Signed

PHYSIOMICS
rational therapeutics

Physiomics Plc

Financial Statements

For the Year Ended

30 June 2007

Registration Number
04225086

PHYSIOMICS rational therapeutics

Company registration number	04225086
Registered office	The Magdalen Centre, Robert Robinson Avenue, Oxford Science Park, Oxford, OX4 4GA
Directors	Mr J Pool, Non-executive Chairman Dr C Chassagnole, (appointed 1st May 2007) Mr D J Lipscombe, Non-executive Dr P B Harper, Non-executive Mr E M Oliver, F C A Finance Director
Secretary	Mr E M Oliver, F C A
Bankers	National Westminster Bank plc Arbuthnot Latham & Co Ltd
Auditors	Shipleys LLP Registered Auditors Chartered Accountants 10 Orange Street London WC2H 7DQ
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU
Brokers:	Seymour Pierce Ellis Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
NOMAD	Grant Thornton UK LLP Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

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Principal Accounting Policies - continued

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal monthly instalments on a straight line basis over their estimated useful economic lives

The rate applicable is

Fixtures and fittings	-	33%
I T equipment	-	33%

Leased assets

Payments made under operating lease contracts are charged to the Profit and Loss Account on a straight line basis over the lease term

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the Balance Sheet date Deferred tax assets are only recognized to the extent that it is more likely than not that there will be suitable profits against which they can be recovered

Foreign currencies

Translations in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date All other exchange differences are dealt with through the Profit and Loss Account

Retirement Benefits

The Company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the Company The annual contributions payable are charged to the Profit and Loss Account

Research and Development

Research and Development expenditure is charged to profits in the period in which it is incurred

Adoption of FRS 20 'Share-based payments'

In accordance with the requirements of FRS 20, all goods and services received in the course of share-based payment transactions for material amounts are to be measured at fair value and recognised in the financial statements with a corresponding credit to equity, unless the transaction is settled in cash When applied to employee share-based compensation, this leads to the recognition of share options which have been granted and are expected to vest as an expense in profit or loss

All equity share-based payments granted after 7 November 2002 that had not vested at the first application of this standard are required to be recognised retrospectively in the Company's financial statements As this is the first period in which share-based payments have been made, there is no retrospective charge requiring recognition

Principal Accounting Policies

Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The principal accounting policies of the Company are set out below and these policies have remained unchanged from the previous year

The company intend to follow the mandatory requirements for the adoption of International Financial Reporting Standards (IFRS)

Going Concern

The financial statements have been prepared on a going concern basis; which contemplates the realisation of assets and the settlement of liabilities in the normal course of business

The Company has reported a loss for the year of £192,951 (2006 £479,746) The ability of the Company to continue as a going concern is dependent upon the amounts and timings of cash inflows from the exploitation of the Company's intellectual property assets The Directors believe that these assets can be used to generate cash in a sufficiently short period to allow the Company to continue to trade Also, since the year end a short term loan and bank overdraft facilities are in the process of being negotiated and a further placement of shares will be organised in the New Year As, in the opinion of the Directors, adequate funding has been forthcoming, it is appropriate for the financial statements to be prepared on a going concern basis and therefore no adjustments have been made for the valuation of assets on a break up basis, which would be necessary in the event that the Company was no longer a going concern

Turnover

Turnover represents the total amount receivable by the Company for goods and services supplied, excluding Value Added Tax and trade discounts

In the event of a lump sum payment being received at the start of a contract, this sum is deferred over the life of the contract, with an equal amount released to the Profit and Loss Account each month over the life of the contract to ensure that the income is recognised in accordance with the services provided

Intangible Fixed Assets

Intangible Fixed Assets Patents and trademarks are included at cost and amortised on a straight-line basis over their useful economic life, which is estimated to be 15 years It is the opinion of the Directors that the value of the company's intellectual property is not less than the carrying value in these accounts

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation and any provision for impairment

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Independent Auditors' Report to the Members of Physiomics Plc

Basis of audit Opinion - continued

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error As stated in the Principal Accounting Policy on Going Concern the company is currently in the process of obtaining additional funding However, the company was unable to provide us with sufficient evidence to show that this funding had been obtained and if this evidence had been available to us we might have formed a different opinion

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Qualified Opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the appropriateness of the going concern basis of preparation of the financial statements, in our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2007 and of its loss for the period then ended, and

- the financial statements have been properly prepared in accordance with the Companies Act 1985,

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements we have not obtained all the information and explanations that we considered necessary for the purpose of our audit

In our opinion the information contained in the Directors Report is consistent with the financial statements

Shipleys LLP

Shipleys LLP
Chartered Accountants
Registered Auditors
23rd November 2007

10 Orange Street
Haymarket
London WC2H 7DQ

NOTE The maintenance and integrity of the Physiomics website is the responsibility of the directors the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

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Independent Auditors' Report to the Members of Physiomics Plc

We have audited the Company's financial statements comprising the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes for the year ended 30 June 2007 The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective Responsibilities of the Directors and Auditors

The directors responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is not consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements The other information comprises the Chairman's statement and the Directors Report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board Except that the scope of our work was limited as explained below

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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Director's Report - continued

Auditors

Shipleys LLP offer themselves for appointment as auditors in accordance with section 385 of the Companies Act 1985

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's registered office at Bircham Dyson Bell, 50 Broadway, London, SW1H 0BL at 12 00am on Friday 21st December 2007

BY ORDER OF THE BOARD

E M Oliver
Company Secretary
19th November 2007

Director's Report - continued

Internal Control

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

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

Directors' Responsibilities for the Financial Statements

United Kingdom Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 maintaining proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the preparation of this Directors Report and all other information in the Annual report

In so far as the Directors are aware

There is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Director's Report - continued

Remuneration Committee

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

Nominations Committee

The Nominations Committee is a sub-committee of the whole Board and is chaired by John Pool The Committee meets as required to select suitable candidates for both executive and non-executive appointments to the Board

Going Concern

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

- a clearly defined organisational structure and set of objectives
- the executive directors play a significant role in the day to day operation of the business
- detailed monthly management accounts are produced by an independent third party for the Board to review and take appropriate action

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Director's Report - continued

- Ensure that those suppliers are made aware of the terms of payment by inclusion in the relevant terms in the contract and pay in accordance with its contractual and other legal obligations

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception The average creditor days for the company during 2007 were 45 days (2006 - 125 days)

Corporate Governance

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

Directors

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

The Board comprises two executive directors, who fulfil the main operational roles in the Company, a non-executive Chairman and two non-executive directors The Board considers one of the non-executive directors, Dr Harper, to be independent of management The Board therefore consider there to be a balance whereby their decisions cannot be dominated by any particular individual or group Due to the size of the Company, the Board does not consider the appointment of a senior non-executive director to be necessary A full list of the directors and details of their interests in the share capital of the Company are shown on page 8

Accountability

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

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

Director's Report - continued

The Company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Company The staff are briefed by the Chief Executive on key issues when appropriate

An unapproved employee share scheme was introduced on 24 June 2005 and is open to all full time employees Under the terms of the scheme, the directors may offer employees the opportunity to acquire unapproved options to purchase ordinary shares in the Company The exercise price of each option is 1 75p 50% of the options maybe exercised during the period between two and three years from the date of the grant 25% of the options vest the day after the company enters into a major collaborative agreement with a major pharmaceutical or biotechnology company and the remaining 25% vest the day after the mammalian cell cycle model is shown to run in a multiple cell environment using SystemCell® and responds to drug action These milestones are set by the Remuneration Committee

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities In the event of employees becoming disabled, every effort will be made to retrain them in order that their employment with the Company may continue

Charitable and Political Contributions

No charitable or political donations were made during the period

Substantial Shareholder(s)

At 30 June 2007, the following had notified the Company of a disclosable interest in 3% or more of the nominal value of the Company's shares

Name	**Holding %**
EiRx Pharma Limited	36 00
Billam plc	11 00
Jim Nominees Limited	10 72
Zyzygy plc	6 70
SVS Nominees Limited	5 20

Creditor Payment Policy

Whilst the Company does not follow a formal code, the Company's current policy concerning the payment of the majority of its trade creditors is to

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction

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Director's Report - continued

The Directors' emoluments including pension contributions and any taxable benefits are as follows

	2007 £	2006 £
Christophe Chassagnole	7,244	-
David Collins	2,000	12,000
David Evans	3,333	22,681
David Fell	2,625	14,250
Paul Harper	18,520	16,447
Duncan Lipscombe	10,150	-
Edward Oliver	10,000	-
Stephen Parker	-	5,640
John Pool	12,000	12,000
John Savin	6,454	130,077

The Company has an approved share scheme by which directors and employees can subscribe for ordinary shares in the Company The interests of the directors were as follows

	Exercise price	At 1 July 2006	Granted during the year	Lapsed during the year	At 30June 2007
Christophe Chassagnole	1 75p	2,100,000	-	-	2,100,000
David Collins	-	-	-	-	-
David Evans	-	-	-	-	-
David Fell	-	-	-	-	-
Paul Harper	-	-	-	-	-
Duncan Lipscombe	-	-	-	-	-
Edward Oliver	-	-	-	-	-
John Pool	-	-	-	-	-

However no director had, during or at the end of the year, a material interest in any contract which was significant in relation to the Company's business

Acquisition of Company's Own Shares

No shares were acquired during the period

Director's Report - continued

The interests of the Directors in the shares of the Company as at 1 July 2006 (or at the date of their resignation to the Board if later) and 30th June 2007 (or at the date of their appointment from the Board if earlier) were as follows

	30th June 2007 or date of resignation Number of Shares	1st July 2006 or date of appointment Number of Shares
Mr David Evans (29 August 2006 resignation)	-	-
Mr David Collins (29 August 2006 resignation)	-	-
Professor David Fell (29 August 2006 resignation)	3,800,000	800,000
Dr Paul Harper	7,525,357	-
Mr Duncan Lipscombe (29 August 2006 appointment)	2,916,667	1,250,000
Mr Edward Oliver (29 August 2006 appointment)	-	-
Mr John Pool	3,733,333	600,000
Dr Christophe Chassagnole (1st May 2007 appointment)	137,500	137,500

Director's Report - continued

Research and Development

The business of the Company is the development and sale of services aimed at reducing the high cost of drug development for pharmaceutical and biotechnology companies, principally by optimising the design of their clinical trials through the application of computer based simulation tools

The Company services apply complex computer based simulation tools to resolve the two main problems associated with drug development merely (i) the lack of biological response to a given dose and (ii) the difficulties involved in determining the adequate dose of a drug

The Company is continuing to work on these projects in order to expand and develop their available services

Directors

The present membership of the Board is set out on Page 2 All directors except Dr Chassagnole served throughout the year

PHYSIOMICS rational therapeutics

Director's Report

The Directors submit their report and the audited financial statements of Physiomics plc (the Company) for the year ended 30th June 2007

Principal Activities and Performance Review

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

There was a loss for the year after taxation amounting to £192,951 (2006 £479,746) In view of this loss, and given the stage of the company's development, the Directors are unable to recommend the payment of a dividend

Performance Indicators

The Directors consider that the key performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, profitability and shareholders funds

The turnover of the Company increased to £216,464 from £113,110

The operating loss has decreased to £252,281 from £486,208 Interest receivable has decreased to £408 from £6,562 The loss transferred from reserves decreased to £192,951 from £479,746 due in part to an increase in available tax credits

Brought forward shareholders funds which were overdrawn by £66,246 have become a balance of £98,775 at 30th June 2007

Future Risks

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

Addressing the Risks

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

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With so much happening, it is the belief of both our Board of Directors and myself that we can look to the future with eager anticipation

John Pool

Chairman

19th November 2007

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Chairman's Statement

Physiomics has had a very positive year, which after the major Board and senior management changes of the previous year, has been very comforting After the appointment of myself as Chairman, Edward Oliver as Financial Director, and Duncan Lipscombe as a Non-Executive Director working alongside Dr Paul Harper, we were very pleased to be able to promote Dr Christophe Chassagnole from his position of project leader to the position of Chief Operating Officer During the year he has with the assistance of Professor David Fell recruited Dr's Eric Fernandez, Adam Hardy and David Orrell to senior scientific roles, to create the nucleus of what we believe to be a balanced and remarkably able team

During the year we have commenced our work on the 3 years European research programme "Tempo" which is co-ordinated by the French main medical research organization Inserm (Institut National de la Sante et de la Recherche Medicale) Interim meetings with the co-partners have shown the benefits of our programme to the project In fact so much so, that we have been invited to tender to join a similar European multi partner research programme, and the results of our proposal, if successful will be announced in 2008

We commenced a 7 month project for ValiRx Plc (formally Cronos Therapeutics), in February and after the contract was completed were awarded the testimonial by the company from George Morris, Chief Development Officer of ValiRx, who said

"Physiomics service and technology is absolutely superb, we (ValiRx) have just had some work carried out and it has saved us very significant amounts of development money and time This is the first time the research has been done this way "

Consequently we are very hopeful that ValiRx will be using our services in the future We also satisfactorily completed our contract with Cyclacel and are currently negotiating a possible extension to the contract

In September 2007 we cemented a contract with the global pharmaceutical company Eli Lilly to run a pilot scheme to showcase our abilities, prior to entering a long term contract with them We are obviously very excited about the possibilities of working with such a large and prestigious company as Eli Lilly, and receiving a significant endorsement with them can only be viewed as a hugely positive step We have continued to further our relationship with the University of Swansea, and access to their High Performance Computers has been of enormous benefit to us

During the year we have also reached a long term agreement with Bayer Technical Services over the use of their ground breaking "MoBi" technology to assist us in the PK/PD analysis of our work Physiomics has continued to develop its oncology model portfolio, be extending our expertise to the apoptosis processes and we are currently adding supplementary pathways such as the Mitogen-activated protein (MAP) kinases pathways This will broaden our simulation capacities to the majority of chemotherapeutics agents on the market or under development

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PHYSIOMICS rational therapeutics

Profit and Loss Account for the year ended 30th June 2007

	Note	2007 £	2006 £
Turnover		216,464	113,110
Other operating expenses	2	(468,745)	(599,318)
Operating loss	3	(252,281)	(486,208)
Interest receivable	4	408	6,562
Loss before tax		(251,873)	(479,646)
Tax on loss on ordinary activities	7	58,922	(100)
Loss transferred from reserves	18	(£192,951)	(479,746)
Basic and diluted loss per share (pence)	8	(0 057p)	(0 21p)

All of the activities of the Company are classed as continuing

The Company has no recognised gains or losses other than the results for the year as set out above

The accompanying accounting policies and notes form an integral part of these financial statements

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Balance Sheet as at 30th June 2007

	Note	2007 £	2006 £
Fixed Assets			
Intangible assets	9	44,176	48,820
Tangible assets	10	9,468	15,081
Investments	11	1	1
		53,645	63,902
Current Assets			
Debtors	12	173,835	56,168
Cash at bank		74,823	26,336
		248,658	82,504
Creditors amounts falling due within one year	13	(121,909)	(212,652)
Net current assets / (liabilities)		126,749	(130,148)
Creditors amounts falling due after one year	14	(81,619)	-
Total assets / (liabilities)		£98,775	£(66,246)
Capital and reserves			
Called up share capital	17	149,989	92,810
Share premium account	18	1,611,436	1,329,022
Other reserves	18	18,381	-
Profit and loss account	18	(1,681,031)	(1,488,078)
Shareholders' funds	19	£98,775	(£66,246)

The financial statements were approved by the Board of Directors on 19th November 2007

John Pool, Chairman

The accompanying accounting policies and notes form an integral part of these financial statements

PHYSIOMICS rational therapeutics

Cash Flow Statement for the year ended 30th June 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash flow from operating activities	20		(387,479)		(309,204)
Returns on investments and servicing of finance					
Interest received			408		6,562
Net cash inflow from returns on Investments and servicing of finance			408		6,562
Taxation			-		36,197
Capital expenditure					
Purchase of tangible fixed assets		(4,334)		(2,127)	
Sale of tangible fixed assets		299		-	
Net cash flow from capital expenditure			(4,035)		(2,127)
Net cash flow before financing			(391,106)		(268,572)
Financing					
Issue of equity share capital			57,179		-
Share premium received on share capital issued		371,662		-	
Less Expenses		(89,248)		-	
			282,414		
Inflow from related parties			100,000		-
Net cash inflow from financing			439,593		-
Increase/(Decrease) in cash	21		£ 48,487		(£268,572)

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the Financial Statements

1 Turnover and Loss on Ordinary Activities before Taxation

All turnover is attributable to the Company's main business

The analysis of turnover has not been disclosed as contracted amounts are seriously prejudicial to the commercial interests of the Company All turnover was derived from within the UK and European Union

2 Other Operating Income and Charges

	2007 £	2006 £
Other operating income and charges		
Administrative expenses	468,745	599,318
Other operating income	-	-
	468,745	599,318

3 Operating Loss

The loss on ordinary activities before taxation is stated after

	2007 £	2006 £
Research and development:		
Current year expenditure	131,384	5,005
Auditors' remuneration·		
Audit services	10,000	9,750
Non-audit services tax fees	1,376	1,250
Depreciation and amortisation		
Tangible fixed assets	9,690	11,970
Intangible fixed assets	4,644	4,642
Operating lease rentals buildings	25,005	34,079

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Notes to the Financial Statements - continued

3 Operating Loss (continued)

The operating lease payments relate to serviced office accommodation which can be vacated by giving one month's notice of intent Therefore, in the opinion of the Directors' there is no ongoing lease commitment requiring disclosure

4 Interest Receivable

	2007	2006
	£	£
Bank interest	408	6,562

5 Directors and Employees

Staff costs during the year were as follows:

	2007	2006
	£	£
Wages and salaries	139,934	254,530
Social security costs	14,890	23,734
Other pension costs	5,107	9,406
	£159,931	287,670

The average number of employees of the Company during the year was 6 (2006 6)

6 Directors

Remuneration in respect of directors was as follows

	2007	2006
	£	£
Emoluments	65,366	203,689
Pension contributions to money purchase pension schemes	6,960	9,406
	£72,326	213,095

During the year 1 Director (2006 1) participated in a money purchase pension scheme

During the year, no Directors exercised share options and none became entitled to receive shares under long-term incentive schemes other than those set out in the Report of the Directors

Notes to the Financial Statements - continued

6 Directors (continued)

The amounts set out above include remuneration in respect of the highest paid Director as follows

	2007	2006
	£	£
Emoluments	18,520	120,671
Pension contributions to money purchase pension scheme	-	9,406
	£18,520	130,077
	========	========

7 Tax on Ordinary Activities

a) The tax credit represents	2007	2006
	£	£
United Kingdom Corporation tax at 19% (2006 19%)	-	-
Research and Development tax credits current year	31,532	-
Research and Development tax credit in respect of prior year	27,390	(100)
Total current tax	£58,922	(£ 100)
	========	========

Unrelieved tax losses of approximately £940,000 (2006 £880,000) remain available to offset against future trading profits subject to Inland Revenue approval

b) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of Corporation tax in the United Kingdom of 19% (2006 19%)

	2007	2006
	£	£
Loss on ordinary activities before taxation	251,873	(479,646)
	=======	=======
Loss on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (2006 19%)	(55,440)	(91,133)
Expenses not deductible for tax purposes	207	1,171
Capital allowances for period less than (2005 - less than) depreciation	895	1,386
Unutilised tax losses	54,338	88,576
Research and Development tax credits for current and prior year	58,922	-
Adjustments to tax charge in respect of previous periods	-	(100)
Total current tax (note 7(a))	£58,922	(£100)
	========	========

Notes to the Financial Statements - continued

8 Earnings per Share

The calculation of the basic earnings per share is based on the loss attributable to the ordinary shareholders divided by the weighted average number of shares in issue during the year

			2007			2006
	Loss	Weighted Average	Loss per share	Loss	Weighted average	Loss per share
		Number of shares			Number of shares	
	£		Pence	£		Pence
Loss attributable to shareholders	(192,951)	339,333,755	(0 057)	(479,746)	232,025,599	(0 21)

On 29 September 2006, 142,947,040 Ordinary Shares of 0 04 pence were issued

The share options in issue do not have any dilutive effect

9 Intangible Fixed Assets

Patents and Trademarks	2007 £	2006 £
Cost		
At 1st July 2006 and 30th June 2007	69,727	69,727
Amortisation		
At 1st July 2006	20,907	16,265
Provided in the year	4,644	4,642
At 30th June 2007	25,551	20,907
Net book value at 30th June 2007	44,176	48,820

PHYSIOMICS rational therapeutics

Notes to the Financial Statements - continued

10 Tangible Fixed Assets

	Fixtures and Fittings	I T Equipment	Total
	£	£	£
Cost			
At 1st July 2006	13,288	26,109	39,397
Additions	-	4,334	4,334
Disposal	-	(923)	(923)
At 30th June 2007	13,288	29,520	42,808
Depreciation			
At 1st July 2006	10,311	14,005	24,316
Provided in the year	2,795	6,895	9,690
Written back on disposal	-	(666)	(666)
At 30th June 2007	13,106	20,234	33,340
Net book value at 30th June 2007	182	9,286	9,468
Net book value at 30th June 2006	2,977	12,104	15,081

11 Investments

	2007
	£
Cost	
At 1st July 2006 and 30th June 2007	4,488
Amounts written off	
At 1st July 2006 and 30th June 2007	4,487
Net book value at 30th June 2007	1
Net book value at 30th June 2006	1

Notes to the Financial Statements - continued

11 Investments - continued

Subsidiary	Country of registration	Class of share capital held	Proportion Held	Nature of the business	Capital and reserves	Results for the year
e-phen Limited	UK	Ordinary	100%	Dormant	1,883	-
					=====	=====

The unaudited financial statements of e-phen Limited are available from Companies House

12 Debtors

	2007	2006
	£	£
Trade debtors	51,674	14,100
Amounts owed by parent undertaking	-	230
Other debtors	35,938	14,708
Prepayments and accrued income	24,100	15,955
VAT recoverable	3,201	11,175
Corporation tax recoverable	58,922	-
	£173,835	£56,168
	=======	=======

Included within the above figures are £14,400 (2006 £14,400) of debtors falling due after more than one year

13 Creditors: Amounts Falling Due Within One Year

	2007	2006
	£	£
Trade creditors	65,336	79,048
Amounts owed to related parties	-	90,000
Social security and other taxes	18,703	18,513
Accruals	37,870	25,091
	£121,909	212,652
	=======	=======

Notes to the Financial Statements - continued

14 Creditors Amounts Falling Due Within One Year

Amounts owed to related parties	£81,619	£ -
	======	======

On 24th October 2006, the company received from EiRx Pharma Limited an unsecured convertible loan of £100,000 with interest payable at 5% per annum, repayable and redeemable on 31st December 2008 The loan note holders have the right to convert this loan into ordinary shares of 0 04p at the rate of 0 3p per ordinary share

15 Financial Instruments

The Company uses financial instruments comprising cash, liquid resources and various items such as trade debtors, trade creditors and so on that arise directly from its operations The main purpose of these financial instruments is to raise finance for the Company's operations

The main risks arising from the Company's financial instruments are liquidity risk The Board reviews and agrees policies for managing these risks and they are summarised below These policies have remained unchanged from the previous year

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures

Interest rate risk

The Company had no interest bearing borrowings during either the current or previous year and thus at 30th June 2007 there was no exposure to interest rate risk

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 Cash not required for immediate operations is placed on deposit but can be drawn down by the Company at any time The Company had no external borrowings at any stage during the current or previous year

Currency risk

The Company received a proportion of its income in euros The income stream was not hedged, as the amounts are relatively small and the Company also incurs expenditure denominated in euros

Fair values of financial assets and liabilities

There was no material difference between the fair values of financial assets and liabilities and their book values at the balance sheet date

Notes to the Financial Statements - continued

16 Deferred Taxation

	2007 £	2006 £
Accelerated capital allowances	-	444
Losses	178,600	167,200
	£178,600	£167,644

No deferred tax asset is recognised in the accounts in view of the uncertainty as to when such tax will be recovered

17 Share Capital

	2007 £	2006 £
Authorised share capital		
25,000,000,000 Ordinary shares of 0 04p each	10,000,000	10,000,000

	2007 Number	£	2006 Number	£
Allotted, called up and fully paid				
Ordinary shares of 0 04p each	374,972,639	149,989	232,025,599	92,810

In September 2006, 142,947,040 Ordinary shares of 0 04p each were issued at 0 3p per share The purpose of this issue was to provide additional working capital for the company

Notes to the Financial Statements - continued

18 Share Premium Account and Reserves

	Share Premium Account £	Profit and Loss Account £	Other Reserves £
At 1st July 2006	1,329,022	(1,488,080)	-
Retained loss for the year	-	(192,951)	-
Premium on allotment during the year	371,662	-	-
Share issue costs	(89,248)	-	
Equity element of loan notes	-	-	18,381
At 30th June 2007	1,611,436	(1,681,031)	18,381

19 Reconciliation of Movements in Shareholders' Funds

	2007 £	2006 £
Loss for the financial year	(192,951)	(479,746)
Issue of shares	339,591	-
Equity element of loan notes	18,381	-
Net increase/(decrease) in shareholders' funds	165,021	(479,746)
Shareholders' funds at 1st July 2006	(66,246)	413,500
Shareholders' funds at 30th June 2007	£98,775	(66,246)

20 Net Cash Outflow from Operating Activities

	2007 £	2006 £
Operating loss	(252,281)	(486,208)
Depreciation	9,690	11,970
Amortisation	4,644	4,642
Profit on Disposal of Fixed Assets	(45)	-
(Increase)/ decrease in debtors	(58,745)	62,043
Decrease/(increase in creditors)	(90,742)	98,349
Net cash (outflow) from activities	(387,479)	(309,204)

Notes to the Financial Statements - continued

21 Reconciliation of Net Cash Flow to Movement in Net Debt

	2007 £	2006 £
(Increase) /Decrease in cash in year	48,487	(268,572)
Net cash inflow from other long term creditors	100,000	-
Change in net funds resulting from cash flows	148,487	(268,572)
Other non-cash items debt/equity conversion	-	-
Movement in net debt in the year		
Net debt at 1st July 2006	26,336	294,908
Net debt at 30th June 2007	174,823	26,336

22 Analysis of Changes in Net Debt

	At 1st July 2006 £	Cash Flow £	Equity Conversion £	At 30th June 2007 £
Cash at bank	26,336	48,487	-	74,823
Debt due within 1 year	90,000	-	(90,000)	-
Debt due over 1 year	-	100,000	-	100,000
	116,336	148,487	(90,000)	174,823

23 Capital Commitments

The Company had no capital commitments at either 30th June 2007 or 30th June 2006

24 Contingent Liabilities

There were no contingent liabilities at either 30th June 2007 or 30th June 2006

Notes to the Financial Statements - continued

24 Retirement Benefits

The Company operates a defined contribution pension scheme for the benefit of the employees The assets of the scheme are administered by trustees in a fund independent from those of the Company

26 Transactions with Directors

The following amounts were loaned to Directors during the course of the previous financial year as a result of the employee share loan scheme introduced on 24th June 2005

	Amount outstanding 2007	2006	Maximum liability in year	Interest due not paid
Name of Director	£	£	£	£
Professor David Fell	4,800	4,800	4,800	-
Dr Christophe Chassagnole	960	960	960	-

27 Controlling Related Party

The Company had in the period prior to the placing of 142,947,040 Ordinary Shares of 0 04p on 28 September 2006, a majority shareholder in EiRx Pharma Limited Following the placing that company ceased to be the majority shareholder

PHYSIOMICS rational therapeutics

Notice of Annual General Meeting

Notice is hereby given that the seventh Annual general meeting (AGM) of Physiomics plc (the Company) will be held on the 21st December 2007 at 12 00 noon for the following purposes at the offices of Bircham Dyson Bell, 50 Broadway, London SW1H 0BL

ORDINARY BUSINESS

To consider and, if thought fit, pass the following ordinary resolutions

1 To receive and adopt the Directors' Report and Financial Statements for the year ended 30 June 2007

2 To receive and adopt the Remuneration Committee report for the year ended 30 June 2007

3 To elect Mr Christophe Chassagnole who was appointed a Director of the Company since the last meeting and who being eligible, offers himself for election as Director,

4 (a) To re-elect Mr John Pool who retires by rotation under Section 76 and 77 of the Articles of Association, and who being eligible, offers himself for re-election as Director

(b) To re-elect Mr Duncan Lipscombe who retires who retires by rotation under Section 76 and 77 of the Articles of Association, and who being eligible, offers himself for re-election as Director

5 To confirm the appointment of Shipleys LLP as auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company and to authorize the Directors to fix their remuneration

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions

Ordinary resolution - power to allot securities

6 That the Directors be and they are generally and unconditionally authorized for the purpose of section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £100,000 provided that this authority is for a period expiring at the Company's next AGM but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired This authority is in substitution for all earlier authorities, to the extent unused

Special resolution - disapplication of pre-exemption rights

7 That subject to the passing of the previous resolution the Directors be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act)wholly for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities

Notice of Annual General Meeting - continued

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange,and

(b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £100,000,

and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution, save that the Company may before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities of any such offer or agreement notwithstanding that the power conferred by this resolution has expired

By order of the Board

EDWARD OLIVER
Company Secretary
19th November 2007

NOTES

1 Any member entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, vote instead of the member Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so

2 In order to be valid, any form of proxy, power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR

3 As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 10am on 19th November 2007 in order to be entitled to attend and vote at the AGM Such shareholders may only cast votes in respect of shares held at such time Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting

4 Copies of the service contracts of each of the Directors, and the register of Director' interests in shares of the Company kept pursuant to section 325 of the Act will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the AGM and at the place of the AGM from at least 15 minutes prior to and until the conclusion of the AGM

PHYSIOMICS
rational therapeutics

Form of Proxy

I/We (block capital)

Being a member/members of Physiomics plc hereby appoint the chairman of the meeting or (see note 1)

Of

as my/our proxy to attend and on a poll to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the 21st December 2007 at 12 00 noon and at any adjournment thereof I/We direct, by inserting a cross or other mark in the appropriate box below, how my/our votes are to be cast on each of the resolutions to be proposed at the meeting as indicated below If no indication is given, the proxy will exercise his/her discretion as to how he/she votes and as to whether or not he/she abstains from voting All items are ordinary resolutions Please complete, sign and date this form where indicated below (see notes below)

ORDINARY RESOLUTION	For	Against
1 To receive and adopt the Directors report and financial statements for the year ended 30th June 2007		
2 To receive and adopt the Remuneration Committee report for the year ended 30th June 2006		
3 To elect Mr Christophe Chassagnole who was appointed a Director since the last meeting and who being eligible, offers himself for re election as Director		
4a To re elect Mr John Pool who retires by rotation under Section 76 and 77 of the Articles of Association, and who being eligible, offers himself for re election as Director 4b To re elect Mr Duncan Lipscombe who retires by rotation under Section 76 and 77 of the Articles of Association, and who being eligible, offers himself for re-election as Director		
5 To confirm the appointment of Shipleys LLP as auditors of the Company to hold office until the conclusion of the next AGM at which accounts are laid before the Company and to authorize the Directors to fix their remuneration		
6 That the Directors be and they are generally and unconditionally authorized for the purpose of section 80 of the Companies Act 1985 (the Act) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £100,000 provided that this authority is for a period expiring at the Companys next AGM but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired This authority is in substitution for all earlier authorities, to the extent unused		
SPECIAL RESOLUTION		
7 that subject to the passing of the previous resolution the Directors be and they are empowered in accordance with section 95 of the Act to allot equity securities (as defined in section 94 of the Act)wholly for cash pursuant to the authority conferred by the previous resolution as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange and (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £100,000, and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities of any such offer or agreement notwithstanding that the power conferred by this resolution has expired		

Signature(s)

Dated this day 2007

1 You are entitled to appoint a proxy of your own who need not be a shareholder of the Company If you wish to appoint a proxy other than the Chairman of the meeting please delete the words the Chairman of the meeting or" and initial the alteration and PRINT the name and address of the proxy in the space provided

2 Any alteration to the form of proxy should be initialled

3 The form of proxy should be signed by the appointer or his attorney duly authorised in writing or, if the appointer is a Company either under seal or under hand of aduly authorised officer or attorney of the Company

4 In the case of joint holders the signature fo any one holder is sufficient If more than one joint holder of any share is present at the meeting personally or by proxy, that one present whose name stands first on the register of members in respect of that share is alone entitled to vote in respect of that share

5 To be valid this form of proxy and any power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority must be lodged at the offices of the Companys Registrars Capita Registrars (Proxies), PO Box 25 Beckenham Kent BR3 4BR not later than 48 hours before the time of the meeting

SECOND FOLD

Business Reply
Licence Number
MB122

1

Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent BR3 4BR

FIRST FOLD

THIRD FOLD AND TUCK IN