is mutually beneficial as the University and NHS Trust also has a mandate to encourage and collaborate with local businesses.

With regards corporate social responsibility, there is little direct impact of the Company's day-to-day activities however the Company is proud that its overarching goal is to support the treatment of cancer, a disease that has a profound impact on society.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Company maintains a register of risks across several categories including personnel, clients, competition, finance, technical and legal. For each risk we estimate the impact, likelihood as well as identify mitigating strategies. This register is reviewed periodically as the Company's situation changes and as a minimum annually. During such reviews, each risk category is considered by the Directors with a view to understanding (i) whether the nature, impact or likelihood of any risks has changed, (ii) whether the mitigating actions taken by the Company should change as a result and (iii) whether any new risks or categories of risk have arisen since the last review. The Company's risk register is reviewed by its auditor as part of its annual audit process, providing a degree of external assurance as to the suitability of its risk management strategy.

5. Maintain the board as a well-functioning, balanced team led by the Chairman

The board of Physiomics Plc currently comprises two Executive Directors, two independent Non-Executive Directors and a secretary (non-director). The board meets at least monthly for one day (except August) and all current board members have attended all board meetings in the current financial year (since their appointment). Each Director is re-elected to the board on a rotating basis by a vote of members at the Company's AGM.

Executive Directors are employees of the Company. Non-Executive Directors' contracts require that directors dedicate a minimum of one day per month. In addition, non-executive directors may provide additional paid consulting services at rates specified in their contracts.

The Company notes that, following the departure of the former Chairman, Dr Paul Harper, in February 2022, Dr Jim Millen has fulfilled the roles of both Executive Chairman and CEO. Since then, however, the Company has taken on two new independent Non-Executive Directors, providing a more balanced ratio of executive and non-executives on its board. The Company's board composition, and in particular the role of Chairman, will continue to be reviewed by the new expanded board over the course of the current financial year, and the Board is cognisant of the guidance in the QCA Code regarding separation of the roles of Chairman and Chief Executive Officer.

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The current directors of the Company, together with their experience, skills, and personal qualities relevant to the Company's business are outlined below:

- Dr Jim Millen (Executive Chairman & CEO) joined Physiomics in April 2016, bringing over 15 years' experience in pharmaceuticals and biotechnology gained at a number of blue-chip global companies as well as smaller UK-based organisations. At Allergan, Jim was responsible for corporate development in its Europe, Africa and Middle East region where he was pivotal in expanding the Company's geographical footprint before moving to a senior role responsible for commercial strategy and market access. Prior to that, at GSK, Jim held business development roles of increasing responsibility including within the Company's innovative Centre of Excellence for External Drug Discovery. Jim has also supported a number of smaller companies in fund raising and strategic partnering activities. Over the course of his career he has completed an array of deals worth many hundreds of millions of dollars, spanning licencing, acquisition, divestment, development and commercialisation. Jim studied medicine at Queens' College, Cambridge University and qualified as a doctor from the London Medical School. He holds an MBA from INSEAD. Jim's ability to develop and grow businesses and drive towards ambitious goals is of great value in his role as CEO.
- Dr Christophe Chassagnole (COO) has been involved in systems biology and bio-computing projects since the mid-nineties, with experience in both academic and industrial environments. His Doctorate was achieved at the Victor Segalen-Bordeaux II University, and then he held a post doctorate position with IBVT at Stuttgart University. Before joining Physiomics Dr Chassagnole worked in France as a senior researcher for CRITT Bio-Industries (Toulouse) for 3 years. He joined Physiomics in May 2004 as project leader to develop the technology portfolio of the Company. He was appointed Chief Operating Officer of Physiomics in May 2007, in this capacity he has initiated and supervised the development of the Virtual Tumour™ technology. Christophe remains the main source of scientific knowledge on the biology of cancer and modelling/simulation as it relates to drug development. Christophe maintains his knowledge through regular literature reviews and is highly valued by clients for this reason. Christophe is also responsible for managing the Company's R&D activities and in particular of our initiatives in personalised medicine.

- Dr Tim Corn (NED) qualified in medicine at King's College Hospital and, after becoming honorary Consultant and Senior Lecturer, joined the pharmaceutical industry in 1983. He has held senior positions in both big and small pharma as well as at the MHRA and became CMO of several small but highly successful venture-backed companies, such as EUSA Pharma and Zeneus Pharma. He has played a key role in more than twenty regulatory approvals in the USA and Europe, is the author of more than forty scientific publications, and was elected Fellow of both the Faculty of Pharmaceutical Medicine and the Royal College of Psychiatrists.
- Mr Shalabh Kumar (NED) is a proven business executive with over 30 years of experience within the life sciences consulting and services industry. Shalabh co-founded, and subsequently was the Chief Executive Officer of Kinapse, a life sciences consulting and outsourcing service provider. The company was later acquired by Syneos Health® (Nasdaq: SYNH) after growing to employ over 600 people across UK, India and US. Prior to that he has worked in Accenture, Gillette (Procter & Gamble) and Unilever. More recently, Shalabh has been working as an independent strategy consultant and angel investor in the life sciences industry, working with biopharmaceutical companies, life sciences services and technology companies and private equity firms. Recent roles include Chairman of the board of Clustermarket Ltd, a lab software start-up; independent strategy consultant to the life sciences R&D group of Accenture plc (NYSE: ACN); and Global Head of Services at Navitas Life Sciences, a technology-backed life sciences contract research organisation. Shalabh is also Chairman of Pharmalancers Ltd, a UK-based life sciences services tech start-up.
- Anthony Clayden, of Strategic Finance Director Ltd (Secretary) is Head of Finance and Company Secretary with over 24 years' experience directing or advising over 50 high growth potential businesses of differing size and complexity and brings broad experience of strategic, operational, and financial matters. His career encompasses numerous businesses in the life sciences and healthcare sector including 6 years as Chief Financial Officer of AIM quoted Futura Medical Plc where he was involved in its IPO and a series of placings. Previously, Anthony worked with KPMG and PwC on a range of corporate finance matters including fundraisings, company sales and acquisition advice. Anthony has a B.Sc. (Hons) in Natural Sciences from Durham University and is a Qualified Chartered Accountant. Although Anthony is not a Director of the Company, he provides invaluable advice on all matters financial.

The Company holds annual briefings for the board covering regulations that are relevant to their role as directors of an AIM-quoted company.

The Company has not to date sought external advice on keeping Director's skills up to date but believes that their blend of past and ongoing experience provides them with the relevant up to date skills needed to act as board members for a small company. The Company keeps close contact with its NOMAD and nominated broker on all such issues

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Evaluation of the performance of the board has historically been implemented in an informal manner. The board will formally review and consider the performance of each director at or around the time of the Company's annual general meeting.

On an ongoing basis, board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to or backup for current board members, however, the directors consider that the Company is too small to have either an internal succession plan and that it would not be cost effective to maintain an external candidate list prior to the need arising.

8. Promote a corporate culture that is based on ethical values and behaviours

The board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to maximise shareholder value. The Company maintains and annually reviews a handbook that includes

clear guidance on what is expected of every employee and officer of the Company. Adherence of these standards is a key factor in the evaluation of performance within the Company, including during annual performance reviews. In addition, staff matters are a standing topic at every board meeting and the CEO reports on any notable examples of behaviours that either align with or are at odds with the Company's stated values. The directors believe that the Company culture encourages collaborative, ethical behaviour which benefits employees, clients and shareholders. The directors further believe that all employees and consultants have worked in line with the Company's values during this financial year.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The board of the Company, together with its sub-committees, is responsible for the following:

- The setting of and execution of the overall strategy of the Company;
- The setting of financial targets and monitoring of the Company's performance vs these targets on a monthly basis;
- The preparation and approval of interim and final results for the Company;
- The commissioning and oversight of the audit of the Company's full year results;
- The preparation and approval of the Company's annual report;
- The preparation of resolutions to be voted upon in the Company's Annual General Meeting;
- Approval of regulatory communications;
- The setting of guidelines for remuneration of employees, Directors and consultants, including where appropriate long-term incentives such as share option schemes;
- The approval and oversight of any changes to the capital structure of the Company such as the raising of capital through placings;
- The identification, evaluation and monitoring of key strategic risks to the Company's business; and
- The employment of key officers and Directors of the Company (the latter as recommendations to be voted on at the Company's AGM).

The key board roles are as follows:

- **Chairman:** The primary responsibility of the chair is to lead the board effectively and to oversee the adoption, delivery and communication of the Company's corporate governance model. The chair is also responsible for making sure that the board agenda concentrates on the key issues, both operational and financial, with regular reviews of the Company's strategy and its overall implementation
- **CEO:** Charged with the delivery of the business model within the strategy set by the board. Works with the other directors in an open and transparent way. Keeps the board up-to-date with operational performance, risks and other issues to ensure that the business remains aligned with the strategy

The board has two sub-committees appointed by the board of directors. They are as follows:

- **Audit Committee:** The Committee meets to consider matters relating to the Company's financial position and financial reporting. The Committee reviews the independence and objectivity of the external auditors, Shipleys LLP, as well as the amount of non-audit work undertaken by them, to satisfy itself that this will not compromise their independence. Details of the fees paid to Shipleys LLP during the current accounting period are given in the notes to the accounts. The Audit Committee currently comprises Dr Tim Corn and Dr Christophe Chassagnole, with Strategic Finance Director Ltd (Company Secretary) attending as secretary

- **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. Any remuneration issues concerning Non-Executive Directors are resolved by this Committee and no Director participates in decisions that concern his own remuneration. The Remuneration Committee comprises Mr Shalabh Kumar and Dr Jim Millen, with Strategic Finance Director Ltd (Company Secretary) attending as secretary

Finally, the Company gives regular consideration to how best to evolve its governance framework as it grows. It currently does not have a nominations committee.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

On the Company's website shareholders can find all historical RNS announcements, interim reports and annual reports. Annual Reports and Annual General Meeting Circulars are made available to all registered shareholders or nominees via electronic shareholder communication system managed by the Company's registrar and results of Annual General Meeting votes are also published on the Company's website. The Company's website allows shareholders and other interested parties to sign up to a mailing list to enable them to directly receive regulatory and other company releases. As described earlier, the Company also maintains email and phone contacts which shareholders can use to make enquiries or requests.

Environmental and Social Governance

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

- Use of modular office space with services shared with other occupiers
- Adoption of flexible "hot-desking", especially in light of new more flexible home/ office working models post-COVID
- Recycling of office waste where possible

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

Finally, in terms of diversity and inclusion, of eight employees, four are women and three are non-UK nationals.

Post balance sheet events

On 3 July 2023, a date which is after the reporting date but prior to the signing of these financial statements, the Board allotted 38,047,700 ordinary shares.

34,500,000 of these shares were placed through the Company's broker Hybridan LLC at £0.01 per share. 1,000,000 shares were issued via a direct subscription to the Directors of the Company and 2,547,700 shares were placed via a retail subscription offer. All shares were placed at £0.01 per share.

There were no additional post reporting events to note.

Statement as to disclosure of information to auditors

The Directors in office on 27 September 2023 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Going concern, responsibilities and disclosure

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal controls and risk management

The board is responsible for the Company's system of internal control and risk management and for reviewing its effectiveness. The Directors have a reasonable expectation that the Company will safeguard the Company's assets. The risk management process and internal control systems are designed to manage rather than eliminate the risk of failing to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. The key features of the Company's system of internal control are as follows:

- a clearly defined organisational structure and set of objectives;
- the executive Directors play a significant role in the day to day operation of the business; and
- detailed monthly management accounts are produced for the board to review and take appropriate action.

Annual General Meeting

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

The Company intends to hold an in-person (rather than online) AGM this year, further details of which will be announced shortly.

By order of the board

Dr Jim Millen

Executive Chairman and Chief Executive Officer

Independent Auditors' Report to the Members of Physiomics Plc

Opinion

We have audited the financial statements of Physiomics Plc for the year ended 30 June 2023 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the cash flow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Risk	How the Scope of our audit responded to the risk
<p>Management override of controls Journals can be posted that significantly alter the Financial Statements and potentially give rise to the risk of fraud.</p>	<p>We examined journals posted around the year end, specifically focusing on areas which are more easily manipulated such as accruals, prepayments, investment valuation and the bank reconciliation.</p>
<p>Going Concern There is a risk that the Company is not a going concern.</p>	<p>We reviewed the Directors' assessment of the business remaining a Going Concern. We compared this assessment to our own understanding of the risks, and the nature of the Company's operations and customer base. We then conducted a review of going concern in respect of reviewing forecasts and current trading performance, and carrying out stress testing. The work undertaken considered a period of at least 12 months from the date of approving these financial statements.</p> <p>The disclosures in the financial statements adequately reflect the Directors' conclusions around the going concern assumption remains appropriate.</p>
<p>Fraud in Revenue Recognition There is a risk that revenue is materially understated due to fraud.</p>	<p>Income was tested on a sample basis from contracts. No evidence of fraud or other understatement was identified.</p>
<p>Accounting Estimates Potential risk of inappropriate accounting estimates giving rise to misstatement in the accounts.</p>	<p>All areas were examined to identify any potential accounting estimates. These estimates were then reviewed and tested for adequacy.</p>
<p>Overstatement of Administrative Expenses There is a risk that the Company's administrative expenses are overstated.</p>	<p>A proof in total calculation and substantive testing were both undertaken and no evidence of overstatement was identified.</p>
<p>Grant Income There is a risk that grant income may be materially misstated.</p>	<p>Grant income was reviewed and a sample basis from contracts. No evidence of misstatement was identified.</p>

Our audit procedures relating to these matters were designed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that of materiality makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning and in the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Company to be £18,172. We agreed with the Audit Committee that we would report to them all audit differences in excess of 5% of materiality, as well as differences below that which would, in our view, warrant reporting on a qualitative basis. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and any correspondence received from regulatory bodies.

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

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

In our opinion, based on the work undertaken in the course of our audit:

- The information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Use of our report

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

Benjamin Bidnell (Senior Statutory Auditor)
For and on behalf of Shipleys LLP,
Chartered Accountants and Statutory Auditor
10 Orange Street
Haymarket
London
WC2H 7DQ

Income Statement for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Revenue	3	597,354	830,266
Other operating income	3	8,380	70,441
Total income		605,734	900,707
Net operating expenses		(1,179,467)	(1,259,821)
Operating loss	4	(573,733)	(359,114)
Finance income	7	1,724	142
Loss before taxation		(572,009)	(358,972)
Income tax income	9	94,752	105,384
Loss for the year attributable to equity shareholders	25	(477,257)	(253,138)
Earnings per share (shown in pence)	10		
Basic and diluted		(0.49)p	(0.26)p

Statement of Comprehensive Income

	Year ended 30 June 2023 £	Year ended 30 June 2022 £
Loss for the year	(477,257)	(253,138)
Other comprehensive income	-	-
Total comprehensive income/ (expense) for the year	(477,257)	(253,138)
Attributable to:		
Equity holders	<u>(477,257)</u>	<u>(253,138)</u>

Statement of Financial Position as at 30 June 2023

		2023	2022
	Notes	£	£
Non-current assets			
Intangible assets	12	5,479	3,005
Property, plant and equipment	13	7,757	14,365
Other receivables	14	180	395
		13,416	17,765
Current assets			
Trade and other receivables	14	244,385	409,977
Cash and cash equivalents		416,592	687,674
		660,977	1,097,651
Total assets		674,393	1,115,416
Current liabilities			
Trade and other payables	18	122,656	126,347
Deferred revenue	19	20,017	14,262
		142,673	140,609
Total liabilities		142,673	140,609
Net current assets		518,304	957,042
Net assets		531,720	974,807
Equity			
Called up share capital	22	1,283,096	1,283,096
Share premium account	23	5,936,478	5,936,478
Other reserves	24	147,651	281,660
Retained earnings	25	(6,835,505)	(6,526,427)
Total equity		531,720	974,807

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023.

Statement of Changes in Equity for the year ended 30 June 2023

	Share capital £	Share premium account £	Other Reserves £	Profit and loss reserves £	Total £
Balance at 1 July 2021	1,282,736	5,993,993	222,274	(6,273,289)	1,165,714
Year ended 30 June 2022:					
Loss and total comprehensive income for the year	-	-	-	(253,138)	(253,138)
Issue of share capital	360	2,485	-	-	2,845
Transfer to other reserves	-	-	59,386	-	59,386
Balance at 30 June 2022	<u>1,283,096</u>	<u>5,936,478</u>	<u>281,660</u>	<u>(6,526,427)</u>	<u>974,807</u>
Year ended 30 June 2023:					
Loss and total comprehensive income for the year	-	-	-	(477,257)	(477,257)
Issue of share capital	-	-	-	-	-
Transfer to other reserves	-	-	34,170	-	34,170
Other movements	-	-	(168,179)	168,179	-
Balance at 30 June 2023	<u>1,283,096</u>	<u>5,936,478</u>	<u>147,651</u>	<u>(6,835,505)</u>	<u>531,720</u>

Cash Flow Statement for the year ended 30 June 2023

	Notes	2023		2022	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	32		(372,422)		(468,767)
Tax refunded			105,835		119,374
			<u> </u>		<u> </u>
Net cash outflow from operating activities			(266,587)		(349,393)
Investing activities					
Purchase of intangible assets		(3,350)		-	
Purchase of tangible fixed assets		(3,285)		(9,370)	
Proceeds on disposal of tangible fixed assets		416		-	
Interest received		1,724		142	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(4,495)		(9,228)
Financing activities					
Proceeds from issue of shares		-		2,845	
		<u> </u>		<u> </u>	
Net cash generated from financing activities			-		2,845
			<u> </u>		<u> </u>
Net decrease in cash and cash equivalents			(271,082)		(355,776)
Cash and cash equivalents at beginning of year			687,674		1,043,450
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			416,592		687,674
			<u> </u>		<u> </u>

Notes to the Financial Statements

1 Accounting policies

Company information

Physiomics Plc is a company limited by shares incorporated in England and Wales. The registered office is The Magdalen Centre, Oxford Science Park, Robert Robinson Avenue, Oxford, OX4 4GA. The Company's ordinary shares of 0.4p each are admitted to trading on the AIM market of the London Stock Exchange plc.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

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

1.2 Going concern

The accounts have been prepared on the going concern basis. The Company primarily operates in the relatively defensive pharmaceutical industry.

The Company had £416,592 of cash and cash equivalents as at 30 June 2023 (2022: £687,674).

The board operates an investment policy under which the primary objective is to invest in low-risk cash or cash equivalent investments to safeguard the principal.

The Company's projections, taking into account anticipated revenue streams, show that the Company has sufficient funds to operate for the next twelve months. In coming to this conclusion, the Company notes that current cash and currently contracted projects are projected to cover budgeted expenses for the majority of this period. In addition to currently contracted projects the Company anticipates a number of new clients as well as repeat business from some existing clients.

After reviewing the Company's projections, the Directors believe that the Company is adequately placed to manage its business and financing risks for the next twelve months. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

1.3 Revenue recognition

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

Revenue from the provision of the principal activities is recognised by reference to the stage of completion of the transaction at the balance sheet date where the amount of revenue can be measured reliably and sufficient work has been completed with certainty to ensure that the economic benefit will flow to the Company.

1.4 Intangible assets other than goodwill

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

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

Intangible assets are amortised over their useful lives as follows:

	Useful life	Method
Trademarks	10 years	Straight line
Licenses	5 years	Straight line

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

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	3 years straight line
IT Equipment	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the profit and loss account.

1.6 Research and development expenditure

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

1.7 Impairment of tangible and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets that do not individually generate cash flows are assessed as part of the cash generating unit to which they belong. Cash generating units are the lowest levels for which there are cash flows that are largely independent of the cash flows from other assets or groups of assets.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.10 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through the income statement, which are measured at fair value.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Balances are written off when the probability of recovery is considered to be remote.

Impairment of financial assets

Financial assets, other than those at fair value through the income statement, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through the income statement or other financial liabilities.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

The Company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period. Fair value is measured by use of a Black-Scholes model.

1.17 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within tangible fixed assets, apart from those that meet the definition of investment property.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other tangible fixed assets. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.18 Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received.

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

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.20 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

2 Critical accounting estimates and judgements

Revenue for projects started and completed during the financial year is recognised in full during the year. Revenue from a project which commences in one financial year and is completed in a subsequent financial year is recognised over the life of the project based on the expected period to completion as anticipated at each balance sheet date less what has already been recognised during a previous financial period or periods.

There were no other material accounting estimates or areas of judgements required.

3 Revenue & segmental reporting

An analysis of the Company's revenue is as follows:

	2023 £	2022 £
Revenue	<u>597,354</u>	<u>830,266</u>
Other operating income		
Grant income	<u>8,380</u>	<u>70,441</u>

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

This activity comprises a single segment of operation of a sole UK base and entirely UK based assets. Revenue was derived in the UK, European Union Switzerland and USA (2022: UK, European Union Switzerland and USA) from its principal activity.

4 Operating loss

	2023 £	2022 £
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	491	548
Government grants	(8,380)	(70,441)
Fees paid to the Company's auditor, refer to below	11,025	10,500
Depreciation of property, plant and equipment	9,563	10,705
Profit on disposal of property, plant and equipment	(85)	-
Amortisation of intangible assets	876	430
Share-based payments	<u>34,170</u>	<u>59,386</u>

5 Auditors remuneration

	2023	2022
	£	£
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the Company's financial statements	11,025	10,500
	<hr/>	<hr/>

6 Employees

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

	2023	2022
	Number	Number
	10	8
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2023	2022
	£	£
Wages and salaries	514,836	484,570
Social security costs	55,419	52,026
Other pension and insurance benefit costs	47,312	44,528
	<hr/>	<hr/>
	617,567	581,124
	<hr/>	<hr/>

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

7 Finance income

	2023	2022
	£	£
Interest income		
Bank deposits	1,724	142
	<hr/>	<hr/>

8 Finance costs

Interest rate risk

The Company finances its operations by cash and short-term deposits. The Company's policy on interest rate management is agreed at board level and is reviewed on an ongoing basis. Other creditors, accruals and deferred revenue values do not bear interest.

Interest rate profile

The Company had no bank borrowings at the 30 June 2023 and 30 June 2022.

9 Income tax expense

	Continuing operations	
	2023	2022
	£	£
Current tax		
Research and development tax credit: current year	(94,752)	(105,834)
	<u>(94,752)</u>	<u>(105,834)</u>

From 1st April 2023 the main rate in corporation tax increased from 19% to 25%. The expected effective rate of tax applicable to the company for the year is a hybrid rate of 20.5%.

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

	2023	2022
	£	£
Loss before taxation	(572,009)	(358,972)
Expected tax charge based on a corporation tax rate of 20.5% (2022: 19.00%)	(117,262)	(68,205)
Expenses not deductible in determining taxable profit	9,645	10,964
Unutilised tax losses carried forward	45,198	786
Research and development expenditure tax credit	(94,752)	(105,834)
Deferred / (accelerated) capital allowances	(667)	(315)
Research and development enhancement	(72,462)	(68,125)
Loss surrendered for tax credits	135,548	124,895
Tax charge for the year	<u>(94,752)</u>	<u>(105,834)</u>

At 30 June 2023 tax losses of £4,112,999, (2022: £3,892,521) remained available to carry forward against future taxable trading profits. These amounts are in addition to any amounts surrendered for Research and Developments tax credits. There is an unrecognised deferred tax asset of £1,028,250, (2022: £737,640).

Deferred tax is calculated at 25%, the rate enacted at the balance sheet date (2022: 19%. Which was the rate expected to apply when the asset became realised).

10 Earnings per share

	2023 £	2022 £
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	<u>97,424,778</u>	<u>97,372,997</u>
Earnings - Continuing operations		
Loss for the period from continued operations	<u>(477,257)</u>	<u>(253,138)</u>
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the Company for continued operations	<u>(477,257)</u>	<u>(253,138)</u>
Earnings per share for continuing operations		
Basic and diluted earnings per share (shown in pence)	(0.49)	(0.26)
Basic and diluted earnings per share		
Loss from continuing operations (shown in pence)	<u>(0.49)</u>	<u>(0.26)</u>

The loss attributable to equity holders (holders of ordinary shares) of the Company for the purpose of calculating the fully diluted loss per share is identical to that used for calculating the loss per share. The exercise of share options would have the effect of reducing the loss per share and is therefore anti-dilutive under the terms of IAS 33 'Earnings per Share'.

11 Financial instruments recognised in the statement of financial position

	2023 £	2022 £
Held for trading:		
Current financial assets		
Trade and other receivables	48,328	83,903
Cash and cash equivalents	<u>416,592</u>	<u>687,674</u>
	464,920	771,577
Current financial liabilities		
Trade and other payables	91,986	108,014
Deferred revenue	<u>20,017</u>	<u>14,262</u>
	112,003	122,276

The Company's financial instruments comprise cash and short-term deposits. The Company has various other financial instruments, such as trade debtors and creditors that arise directly from its operations.

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

12 Intangible assets

	Licenses £	Trademarks £	Total £
Cost			
At 1 July 2021	-	4,298	4,298
At 30 June 2022	-	4,298	4,298
Additions- purchased	3,350	4,298	4,298
At 30 June 2023	3,350	4,298	7,648
Amortisation and impairment			
At 1 July 2021	-	863	863
Charge for the year	-	430	430
At 30 June 2022	-	1,293	1,293
Charge for the year	447	429	876
At 30 June 2023	447	1,722	2,169
Carrying amount			
At 30 June 2023	2,903	2,576	5,479
At 30 June 2022	-	3,005	3,005

13 Tangible fixed assets

	Fixtures and fittings	IT equipment	Total
Cost	£	£	£
At 1 July 2021	3,028	74,793	77,822
Additions	-	9,370	9,370
Disposals	(179)	(3,182)	(3,362)
At 30 June 2022	<u>2,849</u>	<u>80,981</u>	<u>83,830</u>
Additions	-	3,286	3,286
Disposals	-	(2,539)	(2,539)
At 30 June 2023	<u>2,849</u>	<u>81,728</u>	<u>84,577</u>
Accumulated depreciation and impairment			
At 1 July 2021	2,711	59,410	62,121
Charge for the year	316	10,389	10,705
Eliminated on disposal	(179)	(3,182)	(3,361)
At 30 June 2022	<u>2,848</u>	<u>66,617</u>	<u>69,465</u>
Charge for the year	1	9,5619	9,562
Eliminated on disposal	-	(2,207)	(2,207)
At 30 June 2023	<u>2,849</u>	<u>73,971</u>	<u>76,280</u>
Carrying amount			
At 30 June 2023	-	7,757	7,757
At 30 June 2022	<u>1</u>	<u>14,364</u>	<u>14,365</u>
At 30 June 2021	<u>317</u>	<u>15,383</u>	<u>15,700</u>

14 Trade and other receivables

	Due within one year	
	2023	2022
	£	£
Trade debtors	32,320	80,125
Other receivables	16,008	3,778
Corporation tax recoverable	94,751	105,834
VAT recoverable	1,853	32,988
Prepayments and accrued income	99,453	187,252
	<u>244,385</u>	<u>409,977</u>

	Due after one year	
	2023	2022
	£	£
Prepayments and accrued income	180	395
	<u>180</u>	<u>395</u>

15 Fair value of trade receivables

There are no material differences between the fair value of financial assets and the amount at which they are stated in the financial statements.

16 Fair value of financial liabilities

There are no material differences between the fair value of financial liabilities and the amount at which they are stated in the financial statements.

17 Liquidity risk

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

18 Trade and other payables

	Due within one year	
	2023	2022
	£	£
Trade creditors	18,130	26,847
Accruals	57,793	78,197
Social security and other taxation	30,670	18,333
Other creditors	<u>16,063</u>	<u>2,970</u>
	<u>122,656</u>	<u>126,347</u>

19 Deferred revenue

	2023	2022
	£	£
	Arising from invoices in advance	<u>20,017</u>

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2023	2022
	£	£
Current liabilities	<u>20,017</u>	<u>14,262</u>

20 Retirement benefit schemes**Defined contribution schemes**

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £38,421 (2022: £36,012).

As at the statement of financial position date the Company had unpaid pension contributions totalling £6,063 (2022: £2,970).

21 Share-based payment transactions

The Company operates two share option schemes: (1) under the Enterprise Management Initiative Scheme (“EMI”) and (2) an unapproved share option scheme. Both are equity settled. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. Some options are subject to performance criteria relating to either share price performance or the achievement of certain corporate milestones. The contractual life of the options is 10 years from the date of issue.

A summary of the options at the start and end of period for directors and all other employees is presented in the following table:

Holder	Outstanding at start of period	Granted during period	Forfeited during period	Exercised during period	Outstanding at end of period	Exercisable at end of period	Exercise price (p)	Date of grant	Date of expiry
Dr. C. Chassagnole	129,381	-	129,381	-	-	-	13.20	11-Feb-13	11-Feb-23
Dr. C. Chassagnole	322,615	-	-	-	322,615	322,615	6.17	24-Mar-15	24-Mar-25
Dr. C. Chassagnole	659,641	-	-	-	659,641	659,641	2.50	28-Feb-17	28-Feb-27
Dr. C. Chassagnole	350,000	-	-	-	350,000	350,000	5.35	26-Mar-18	26-Mar-28
Dr. C. Chassagnole	267,000	-	-	-	267,000	267,000	3.16	26-Mar-19	26-Mar-29
Dr. C. Chassagnole	694,287	-	-	-	694,287	694,287	7.55	02-Mar-21	01-Mar-31
Dr. J. Millen	520,000	-	-	-	520,000	520,000	5.35	26-Mar-18	26-Mar-28
Dr. J. Millen	400,000	-	-	-	400,000	400,000	3.16	26-Mar-19	26-Mar-29
Dr. J. Millen	985,454	-	-	-	985,454	985,454	7.55	02-Mar-21	01-Mar-31
Dr. P. Harper, former director	51,752	-	51,572	-	-	-	13.20	11-Feb-13	11-Feb-23
Dr. P. Harper, former director	129,046	-	-	-	129,046	129,046	6.17	24-Mar-15	24-Mar-25
Dr. P. Harper, former director	258,092	-	-	-	258,092	258,092	3.50	21-Dec-15	21-Dec-25
Dr. P. Harper, former director	140,000	-	-	-	140,000	140,000	5.35	26-Mar-18	27-Mar-28
Dr. P. Harper, former director	448,760	-	-	-	448,760	448,760	7.55	02-Mar-21	01-Mar-31
Other staff	77,628	-	77,628	-	-	-	13.20	11-Feb-13	11-Feb-23
Other staff	188,605	-	-	-	188,605	188,605	6.17	24-Mar-15	24-Mar-25
Other staff	54,596	-	-	-	54,596	54,596	3.50	21-Dec-15	21-Dec-25
Other staff	201,891	-	-	-	201,891	201,891	2.50	28-Feb-17	28-Feb-27
Other staff	490,000	-	250,000	-	240,000	240,000	5.35	26-Mar-18	26-Mar-28
Other staff	353,000	-	160,000	-	193,000	193,000	3.16	26-Mar-19	26-Mar-29
Other staff	1,371,499	-	789,166	-	582,333	582,333	7.55	02-Mar-21	01-Mar-31
Other staff	850,000	-	214,812	-	635,188	-	4.38	29-Apr-22	29-Apr-32
Total	8,943,247	-	1,672,739	-	7,270,508	6,635,320			

There were no share options granted in the year. The weighted average share price at the date of the grant in the prior year was £0.0438.

The options outstanding at 30 June 2023 had an exercise price ranging from £0.025 to £0.0755, and a remaining contractual life ranging between 9 months and 9 years.

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

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

Inputs were as follows:

	2023	2022
Expected volatility	-	56.70%
Expected life	-	2.47 years
Risk free rate	-	1.614%

The expected volatility is based on the sixty day average historical volatility of the Company over 3 years.

The expected life of options is now based on the share option exercise history with the Company. The risk free rate of return is derived from UK treasury yields at 2 and 3 years.

Total expenses of £34,170 related to equity settled share based payment transactions were recognised in the year. (2022: £59,386).

22 Share capital

	2023	2022
	£	£
Ordinary share capital, issued and fully paid		
97,424,778 Ordinary of 0.4p each	389,699	389,699
2,481,657,918 Deferred of 0.036p each	<u>893,397</u>	<u>893,397</u>
	<u>1,283,096</u>	<u>1,283,096</u>

The ordinary shares carry no rights to fixed income. The deferred shares have no voting rights and have no rights to receive dividends or other income.

23 Share premium account

	£
At 30 June 2022 & at 30 June 2023	<u>5,936,478</u>

The share premium account consists of proceeds from the issue of shares in excess of their par value (which is included in the share capital account).

24 Other reserves: share-based compensation reserve

	£
At 30 June 2021	222,274
Additions	<u>59,386</u>
At 30 June 2022	281,660
Additions	34,170
Other movements	<u>(168,179)</u>
At 30 June 2023	<u>147,651</u>

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

In respect of cancelled and exercised options that had vested, £168,179 (2022: £Nil) was transferred from the share-based payment reserve to retained earnings.

25 Retained earnings

	£
At 1 July 2021	(6,273,289)
Loss for the period	<u>(253,138)</u>
At 30 June 2022	(6,526,427)
Loss for the period	<u>(477,257)</u>
Other movements	<u>(168,179)</u>
At 30 June 2023	<u>(6,835,505)</u>

Retained earnings includes an amount of £237,889 (2022: £237,889) in relation to the Equity Swap Agreement in 2014 which under the Companies Act is not distributable.

In respect of cancelled and exercised options that had vested, £168,179 (2022: £Nil) was transferred from the share-based payment reserve to retained losses reserve.

26 Operating lease commitments

Lessee

Amounts recognised in the income statement as an expense during the period in respect of operating lease arrangements are as follows:

	2023	2022
	£	£
Minimum lease payments under operating leases	70,248	64,012

At the reporting end date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	7,354	6,588
	<u>7,354</u>	<u>6,588</u>

27 Capital commitments

At 30 June 2023 and 30 June 2022 the Company had no capital commitments.

28 Capital risk management

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in notes 22 to 25.

The board's policy is to maintain an appropriate capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company has a record of managing the timing and extent of discretionary expenditure in the business.

In order to maintain or adjust the capital structure the Company may issue new shares.

29 Events after the reporting date

On 3 July 2023, a date which is after the reporting date but prior to the signing of these financial statements, the Board allotted 38,047,700 ordinary shares.

34,500,000 of these shares were placed through the Company's broker Hybridan LLC at £0.01 per share. 1,000,000 shares were issued via a direct subscription to the Directors of the Company and 2,547,700 shares were placed via a retail subscription offer. All shares were placed at £0.01 per share.

There were no additional post reporting events to note.

30 Related party transactions

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Company, is set out on page 17.

Included in other debtors is £10,000 received from Directors which was received in advance for an equity issue in July 2023.

31 Controlling party

The Company does not currently have an ultimate controlling party and did not have one in this reporting year or the preceding reporting year.

32 Cash absorbed by operations

	2023	2022
	£	£
Loss for the year after tax	(477,257)	(253,138)
Adjustments for:		
Taxation credited	(94,752)	(105,834)
Investment income	(1,724)	(142)
Gain on disposal of tangible fixed assets	(85)	-
Amortisation and impairment of intangible assets	876	430
Depreciation and impairment of tangible fixed assets	9,563	10,705
Equity settled share-based payment expense	34,170	59,386
Movements in working capital:		
(Increase)/decrease in debtors	154,724	(163,213)
Increase/(decrease) in creditors	(3,692)	12,305
(Decrease)/increase in deferred revenue outstanding	5,755	(29,266)
Cash absorbed by operations	<u>(372,422)</u>	<u>(468,767)</u>