

e-Therapeutics plc
(“e-Therapeutics” or “the Company”)
Preliminary Results
For the year ended 31 January 2009

e-Therapeutics plc (AIM: ETX), the drug discovery and development company, is pleased to announce the preliminary results of the Company and its subsidiaries (“the Group”) for the year ended 31 January 2009.

Corporate highlights

- Positive clinical results for the antidepressant and oral asthma medicine with Phase III trials in India due to commence shortly
- Three drug candidates licensed for pharmaceutical development and distribution in India
- Positive preclinical results for the cancer treatment, MRSA treatments and C.difficile treatment in laboratory testing
- Proven track record of translating discovery process drug profiles into predicted clinical performance
- Eight candidates proceeding in development in line with plan

Financial highlights

- The net cash outflow from operating activities down 32% to £1.5 million (2008: £2.2 million)
- Rapid advance up the ranking of UK Aim biotechnology companies
- A financial position on target and expenditure below forecast levels
- Successful fundraising of £1.9 million

Commenting on the results, Chairman Oliver James said: “This has been a very pleasing year for e-Therapeutics. The out-licensing of three candidate drugs is very exciting and we are pleased with their rapid clinical development. We are also encouraged by positive pre-clinical data from the other candidate drugs in the Company’s pipeline. Our continued strategy to reposition drugs, which are already known to be safe, will put us in good stead to exploit opportunities in the coming years as pharmaceutical companies look to biotech’s like e-Therapeutics to provide them with promising new drug candidates to fill their pipelines.”

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Notes to Editors

e-Therapeutics plc is a systems biology drug discovery company. It has developed proprietary computational systems to swiftly and accurately analyse and predict how medicines interact with cells in the body. This optimises the probability of identifying drug candidates with desirable efficacy and low toxicity. The Company applies its novel, systematic approach to three areas of activity:

- discovery of new drugs;
- discovering novel uses for existing drugs; and
- analysis of the interactions between different drugs.

Amongst e-Therapeutics' pipeline of compounds in development are novel antibiotics that have been shown to kill the "superbug" MRSA, and a novel cancer chemotherapy that has been shown to kill malignant cells at safe doses in a very short time. Other candidate therapies in development are targeted at atherosclerosis, asthma and depression. The Company is currently in negotiation with a number of pharmaceutical companies, and is progressing the preclinical and clinical development of these products.

For further information on e-Therapeutics visit www.etherapeutics.co.uk.

Chairman and Chief Executive's statement

Overview

This has been another successful year for e-Therapeutics. The Company has delivered excellent progress on the product pipeline, two successful Phase II clinical trial results, the out-licensing of three of its drug candidates, several strategically important new partnerships, successful fundraising in challenging financial market conditions and strong development of the drug discovery platform.

e-Therapeutics' goal, to become a principal player in the discovery and development of a new generation of high-value medicines, has been brought closer by the successful development of our leading products, licensing agreements for them and the successful fundraising completed in March 2009. The clinical and laboratory achievements this year have also provided considerable validation that the Company's drug discovery platform technology will continue to generate effective and safe medicines in areas of unmet medical need.

Clinical success

Over the course of the year, e-Therapeutics announced positive data from two clinical programmes. The most recent of these was the completion of a Phase II study with its antidepressant, ETS6103, which is now in development in India with KLAB under the brand name 'Viotra'. The data demonstrates the drug is safe and well-tolerated and that it is faster-acting and more effective over a 12-week period than a standard-of-care tricyclic antidepressant (amitriptyline). This result offers exciting opportunities to deliver strong efficacy with potentially fewer side effects in depression, which would be a beneficial new treatment option. KLAB, the Company's licensee in India, is preparing for a Phase III registration trial, and expects shortly to apply for regulatory marketing approval.

In addition, we successfully completed a Phase II study with ETX9101, our oral asthma treatment, which is designed to reduce the likelihood that asthmatic tightness will worsen into exacerbation. The results demonstrate that the medicine is well-tolerated, that it successfully headed off exacerbations and made patients feel significantly more comfortable at night. Patients taking this drug consumed less inhaled relief medication during the trial. We believe that these capabilities from an oral medicine in asthma are unique. These results offer the prospect of treating a wide range of asthmatic patients with the convenience and safety of an oral tablet,

which would be a widely beneficial new treatment option. KLAB, which also holds the license for this drug in India, is preparing for both a Phase III registration trial and to apply for regulatory marketing approval.

Laboratory developments

The ETX1153 family of anti-infective drug candidates has continued to show pleasing properties in the laboratory. Indeed, these properties were sufficiently strong that KLAB sought and obtained the license for India for the topical variant of this MRSA-killing antibiotic. KLAB is now formulating the topical medicine as 'Mersanex', and expects to gain approval for an important clinical trial in the period covered by the next Annual Report. The intra-venous variant, which is designed for systemic acute hospital-based bacteraemia, and the orally dosed C.difficile variant, are being evaluated in vivo at present.

e-Therapeutics is pleased to report continued successful performance in the laboratory of ETS2101 for the treatment of cancer. Laboratory testing shows that the compound is a promising selective apoptotic, which causes cancer cells to terminate themselves (apoptosis) but does not affect normal cells. The tests showed the drug was significantly more effective at causing apoptosis across a range of melanoma cell lines than a standard-of-care chemotherapeutic (cisplatin), and did so at concentrations well below the "no obvious adverse effect limit" for this compound. Testing in vivo showed that a single injection caused long-lasting benefits in tumour growth and size. These results provide a good basis for proceeding into clinical trials of ETS2101 in the next period.

People

e-Therapeutics' talented employees are crucial to its success and the Company is committed to the development of a motivated and professional workforce. It is their skill and expertise which have enabled e-Therapeutics to achieve its progress to date, and there is a very capable team to help the Company as it moves closer towards approval of some of its late-stage products. On behalf of the entire Board, we would like to thank our staff for their hard work and their continued support, energy, insight and commitment.

Capital position

In these challenging markets, it is important to secure an appropriate financial basis for the Company. In March 2009, the Company received an important investment

from Octopus Investments, and its related investment funds and investors, based in London. The investment was structured as an equity investment, a loan note and warrant. The Company was also encouraged that e-Therapeutics is one of only a few publicly listed UK-based biotechnology companies that have raised new investment during this turbulent period for the markets.

e-Therapeutics adjusted running costs downward during 2008/2009, to de-risk the Company against the difficult capital markets and so generated cash savings in excess of our forecasts from last year. Biotechnology companies typically take several years to reach a sustainable cash-generative position, but e-Therapeutics remains confident that it will achieve this goal, aided by substantial milestones and royalties from our partners as our late-stage programmes are filed and come to market.

Strategic positioning

The dynamics of the global pharmaceutical industry have become clearer during the last year, with a number of large-scale mergers and acquisitions aimed at mitigating the effects of patent expirations and relatively weak pipelines in the major companies. However, these developments have not changed the position that the ethical part of the industry as a whole is predicted to suffer a revenue gap as the most valuable drugs go off-patent and too few good new premium drugs come to the market. Sector analysis shows this revenue gap will be particularly pressing by 2013. Major companies are expected to be unprecedentedly keen to find premium drug candidates capable of coming to the market quickly. This industry-wide phenomenon continues to influence e-Therapeutics' near-term strategy which is to develop repositionable drugs. These drugs are potentially capable of gaining market approval quickly enough to exploit the dynamics of the industry's revenue gap. Hence, e-Therapeutics plans to continue its emphasis on discovering and developing repositionable drugs with a robust patent estate into potentially important areas of unmet clinical need, where premium pricing is appropriate, and to bring a substantial number of these candidates to New Drug Application (NDA) filings by 2013. Repositioning is not easy, but our continuing success in discovering surprising new clinical uses for molecules that are known to be safe is fundamentally made possible by the power of our discovery technology.

Outlook

e-Therapeutics has a broad and innovative clinical pipeline that combines mid- and late stage pharmaceutical products with earlier stage opportunities addressing important market sectors, and an increasingly validated discovery platform we believe will continue to deliver valuable products into the future. Our efforts over the coming year will be focused on: delivering our drug development programmes, seeking out-licences to strategically important pharmaceutical partners, and refilling our pipeline with exciting new drug candidates as some molecules are out-licensed to partners who will take over their development.

It is an exciting time in the Company's trajectory as we look forward to the commencement of registration trials with the asthma and antidepressant programmes, partnered with and resourced by KLAB. The markets that e-Therapeutics targets provide the Company with huge opportunities and are significant value-drivers for e-Therapeutics.

e-Therapeutics has a healthy pipeline of products in development and it will continue to drive these forward in a focused manner, whilst maintaining a prudent eye on expenditure. The Company will explore partnering one or more of our proprietary programmes. The Board is pleased to be able to report a successful year, in which the Company delivered what we stated in last year's annual report and we are confident that we can achieve our goal of becoming a cash-generative business and provide valuable returns for our shareholders.

Malcolm Young – CEO

Oliver James – Chairman

24 July 2009

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 JANUARY 09**

	Notes	12 months ended 31 January 2009 (unaudited)	12 months ended 31 January 2008 (audited)
		£000	£000
Revenue	2	67	64
Cost of sales		(5)	(24)
Gross profit		62	40
Other operating income	3	-	82
Administration expenses		(2,077)	(1,927)
AIM flotation costs		-	(472)
Total administrative expenses		(2,077)	(2,399)
Operating loss	2-5	(2,015)	(2,277)
Financial income	8	58	52
Loss before taxation		(1,957)	(2,225)
Taxation	9	411	259
Loss for the year		(1,546)	(1,966)
Loss for the year attributable to equity holders of the Company		(1,546)	(1,966)
Loss per share – basic and diluted	11	(2.76)p	(3.81)p

**GROUP BALANCE SHEET
AT 31 JANUARY 2009**

	Notes	Group		Company	
		2009	2008	2009	2008 (audited)
		£000	£000	£000	£000
ASSETS					
Non current assets					
Property, plant and equipment	12	42	56	42	56
Goodwill	13	-	-	2,824	2,824
Other intangible assets	13	154	72	154	72
		<u>196</u>	<u>128</u>	<u>3,020</u>	<u>2,952</u>
Current assets					
Cash and cash equivalents	16	409	1,977	409	1,977
Trade and other receivables	15	637	613	637	613
		<u>1,046</u>	<u>2,590</u>	<u>1,046</u>	<u>2,590</u>
Total assets		<u>1,242</u>	<u>2,718</u>	<u>4,066</u>	<u>5,542</u>
LIABILITIES					
Current liabilities					
Trade and other payables	17	295	229	295	229
Total liabilities		<u>295</u>	<u>229</u>	<u>295</u>	<u>229</u>
Net Assets		<u>947</u>	<u>2,489</u>	<u>3,771</u>	<u>5,313</u>
EQUITY					
Share capital	19	56	56	56	56
Share premium account	19	4,684	4,684	4,684	4,684
Retained earnings	19	(3,793)	(2,251)	(969)	573
Total equity attributable to equity holders		<u>947</u>	<u>2,489</u>	<u>3,771</u>	<u>5,313</u>

These financial statements were approved by the board of directors on 24 July 2009 and were signed on its behalf by:

MP Young, Director
JM Cordiner, Director

**CONSOLIDATED AND COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 2009**

	Notes	Group		Company	
		2009	2008	2009	2008
		£000	(audited) £000	£000	(audited) £000
Cash flows from operating activities					
Loss for the year		(1,546)	(1,966)	(1,546)	(855)
Adjustments for:					
Depreciation, amortisation and impairment	12,13	21	31	21	9
Financial income		(58)	(52)	(58)	(22)
Loss on sale of property, plant and equipment		-	80	-	80
Equity-settled share-based payment expenses		4	8	4	8
Taxation		(411)	(259)	(411)	(259)
		(1,990)	(2,158)	(1,990)	(1,039)
Cash received on hive up of subsidiary	4	-	-	-	1,454
Decrease/(increase) in trade and other receivables		114	(470)	114	(2,818)
Increase/(decrease) in trade and other payables		66	131	66	(25)
Tax received		273	259	273	259
Net cash from operating activities		(1,537)	(2,238)	(1,537)	(2,169)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	66	-	66
Interest received		58	52	58	22
Acquisition of property, plant and equipment	12	(7)	(155)	(7)	(65)
Acquisition of other intangible assets	13	(82)	(21)	(82)	-
Net cash from investing activities		(31)	(58)	(31)	23
Cash flows from financing activities					
Issue of share capital	19	-	4,123	-	4,123
Net cash from financing activities		-	4,123	-	4,123
Net (decrease)/increase in cash and cash equivalents		(1,568)	1,827	(1,568)	1,977
Cash and cash equivalents at 01 February		1,977	150	1,977	-
Cash and cash equivalents at 31 January	16	409	1,977	409	1,977

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 JANUARY 2009**

	Share capital	Share premium	Retained Earnings	Total
	£000	£000	£000	£000
As at 1 February 2007	–	2,037	(1,713)	324
Issue of ordinary shares	56	4,147	–	4,203
Loss for the year	–	–	(1,966)	(1,966)
Share-based payments	–	–	8	8
Reduction of share premium	–	(1,500)	1,420	(80)
As at 31 January 2008	56	4,684	(2,251)	2,489
As at 1 February 2008	56	4,684	(2,251)	2,489
Loss for the year	–	–	(1,546)	(1,546)
Share based payments	–	–	4	4
Balance at 31 January 2009	56	4,684	(3,793)	947

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 issued but not applied

The following standards and interpretations, which have not been applied in these financial statements, were issued but not yet effective:

- IFRS 8 'Operating Segments' (mandatory for the year commencing on or after 1 January 2009).
- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions' (mandatory for the year commencing on or after 1 March 2008).
- Revised IAS 23 'Borrowing Costs' (mandatory for the year commencing on or after 1 January 2009).
- Revised IAS 1 'Presentation of Financial Statements' (mandatory for the year commencing on or after 1 January 2009).
- Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009).



- Revised IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009).
- Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations' (mandatory for the year commencing on or after 1 January 2009).

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

Basis of preparation

The financial statements prepared on the historical cost basis.

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

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. In addition Note 20 to the financial statements 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.

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.

Going Concern

During the year the Group met its day-to-day working capital requirements through the cash reserves obtained through fundraising and the proceeds of ongoing trading activities. The directors consider that the current position of the Group is not unusual

for a drug discovery and development company. Subsequent to the year end the Group raised total cash of £1,999,990 through issue of 3,169,189 ordinary shares to a syndicate of investors consisting of Octopus Ventures Limited and its related investment funds and investors. The consideration for the shares was £950,757 cash and £1,049,233 of loan notes, together with associated warrants. The loan notes are repayable in full 5 years from the date of issue and bear interest at 12% per annum. Further information on the share issue can be found in Note 24 (subsequent events note).

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

- 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
- judgement as to whether the carrying value of goodwill will be recoverable with reference to estimated future income potential.

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

Basis of consolidation

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

Subsidiaries

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.

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 Group'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.

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.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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 each part of an item.

The estimated useful lives are as follows:

- plant and equipment 33.33% straight line
- fixtures and fittings 15% straight line
- search engine 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 less accumulated impairment losses.

Other intangible assets

Expenditure on patent and trade marks is capitalised as patent costs are incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

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 estimates used to determine the 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. Options over ordinary shares are granted at par value and are excisable and vest immediately.

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 received.

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 granted to employees and non-employees. Where the Group makes a loss diluted EPS equates to basic EPS.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in either providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

2. Segmental analysis

The Group has one business segment of drug discovery and development and all activities are carried out in the UK.

3. Other operating income

	2009	2008
	£000	£000
Grant income	–	82



4. Hive up of subsidiary

On 14 November 2007, the Company hived up the business and assets of InRotis Technologies Limited (InRotis), a wholly owned subsidiary, for £1,595,881, satisfied through the inter-company account. At the time of the hive up the Company had an investment of £2,824,000 in the subsidiary which was transferred to goodwill. The business is a drug discovery development company. In the 8 months to hive up the business contributed a net loss of £965,000 to the Company's net loss for the year.

Effect of acquisition

The acquisitions had the following effect on the Company's assets and liabilities:

	Book values on Acquisition £000
<hr/>	
InRotis' net assets at the acquisition date:	
Property, plant and equipment (net)	119
Intangible assets	25
Trade and other receivables	252
Cash and cash equivalents	1,454
Trade and other payables	<u>(254)</u>
Net identifiable assets and liabilities	1,596
Consideration paid, satisfied through inter-company account	(1,596)
Net cash outflow	-

5. Expenses and auditors' remuneration

Included in loss are the following:

	2009	2008
	£000	£000
Depreciation of own assets	21	31
Loss on disposal of fixed assets	-	56
Research and development costs	1,000	1,137
Operating leases – hire of other assets	47	47

Auditors remuneration:

	2009	2008
	£000	£000
Audit of these financial statements	20	20
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	8	8
Services relating to transaction services	-	71

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.

8. Finance income

	2009	2008
	£000	£000
Finance income		
interest income on unimpaired financial assets	58	52



9. Taxation

Recognised in the income statement

	2009	2008
	£000	£000
Current tax income		
Current year	(138)	(259)
Adjustments for prior years	(273)	-
Current tax expense	(411)	(259)
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Deferred tax expense	-	-
Total tax expense	(411)	(259)
Reconciliation of effective tax rate	2009	2008
	£000	£000
Loss for the year	(1,546)	(1,966)
Total tax income	(411)	(259)
Loss excluding taxation	(1,957)	(2,225)
Tax at 28.5% (2008: 30%)	(558)	(668)
Expenses not deductible for tax purposes	4	86
Non-taxable income	-	(158)
Enhanced relief for R&D	(177)	(36)
Surrender of tax losses	126	142
Unrelieved tax losses	463	372
Depreciation in excess of capital allowances	4	3
Adjustments in respect of prior period	(273)	-
Total tax credit	(411)	(259)

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 £471,906 (2008: £546,000) and unused tax losses of £2,910,656 (2008: £1,672,000).



11. Loss Per Share

The analysis of loss per share is as follows:

	2009	2008
Basic and diluted loss per share	(2.76)p	(3.81)p

Basic earnings per share is calculated by dividing the loss for the year of £1,546,000 (2008: £1,966,000) by the weighted average number of shares, 55,710,000 (2008: 51,539,992) 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 55,710,000 (2008: 51,775,092) to reflect the dilutive effect of share options in existence at the year end of 3,631,840 (2008: 5,398,713) (see Note 18). 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.

**12. Property, plant and equipment**

Group	Plant and equipment £000's	Fixtures & fittings £000's	Search engine £000's	Total £000's
Cost				
Balance at 1 February 2007	73	27	27	127
Other acquisitions	23	13	119	155
Disposals	–	–	(146)	(146)
Balance at 31 January 2008	96	40	–	136
Balance at 1 February 2008	96	40	–	136
Other acquisitions	7	–	–	7
Balance at 31 January 2009	103	40	–	143
Depreciation				
Balance at 1 February 2007	44	5	–	49
Depreciation charge for the year	27	4	–	31
Balance at 31 January 2008	71	9	–	80
Balance at 1 February 2008	71	9	–	80
Depreciation charge for the year	13	8	–	21
Balance at 31 January 2009	84	17	–	101
Net book value				
At 31 January 2008	25	31	–	56
At 31 January 2009	19	23	–	42



Company

	Plant and equipment £000's	Fixtures & fittings £000's	Search engine £000's	Total £000's
Cost				
Balance at 1 February 2007	-	-	27	27
Acquisitions through business combinations	96	29	65	190
Other acquisitions	-	11	54	65
Disposals	-	-	(146)	(146)
Balance at 31 January 2008	96	40	-	136
Balance at 1 February 2008	96	40	-	136
Other acquisitions	7	-	-	7
Balance at 31 January 2009	103	40	-	143
Depreciation				
Balance at 1 February 2007	-	-	-	-
Acquisitions through business combinations	63	8	-	71
Depreciation charge for the year	8	1	-	9
Balance at 31 January 2008	71	9	-	80
Balance at 1 February 2008	71	9	-	80
Depreciation charge for the year	13	8	-	21
Balance at 31 January 2009	85	17	-	101
Net book value				
At 31 January 2008	25	31	-	56
At 31 January 2009	19	23	-	42

13. Goodwill and Intangible assets – Group and company

	Group			Company		
	Goodwill	Patents & trademarks	Total	Goodwill	Patents & trademarks	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 February 2007	–	51	51	–	47	47
Additions (Note 14)	–	–	–	2,824	–	2,824
Other acquisitions – internally developed	–	21	21	–	25	25
Balance at 31 January 2008	–	72	72	2,824	72	2,896
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
Amortisation and impairment						
Balance at 1 February 2007 and 31 January 2008	–	–	–	–	–	–
Balance at 1 February 2008 and 31 January 2009	–	–	–	–	–	–
Net book value						
At 31 January 2008	–	72	72	2,824	72	2,896
At 31 January 2009	–	154	154	2,824	154	2,978

Amortisation and impairment charge

Amortisation has not been charged on the patents as the assets have not yet been brought into use.

Impairment testing

The goodwill arose following the hive up of the trade and assets of InRotis Technologies on 15 November 2007 (see Note 4).

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.

14. Investment in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2009	2008
InRotis Technologies Limited	United Kingdom	Ordinary	100%	100%

The value of investment in InRotis Technologies Limited is £1.

On 15 November 2007 the Company waived an intercompany balance due from its subsidiary undertaking of £2,824,000. Subsequently, the trade and assets of the subsidiary undertaking were hived up into the Company at book value. Schedule 4 to the Companies Act 1985 requires that the Company's investment be written down accordingly and that the amount be charged as a loss in the Company's income statement. However, the directors considered that, as there has been no overall loss to the Company, it would fail to give a true and fair view to charge that diminution to the Company's income statement for the year and it was instead reallocated to goodwill and the identifiable net assets transferred so as to recognise in the Company's individual balance sheet the effective cost to the Company of those net assets and goodwill.



	Total
	£000
Company	
Shares at cost	
Cost at net book values at 1 February 2007	-
Additions	2,824
Transfer to goodwill	(2,824)
At 31 January 2008	-
At 31 January 2009	-

15. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Other trade receivables	559	515	559	515
Prepayments	78	98	78	98
	<u>637</u>	<u>613</u>	<u>637</u>	<u>613</u>

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.



16. Cash & cash equivalents

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Cash and cash equivalents per balance sheet	409	1,977	409	1,977
Cash and cash equivalents per cash flow statements	409	1,977	409	1,977

17. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Current				
Other trade payables	203	154	203	154
Non-trade payables and accrued expenses	92	75	92	75
	295	229	295	229

18. Employee Benefits

Defined contribution plans

The Group operates a defined contribution pension plan. The total expense relating to these plans in the current year was £63,787 (2008: £44,662).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

Share-based payments

The Group and Company operate an Inland Revenue Approved Share Option Scheme.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

	No. of instruments at end of year	No. of instruments at beginning of year	Excise Price (pence)	Contractual life of options
October 2006	2,717,270	2,902,730	13.9	10 years
April 2007	92,730	92,730	38.6	10 years
October 2007	118,020	18,020	67.0	10 years
October 2007	384,970	384,970	13.9	10 years
October 2007	356,870	356,870	17.4	2.5 years
November 2008	80,000	-	37.5	4 years

Options over ordinary shares are granted at the value agreed at the point of issue and are exercisable and vest immediately.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2009 £	Number of options 2009	Weighted average exercise price 2008 £	Number of options 2008
<hr/>				
Options				
Outstanding at the beginning of the year	0.185	3,855,320	0.139	2,902,730
Forfeited during the year	0.139	(185,460)	-	-
Granted during the year	0.375	80,000	0.325	952,590
Outstanding at the end of the year	0.170	3,749,860	0.185	3,855,320
Exercisable at the end of the year	0.170	3,749,860	0.185	3,855,320

The weighted average share price at the date of exercise of share options exercised during the year is not applicable as none were exercised (2008: £nil).

The options outstanding at the year end have an exercise price in the range of £0.139 to £0.67 and a weighted average contractual life of 8.3 years.

The fair value of warrants granted has been valued using the Black Scholes option pricing model. The fair value of options has been valued using the Binomial option pricing model. Volatility has been estimated by reference to similar companies whose shares are traded on a recognised stock exchange.



	Options November 2009	Options October 2007	Options October 2007	Options October 2007	Options October 2006	Options April 2007
Share price at date of grant	£0.375	£0.386	£0.386	£0.386	£0.174	£0.174
Vesting period (years)	Immediately	Immediately	Immediately	Immediately	Immediately	Immediately
Expected volatility	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
Risk-free rate	4.1%	5.7%	5.7%	5.7%	4.7%	5.2%
Dividend yield	0%	0%	0%	0%	0%	0%
Warrants over ordinary shares						
Exercise price	£0.375	£0.174	£0.67	£0.139	£0.139	£0.386
Shares under warrant or option	80,000	356,870	118,020	266,950	2,902,730	92,730
Fair value per option	£0.07	£0.28	£0.06	£0.30	£0.05	£0.15

The number and weighted average exercise prices of warrants are as follows:

	Weighted average exercise price 2009 £	Number of options 2009	Weighted average exercise price 2008 £	Number of options 2008
Warrants				
Outstanding at the beginning of the year	0.67	60,000	0.174	3,322,825
Granted during the year	-	-	0.67	60,000
Surrendered	-	-	0.174	(356,870)
Outstanding at the end of the year	-	-	0.174	(2,965,955)
Exercisable at the end of the year	-	-	-	-

The total expense recognised for the year arising from share-based payments are as follows:

	2009	2008
	£000	£000
Group and company equity-settled share-based payment expense	4	8

19. Capital and reserves

Reconciliation of movement in capital and reserves

Group	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
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
Balance at 31 January 2008	56	4,684	(2,251)	2,489
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



Company	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
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
Balance at 31 January 2008	56	4,684	573	5,313
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

Share Capital

In thousands of shares	Ordinary shares	
	2009	2008
On issue at 1 February	55,710	–
Issued for cash	–	55,710
On issue at 31 January – fully paid	55,710	55,710
	2009	2008
	£000	£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		
55,710,103 ordinary shares of £0.001 each	56	56
Ordinary shares of £0.01 each	–	–
	56	56
Shares classified as liabilities	–	–
Shares classified in shareholders' funds	56	56
	56	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.

Publication of non-statutory accounts and basis of preparation

The audited results for the year ended 31 January are prepared in accordance with International Financial Reporting Standards ('IFRS').

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 January 2009, but is derived from those accounts. The comparative figures for the financial year ended 31 January 2008 have been derived from the statutory accounts of e-Therapeutics plc.

The report of the auditors for the year ended 31 January 2009 is unqualified. Statutory financial statements for the year ended 31 January 2009 will be filed with Companies House following the Company's Annual General Meeting.

This financial information was approved for release by the board of e-Therapeutics plc on 24 July 2009.

The 2009 accounts will be circulated to all shareholders. Further copies can be



e-Therapeutics plc

obtained from the registered office of the Company at Block B, Holland Park, Holland Drive, Newcastle upon Tyne, NE2 4LZ. They may also be accessed via the investor section of the Company's website at www.etherapeutics.co.uk.

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