

29 June 2010

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

Annual Results for the year ended 31 January 2010

e-Therapeutics plc, the drug discovery and development company, today announces its Annual Results for the year ended 31 January 2010.

Operational Highlights

- Strategic collaboration signed with clinical research organisation Infinitus Clinical Research, to undertake Phase IIa trials of a number of e-Therapeutics' existing development portfolio candidates and to complete Phase IIb dose-ranging trials on selected candidates
 - Infinitus to provide 250 patients initially for International Good Clinical Practice (iGCP) standard trials
 - Option to extend to 500 patients at the Company's discretion
- Further development of the Company's network pharmacology platform, in application to both drug discovery and de-risking candidate drugs for development
- Advancement of drug discovery programmes with increasing focus on oncology and degenerative disorders, fully utilising the Company's pre-eminence in network pharmacology
- Strengthened technical and development expertise in formulation and drug development operational management
- Progressive dialogue with prospective commercial partners to develop further both the Company's and other parties' candidate drugs

Financial Highlights

- £2 million investment from Octopus completed in March 2009
- £2.5 million placing with Gartmore completed in November 2009
- Costs of all forthcoming Phase IIa development of the existing portfolio met from existing cash resources
- Operational costs again reduced when compared to the previous year, to allow for an increase in expenditure directly on drug development
- Year-end cash position £2.88 million (2008: £0.4 million)
- Current annual burn rate £1.9 million, including drug development expenditure

Post year-end Highlights:

- Regulatory submissions have been made by pharmaceutical partner KLAB to commence Phase III registration studies for ETX9101 and ETX6103 in India
- Professor Malcolm Young awarded the Ernst & Young Innovation Entrepreneur of the Year for the North & Midlands region in June 2010

Commenting on the Annual Results Professor Malcolm Young, Chief Executive Officer of e-Therapeutics, said: “2009 was a positive year for e-Therapeutics, which remains focused on maximising the commercial benefits of our proprietary drug discovery platform. Our technology and expertise position e-Therapeutics at the forefront of the growing and exciting network pharmacology arena. The pharmaceutical industry is increasingly recognising that drugs interact in multiple ways with proteins in the body, the medical consequences of which our network technology helps to predict. We therefore look ahead with confidence, as e-Therapeutics continues discussions aimed at further developing our own drug portfolio and deploying our unique de-risking technology commercially.”

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Chairman's Statement

I am delighted to report another successful year in which the Company delivered against its stated objectives in last year's Annual Report. In 2009, e-Therapeutics has successfully progressed the development of its proprietary drug candidates and built further foundations to support the Company's future growth. We have focused the business and strengthened the team in several key areas. In particular, we have streamlined and reinforced our activities across drug development, raised capital to fund e-Therapeutics' growth, developed relationships with key partners and established the infrastructure to execute our development plans. We remain focused on developing e-Therapeutics as a global leader in the discovery and development of a new generation of high value medicines, using pioneering proprietary technology to de-risk elements of the discovery and development process. The practical steps for achieving this ambitious goal have now been planned in greater detail and execution of this strategy is well under way.

During the year, the Company raised £2 million in March and a further £2.5 million in November, before expenses. These investments provided e-Therapeutics with working capital to resource ongoing discovery and development activities and to develop its formulation, clinical and regulatory infrastructure further. The Company continues to enjoy a relatively low cost base while being highly productive in drug discovery as a consequence of the Company's proprietary network pharmacology technology.

Network pharmacology is a new paradigm in drug discovery. It is based on a more realistic view of the interaction of any drug molecule with the networks of proteins inside and between cells. It uses information on these protein networks in diseased and normal cells; information about the full range of proteins that are affected by the presence of a molecule; and a validated computational technique to determine the impact of these interactions on these cells. This approach is now a feature of several of the major pharmaceutical companies' internal activities, and interest in it is growing rapidly, not least through the example of e-Therapeutics' high productivity using it. As pioneers of network pharmacology backed by a strong IP position, e-Therapeutics has a unique and timely positioning within this arena.

Development of Assets

One key focus for e-Therapeutics remains the development of a number of promising drug candidates in order to maximise the medium term reward to shareholders. These candidates address several indications in order to further de-risk the portfolio. A number of clinical trials are intended to begin in 2010, some of which are expected to be initiated by partners, including Khandelwal Laboratories Pvt. Ltd ("KLAB"), which licensed the rights to develop some of the Company's assets in India, including ETX9101/Syncovair, an oral medicine for asthma, ETS6103/Viotra for depression and the topical antibiotic ETX1153a/Mersanex. Regulatory submissions have been made by KLAB to commence Phase III registration studies for ETX9101 and ETX6103, and permissions to start from the regulator are expected during calendar years 2010 and 2011. In addition, regulatory permission for the clinical development of ETX1153a will be applied for by KLAB later in 2010.

Through its collaboration with Infinitus Clinical Research Ltd ("Infinitus"), which began in February 2010, e-Therapeutics is preparing to undertake Phase IIa clinical development of candidates from its existing portfolio and is scheduling the first of these to commence in 2011. Formulation and clinical batch manufacture preparations are underway. These trials will be conducted in compliance with International Good Clinical Practice ("iGCP") standards, and the data are expected to be submittable in applications to European and US regulators. While the programme with Infinitus is initially for a total of 250 patients, the Company has secured an option to extend the trials to 500 patients at the same cost rate. All further activity would also be conducted according to iGCP standards.

e-Therapeutics' internal drug discovery programmes have continued this year with an increasing focus in the specific disease areas of oncology and neurodegeneration, using the Company's proprietary network pharmacology technology. These programmes are oriented to expedite the production of de-risked drug candidates based on novel chemistry as well as repositionable drug candidates, which have a lower risk profile in man. As in the past, all e-Therapeutics' discovery programmes are focused on commercially important, complex diseases in which there are pressing unmet medical needs for patients.

e-Therapeutics remains in discussions with a number of pharmaceutical companies in order to secure partnering and other commercialisation opportunities for its proprietary drug candidates and its network pharmacology platform. The Company continually reviews the route to commercialisation for a number of its compounds and actively considers a variety of development models in order to maximise the value of its candidate pipeline for shareholders. The investments and further partnership collaborations secured this year have enabled e-Therapeutics to put in place the capability to undertake clinical development of a number of its candidates in the portfolio, with or without further immediate partnership agreements.

The Company reduced its corporate overheads during the year to allow more expenditure on drug development and commercialisation. e-Therapeutics' discovery activities continue to be highly productive. Biotechnology companies typically take some time to reach a sustainable cash-generative position as their products develop, but we remain confident that e-Therapeutics is moving strongly toward this goal as its later-stage programmes come to market.

Finally, the Board was delighted that Prof Malcolm Young was awarded the Ernst & Young Innovation Entrepreneur of the Year for the North & Midlands. This endorses e-Therapeutics' pioneering approach and recognises our innovative proprietary technology.

Outlook

e-Therapeutics has a broad clinical pipeline that combines mid- and late-stage pharmaceutical products with earlier stage opportunities, all addressing important market sectors and unmet medical needs. e-Therapeutics' novel discovery and de-risking platform is becoming increasingly well validated, demonstrating far higher productivity than conventional platforms and enabling e-Therapeutics to continue to deliver many valuable new development candidates to its portfolio. In the coming year, the Company will remain focused on the progression of its drug development programmes, securing strategically important licensing partners and broadening its pipeline with new, de-risked drug candidates.

2011 will be an exciting period in the Company's growth trajectory and we look forward to reporting further progress with our clinical programmes. We are confident that we can achieve our goal of becoming a strongly cash-generative business in the medium term and provide valuable returns for e-Therapeutics' shareholders.

Professor Oliver James
Non-executive Chairman
28 June 2010

Consolidated income statement

FOR YEAR ENDED 31 JANUARY 2010

	Notes	2010 £000	2009 £000
Revenue		-	67
Cost of sales		-	(5)
Gross profit		-	62
Other operating income		1	-
Development expenditure	2	(434)	-
Administrative expenses	2	(1,729)	(2,077)
Operating loss	2,3	(2,162)	(2,015)
Financial income		12	58
Financial expense		(105)	-
Loss before tax		(2,255)	(1,957)
Taxation	4	476	411
Loss for the year		(1,779)	(1,546)
Loss for the year attributable to equity holders of the Company		(1,779)	(1,546)
Loss per share – basic and diluted	5	(2.96)p	(2.76)p

Consolidated statement of comprehensive income

FOR YEAR ENDED 31 JANUARY 2010

	Notes	2010 £000	2009 £000
Loss for the financial year		(1,779)	(1,546)
Other comprehensive income		-	-
Total comprehensive income for the financial year		(1,779)	(1,546)

Basis of preparation

The financial information set out above has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) as adopted by the EU (Adopted IFRSs).

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 January 2009 or 2010. The financial information for 2009 is derived from the statutory accounts for 2009 which have been delivered to the registrar of companies. The auditors have reported on the 2009 accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2010 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

Board approval

The Board of Directors approved the preliminary release for the results of the year ended 31 January 2010 on 28 June 2010.

Consolidated Statement of Changes in Equity

FOR YEAR ENDED 31 JANUARY 2010

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2008	56	4,684	-	(2,251)	2,489
Total comprehensive income for year					
Loss for the financial year	-	-	-	(1,546)	(1,546)
Total comprehensive income for year	-	-	-	(1,546)	(1,546)
Transactions with owners, recorded directly in equity					
Share-based payments	-	-	-	4	4
Total contributions by and distribution to owners	-	-	-	4	4
As at 31 January 2009	56	4,684	-	(3,793)	947
As at 1 February 2009	56	4,684	-	(3,793)	947
Total comprehensive income for year					
Loss for the financial year	-	-	-	(1,779)	(1,779)
Total comprehensive income for year	-	-	-	(1,779)	(1,779)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	9	2,889	420	-	3,318
Total contributions by and distribution to owners	9	2,889	42	-	3,318
As at 31 January 2010	65	7,573	420	(5,572)	2,486

Company Statement of Changes in Equity

FOR YEAR ENDED 31 JANUARY 2010

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2008	56	4,684	-	573	5,313
Total comprehensive income for year					
Loss for the financial year	-	-	-	(1,546)	(1,546)
Total comprehensive income for year	-	-	-	(1,546)	(1,546)
Transactions with owners, recorded directly in equity					
Share based payments	-	-	-	4	4
Total contributions by and distribution to owners	-	-	-	4	4
At 31 January 2009	56	4,684	-	(969)	3,771
As at 1 February 2009	56	4,684	-	(969)	3,771
Total comprehensive income for year					
Loss for the financial year	-	-	-	(1,779)	(1,779)
Total comprehensive income for year	-	-	-	(1,779)	(1,779)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	9	2,889	420	-	3,318
Total contributions by and distribution to owners	9	2,889	420	-	3,318
At 31 January 2010	65	7,573	420	(2,748)	5,310

Balance Sheet

AT 31 JANUARY 2010

	Notes	Group		Company	
		2010 £000	2009 £000	2010 £000	2009 £000
Non-current assets					
Property, plant and equipment	6	30	42	30	42
Goodwill	7	-	-	2,824	2,824
Other intangible assets	7	259	154	259	154
		289	196	3,113	3,020
Current assets					
Trade and other receivables	8	549	637	549	637
Cash and cash equivalents	9	2,880	409	2,880	409
		3,429	1,046	3,429	1,046
Total assets		3,718	1,242	6,542	4,066
Current liabilities					
Trade and other payables	10	200	295	200	295
		200	295	200	295
Non-current liabilities					
Interest bearing loans and borrowings	11	1,032	-	1,032	-
		1,032	-	1,032	-
Total liabilities		1,232	295	1,232	295
Net assets		2,486	947	5,310	3,771
Equity					
Share capital	12	65	56	65	56
Share premium	12	7,573	4,684	7,573	4,684
Warrant reserve	12	420	-	420	-
Retained earnings		(5,572)	(3,793)	(2,991)	(969)
Total equity attributable to equity holders of the Company		2,486	947	5,310	3,771

Statements of Cash Flow

FOR YEAR ENDED 31 JANUARY 2010

	Notes	Group		Company	
		2010 £000	2009 £000	2010 £000	2009 £000
Cash flows from operating activities					
Loss for the year		(1,779)	(1,546)	(1,779)	(1,546)
Adjustments for:					
Depreciation, amortisation and impairment	6,7	20	21	20	21
Financial income		(12)	(58)	(12)	(58)
Financial expense		105	-	105	-
Equity-settled share-based payment expenses		-	4	-	4
Taxation		(476)	(411)	(476)	(411)
		(2,142)	(1,990)	(2,142)	(1,990)
Decrease in trade and other receivables		362	114	362	114
(Decrease)/increase in trade and other payables		(95)	66	(95)	66
Tax received		202	273	202	273
Net cash from operating activities		(1,673)	(1,537)	(1,673)	(1,537)
Cash flows from investing activities					
Interest received		12	58	12	58
Financial expense		(105)	-	(105)	-
Acquisition of property, plant and equipment	6	(8)	(7)	(8)	(7)
Acquisition of other intangible assets	7	(105)	(82)	(105)	(82)
Net cash from investing activities		(206)	(31)	(206)	(31)
Cash flows from financing activities					
Proceeds from issue of share capital	12	3,318	4,123	3,318	4,123
Proceeds from issue of loan notes		1,032	-	1,032	-
Net cash from financing activities		4,350	4,123	4,350	4,123
Net increase/(decrease) in cash and cash equivalents		2,471	(1,568)	2,471	(1,568)
Cash and cash equivalents at 1 February		409	1,977	409	1,977
Cash and cash equivalents at 31 January	9	2,880	409	2,880	409

Notes (forming part of the financial statements)

1 Accounting policies

e-Therapeutics plc (the 'Company') is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (the 'Group') are set out in the Directors' Report.

The group financial statements consolidate those of the Company and its subsidiary (together referred to as the 'Group'). The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Standards and interpretations applied for the first time

In the financial statements the following adopted IFRSs, which became effective for the first time, were adopted by the Group:

- Amendments to IAS1 Presentation of Financial Statements – these amendments revise requirements for the presentation of the financial statements and do not affect the group's overall reported results;
- Improvements to IFRS (2008) – the amendments to IAS 1 clarify the classification of derivative financial instruments as current or non-current;
- Amendments to IFRS 2 Share-based payments: Vesting Conditions and Cancellations – these amendments concern certain aspects of the valuation of share-based payments and the impact of a cancellation by a grantee. These amendments have not had a significant impact on the charge for share based payments;
- IFRS 8 Operating Segments – this standard amends the requirements for disclosure of segmental performance and does not have any effect on the Group's overall reported results;
- Amendments to IAS 23 Borrowing Costs – the amendment generally eliminates the option to expense borrowing costs attributable to the acquisition, construction or production of a qualifying asset as incurred, and instead requires the capitalisation of such borrowing costs as part of the costs of the specific asset;
- Amendments to IFRS 7 Improving disclosures about financial instruments – these amendments are to enhance disclosures over fair value measurements relating to financial instruments and improving disclosures over liquidity risk.

The adoption of the above has not had a significant impact on the Group's loss for the year or equity.

Standards and Interpretations in use but not applied

The following standards and interpretations, which have not been applied in these financial statements, were in use and endorsed by the European Union but not yet effective:

- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' (mandatory for the year commencing on or after 1 March 2009);
- Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009);
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009);
- IFRIC 12 'Service Concession Arrangements' (Mandatory for EU adopters for years beginning on or after 29 March 2009);
- IFRIC 15 'Agreements for the Construction of Real Estate' (mandatory for year commencing on or after 1 January 2010);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items' (mandatory for year commencing on or after 1 July 2009);
- Amendments to IAS 39 'Reclassification of Financial Assets: Effective Date and Transition' (mandatory for year commencing on or after 1 July 2009);
- IFRIC 17 'Distributions of Non-cash Assets to Owners' (mandatory for year commencing on or after 1 November 2009);

Standards and Interpretations in use but not applied (continued)

- IFRIC 18 'Transfer of Assets from Customers' (mandatory for year commencing on or after 1 November 2009);
- Amendments to IAS 32 'Financial Instruments: Presentation – Classification of rights issue' (mandatory for year commencing on or after 1 February 2010);
- Amendments to IFRS 2 'Group Cash-Settled Share-based payments transactions' (mandatory for year commencing on or after 1 January 2010);
- Improvements to IFRSs (issued 16 April 2009) (adoption dates varies but certain improvements are mandatory for the year commencing on or after 1 July 2009);
- Revised IAS 24 'Related Party Disclosure' (mandatory for year commencing on or after 1 January 2011);
- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2013);
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (mandatory for year commencing on or after 1 July 2010).

The directors currently anticipate that the adoption of the above will have no material effect on the Group's financial statements.

Basis of preparation

The financial statements have been prepared on the historical cost basis.

These consolidated financial statements are presented in Sterling. All financial information presented has been rounded to the nearest thousand. The consolidated financial statements incorporate the financial statements of the Company, and its subsidiary (together referred to as the 'Group').

Going concern

Further information on the Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Business review and principal activities section of the Directors' Report. Further information on the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's Statement. The Annual Report will, when issued, include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

During the year the Group met its day-to-day working capital requirements through the cash reserves obtained through fundraising. The directors consider that the current position of the Group is not unusual for a drug discovery and development company.

The Group has prepared financial forecasts and projections for the next 12 months. These forecasts assume minimal growth in sales and the continuation of costs regarding drug development. The forecasts show that the Group should be able to operate within the level of its current cash balances for at least the next 12 months from the date of these financial statements.

As a result of the above the directors believe that the Group is well placed to manage its business risks despite the current economic conditions. After making enquiries, the directors therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Use of estimates and judgements

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 area requiring the use of estimates and judgements which may significantly affect the financial statements is considered to be:

- judgement as to whether the carrying value of goodwill (company only) and patents and trademarks (group and company) will be recoverable with reference to estimated future income potential (see note 7).

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial information from the date control commences until the date that control ceases.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial information.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are as follows:

plant and equipment	33.33% straight-line
fixtures and fittings	15% straight-line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

No depreciation is charged when the asset is under construction.

Investment in subsidiaries

Investments in subsidiaries are shown in the Company balance sheet at cost and are reviewed annually for impairment.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 February 2006, goodwill represents the difference between the cost of the acquisition and the net 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.

Research and development

Expenditure on pure and applied research activities is recognised in the income statement as an expense as incurred.

Expenditure on drug development activities is capitalised if the product or process is technically and commercially feasible (typically when regulatory approval is received) and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved drugs. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

External expenditure on patent and trade marks is capitalised as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. Patents and trademarks are amortised evenly over their legal lives.

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; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

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.

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate of recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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.

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an 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. These currently comprise principally Consultancy and Contract Research Services, which are short-term assignments, where revenue is recognised on completion.

Other operating income

Other operating income represents grant income, and is recognised when receivable.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable.

Financing income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and warrants granted to employees and non-employees. Where the Group makes a loss diluted EPS equates to basic EPS.

Segment reporting

The Board is considered to be the 'chief operating decision maker' of the Group in the context of the IFRS 8 definition. The Board believes that the Group has one business segment of drug discovery and development and that all activities are carried out in the UK.

The Board has carefully considered the requirements of IFRS 8 and concluded that, as there is only one reportable segment whose revenue, losses, assets and liabilities are measured and reported on a consistent basis with the group financial statements no additional numerical disclosures are necessary.

2 Expenses and auditors' remuneration

Included in loss are the following:

	2010 £000	2009 £000
Depreciation of own assets	20	21
Research and development costs	1,692	1,000
Operating leases – hire of other assets	47	47

Auditors' remuneration:

	2010 £000	2009 £000
Audit of these financial statements	20	20
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	6	8
Services relating to transaction services	–	–

Amounts paid to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

3 Directors' remuneration

	2010 £000	2009 £000
Directors' emoluments	273	272
Amounts paid to third parties in respect of directors' services	127	171
Company contributions to money purchase pension plans	33	27
	433	470

The aggregate of emoluments of the highest paid director was £231,100 (2009: £241,000) and company pension contributions of £6,958 (2009: £7,000) were made to a money purchase scheme on his behalf.

	Number of Directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	3	3
The number of directors who exercised share options during the year was	Nil	Nil

The directors who held office at the end of the financial year held share options as set out below:

Name	At end of year	At beginning of year	Exercise price £	Date from which exercisable	Expiry date
MP Young	–	–	–	–	–
JM Cordiner	356,870	356,870	£0.174	Vested	March 2013
JM Cordiner	699,690	699,690	£0.139	Vested	October 2016
RF Drucker	932,920	932,920	£0.139	Vested	October 2016
OFW James	118,020	118,020	£0.67	Vested	November 2017
B Hoy	80,000	80,000	£0.375	Vested	November 2012

There were no rights to subscribe for shares in Group companies granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The mid market price of the Company's shares at 31 January 2010 was 37.0p and the range during the year was 28.5p to 43.0p.

All of the directors benefited from qualifying third party indemnity provisions. No director sold shares or sold or exercised warrants or shares during the year.

4 Taxation

Recognised in the income statement (Dr/Cr)

	2010 £000	2009 £000
Current tax income		
Current year	(299)	(138)
Adjustments for prior years	(177)	(273)
Current tax income	(476)	(411)
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Deferred tax expense	-	-
Total tax income	(476)	(411)
Reconciliation of effective tax rate		
	2010 £000	2009 £000
Loss for the year	(1,779)	(1,546)
Total tax income	(476)	(411)
Loss excluding taxation	(2,255)	(1,957)
Tax at 28% (2009: 28.5%)	(631)	(558)
Expenses not deductible for tax purposes	8	4
Enhanced relief for R & D	(362)	(177)
Surrender of tax losses for research & development tax refund	299	126
Unrelieved tax losses	384	463
Depreciation in excess of capital allowances	3	4
Adjustments in respect of prior period	(177)	(273)
Total tax income	(476)	(411)

The corporation tax applicable to the Group changed from 30% to 28% after 1 April 2008.

The tax received relates to Research and Development tax income.

The Group has unrecognised deferred tax assets of £897,249 (2009: £471,906) and unused tax losses of £3,233,135(2009: £2,910,656).

5 Loss per share

The analysis of loss per share is as follows:

	2010	2009
Basic and diluted loss per share	(3.61)p	(2.76)p

Basic earnings per share is calculated by dividing the loss for the year of £1,779,000 (2009: £1,546,000) by the weighted average number of 60,110,102 shares, (2009: 55,710,000) in issue during the year.

Diluted earnings per share is calculated in the same way as basic earnings per share but using a weighted average number of shares in issue of 60,038,317 (2009: 55,710,000) to reflect the dilutive effect of share options in existence at the year end of 3,431,380 (2009: 3,631,840). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

6 Property, plant and equipment

Group and company

	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 February 2008	96	40	136
Additions	7	-	7
Balance at 31 January 2009	103	40	143
Balance at 1 February 2009	103	40	143
Additions	8	-	8
Balance at 31 January 2010	111	40	151
Depreciation			
Balance at 1 February 2008	71	9	80
Depreciation charge for the year	13	8	21
Balance at 31 January 2009	84	17	101
Balance at 1 February 2009	84	17	101
Depreciation charge for the year	12	8	20
Balance at 31 January 2010	96	25	121
Net book value			
At 31 January 2009	19	23	42
At 31 January 2010	15	15	30

7 Goodwill and Intangible assets – Group and company

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
Balance at 1 February 2008	-	72	72	2,824	72	2,896
Other acquisitions – internally developed	-	82	82	-	82	82
Balance at 31 January 2009	-	154	154	2,824	154	2,978
Balance at 1 February 2009	-	154	154	2,824	154	2,978
Other acquisitions – internally developed	-	105	105	-	105	105
Balance at 31 January 2010	-	259	259	2,824	259	3,083
Amortisation and impairment						
Balance at 1 February 2008 and 31 January 2009	-	-	-	-	-	-
Balance at 1 February 2009 and 31 January 2010	-	-	-	-	-	-
Net book value						
At 31 January 2009	-	154	154	2,824	154	2,978
At 31 January 2010	-	259	259	2,824	259	3,083

Amortisation and impairment charge

Amortisation has not been charged on the patents as the patent application process is not complete.

Impairment testing

The goodwill arose following the hive up of the trade and assets of InRotis Technologies on 15 November 2007.

The goodwill is allocated to drug development activities of the Group. In assessing goodwill impairment, recoverable amount is based on fair value less costs to sell.

The Group carries out annual portfolio reviews to establish the economic value of each drug in the patent portfolio. If the economic value of a patent is believed to be lower than the carrying value the carrying value is reduced accordingly. The economic value is based on estimated future income potential taking into account technical and commercial risks and external information on the likely market demand and penetration for the drugs. The directors also consider that the market capitalisation of the Group is a market indicator of the value of future income streams. There is a risk that should these estimations require significant downward revision there would be a material adverse impact on the income statement in any one year.

8 Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Other receivables	526	559	526	559
Prepayments	25	78	25	78
	551	637	551	637

The Group has a variety of credit terms depending on the customer. The Group makes provision against trade receivables when it considers them to be impaired and takes into account the specific nature of the receivable, the Group's relationship with the customer and historical default rates.

There is no doubtful debt provision in respect of trade receivables in the current or prior year for the Group or the Company.

All debts are not past due in the current or prior year. The Group and the Company's management has received no indication that any unimpaired amounts will be unrecoverable.

9 Cash and cash equivalents

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Cash and cash equivalents per balance sheet	2,880	409	2,880	409
Cash and cash equivalents per cash flow statements	2,880	409	2,880	409

10 Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Current				
Other trade payables	128	203	128	203
Non-trade payables and accrued expenses	72	92	72	92
	200	295	200	295

11 Interest bearing loans and borrowings

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Loan notes	1,032	-	1,032	-

The loan notes can be redeemed by the company at any time and otherwise will be redeemed on 16 March 2014. The loan notes bear interest at the rate of 12% per annum, payable at six monthly intervals, and are secured by a floating charge over the intellectual property rights of the company. The redemption price is £1,049,000.

12 Capital and reserves

Reconciliation of movement in capital and reserves

Group

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2008	56	4,684	-	(2,251)	2,489
Total recognised income and expense	-	-	-	(1,546)	(1,546)
Equity-settled share-based payment transactions	-	-	-	4	4
Balance at 31 January 2009	56	4,684	-	(3,793)	947
Balance at 1 February 2009	56	4,684	-	(3,793)	947
Total recognised income and expense	-	-	-	(1,779)	(1,779)
Issue of share capital	9	2,889	420	-	3,318
Balance at 31 January 2010	65	7,573	420	(5,572)	2,486

Company

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2008	56	4,684	-	573	5,313
Total recognised income and expense	-	-	-	(1,546)	(1,546)
Equity-settled share-based payment transactions	-	-	-	4	4
Balance at 31 January 2009	56	4,684	-	(969)	3,771
Balance at 1 February 2009	56	4,684	-	(969)	3,771
Total recognised income and expense	-	-	-	(1,779)	(1,779)
Issue of share capital	9	2,889	420	-	3,318
Balance at 31 January 2009	65	7,573	420	(2,748)	5,310

Share capital

In thousands of shares	Ordinary shares 2010	2009
On issue at 1 February	55,710	55,710
Issued for cash	9,710	-
On issue at 31 January – fully paid	65,420	55,710

	2010 £000	2009 £000
Authorised		
74,660,000 ordinary shares of £0.001 each	75	75
Ordinary shares of £0.01 each	-	-
	75	75
Allotted, called up and fully paid		
65,420,292 (2009: 55,710,103) ordinary shares of £0.001 each	65	56
Ordinary shares of £0.01 each	-	-
	65	56
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	65	56
	65	56

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. During the year the group issued the following shares to fund ongoing development:

On 16 March 2009 the company issued 3,169,189 ordinary shares of 0.1p each and warrants over 3,497,443 ordinary shares for consideration of £950,757. Related expenses were £15,386. The warrants are exercisable at any time for a period of 5 years from the date of issue and are exercisable at £0.30 per share. The fair value of these warrants has been calculated using a binomial model. A credit of £420,000 has been taken to the warrant reserve. The amount credited to share premium account is £512,202.

On 2 November 2009 the company issued 6,541,000 ordinary shares of 0.1p each for consideration of £2,485,580. Related expenses were £102,061. The resulting premium of £2,376,978 has been credited to the share premium account.