

**e-Therapeutics plc**

("e-Therapeutics" or "the Company")

**Final Results  
For the Twelve Months Ended  
31 January 2008**

e-Therapeutics plc (AIM: ETX), the drug discovery and development company is pleased to announce its final results for the year ended 31 January 2008.

**Clinical highlights**

- Successful progress of clinical trials for both oral asthma and antidepressant medicine.
- Clinical results expected in the near future.
- Other development projects proceeding as planned and new drug discovery projects commenced, including prostate cancer.

**Financial and commercial highlights**

- Successful AIM listing.
- Financial position on target with expenditure below forecast levels.
- Consultancy and contract research services launched and already generating revenue. Initial contracts completed successfully.
- Licensing activities underway with a significant number of pharmaceutical companies interested in drug candidates from the existing portfolio.
- Important new collaborations forged with leading biotechnology and pharmaceutical companies.

**Malcolm Young, CEO of e-Therapeutics, commented:**

"This has been a very significant year for e-Therapeutics. Our AIM listing in November was a key milestone for the Group and has helped to raise our profile in the industry. The results of testing our drug candidates to date have validated our system and we believe they have given the Company a stronger position in the market. Since the year end, we have launched our consultancy service and previously have completed a number of successful projects with companies such as

GlaxoSmithKline plc, Mylan Laboratories Inc, Chakra Biotech Pte Ltd and Cambridge Laboratories Ltd.

“With new licensing agreements, collaborations and Phase IIb clinical studies all expected to commence in the coming period, we believe that the next 12 months should deliver further exciting progress and we look forward to updating shareholders on our developments.”

– Ends –

**For further information:**

**e-Therapeutics plc**

[www.etherapeutics.co.uk](http://www.etherapeutics.co.uk)

Malcolm Young

+44 (0)191 233 1317

[malcolm@etherapeutics.co.uk](mailto:malcolm@etherapeutics.co.uk)

Nominated Adviser:

**WH Ireland**

Richard Lindley

+44 (0)113 394 6628

[richard.lindley@wh-ireland.co.uk](mailto:richard.lindley@wh-ireland.co.uk)

Broker:

**Cornhill Asset Management**

Tom Whitehead

+44 (0) 207 645 8327

[tomw@cornhillassetmanagement.com](mailto:tomw@cornhillassetmanagement.com)

Andrew Houchin

+44 (0) 207 743 6468

[andrewh@cornhillassetmanagement.com](mailto:andrewh@cornhillassetmanagement.com)

**Media enquiries:**

**Abchurch**

[www.abchurch-group.com](http://www.abchurch-group.com)

Heather Salmond

Tel: +44 (0) 20 7398 7704

[heather.salmond@abchurch-group.com](mailto:heather.salmond@abchurch-group.com)

Stephanie Cuthbert

Tel: +44 (0) 20 7398 7718

[stephanie.cuthbert@abchurch-group.com](mailto:stephanie.cuthbert@abchurch-group.com)

Simone Alves

Tel: +44 (0) 20 7398 7728

[simone.alves@abchurch-group.com](mailto:simone.alves@abchurch-group.com)

## **Chairman's Statement**

Since joining the company in November 2007 I have been impressed by the progress that has been made. Using its proprietary systems biology technology, the company has discovered candidate drugs that have shown strong potential in the laboratory and, in several cases, the clinic.

Drug discovery and development is by nature a long process and it takes a considerable amount of time to bring new candidates forward and to gain approval for them from regulators and physicians. But e-Therapeutics' capabilities have been validated by the encouraging results the company has demonstrated in predicting safety and efficacy of compounds at an early stage, reducing the risk in lengthy trials that have reached the same conclusion. The industry is beginning to appreciate the economic and medical importance of e-Therapeutics' approach to drug discovery.

## **Pharmaceutical industry trends**

e-Therapeutics is in a strong position to take advantage of the pharmaceutical industry's present volatile position.

The hitherto highly successful ethical pharmaceutical model of the traditional major pharma companies is threatened by the convergence of three factors:

1. Emergence of a powerful generic drug marketing community.
2. Expiry of the patents for many of the most valuable drugs.
3. Conventional R&D has provided an insufficient supply of new premium drugs that could offset revenue lost through patent expiry and generic entry to the market.

Drug patent expiry is due to escalate over the next four years, with many major commercial drug patents due to expire by 2012. The drugs whose main patent will expire by the end of 2012 generated revenues of approximately US\$235 billion in 2007. The share prices of many pharmaceutical companies are declining in anticipation of the expected drop in revenue. The continued lack of output from research and development is failing to produce drugs that address medical needs on a sufficient scale to generate enough revenue to replace that lost from drug patent expiry.

Analysts have forecast that very few of the largest pharmaceutical companies will launch any "blockbuster" compounds after 2007 that will generate annual revenue of

over US\$1 billion by 2012. There are also many doubts about whether all of the drugs that are forecast to have growing revenues will achieve the expected level. This is because they are competing against cheaper generic equivalents and do not have significant competitive advantages.

Many analysts predict that revenue, for even the largest companies, will increasingly be derived from a wider range of smaller niche products. However, it will be equally challenging to develop these drugs, since these opportunities tend to lie in more complex disease areas. There remains extensive unmet medical need in many areas of medicine where there are no successful treatments, or where the existing treatments lack ideal efficacy or have unwanted side-effects. This is the frontier for medicine, both in terms of treatment, and in terms of the largest commercial opportunities.

The ethical pharmaceutical model needs new, protectable medicines that are effective against diseases and are commercially significant. The generics part of the industry is also increasingly looking for commercially significant new products, where development costs are manageable, and where there are opportunities to sell at a higher-margin than in their traditional lower-margin business model. Many generic companies are actively seeking opportunities for higher-margin products in an increasingly competitive marketplace. New combinations or uses for drugs which have data protection and/or patent protection supplied by e-Therapeutics offer a compelling proposition in the face of these challenges. Demand for effective new drugs has never been stronger and it is likely to increase in the immediate future as the capacity of the largest R&D programmes is reduced during retrenchment.

The company's drug discovery activities are targeted specifically at supplying high-value, well protected drugs to treat important diseases. These drugs are in increasing demand from both ethical and generic pharmaceutical companies who are seeking to supply the new candidates, to create new growth and sustain revenue. Additionally, the consultancy services offered by e-Therapeutics can assist and improve these companies' own R&D efforts.

I believe all of the above factors offer a wonderfully exciting market opportunity for e-Therapeutics, which the company plans to exploit systematically, carefully and to the highest ethical and regulatory standards.

## **Professor Oliver James**

Non-executive Chairman

### **Chief Executive's Statement**

I am delighted to welcome shareholders and other stakeholders to our inaugural annual report, following our successful admission onto AIM in November 2007. Since our flotation, we have been making steady and exciting progress, and our existing portfolio of drug candidates has advanced very pleasingly.

We have also commenced new drug discovery projects in central nervous system disorders and prostate cancer, and we have refined our capabilities as we move to implement our long-term strategy.

The strategic focus of the company is centred on exploiting the power of the discovery platform to derive our own new drug candidates in important, often complex and poorly treated, diseases. The discovery platform enables strong, de-risked drug candidates to be produced at a faster rate than can be developed through clinical stages. We are now exploring strategic relationships with clinical research providers and other institutions to speed up development, and expand the number of candidates we can develop. Some of these partnerships may enable us to take some development off-balance-sheet. The relationships and presence we have developed in India and China are part of this strategic motivation.

### **Consultancy service**

We have also launched our consultancy and contract research services, which use our technology to de-risk drug candidates for pharmaceutical and biotechnology partners. This is generating revenue, which will help offset the company's modest operating costs whilst we await important out-licensing transactions. Early signs are encouraging, with initial contracts completed for Merck, Chakra, and Cambridge Laboratories. Marketing and growth of this area of the business is a focus for us, and we are using partners with existing contact networks in the industry to supplement our own efforts. We are hopeful that this will see a meaningful and consistent growth in revenue over the coming period.

### **Operating review**

We are very encouraged with progress to date of our pipeline of compounds. Laboratory and clinical testing results are confirming the predictions made by our

discovery process, a fact that I believe is rare for a biotechnology or pharmaceutical company.

### **Asthma (ETX9101)**

Clinical results from the trial of our oral asthma compound will be announced shortly. The candidate was designed to reduce the likelihood of an asthma attack with an oral medicine, which is what asthmatic patients in general prefer. It is targeted at the natural history of the illness, rather than just to symptomatic relief, and it avoids the use of aggressive chemical classes. Such a drug would represent an important advance, since no other drug currently offers the same administration and clinical attributes, which are those sought by both patients and physicians. I think this an exciting proposition, especially when its constituents are already known to be safe and without unacceptable side-effects. Positive clinical results, together with the safety profile, would reduce the risks of the development work to come. Our intention is to complete Phase II clinical trials on the candidate, although we are in licensing discussions with potentially suitable partners regarding this candidate.

### **Melanoma (ETS2101)**

The results we have derived in the laboratory on our oncology candidate are also encouraging. It has shown four very pleasing features:

1. It causes cell death in cell-lines derived from melanoma, breast cancer, colon cancer, prostate cancer, glioblastoma, and lung cancer, some of which cell-lines were highly resistant to, for example, cisplatin. This is encouraging since the drug may have quite broad utility in cancer medicine.
2. The concentrations at which cell death was induced in these lines correspond to plasma concentrations similar to those that have already been tested in the clinic, and found to be without serious adverse effects. This suggests that the tolerance burden for this anti-cancer drug may be lower than for current chemotherapy agents, which often have very serious side-effects.
3. Very unusually for a cancer drug, one hour of exposure is as effective as five days' exposure. This suggests that the drug could be a chemotherapy agent that could be given in relatively short outpatient visits.
4. It was as effective in killing fully metastatic cancer cells as it was in killing primary site cells, which is a property any first-line cancer treatment should have.

Results are being evaluated at present to determine the next stages of development to be undertaken on this compound.

### **Other candidates**

The other candidates in the company's development pipeline continue to progress. Our MRSA (ETX1153) candidate is being formulated for an in vivo test, as an intravenous treatment for acute hospital-based bacteraemia. The first clinical results from testing our antidepressant (ETS6103) in patients are due to be reported shortly, following strong progress in the Phase IIa study in patients with major depressive disorder. Progress has been made with our cholesterol candidates (ETS6107 and ETS6114) through focus on mechanisms of action that are related to ostensive changes in cardiovascular disease progression, as opposed to a simple reduction in cholesterol levels. Licensing and partnering discussions are occurring in relation to all these areas.

### **New projects**

A new discovery project has commenced in central nervous system disorders, and further projects are being assessed internally ahead of being formally adopted and commenced. These projects are assessed in detail before adoption, based on commercial potential, data availability, and pre-clinical and clinical testing expense and duration, as well as likely competition in the disease area from other drugs. This ensures that positive results from any discovery projects are likely to be valuable, feasible to develop and sought after by potential licensees. A discovery project in prostate cancer is approaching completion, and we hope to announce information on candidates and proposed development soon.

### **Financial position**

£1.33 million was raised at admission in November 2007, providing the company with sufficient capital to meet the initial development planned for the existing portfolio and commence new drug discovery projects. As at the end of June 2008 we have £1.5 million of cash or short-term debtors. Our cash burn is very modest for a biotechnology company and the costs of operating the company remain below their forecast level.

### **Expected progress**

We are now moving from a period of preparation and initial drug discovery and development toward a focus on trading. Our first clinical results are imminent and

licensing discussions have commenced. Licensing negotiations can be notoriously lengthy, but we have received interest from many companies regarding our first compounds. This validates our strategy of undertaking only projects targeted at a clear unmet medical need.

Our aim is to complete our first licensing transaction in the forthcoming year, with the intention that it will yield an up-front payment with a suitable milestone and royalty structure. In addition, we are implementing a structured marketing campaign, following the launch of our consultancy services, and we are hopeful that this will contribute significant revenue in the coming period.

We expect more pre-clinical and clinical results announcements over the coming period. The latter will depend on the speed of regulatory authorities and the progress made on new drug discovery and partnering projects that have already commenced.

We hope to announce new candidates from our new drug discovery projects over the coming period. This should further demonstrate the power of e-Therapeutics to consistently add new candidates targeted at significant commercial value to our development pipeline. The first of these is expected to be a prostate cancer candidate from a drug discovery project that is now well advanced.

**Professor Malcolm Young**

Chief Executive

## CONSOLIDATED INCOME STATEMENT

For year ended 31 January 2008

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
<b>Revenue</b>	64	—
Cost of sales	(24)	—
Gross profit	40	—
Other operating income	82	—
Administrative expenses	(1,927)	(1,158)
AIM flotation costs	(472)	—
Total administrative expenses	(2,399)	(1,158)
<b>Operating loss</b>	(2,277)	(1,158)
Financial income	52	10
Financial expenses	—	(1)
<b>Loss before tax</b>	(2,225)	(1,149)
Taxation	259	—
<b>Loss for the year</b>	<b>(1,966)</b>	<b>(1,149)</b>
<b>Loss for the year attributable to equity holders of the company</b>	<b>(1,966)</b>	<b>(1,149)</b>
Loss per share – basic	(3.81)p	(75.10)p
– diluted	(3.81)p	(75.10)p

## BALANCE SHEETS

At 31 January 2008

	Group		Company	
	At 31 January 2008 £000	At 31 January 2007 £000	At 31 January 2008 £000	At 31 January 2007 £000
<b>Non-current assets</b>				
Property, plant and equipment	56	78	56	27
Goodwill	–	–	2,824	–
Other intangible assets	72	51	72	47
<b>Total Non-current assets</b>	<b>128</b>	129	2,952	74
<b>Current assets</b>				
Trade and other receivables	613	143	613	1,963
Cash and cash equivalents	1,977	150	1,977	–
<b>Total current assets</b>	<b>2,590</b>	293	2,590	1,963
<b>Total assets</b>	<b>2,718</b>	<b>422</b>	<b>5,542</b>	<b>2,037</b>
<b>Current liabilities</b>				
Trade and other payables	229	98	229	–
<b>Total liabilities</b>	<b>229</b>	<b>98</b>	<b>229</b>	<b>–</b>
<b>Net assets</b>	<b>2,489</b>	<b>324</b>	<b>5,313</b>	<b>2,037</b>
<b>Equity</b>				
Share capital	56	–	56	–
Share premium	4,684	2,037	4,684	2,037
Retained earnings	(2,251)	(1,713)	573	–
<b>Total equity attributable to equity holders of the Company</b>	<b>2,489</b>	<b>324</b>	<b>5,313</b>	<b>2,037</b>

## CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For year ended 31 January 2008

	Group		Company	
	For the	For the	For the	For the

	period ended 31 January 2008 £000	period ended 31 January 2007 £000	period ended 31 January 2008 £000	period ended 31 January 2007 £000
<b>Cash flows from operating activities</b>				
Loss for the year	(1,966)	(1,149)	(855)	–
Adjustments for:				
Depreciation, amortisation and impairment	31	27	9	–
Financial income	(52)	(10)	(22)	–
Financial expenses	–	1	–	–
Loss on sale of property, plant and equipment	80	–	80	–
Equity-settled share-based payment expenses	8	125	8	–
Taxation	259	–	259	–
	<b>(1,640)</b>	<b>(1,006)</b>	<b>(521)</b>	<b>–</b>
Cash received on hive up of subsidiary	–	–	<b>1,454</b>	–
(Increase)/decrease in trade and other receivables	(470)	(99)	(2,818)	–
(Decrease)/increase in trade and other payables	131	52	(25)	–
Tax received	(259)	–	(259)	–
<b>Net cash from operating activities</b>	<b>(2,238)</b>	<b>(1,053)</b>	<b>(2,169)</b>	<b>–</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	66	–	66	–
Interest received	52	10	22	–
Acquisition of property, plant and equipment	(155)	(47)	(65)	–
Acquisition of other intangible assets	(21)	(5)	–	–
<b>Net cash from investing activities</b>	<b>(58)</b>	<b>(42)</b>	<b>23</b>	<b>–</b>
<b>Cash flows from financing activities</b>				
Issue of share capital	4,123	1,100	4,123	–
Interest paid	–	(1)	–	–
<b>Net cash from financing activities</b>	<b>4,123</b>	<b>1,099</b>	<b>4,123</b>	<b>–</b>
Net increase/(decrease) in cash and cash equivalents	1,827	(4)	1,977	–
Cash and cash equivalents at 1 February	150	154	–	–
<b>Cash and cash equivalents at 31 January</b>	<b>1,977</b>	<b>150</b>	<b>1,977</b>	<b>–</b>

## NOTES TO FINAL RESULTS

### 1 ACCOUNTING POLICIES BASIS OF PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 January 2008 or 31 January 2007. The statutory accounts for 2007 will be delivered to the Registrar of Companies following the company's annual general meeting. The auditors have reported on the 2008 and 2007 accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

### **Transition to adopted IFRSs**

Both the Group and the Company are preparing their financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") for the first time and consequently both have applied IFRS 1.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

Business combinations	Business combinations that took place prior to the transition date have not been restated.
Share-based payments	IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by transition date

Both the Group and Company financial statements have been prepared and approved by the directors in accordance with Adopted IFRSs and therefore comply with Article 4 of the EU IAS regulations.

The financial statements were approved by the board of directors on 18 July 2008.

### **Basis of preparation**

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at fair value.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 February 2006 for the purposes of transition to

Adopted IFRSs. This is the first time the 2007 group results are reported.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reason. The group has prepared a cash flow forecast demonstrating funds are available for the next 12 months.

The preparation of financial statements requires the directors to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. The key areas requiring the use of estimates and judgements which may significantly affect the financial statements are considered to be:

- A estimation of share-based payments costs which requires the selection of an appropriate valuation model together with assumptions as to the key inputs into the model; and
- B recoverability of receivables require the directors to make judgement on individual amounts based on their knowledge; and
- C measurement of the recoverable amounts of cash-generating units containing goodwill.

These consolidated financial statements are presented in Sterling. All financial information presented has been rounded to the nearest thousand.

On publishing its own financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company, and its subsidiary (together referred to as the "Group").

### **Intangible assets and goodwill**

All business combinations are accounted for by applying the purchase method. Goodwill arises from the acquisition of businesses and represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

### **Impairment**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

### **Employee benefits**

#### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

#### **Share-based payment transactions**

The Group has an equity-settled share-based payment scheme, whereby options over shares in e-Therapeutics plc can be granted. Options over ordinary shares are granted at par value and are excisable and vest immediately. The fair value of the options granted is measured using the Black Scholes option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

## Revenue

Revenue represents the amounts (excluding value added tax) derived from a broad range of services aimed at accelerating the drug discovery process. Revenue is recognised on these services as a percentage to completion basis. Fixed price contracts are assessed on a contract-by-contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses.

## 2. CAPITAL AND RESERVES

### Reconciliation of movement in capital and reserves

Group	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 February 2006	–	937	(689)	248
Total recognised income and expense	–	–	(1,149)	(1,149)
Issue of shares	–	1,100	–	1,100
Equity-settled share-based payment transactions	–	–	125	125
<b>Balance at 31 January 2007</b>	<b>–</b>	<b>2,037</b>	<b>(1,713)</b>	<b>324</b>
Balance at 1 February 2007	–	2,037	(1,713)	324
Total recognised income and expense	–	–	(1,966)	(1,966)
Issue of shares	56	4,147	–	4,203
Court reduction	–	(1,500)	1,420	(80)
Equity-settled share-based payment transactions	–	–	8	8
<b>Balance at 31 January 2008</b>	<b>56</b>	<b>4,684</b>	<b>(2,251)</b>	<b>2,489</b>

Company	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Balance at 1 February 2006	–	937	–	937
Total recognised income and expense	–	–	–	–
Issue of shares	–	1,100	–	1,100
Equity-settled share-based payment transactions	–	–	–	–
<b>Balance at 31 January 2007</b>	<b>–</b>	<b>2,037</b>	<b>–</b>	<b>2,037</b>

Balance at 1 February 2007	–	2,037	–	2,037
Total recognised income and expense	–	–	(855)	(855)
Issue of shares	56	4,147	–	4,203
Court reduction	–	(1,500)	1,420	(80)
Equity-settled share based payment transactions	–	–	8	8
<b>Balance at 31 January 2008</b>	<b>56</b>	<b>4,684</b>	<b>573</b>	<b>5,313</b>

Share Capital In thousands of shares	Ordinary Shares	
	2008	2007
On issue at 1 February	–	–
Issued for cash	55,710	15
<b>On issue at 31 January – fully paid</b>	<b>55,710</b>	<b>15</b>

### 3. NOTICE OF THE ANNUAL GENERAL MEETING AND THE AVAILABILITY OF THE ANNUAL REPORT AND ACCOUNTS.

A copy of the company's 2008 annual report and accounts will be sent to shareholders and copies are available from the company's registered office at Block B, Holland Park, Holland Drive, Newcastle upon Tyne, NE2 4LZ and on its website at [www.etherapeutics.co.uk](http://www.etherapeutics.co.uk).

Notice is hereby given that the annual general meeting of the company will be held at Block B, Holland Park, Holland Drive, Newcastle upon Tyne, NE2 4LZ at 10.30 am on 4 September 2008.