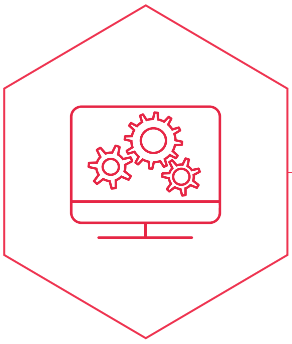
Enabling data-driven drug discovery

Annual Report 2020

e-therapeutics

Who we are

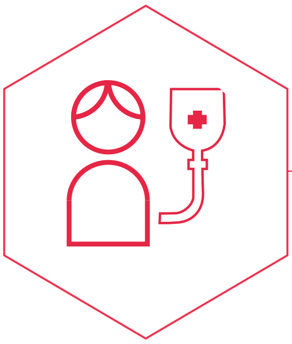


Our Aim

We are uncovering new ways to fight disease. Our aim is to transform the understanding of complex disease using biological information, to help create completely new treatments more quickly and with higher success rates.

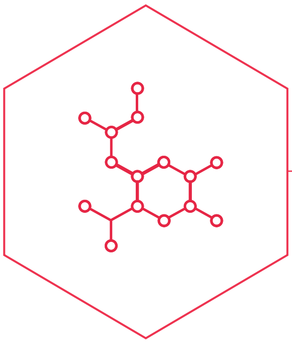
Our unique, proprietary in silico platform

We are a computational drug discovery business. Our platform incorporates big data and a suite of powerful tools, including AI and machine learning. It is underpinned by our expertise in network science.



Our commercial relevance

We are working with two Global top 10 biopharmaceutical companies in type-2 diabetes and neurodegeneration. We can work with partners in any biological area, advancing from concept to a programme producing actionable insights and/or novel drug-like compounds in mere months.



Our approach works

We are using our approach and platform technologies to discover novel first-in-class drugs with industry leading hit rates. Our revolutionary network-driven drug discovery ("NDD") technology has been scientifically validated in 12 diverse areas of biology.

Our commitment to innovation

During the year we successfully launched our new functional genomics technology, GAINs. This complements our NDD offering to provide actionable, mechanistic insights. We will continue to enhance our platform in the coming financial year.

Highlights

We have secured more commercial collaborations in new areas of biology and launched our functional genomics technology, GAINs

Financial

Revenue

£0.5m

(2019: £0.04m)

Year end cash and fixed-term deposits

£3.8m

(2019: £5.9m)

Reduction in cash and fixed-term deposits in the year

£2.1m

(2019: £3.7m)

R&D spend

£2.1m

(2019: £3.7m)

Operating loss

£2.9m

(2019: £5.1m)

R&D tax credit receivable

£0.6m

(2019: £1.1m)

Operational

Post year-end £1.6m fundraise and management restructure

On 11 February 2020 we announced that Ali Mortazavi has been appointed as Executive Chairman, with Ray Barlow stepping down as Chief Executive Officer and Steve Medlicott stepping down as Chief Financial Officer. On the same day, e-therapeutics placed ordinary shares to raise £1.6 million.

> Read Ali's Executive Chairman's Statement on page 3

Additional commerical deal for our Network-Driven Drug Discovery ("NDD") technology

The commercial deal announced in the prior year, with Novo Nordisk in their core area of type-2 diabetes, has made positive progress and, as a result, was extended in the current year. We also secured a deal with a Global top 5 biopharmaceutical company in a specific area of neurodegeneration. Both are in exciting areas of biology and offer important commercial validation of the Group and our technologies.

> Read more on Our Business Model on page 5

Launch of our Genome-Associated Interaction Networks ("GAINs") technology and our first GAINs commercial deal

We successfully launched our new GAINs technology during the year, offering a revolutionary and entirely novel proprietary functional genomics approach. This technology analyses human genetic data to allow a deep understanding about disease mechanisms and creates the potential to enable the discovery of novel drugs, diagnostics and biomarkers in a way not possible using existing techniques. We have already announced our first commercial GAINs deal with Novo Nordisk, looking at intervention strategies for type-2 diabetes.

Read more about GAINs on page 10

Focusing our strategy on innovation in our core technologies

We have retained the careful cost control that we have seen over the past couple of years. However, we have continued our investment in our core network-driven platform and have been focussing on the application of our technologies to generate useful, actionable insights from genomic data. In addition to the launch of GAINs during the year, we have made further progress on patient segmentation, MoA and SNP to gene mapping, which we will continue to advance in the coming year.

> Read the Financial Review on page 12

Chairman's Statement

e-therapeutics can offer big pharma unique biological insights into complex disease and make major inroads into the discovery of novel biology and drug candidates

My perspective on the financial year ended 31 January 2020 will be as a fellow shareholder and one who performed extensive due diligence on e-therapeutics for over three months between September 2019 and January 2020. The purchase of my stake in the Company was driven by a variety of factors, perhaps the most important driver being the experience in my last role as Chief Executive Officer of Silence Therapeutics plc ("Silence"). At Silence, after over 15 years of technical challenges in chemistry that successfully concluded with a robust platform to silence genes in the liver, I had come to realise that biology was perhaps an even greater challenge. The identification of the 'right' biology to address, irrespective of modality, was the real value driver in drug discovery/development. The industry has been, and still is, chasing the same targets, biology and indications. In addition, complex diseases, while representing huge unmet need, are attracting the least amount of capital as the current risk-averse nature of the industry and desire for 'validated' targets and shun novel biology. e-therapeutics passed one of my critical filters: identifying key biology first and only then taking the next step - how to discover a drug to address it.

Post the purchase of my stake, and under a non-disclosure agreement with the Company, I had access to their data room where I was able to conduct a full assessment of the prospects of the business, its assets and technology. My initial fear was that e-therapeutics, which has been listed since November 2007, would be a typical company that had once been at the forefront of its industry but had lost its place to new entrants. The Company had not raised capital since February 2013 and there had been a gradual but significant decline in R&D spend. In reality, it became clear during this process that the opposite was true. Although the Company was undercapitalised and operating with a small team, the technology was ahead of its time and the moment for Network-driven Drug Discovery ("NDD") has now arrived. In short, the Company had survived and was now more relevant and competitive than at any time in its history.

During the year, e-therapeutics achieved validation of their approach through a commercial deal with Novo Nordisk. Importantly, it had also gone through a rigorous due diligence process with a global top 5 pharmaceutical company in an area of biology associated with neurodegenerative disease. This process led to a pilot project which we hope can become a more meaningful collaboration in the coming financial year. In addition to these announcements, it was clear that many pharmaceutical/biotech companies were and are increasingly interested in the Company's approach to biology. Their endorsements of e-therapeutics' approach gave me great confidence that the inflection point was now.

Importantly, the core team and founders of e-therapeutics remain at the Company and were still highly motivated by the belief in, and approach of, NDD. I was extremely impressed with the knowledge and the ability of a small team to achieve so much with such a very limited R&D budget. In conclusion, my decision to join the company as Executive Chairman was taken on the basis of deep diligence and a belief that e-therapeutics could become a large company making major inroads into the discovery of novel biology and drug candidates to target disease.

"Our technology, know-how and products are in strong demand and I would like to thank and endorse the team at e-therapeutics"

Network- Driven Drug Discovery ("NDD")

The core technology of e-therapeutics is based on the concept of NDD. NDD is an informatics approach to early-stage discovery driven by the analysis of molecular networks within cells. Advances in the field of network biology over the last decade or so have made it clear that simple notions of individual 'domino-like' biological pathways giving rise to robust biological processes are incorrect. Biological function 'emerges' from the co-ordinated interplay of very many diverse molecules acting together in complex networks of interacting pathways. Because these networks are complex, and (as in all complex systems) robust to most interventions, the best way to change their behaviour is not obvious from a simple inspection of the individual components.

In order to influence cell biology in a beneficial way these networks must be first identified and then analysed mathematically to identify vulnerabilities that can form the basis of a therapeutic intervention. NDD starts with the construction of *in silico* models of the network of molecular interactions responsible for a biological process to be targeted by a drug. Network analysis is then utilised to search for agents that can significantly perturb that network and so, by extension, the biological process of interest. Predicted active compounds are then tested in cell-based phenotypic assays that are capable of detecting modulation of the mechanisms of interest.

Genome Associated Interaction Networks ("GAINs")

A new product, GAINs, has seen particularly strong interest from partners. Based on the core principles and technologies behind NDD, GAINs can derive biological insights from Genome-Wide Association Study (GWAS) data. GWAS has the potential to be extremely informative and in many disease areas is the only practical source of 'big data' e.g. in diabetes or neurodegeneration, where biopsy tissue availability is limited. However, despite a huge investment of time and resource, insights from GWAS data have been limited.

e-therapeutics has developed GAINs, a proprietary network biology-based, functional genomics approach that places genes identified by GWAS studies into their network context. This permits identification of the (network) processes that are affected by background variations in DNA and hence impact the risk of developing particular disease. This approach permits mechanistic insights that are not resolvable at the individual SNP or gene level and not discoverable simply from the lists of genes typically produced by a GWAS study. GAINs leverages validated methodology derived from our parent NDD platform. e-therapeutics' GAINs technology enables actionable insights (such as mechanistic understanding and target- or network-driven drug discovery hypotheses) to be derived from GWAS data where there are typically tens or even hundreds of (usually individually uninformative) variants contributing to disease risk.

In an environment where genetic validation of a project is a major de-risking checkpoint for large pharmaceutical companies, we have seen significant interest in this product.

Informatics and drug development

Considering the Company's Balance Sheet, e-therapeutics has paused its own internal drug development ambitions. However, not only are some of these assets still of potential value, they serve as important case studies of how the Company can take informatics all the way through to compounds and in vivo studies, successfully providing proof of concept projects for the platform. Yet, informatics insight alone is not a sufficient value proposition to convince collaborators to agree to large paid-for projects. The Company's in-house ability, gained from expertise at the C suite level and its own discovery programmes, allows us to offer "wet lab" outcomes from our informatics dataset. This permits partners to establish an important de-risking decision point and decide if their area of biology should be further progressed. We envisage a future where e-therapeutics will collaborate with partners wishing to leverage the capabilities of our informatics division alongside their own internal resources and expertise and, in addition, the drug discovery arm of our Company will use our in-house informatics capabilities for high conviction internal projects.

Outlook

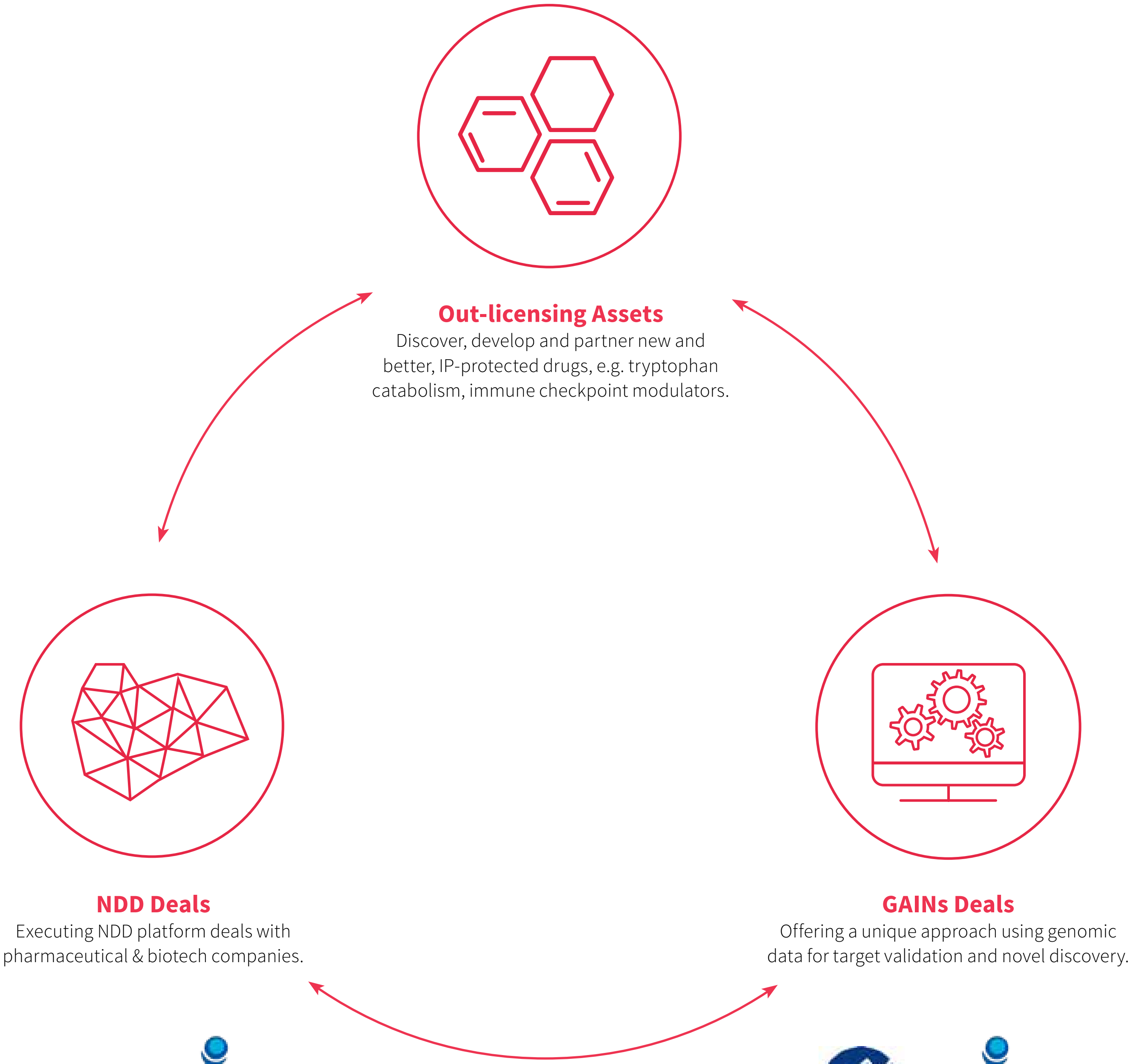
In summary, I believe that the Company is at an important inflection point. Our technology, know-how and products are in strong demand and I would like to thank and endorse the team at e-therapeutics. The knowledge, energy and desire is a critical factor in the success of the Company. Technology and informatics alone cannot drive drug discovery. In a "man + machine" collaboration, the team is a critical component of the assets of the Company. They are a testament to the power of small teams and what can be achieved even with the smallest of R&D budgets. We will, of course, be adding significant resource in the coming months but will always remain lean, relying on hiring the very best people rather than size of capital.

We look forward to an exciting year and have high ambitions to become a prominent company in drug discovery.

Ali Mortazavi
Executive Chairman
25 March 2020

Our Business Plan

How we create value



Strategy

Our strategic priorities

Our strategy is designed to increase growth and improve our long-term financial performance. An overview of the strategic and operational milestones reached in 2019/20 and our future priorities are provided in the following table:

1 Invest in our people and our technologies

Long-term objectives
Innovate and enhance our core technologies so that we continue to offer biological insights that cannot be replicated by competitors.

Advancements in the current year
Enhancements to the technology in the current year include:

- Patient segmentation
- Target identification
- SNP to gene mapping
- Launch of our new GAINs technology

Also during the year, a new patent has been filed that covers recent advances in how we apply our NDD and GAINs technology.

Link to KPIs
- R&D spend

Link to principal risks
- Funding the business
- Protecting our IP
- Retaining and motivating the best people
- Ensuring the integrity and security of our information
- Going concern

2 Develop our own assets

Long-term objectives
Generate value through the pre-clinical development of a novel in-house asset that is IND-enabled.

Advancements in the current year
We have limited the amount of additional funding injected into internal discovery assets. This will be the subject of further review given the post year-end fundraise, more details of which are disclosed in Note 24 of the Financial Statements.

Link to KPIs
- R&D spend

Link to principal risks
- Funding the business
- Feasibility of drug candidates
- Protecting our IP
- Retaining and motivating the best people
- Ensuring the integrity and security of our information
- Going concern

3 Deliver commercial deals

Long-term objectives
Grow the number of commercial collaborations and fund the business through the generation of revenue.

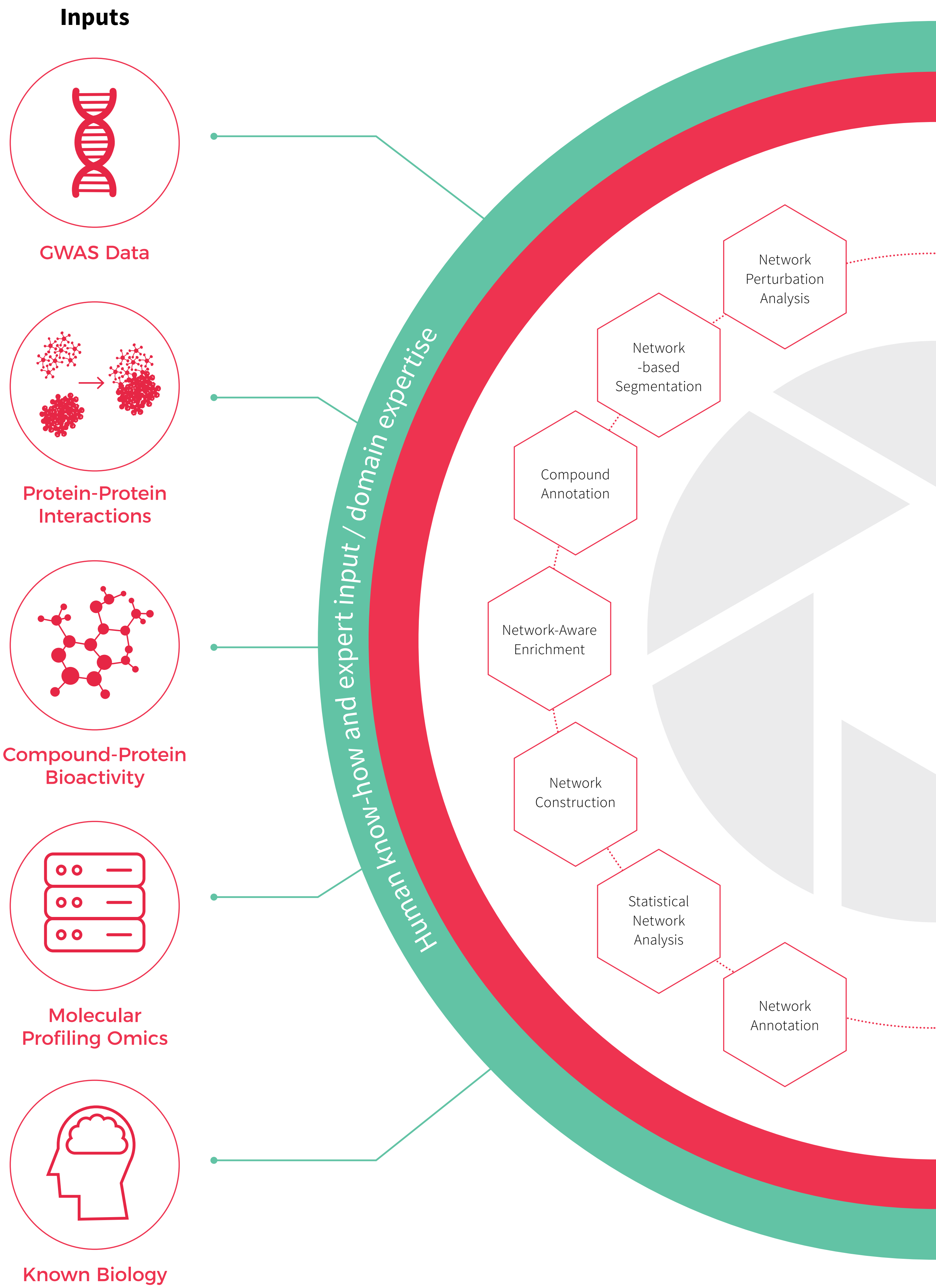
Advancements in the current year
- Positive progress on the NDD deal with Novo Nordisk in the area of type-2 diabetes that was announced in the prior year
- Signed an NDD deal with a Global top 5 biopharmaceutical company
- Signed first commercial deal utilising our new GAINs technology, with Novo Nordisk in the area of type-2 diabetes

Link to KPIs
- Number of commercial agreements

Link to principal risks
- Funding the business
- Protecting our IP
- Retaining and motivating the best people
- Ensuring the integrity and security of our information
- Going concern

Our Process

ETX Platform Technology
Enabling Network-driven Discovery



Outputs

GAINs
- Actionable insight from GWAS
- Relevant pathways
- Pathway interactions
- Target hypotheses
- Inputs to NDD

Disease Segmentation
- Mechanistic disease segmentation
- Subset specific interventions
- Actionable insight from multi-omics data Inputs to NDD

MOA/Target ID
- Mechanism of action Mode of Action
- Inputs to medicinal chemistry

NDD
- Active chemical equity
- Mechanistic insight
- High hit rate
- Phenotypically relevant
- Enables complex assays
- MoA hypotheses

Genome-Associated Interaction Networks ("GAINs")

Our new technology offers a novel approach for extracting valuable insights from genomic data

We have developed a new and unique capability based upon our network biology expertise and technology. We can leverage our proprietary platform technology to analyse genome-wide association study ("GWAS") data to identify potential intervention strategies, therapies and diagnostics.

Our GAINs technology addresses multiple failings in current GWAS analysis

- A tight linkage between individual DNA variability and disease causation has not emerged: **Network biology provides one way to integrate polygenic influences in a mechanistic way**
- Hypertension, diabetes, cardiovascular disease, depression, many cancers and obesity are linked to hundreds of gene variants that even collectively do not explain the full variance of a disease: **Network integration via GAINs analysis can detect evidence for disease mechanism driven by multiple variants**
- Many, if not most, gene variants uncovered do not map on to a plausible biological mechanism: **Our GAINs analysis of variants clearly maps to plausible biological mechanisms**
- GWAS has failed to find actionable relationships between polymorphisms and disease: **GAINs analysis applied to GWAS data has enabled the identification of actionable insights by using network biology to link polymorphisms to disease**

What is GWAS data?

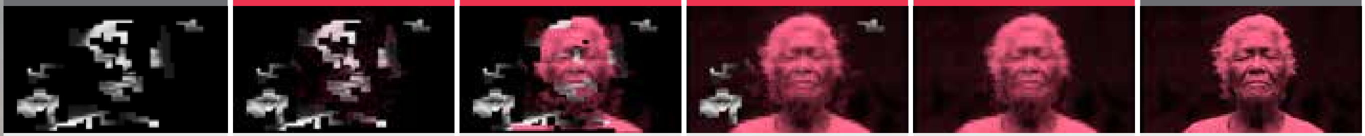
GWAS is a population genetics technique that identifies variants whose frequencies vary with disease traits. It combines over 10 years of scientific research, over 40,000 genetic links to human traits and disease and analysis of over 50,000,000 individual human genomes. It is the only functional "-omics" data available for some diseases/tissues. It is therefore a very valuable data source.

"Our novel methods uncover actionable insights from GWAS data."

However, the path from GWAS to disease biology is not straightforward and the vast amount of data means that, despite the huge financial investment, very little has been delivered in terms of actionable insights and understanding. Our new GAINs technology used with our network-driven approach and applied to GWAS data can deliver both actionable insights and understanding for complex disease.

How and why GAINs work

GWAS	GAINs				Insight
1. Pinpoint Genes from GWAS	2. Place Proteins in Network Context	3. Introduce Interacting Proteins	4. Apply Network-Aware Functional Enrichment	5. Extract Common Mechanisms	6. Actionable Insight Brought into Relief
Select GWAS SNP data and map SNPs genes/proteins.	Network construction identifies the wider molecular context of the disease-associated proteins.	Insert other proteins in the network that are likely to interact with those identified from GWAS.	Identify functionality annotated molecules/ pathways that are critical to the structure of the network.	Collate mechanisms reflecting a common theme.	Determine new intervention strategies, patient stratification and biomarker/ diagnostic discovery.



Application of GAINs to Parkinson's Disease and type-2 diabetes

We have analysed GWAS data from patients and have not only confirmed the centrality of pathophysiology known to be associated with Parkinson's Disease, we have identified novel intervention strategies for potential treatments.

We have also completed our first commercial GAINs deal with Novo Nordisk in the area of type-2 diabetes.

The output of GAINs is immediately amenable to both network-driven and classic target-driven drug discovery.

> "We have uncovered mechanistic understandings completely new to Parkinson's Disease."

We are seeking collaboration partners to exploit the potential of this innovative technology in all complex diseases.

Financial Review

We have completed more commercial deals and streamlined our cost base, whilst continuing to innovate our technological offerings, leaving us in a strong position to build on our strategy in the coming financial year

The commercial deal that was announced towards the end of the prior year has advanced well; this led to both an extension of that NDD deal and also to the signing of, and subsequently successful completion of, a further commercial deal with Novo Nordisk utilising our newly launched functional genomics technology, GAINs, also in the area of type-2 diabetes. Revenue recognised during the year ended 31 January 2020, of £0.5m (2019: £0.04m), is in relation to these deals.

The overall operating loss for the year was £2.9m (2019: loss of £5.1m). The reduced loss is partly a result of the revenue recognised, however, given the cash position of the Group, we also continued our careful cost management to extend the cash runway of the Group whilst ensuring that we didn't lose the functionality that allows us to deliver important biological insights. As such, the underlying operating loss (excluding revenue) continues the trend of sequentially declining six-monthly losses, which has now continued for four years.

R&D spend for the year, of £2.1m (2019: £3.7m), was £1.6m lower than the prior year, reflecting lower external spend on our self-funded NDD-derived assets in the year. We have instead focussed our R&D investment into improved platform functionality, which has included enhancements in the areas of mechanistic disease segmentation, target identification, MoA and, of course, our new GAINs technology. Enhancements of our technological capabilities will be further advanced in the coming year.

Administrative costs in the year, of £1.2m (2019: £1.5m), continue to decline with cost savings made throughout every level of the business.

Year-end cash was £3.8m (2019: £5.9m). The overall cash reduction for the year was £2.1m (2019: £3.7m). After adjusting for the R&D tax credit received during the year, of £1.1m (2019: £1.4m), the underlying cash burn, of £3.2m (2019: £5.1m), was broadly in line with the operating loss. Given the reduced R&D spend during the year, we are anticipating a lower R&D tax credit, of £0.6m, to be received in the coming financial year.

Shortly after the year-end, we placed additional ordinary shares to raise gross proceeds of £1.6m, see Note 24 of the Financial Statements for further information, and the cash balance on 23 March 2020 (being the latest practicable date prior to the publication of the Annual Report) is £4.9m. We will continue the careful working capital management processes that we have in place, yet we now have the renewed scope to consider some further advancement to our in-house discovery programmes alongside continued innovation of our platform technologies and general resource expansion.

Our latest budget, updated following the post year-end injection of cash, shows that we have sufficient funds to continue our operations for at least the next two financial years. This budget includes prudent revenue assumptions, although we are in late stage discussions regarding a number of exciting potential collaborations and we are looking forward to working closely with business development opportunities in defining how we could help partners better understand their chosen area of biology.

Management have considered the impact of the coronavirus COVID-19 outbreak, which was characterised as a pandemic by the World Health Organisation on 11 March 2020, upon these financial forecasts. The Group has a robust risk management policy in place, including business continuity management. Management's priority is the safety of its employees and, as a result, has already invoked a working from home policy which has been smoothly implemented. At the time of signing this Report the COVID-19 pandemic is not expected to materially alter the assumptions included in the Group's budget.

Ali Mortazavi
Executive Chairman
25 March 2020

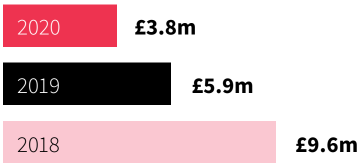
Key Performance Indicators

Measuring our progress

Financial KPIs

Cash and fixed-term deposits as reported in the Balance Sheet

-£2.1m

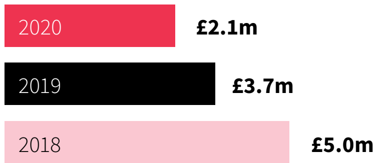


We carefully monitor cash spend to ensure efficient use of the cash reserves obtained through fundraising in 2013. Additional funds were raised post year-end, in February 2020, through the placing of ordinary shares - more information can be found in Note 24 to the Financial Statements. Management has forecast that, even assuming that no additional commercial deals are won, the cash reserves should be sufficient to meet the core operating requirements of the Group for at least the next two financial years.

> Read more in the Financial Review on page 12

R&D spend as reported in the Income Statement

-43%



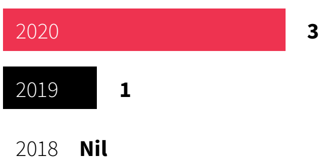
The core of our strategy is based upon enhancing our network-driven discovery platform and innovating new processes and technologies to derive long-term value. This was the key focus of our R&D spend during the year as discretionary spend on self-funded discovery programmes has been significantly reduced. We have not only continued to improve our NDD technology, but also during the year we launched our new GAINs technology, which expands our offering to commercial partners.

> Read more about our technologies in the Chairman's Statement on page 3

Non-financial KPIs

Number of commercial agreements active during the year

+2



We continued to work on the NDD collaboration with Novo Nordisk that was announced in the prior year and we also commenced a further deal with Novo Nordisk during the year, utilising our new GAINs technology to analyse population genomics data from patients with type-2 diabetes to deliver biological insights. In addition, we also announced an agreement to work with a global top 5 pharmaceutical company, using our NDD technology to identify novel disease pathways and small molecules, both of which have the potential to modulate a specific area of biology associated with neurodegenerative diseases.

> See how we create value though commercial deals in our business model on page 5

Risk Management

The Group remains committed to understanding, analysing and addressing risk and identifying procedures to minimise risk impact.

The Board is accountable for identifying procedures to minimise risk impact and implementing these at every level of the business, in an ongoing process overseen by the Audit Committee.

After the year-end, on 10 February 2020, the Chief Executive Officer and the Chief Financial Officer stepped down and Ali Mortazavi was appointed as Executive Chairman. Michael Bretherton replaced Christine Soden, who also stepped down, as the Chair of the Audit Committee on the same date. An Executive Committee was subsequently formed, consisting of the Executive Chairman and certain senior staff members. The Executive Committee have taken over responsibility for day-to-day risk management and compliance. Reports are made to the Board, including the members of the Audit Committee, at each Board date.

Risks continue to be monitored in an open and robust way, with specialists being engaged where it is deemed appropriate to the risk identified.

The Group's system of risk management and internal control is embedded throughout every level of the business. Our risk management framework is designed to assess our risks and ensure that mitigations are appropriate to keep the risks within the acceptable risk level policy of the Group. Our business continuity management strategy is designed to safeguard the Group's assets and the reliability of information within the business as well as the health and safety of our employees. We ensure that opportunities as well as risks are identified and that the Board has the correct information to drive shareholder value.

Our risk assessments and risk registers are used to drive our business continuity plans, underpinned by our employee policies.

In particular, we understand the importance of safeguarding the integrity of our information assets.

During the year, we successfully passed verification by an accredited body that we are compliant with the Cyber Essentials Scheme. This is risk-based accreditation founded on international best practice to demonstrate our commitment to cyber security. As a result we were awarded Cyber Essentials Plus certification. As part of this process our implementation of the following technical controls have been independently audited:

- Access controls
- Boundary firewalls and internet gateways
- Malware protection.
- Patch management
- Secure configuration

These are the technical controls developed by a government body to guard against the most common cyber threats.

In addition to our Cyber Essentials Plus certification, we also renewed our IASME Governance Standard certification during the year, which demonstrates our compliance to the GDPR requirements as well as Cyber Essentials.

Annual IT vulnerability testing is undertaken by third party consultants.

Information asset registers are reviewed regularly by the designated member of the Executive Committee.

Regular cyber risk training is provided to all employees by third party consultants.

Internal controls are implemented throughout all levels of the business.

Standard operating procedures are documented for use throughout the business.

Strategic risks

- Funding the business
- Feasibility of drug candidates
- Protecting our IP

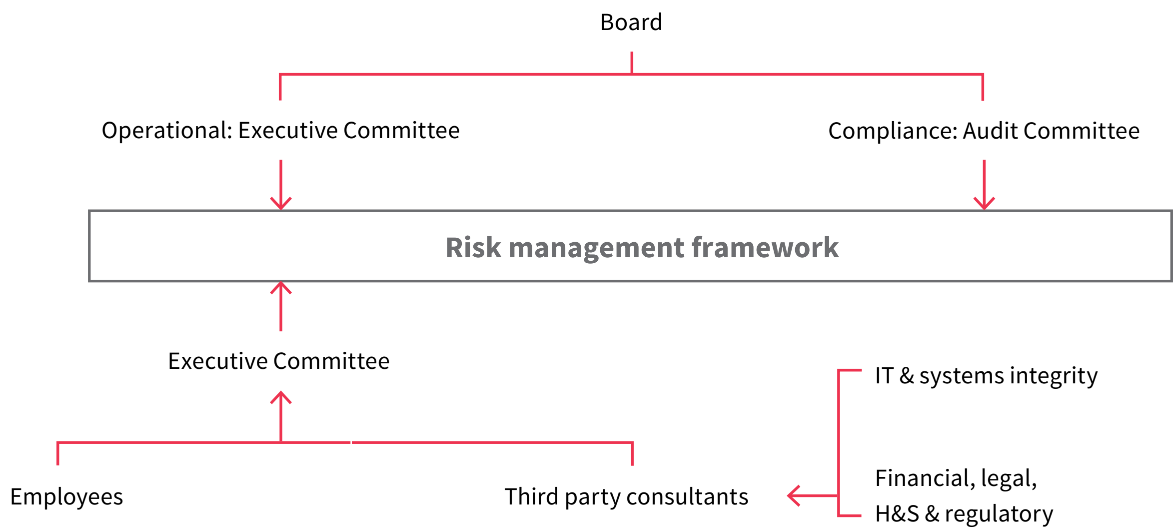
Operational risks

- Retaining and motivating the best people
- Ensuring the integrity and security of our information

Financial and compliance risks

- Preparing financial statements on a going concern basis
- Recognising R&D tax credits receivable

The Group's approach to risk management and business continuity:



Principal Risks and Uncertainties

No change in risk level since prior year

Decrease in risk level since prior year

Increase in risk level since prior year

Funding the business

Risk

The biotechnology and pharmaceutical industries are very competitive, with many major players having substantial R&D departments with greater resources and financial support. The Group aims to execute commercial deals generating enough revenue to sustain the business. Without this, reliance falls on investors or potential M&A opportunities. Failure to generate additional funding from these sources if required would completely compromise the Group's ability to achieve its strategic objectives.

Key mitigations

- Continued cost reduction during the year – see the Financial Review on page 12
- Focus on technology enhancement and commercialisation rather than internal assets – see our strategic priorities on page 6
- £1.6m fundraise post year-end – see the Executive Chairman's Statement on page 3 and Note 24 to the Financial Statements

Feasibility of drug candidates

Risk

Drug candidates can fail due to a lack of efficacy or potency, unacceptable toxicology results or insurmountable challenges in medicinal chemistry. This is the main reason that the conventional pharmaceutical R&D model takes many years and billions of dollars from discovery to approved medicine. Therefore, there is a risk that we do not successfully identify any viable drug candidates.

Key mitigations

- Current focus on technology enhancement and commercialisation rather than internal asset development – see our strategic priorities on page 6
- Using powerful *in silico* techniques to construct and analyse networks and the impact of millions of compounds on network integrity is quicker and cheaper than traditional approaches and can be applied to multiple areas of biology, diversifying the risk– see Our Process on page 8
- Our technologies can produce novel insights from genomic data, where little has previously been delivered in terms on actionable understanding despite the large volume of available data – see more about our new GAINs technology on page 10

Risk Management (continued)

Principal Risks and Uncertainties *continued*

No change in risk level since prior year — Decrease in risk level since prior year — Increase in risk level since prior year

Protecting our Intellectual Property ("IP")

Risk

If our IP rights are not adequately secured or defended against infringement, or conversely become subject to infringement claims by others, commercial exploitation could be completely inhibited.

Key mitigations

- The operation and maintenance of our network-driven platform, the key technological mechanism for value creation, requires detailed, advanced know-how and expertise which would be difficult and time consuming for competitors to replicate – see Our Process on page 8
- We actively manage our IP, engaging with specialists to apply for and defend IP rights – see our risk management framework on page 14
- A new patent has been filed during the year which covers recent advances in the way we apply our NDD technology – see our strategic priorities on page 6

Retaining and motivating the best people

Risk

The knowledge skill set of our employees is fundamental to the ongoing success of the Group, yet is often intuitional and hard to document. This gives rise to the challenge of not only recruiting, but also motivating and retaining appropriately qualified staff.

Key mitigations

- Recruitment processes are tailored to identify and attract the best candidates for specific roles, aiming to provide competitive rewards and incentives to both staff and Directors – see the Directors' Remuneration Report on page 29
- We are committed to providing a working environment to encourage staff retention and undertake industry and size specific annual benchmarking - see our Corporate Governance Statement on page 22
- Knowledge sharing and documentation is encouraged, with an internal control system including standard operating procedures where possible, underpinned by our IP strategy – see our risk management framework on page 14

Ensuring the integrity and security of our information

Risk

Cyber risk encompasses the risks of cyber crime, IT systems failure, data protection and data theft or misappropriation. Our network-driven discovery platform is the foundation of our strategy and our technology is imperative to our long-term success. Any attacks could threaten the integrity of our core technology or IP and lead to a misappropriation of our data or, ultimately, our remaining cash balance, which is fundamental to our going concern status. This is a risk exacerbated by the increasing sophistication of cyber criminals. Threats arise not only from hackers, malware or known third parties, but can unfortunately also arise from employee action or inaction, whether intentional or not, and we acknowledge this so that it can be addressed and mitigated as far as possible.

Key mitigations

- We have been independently audited by an accredited body and been awarded Cyber Essentials Plus certification, as part of which the Group is required to maintain:
  - A business continuity management strategy and established information privacy and security policies
  - Regular employee training, which we provide via third party specialists
  - Physical protection such as firewalls and anti-malware, which are reviewed as part of annual systems vulnerability testing.
  - A register of our categorised data, recording access limitation and security measures, including a review of our data processors and cloud-based storage providers.
  - A log of all security incidents, which is reported to the Board. There have been no significant incidents and no cyber breaches during the year.
- See our risk management framework on page 14.

Preparing the accounting on the going concern basis

Risk

The accounts have been prepared on the going concern basis as management believe that there are enough cash reserves to fund the business for at least the 12 months following the signing of this Annual Report. This includes an assumed receipt of £0.6m for R&D tax credits in relation to the current financial year, as discussed more in the key risk below. Without this receipt, management would still consider the Group to be a going concern. There is a risk that the Group is not a going concern and that the incorrect basis of accounting has been used, although management consider that this is not unusual for businesses in drug discovery.

Key mitigations

- At the year end 31 January 2020 we reported cash of £3,841,000 compared to underlying cash burn during the year, excluding R&D tax credits received, of £3,142,000 – see the going concern disclosure on page 50
- £1,599,000 fundraise post year-end - see the Executive Chairman's Statement on page 3 and Note 24 to the Financial Statements
- The six monthly reported loss before tax has declined sequentially over the past four years – see the Financial Review on page 12
- Detailed and prudent cash forecasts have been prepared, assuming that no further commercial deals are signed, although the Group is currently in talks with a number of potential biopharma partners.
- The impact of Brexit has been considered in the assumptions of our cash forecasts, and management believe that this will not have a material impact upon the Group.
- The cash forecasts have also been re-evaluated with consideration to the coronavirus pandemic and the assumptions used are not expected to be materially impacted. Our priority is the safety of our employees and we have already successfully invoked a working from home policy in line with our business continuity management framework.

Recognising R&D tax credits receivable

Risk

We have recognised an R&D tax receivable on the Balance Sheet of £556,000 (2019: £1,098,000). This claim has not yet been approved by HM Revenue & Customs and, as such, there is a risk that the claim may not be successful.

Key mitigations

- Third party advice is sought regarding the R&D tax credits that the Group is eligible to claim – see the risk management framework on page 14
- Historically, claims have been successful and the Group expects the current year to be successful – see the Note 11 to the financial statements for more information on the tax receivable balance.
- For prudence the Directors have also built scenarios into its budgeting and cash forecasting activities to ensure that the Group remains a going concern if the claim is not successful as expected – see the going concern risk above.

Section 172(1) Statement

The Directors acknowledge their duty under s.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard (amongst other matters) to:

- **the likely consequences of any decision in the long term**

The Group's long-term strategic objectives, including progress made during the year and principal risks to these objectives, are shown on page 6.

- **the interests of the Company's employees**

Our employees are fundamental to us achieving our long-term strategic objectives, as more fully disclosed in Principle 3 of the Corporate Governance Statement on pages 22 to 27.

- **the need to foster the Company's business relationships with suppliers, customer and others**

A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is also disclosed in Principle 3 of the Corporate Governance Statement on pages 22 to 27.

- **the impact of the Company's operations on the community and the environment**

The Group operates honestly and transparently. We consider the impact on the environment on our day-to-day operations and how we can minimise this. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on pages 22 to 27.

- **the desirability of the Company maintaining a reputation for high standards of business conduct**

Our intention is to behave in a responsible manner, operating within the high standard of business conduct and good corporate governance. Not only is this covered in our Corporate Governance Statement on pages 22 to 27, but is also epitomised in our risk management and business continuity framework on pages 14 to 17.

- **the need to act fairly as between members of the Company**

Our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so that they too may benefit from the successful delivery of our strategic objectives.

Approval of the Strategic Report
The Strategic Report on pages 1 to 18 was approved by the Board and signed on its behalf:

Sarah Clare
Company Secretary
25 March 2020

Board of Directors

Ali Mortazavi

Executive Chairman

Ali, 49, was appointed to the Board of e-therapeutics plc as Executive Chairman in February 2020.

He has extensive experience in the biotechnology sector and financial markets. Recent roles include the Chief Executive Officer of Silence Therapeutics plc, from 2012 to 2018, as well as a founder shareholder of Evolution Group, a U.K. based Investment Bank, from 2001 to 2008.

Ali is an experienced investor in small companies and has held numerous declarable stakes in listed and private biotechnology and technology companies.

Professor Trevor Jones CBE

Non-Executive Director

A R

Trevor, 77, has over 40 years' distinguished experience in the pharmaceutical and biotechnology industry as well as in academia. He is currently a Non-Executive Director of the life sciences investment company Arix Bioscience plc. He is also Visiting Professor at King's College, London and holds honorary degrees and Gold Medals from seven universities.

Previously, Trevor held significant roles in industry including Director of Allergan Inc. from 2005 to 2015 and R&D Director of The Wellcome Foundation from 1987 to 1994, where he was responsible for the development of AZT, Zovirax, Lamictal, Malarone and other medicines.

Trevor has also held a number of advisory and regulatory roles including Director General of the Association of the British Pharmaceutical Industry ("ABPI"), Board member of the European Federation of Pharmaceutical Industry Associations ("EFPIA") and the International Federation of Pharmaceutical Manufacturers Associations ("IFPMA"), a member of the UK Government regulatory agency, The Medicines Commission, a member of the UK Government Pharmaceutical Industry Ministerial Strategy Working Group on Pharmaceuticals, an adviser to the Cabinet Office on the Human Genome Project, a member of the Prime Minister's Task Force on the Competitiveness of the Pharmaceutical Industry ("PICTF") and Chair of the Government Advisory Group on Genetics Research. He joined the e-therapeutics Board in October 2015 and chairs the Remuneration Committee. Trevor is also a member of the Audit Committee.

Michael Bretherton

Non-Executive Director

A R

Michael, 64, was appointed to the Board of e-therapeutics plc as a Non-Executive Director in February 2020. He is also Chairman of the Audit Committee and a member of the Remuneration Committee.

Michael is currently Chief Executive Officer of Sarossa plc. In addition, he is Non-Executive Chairman of Adams plc and Hardy Oil & Gas plc and he is also a non-executive director of Blake Holdings Limited and ORA Limited. Michael has been a director of a number of other AIM quoted companies during the last ten years, including DeepMatter Group plc, Tissue Regenix Group plc, Nanoco Group plc and Ceres Power Holdings plc. He has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for 7 years in London and Abu Dhabi.

Key

- Chair of Committee
- Member of Committee
- A Audit Committee
- R Remuneration Committee

Directors' Report

The Directors present their Annual Report together with the financial statements and Auditor's Report for the year ended 31 January 2020. The Corporate Governance Statement on pages 22 to 27 also forms part of this Directors' Report.

General information

e-therapeutics plc is a public limited company incorporated in the United Kingdom, registered number 04304473, which is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange.

Review of business

The Group continues to invest in drug discovery research activities. The Strategic Report on pages 1 to 18 forms part of this Directors' Report and provides a review of the business, including the Group's trading for the year ended 31 January 2020, an indication of likely future developments, key performance indicators and risks.

Results and dividend

The Group has reported its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The results for the period and financial position of the Company and the Group are set out in the financial statements and reviewed in the Financial Review within the Strategic Report.

The Directors do not recommend the payment of a dividend (2019: £nil).

Directors' interests

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Directors' Remuneration Report on pages 29 to 36.

No Director has any beneficial interest in the share capital of any subsidiary or associate undertaking.

Directors' remuneration

Details of the Directors' remuneration appear in the Directors' Remuneration Report on pages 29 to 36.

Directors' and officers' liability insurance

The Company has, as permitted by the Companies Act 2006, maintained insurance cover on behalf of the Directors, indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Political donations

The Group made no political donations during the current or prior year.

Financial instruments – risk management

The Group's financial risk management policy is set out in Note 20 to the financial statements.

Research and development

During the year ended 31 January 2020 the Group's expenditure on R&D was £2,104,000 (2019: £3,673,000).

Directors

The Directors of the Company who served during the year ended 31 January 2020 and up to the date of this Report were:

Director	Capacity	Date of appointment if during the year or up to the date of this Report	Date of resignation if during the year or up to the date of this Report
Ali Mortazavi	Executive Chairman	10 February 2020	
Iain Ross	Non-Executive Chairman		10 February 2020
Ray Barlow	Chief Executive Officer		10 February 2020
Steve Medlicott	Chief Financial Officer		10 February 2020
Trevor Jones	Non-Executive Director		
Christine Soden	Non-Executive Director		10 February 2020
Michael Bretherton	Non-Executive Director	10 February 2020	

Major shareholdings

As at 23 March 2020 (being the latest practicable date prior to the publication of this Report) the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1p each Number	% of ordinary shares of 0.1p each held at 23 March 2020
Richard Griffiths and controlled undertakings	94,800,167	29.40
Ali Mortazavi	49,000,000	15.20
Trillian Ltd	28,333,333	8.79
Lombard Odier Asset Management	21,394,589	6.64
David Norwood	17,000,000	5.27
Octopus Investments Ltd	11,097,658	3.44

Most recently notified details of significant shareholdings may be found on the Company's website, at www.etherapeutics.co.uk/investors/shareholder-information

Directors' Report (continued)

Statement of engagement with suppliers, customers and others in a business relationship with the Company

The Directors are mindful of their statutory duty to act in the way they each consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole, as set out in our s.172(1) statement on page18. A consideration of the Company's relationship with wider stakeholders, including supplier and customers, is disclosed in Principle 3 of the Corporate Governance Statement on pages 22 to 27.

Articles of association and capital structure

The Company's share capital, traded on AIM, comprises a single class of ordinary shares of 0.1p each in nominal value, each carrying one vote and all ranking equally. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's articles of association, copies of which can be obtained from Companies House in the UK, downloaded from the Company's website at www.etherapeutics.co.uk/investors/aim-rule-26 or by writing to the Company Secretary at 17 Blenheim Office Park, Long Hanborough, Oxfordshire OX29 8LN.

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 21 to the financial statements. There are no restrictions on the transfer or voting of securities in the Company, and there are no agreements known to the Company which might result in such restrictions. There are no shareholdings carrying special rights with regard to the control of the Company.

As at 31 January 2020, the Company's issued share capital was £269,000, divided into 269,125,498 ordinary shares of 0.1p each in nominal value.

Re-election of Directors

The appointment of the Executive Chairman is terminable by either the Company or the Executive Chairman on three months' notice. The appointments of both of the Non-Executive Directors are terminable by either the Company or the individual Director on three months' notice. Each appointment is contingent on satisfactory performance and on re-election criteria.

In accordance with the Company's articles of association, each Director must be subject to re-election at least every three years. All newly appointed Directors are also subject to election by the shareholders at the first Annual General Meeting following their appointment. Accordingly, Ali Mortazavi and Michael Bretherton, both having been appointed on 11 February 2020, will offer themselves for election at the forthcoming Annual General Meeting of the Company on 2 June 2020.

Disclosure of information to Auditor

Each Director who held office at the date of approval of this Report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent Auditor

During the year Deloitte LLP resigned as the Group's Auditor due to engagement economics. Following an audit tender process, Grant Thornton UK LLP have indicated that they are willing to be appointed as the Group's Auditor and a resolution to appoint Grant Thornton UK LLP as Auditor for the ensuing year will be proposed at the forthcoming Annual General Meeting.

Subsequent events

On 10 February 2020, the Company carried out a placing of 53,302,355 new ordinary shares of 0.1p each at a price of 3.0p per share to raise gross proceeds of £1,599,000 which will be used for working capital purposes.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH on 2 June 2020 at 11:00am. The notice convening the meeting is set out on pages 64 and 65 together with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at www.etherapeutics.co.uk/investors/reports-results.

By order of the Board

Sarah Clare
Company Secretary
25 March 2020

Corporate Governance Statement

Statement by the Executive Chairman

As the newly appointed Executive Chairman of e-therapeutics, and on behalf of the Board, I have pleasure in presenting the Corporate Governance Statement for the year ended 31 January 2020. I am responsible for leading the Board so as to ensure that the Company has in place the strategy, people and structure to deliver value to shareholders and other stakeholders of the Group as a whole over the medium to long term, supported by a corporate culture based on sound ethical values and behaviour, as more fully explained in the Corporate Governance Statement on the following pages.

The Directors recognise the fundamental importance of good corporate governance in providing an efficient, effective and dynamic management framework to ensure that the Group is managed in the right way for the benefit of all shareholders over the medium to long term. In view of this, the Board of e-therapeutics has chosen to apply the QCA Corporate Governance Code (the "QCA Code") published by Quoted Companies Alliance. The QCA Code is a pragmatic and practical tool, which adopts a principles-based approach to corporate governance, which the Directors believe is an appropriate framework for the relatively small company that e-therapeutics is, at an early revenue-generating stage of development.

As individual Directors we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole, as set out in our s.172(1) statement on page 18.

We continue to evaluate how we govern the Group on an ongoing basis, working for the best long-term interests of our shareholders in an open, transparent and ethical manner.

The Board considers that the corporate governance framework adopted can grow with the Group, yet it is considered premature to plan for an evolution of the framework at this stage. If the Company undertakes significant transactions that would require growth, then the Board will consider the implication of this on the corporate governance structure at that point in time.

The principal methods of communicating our application of the QCA Code are this Annual Report and through our website, at www.etherapeutics.co.uk/investors/ corporate-governance.

The QCA Code sets out 10 principles, in three broad categories, and in this Corporate Governance Statement I have set out the Group's application of the QCA Code, including, where appropriate, cross-references to other sections of the Annual Report. Further information on how we comply with the QCA principles can be found on website above.

The Board is committed to building shareholder value in an open, transparent and ethical manner.

Ali Mortazavi
Executive Chairman
25 March 2020

Delivery Growth: Principles 1-4

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

We bring to the biotechnology and pharmaceutical industries the power to discover new and better drugs in a more efficient and effective way – our network-driven approach is disruptive to the conventional pharmaceutical R&D model.

See our business model and our strategic objectives on pages 5 and 6, respectively.

2 Seek to understand and meet shareholder needs and expectations

The Board is keen to promote greater awareness of the Group and a detailed report on the Group's activities during the reporting period is contained within the Chairman's Statement on page 3. More recent Company announcements may be found at www.etherapeutics.co.uk/investors/regulatory-announcements.

Responsibility for day-to-day shareholder liaison lies with Ali Mortazavi as Executive Chairman and ultimately lies with the Board.

The Company receives occasional feedback direct from investors. The Directors take all feedback very seriously and shareholders' views and concerns are carefully considered by the Board, with appropriate action being taken where necessary. None of the feedback received from investors has involved non-compliance with the QCA Code.

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

In addition to our shareholders, we believe our main stakeholder groups are our employees, suppliers and customers.

Employees

Our staff give us the knowledge that feeds into our network biology expertise and our core technological capabilities and that knowledge flows through our business model to directly create value for our shareholders. Accordingly, the long-term success of the Group relies upon the knowledge and dedication of our staff, as reflected in our strategic objectives on page 6 and our principal risks on pages 14 to 17. The Board therefore understands the importance of employee engagement, not only by offering a beneficial remuneration package and professional development support, but in engaging employees with the strategy of the Group.

Suppliers

We engage in open discussions with key suppliers and expect advisors to review progress on internal discovery programmes, platform technology and corporate functions to ensure that we continue to remain aligned with our strategic objectives.

Customers

We approach all of our commercial collaborations with honesty and transparency. A successful working relationship is beneficial to all parties involved as successful projects can lead to further deals that would add value to both our shareholders and our customers, either through advancing an asset further through the drug discovery process or by applying our expertise and technologies, such as our NDD or GAINs technologies, to a different area of biology or in a different way to the same area of biology.

Health and safety

We are committed to high standards of health and safety at work and understand that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all of our employees. Our health and safety procedures are independently audited on an annual basis.

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

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness and is accountable for identifying procedures to minimise risk impact and implementing these at every level of the business in an ongoing process overseen by the Audit Committee.

See our risk management framework and principal risks on pages 14 to 17.

Maintain a dynamic management framework: Principles 5-9

5 Maintain the Board as a well functioning, balanced team led by the Chair

As Executive Chairman, Ali Mortazavi is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda in consultation with the other Directors. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders. An Executive Committee has been set up to include Ali Mortazavi and senior management, and the Committee as a whole has responsibility for the day-to-day business of the Group. I am satisfied that the current Board as a whole is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

To enable the Board to discharge its duties, briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board is responsible to shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

Board of Directors

During the year under review, the Board comprised two Executive Directors, Steve Medlicott and Ray Barlow. Throughout the reporting period, the Board also comprised Iain Ross as Non-Executive Chairman and two additional independent Non-Executive Directors, Trevor Jones and Christine Soden.

Post year-end, on 10 February 2020, Steve Medlicott, Ray Barlow, Iain Ross and Christine Soden stepped down and Ali Mortazavi was appointed as Executive Chairman. Michael Bretherton was also appointed as an independent Non-Executive Director on 10 February 2020 alongside Trevor Jones.

Since Ray Barlow stepped down on 10 February 2020, there is no Chief Executive in place. Given the current size of the Board and of the Company, the Directors feel that it is appropriate for the roles of Chairman and Chief Executive to effectively be combined, which is a departure from the recommendations of the QCA code. We will however continue to monitor the position and will look into the appointment of a Chief Executive at the appropriate time, ensuring that any such appointment is in the best interests of the business and the shareholders. Ali Mortazavi is conscious of his role in running the Board as opposed to the Company and, as stated above, we have formalised an Executive Committee with senior management who will collaboratively take on the responsibilities of the Chief Executive whilst Ali focuses on our strategy. Ali is also in regular consultation with the Company Secretary to ensure that Board protocol is maintained.

Independence of Directors

The Board has considered and determined that, since the date of their respective appointments, both Trevor Jones and Michael Bretherton are independent in character and judgement and they:

- have not been employees of the Group within the last five years;
- have not, or have not had within the last three years, a material business relationship with the Group;
- have no close family ties with any of the Group's advisers, Directors or senior employees;
- do not hold cross-directorships or have significant links with other Directors through involvement in other companies or bodies; and
- do not represent a significant shareholder.

Both the independent Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Non-Executive Directors are of sufficient experience and competence that their views carry significant weight in the Board's decision making.

As Executive Chairman, Ali Mortazavi is not considered by the Board to be independent.

Non-Executive Directors have, from time to time, been remunerated in part by the issue of fully paid shares. The Board considers that such arrangements align the interests of shareholders and the Non-Executive Directors in an appropriate manner. One of the current Non-Executive Directors' remuneration continues to be paid in part by the issue of fully paid shares.

The Company Secretary maintains a register of outside interests and any potential conflicts of interest are reported to the Board. The Non-Executive Directors have regular opportunities to meet without Executive Chairman being present (including time after Board and Committee meetings).

Time commitments

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential Director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment.

The Board is satisfied that both the Non-Executive Directors and myself, as Executive Chairman, can, and do, devote sufficient time to the Company's business.

Attendance at Board and Committee meetings

During the financial year, the Board met six times in person and twice by telephone. In addition, authority was delegated on an ad hoc basis to subcommittees to deal with statutory matters, such as the final approval of the announcements of the full year results and interim statement. Attendance at those subcommittee meetings is reported below.

The number of meetings attended by each Director who held office during the year was as follows:

Director	Board	Audit Committee	Remuneration Committee
Iain Ross	8/8	2/2	–
Ray Barlow	8/8	–	–
Steve Medlicott	8/8	–	–
Trevor Jones	8/8	2/2	2/2
Christine Soden	8/8	2/2	2/2

Attendance is expressed as the number of meetings attended/number eligible to attend.

Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the above table.

6 Ensure that between them the Directors have the necessary up-to-date experience and skills

The Board has a broad range of skills, including in-depth experience in the biotechnology and pharmaceutical sector, and an appropriate balance of financial and public market skills and experience to enable the Board to deliver the Group's strategy for the benefit of shareholders over the medium to long term. The balance of skills and experience of the Board during the year under review and up to the date of this Report is summarised below:

	Biotech/ pharma sector	Financial	General Management	Other public company (Board level)
Ali Mortazavi	•	•	•	•
Iain Ross	•		•	•
Ray Barlow	•		•	
Steve Medlicott	•	•		
Christine Soden	•	•		•
Trevor Jones	•			•
Michael Bretherton		•	•	

The current Directors' biographical details are set out on page 19 and provide an indication of the breadth of skills and experience of the Board. Each Director takes responsibility for maintaining his skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars. The Executive Chairman receives regular and ongoing updates from their professional advisers covering financial, legal, tax and stock exchange regulations.

The experience and knowledge of each of the Directors gives them the ability to constructively challenge the Group's strategy and to scrutinise performance. Directors may also take independent professional advice at the Group's expense where necessary in the performance of their duties.

Throughout their period in office, the Directors are regularly updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as a whole by written briefings and meetings with senior management and, where appropriate, external advisers. Directors are also advised on appointment of their legal and other duties and obligations as a Director of an AIM-listed company, both in writing and in face-to-face meetings with the Company Secretary. They are reminded of these duties and they are also updated on changes to the legal and governance requirements of the Company and on themselves as Directors.

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and AIM Rules and that the Board receives the information it needs to fulfil its duties effectively.

The Company is a strong supporter of diversity in the boardroom. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

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

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness.

Any performance-related remuneration is determined by the Remuneration Committee. The Non-Executive Directors are responsible for evaluating the performance of the Executive Chairman.

In conducting the formal annual evaluation, the Board undertakes a rigorous assessment of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees) and the performance of its individual Directors.

The Board commenced a formal evaluation of its performance in early 2020, but in view of the restructuring of the Board on 10 February 2020, the process was not concluded. A formal evaluation of the current Board and its Committees will be undertaken in due course.

Maintain a dynamic management framework: Principles 5-9 (continued)

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

The Group has a strong ethical culture and adopts a policy of equal opportunities and diversity in the recruitment and engagement of staff, as well as during the course of their employment. We endeavour to promote the best use of our human resources on the basis of individual skills and experience, matched against those required for the work to be performed.

We recognise the importance of investing in our employees, as identified in our strategic objectives on page 6, and provide opportunities for training and personal development and encourage the involvement of employees in the planning and direction of their own work. We are committed to respecting the human rights of our employees, to providing them with favourable working conditions that are free from unnecessary risk, and to maintaining fair and competitive terms and conditions of service at all times.

These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

Whilst the Group will continue to make all appointments based on the best candidate for the role, it is acknowledged that diversity supports the strength and future success of the business and the Group remains focused on achieving the right level of diversity whether related to ethnicity, gender, creed or culture.

We understand that the inherent uncertainty around the long-term outlook of an R&D company can impact morale and we address this by being honest about the Group's prospects and emphasising that the contribution of each individual counts and is recognised. Regular all-staff meetings are held at which employees have an opportunity to discuss any matters that they wish to raise in an open forum. The Executive Chairman also has an 'open-door' policy enabling employees to discuss more sensitive or personal matters where necessary. The all-staff meetings are also used to update employees on the underlying corporate strategy and current performance against that strategy together with feedback from stakeholders.

9 Maintain governance structures and processes that are fit for purpose and support good decision making

As Executive Chairman, Ali Mortazavi is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role, setting its agenda in consultation with the other Directors and ensuring that the Directors receive accurate, timely and clear information. He also facilitates effective communication with shareholders and facilitate the effective contribution of Non-Executive Directors. As explained above, since Ray Barlow stepped down, there is no Chief Executive in place. An Executive Committee has been set up between senior management and Ali Mortazavi, which is responsible for the operational management of the Group and the implementation of Board strategy and policy. Sarah Clare, as Company Secretary, is responsible for the health and safety matters of the Group and also acts as Data Protection Officer.

The Board is responsible to shareholders for the effective stewardship of the Group's affairs and there is a formal schedule of matters reserved for decision by the Board in place which enables the Board to provide leadership and ensure effectiveness. A copy of this schedule is available on the Corporate Governance page of our website.

Board Committees

The Board has established Audit and Remuneration Committees. Given the size of the Board, a nomination committee has not been established. New appointments of Directors are considered by the Board as a whole.

The Committees' terms of reference can be found on the Corporate Governance page of our website. The Audit Committee Report and the Directors' Remuneration Report for the year ended 31 January 2020 are set out on pages 28 and pages 29 to 36, respectively.

Build trust: Principle 10

10 Communicate how the Company is governed and is performing

The Board has established an Audit Committee and a Remuneration Committee. As mentioned above, the work of each of the Board Committees undertaken during the year ended 31 January 2020 is detailed in the Audit Committee Report on page 28 and the Directors' Remuneration Report on pages 29 to 36.

The results of the proxy votes received in relation to the 2019 Annual General Meeting are available at www.etherapeutics.co.uk/investors/reports-results. No resolutions had a significant proportion (>20%) of votes cast against them at that meeting.

The Board has a healthy dialogue with all of its stakeholders, and throughout the course of the financial year the Board communicates with shareholders to seek their views, concerns and expectations.

Sarah Clare
Company Secretary
25 March 2020

Audit Committee Report

Statement by the Chair of the Audit Committee

On behalf of the Board, I am pleased to present our Audit Committee Report for the year ended 31 January 2020.

The Audit Committee is responsible for all aspects of the financial reporting of the business and has considered not only the integrity of financial reporting, but also how the challenges faced by the Group may flow through into internal control and the procedures implemented to sufficiently mitigate risk.

The Group's risk management is a permanent focus of the Audit Committee, although particular focus would be made in the context of any issues raised by the independent Auditor, a member of the Board or any employee under the 'whistle blowing' policy.

Details of the Group's risk management, including principal risks and mitigations, are shown on pages 14 to 17. The Audit Committee is particularly pleased with the Group's achievement of Cyber Essentials Plus accreditation during the year, with an independent auditor verifying our commitment to cyber security.

The Audit Committee is also responsible for monitoring the integrity of the consolidated financial statements of the Company and any formal announcements relating to the Company's and Group's financial performance, including a review of the Group's accounting policies and areas of significant judgement and uncertainty.

The Audit Committee manages the relationship between the Company and its external Auditor.

The independence of the Auditor is kept under review and is considered at least annually with the aid of a memorandum presented to the Audit Committee by the Auditor.

The Audit Committee reviews the fee proposals presented by the Auditor and the scope of work is monitored carefully to ensure that independence is not compromised.

During the year, Deloitte LLP resigned as Auditor of the Group due to engagement economics. Deloitte LLP confirmed that there were no reasons or matters connected with their resignation which they consider should be brought to the attention of the members or creditors of the Company.

Subsequently, following an audit tender process, Grant Thornton UK LLP have been appointed as independent Auditor.

Audit fees for the Company for the year total £39,000 (2019: £35,000), compared with non-audit fees of £3,000 (2019: £1,000).

The Audit Committee is satisfied with the independence, objectivity and effectiveness of the external Auditor and the Audit Committee has not felt it necessary at this stage to propose re-tendering of the audit contract. A resolution for the appointment of Grant Thornton UK LLP as the statutory Auditor will therefore be proposed at this year's Annual General Meeting.

No other formal recommendations have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during the year ended 31 January 2020.

Membership and meetings of the Audit Committee

The Audit Committee is chaired by myself, Michael Bretheton. I took over from Christine Soden on 10 February 2020. The other member is Trevor Jones. Both Trevor Jones and myself are independent Non-Executive Directors.

At the invitation of the Committee, the Chief Financial Officer, until his resignation on 10 February 2020, and representatives of the external Auditor usually attend Committee meetings, although, where this is the case, time is allowed for discussion without any members of the executive team being present, to allow the external Auditor to raise any issues of concern.

Two meetings of the Audit Committee were held during the year ended 31 January 2020 and one further meeting after the year end. In addition to formal reviews of reports from the external Auditor, the Audit Committee discussed matters relating to financial policy, controls and reporting, as follows:

Date	Matters discussed
March 2019	Review of external audit for the year ended 31 January 2019 Internal controls and risk management
November 2019	Review of audit planning report including audit risk areas for the year ended 31 January 2020
March 2020	Review of external audit for the year ended 31 January 2020 Internal controls and risk management

The Audit Committee acts independently to ensure the interests of shareholders are protected in relation to financial reporting, internal controls and risk management.

Michael Bretherton
Chair of the Audit Committee
25 March 2020

Directors' Remuneration Report

Statement by the Chair of the Remuneration Committee

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2020.

This Report does not constitute a full directors' remuneration report in accordance with the Companies Act 2006. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act 2006 to prepare such a report. We do, however, aim to achieve transparency in our decision making process and have regard to the principles of the QCA Code which we consider to be appropriate for an AIM-listed company of our size. This Report provides details of remuneration for all Directors and gives a general statement of policy on Directors' remuneration as it is currently applied. It also provides a summary of the long-term share incentive scheme currently in place.

Post year-end we welcomed Ali Mortazavi as Executive Chairman, with Ray Barlow and Steve Medlicott stepping down as Executive Directors. This Report will bear this in mind when reporting on remuneration policies for the forthcoming year.

The Directors' Remuneration Policy and Statement of Remuneration which follow this annual statement set out the Remuneration Committee's approach to future remuneration and provides details of remuneration for the year ended 31 January 2020. This Report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee and to assess whether remuneration packages for Directors are fair in the context of business performance.

The parts of the Statement of Remuneration that are subject to audit are highlighted within that statement.

Post year-end, Christine Soden stepped down from the Remuneration Committee on 10 February 2020 and Michael Bretheron was appointed.

The Remuneration Committee is mindful of shareholder views and interests and we believe that our Directors' Remuneration Policy continues to be aligned with the achievement of the Group's business objectives. As always, the Annual General Meeting provides an opportunity for face-to-face discussions on important matters for the Company and its shareholders and I will be available to answer any questions you may have.

The Remuneration Committee aims to attract, retain and motivate the executive management of the Group.

Trevor Jones CBE
Chair of the Remuneration Committee
25 March 2020

Key Responsibilities of the Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors.

The Remuneration Committee is responsible for recommending any changes in the structure of remuneration packages for the Executive Directors. It also plays an important role when an Executive Director joins and leaves the Company. It recommends to the Board the terms of employment for any appointment of an Executive Director and any subsequent changes which may be needed. It also reviews any payments which might arise on termination of an Executive Director's contract.

The Remuneration Committee recognises the importance of our reward and performance strategy in recruiting and retaining high quality individuals who can lead, develop and sustain business growth over the longer term, bearing in mind that, being an R&D business only starting out on its revenue-generating activities, the long-term prospects are higher risk than non-R&D companies and that the Directors need to be awarded accordingly.

Membership and meetings of the Remuneration Committee

The Remuneration Committee is chaired by myself, Trevor Jones, being an independent Non-Executive Director. The other member is Michael Bretherton, who is considered by the Board to be independent. However, Michael has disclosed to the Board potential dealings with one of the Company's major shareholders, Richard Griffiths, who, after the post year-end placing disclosed in Note 24 of the Financial Statements, holds 29.40% of the issued ordinary shares through a number of controlled companies, including Blake Holdings Limited where Michael is also a non-executive director. The Company Secretary acts as secretary to the Remuneration Committee.

Other Directors may attend by invitation of the Remuneration Committee. It is a fundamental principle that no individual should be able to participate in discussions about their own remuneration. The Remuneration Committee operates within terms of reference adopted by the Committee and approved by the Board in March 2015.

The Remuneration Committee met two times this year, and the main matters of business were:

- review of remuneration for the Executive Directors;
- decision on awards to be made under the e-therapeutics Performance Share Plan 2013 (the "PSP"); and
- review of the KPIs in relation to the CEO's performance-related pay for recommendation to the Board for approval. Note that the CEO stepped down on 11 February 2020.

The Remuneration Committee did not undertake formal benchmarking of Directors' remuneration in the year ended 31 January 2020, although did compare current remuneration with published surveys, and does not have retention agreements with any external remuneration consultants. Advice is taken from Executive Directors and external advisers as needed in relation to specific questions and projects.

Remuneration Policy

Policy on executive remuneration

The policy of the Remuneration Committee is to ensure that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package to Executive Directors (including long-term incentive plans) to attract, retain and motivate individuals of the experience and competence required to ensure that the Company is managed successfully in the interests of shareholders. In addition, the Remuneration Committee's policy is to reward performance in a way which seeks to align the interests of management with those of shareholders.

The main elements of the remuneration package of Executive Directors are set out below:

Purpose and link to strategy	Operation	Maximum potential value
Basic salary		
Attract and retain Executive Directors with sufficient experience and competence to deliver strategy.	Paid in 12 equal monthly instalments during the year.	Reviewed annually and as required to reflect the role, responsibility and performance of the individual an the Group and informally to take into account rates of pay for comparable roles in similar companies. There is no prescribed minimum or maximum increase. Annual rates are set out on page 36.
Benefits		
Provide benefits consistent to the role	Currently these consist of health insurance and membership of a Group life assurance scheme	The Remuneration Committee reviews the level of benefit provision from time-to-time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Group.
Discretionary bonus		
Incentivise achievement of business objectives by providing a reward for performance against annual targets.	Paid in cash after the end of the financial year to which it relates.	The maximum annual bonus is currently capped at 50% of basic salary. The level of such cap is reviewed annually and is set at an appropriate percentage of salary. Targets are based on the appropriate progression of both the drug discovery assets and the technology platform, together with the performance of the business as a whole. Payment of any bonus is subject to the overarching direction of the Remuneration Committee. The maximum bonus typically requires a very high level of performance.
Long-term incentives		
Alignment of interests with shareholders delivered in the form of shares.	Grant of awards under the PSP. Participants are entitled to acquire award shares after a vesting period and subject to payment of an exercise price.	There is no individual limit, although the scheme is subject to an overall 10% of the Company's issued share capital including all outstanding options and any shares issued upon exercise in the previous ten years. For performance metrics attached to outstanding rewards see page 35 and Note 8 to the financial statements.
Pension		
Attract and retain Executive Directors for the long term by providing funding for retirement.	The Executive Directors are entitled to participate in money purchase arrangements.	The Company may make payments of 12.5% of basic salary into any pension scheme or similar arrangement as the participating Executive Director may reasonably request. Such payments are not counted for the purpose of determining bonuses or awards under the PSP.

Remuneration Policy (continued)

Long-term incentives

Long-term incentive awards are used to ensure that the focus of the Directors remains on the long-term added value to the shareholders. Details of share options granted during the year can be found in the Statement of Remuneration on pages 34 to 36. Post year-end further options have been granted to Ali Mortazavi on his appointment as Executive Chairman. Further information can be found in the Statement of Remuneration on pages 34 to 36. The Remuneration Committee will consider granting further options in the coming financial year upon careful consideration of the Group's performance and long-term goals.

Differences from remuneration policy for all employees

All employees of the Group are entitled to base salary and benefits. The opportunity to earn a bonus is made available to all of the Group's employees. The maximum opportunity available is based on the seniority and responsibility of the role.

All the Company's employees are eligible to be considered for awards under the PSP.

Statement of consideration of employment conditions of employees

The Remuneration Committee receives reports on an annual basis on the level of pay rises awarded across the Group and takes these into account when determining total remuneration for executive directors.

In addition, the Remuneration Committee receives regular reports on the structure of remuneration for senior management in the tier below the Executive Directors and uses this information to ensure a consistency of approach for the most senior managers in the Company. The Remuneration Committee also approves the award of any long-term incentives.

The Remuneration Committee does not specifically invite colleagues to comment on the Directors' Remuneration Policy, but it does take note of any comments made by colleagues.

Statement of consideration of shareholder views

As Chairman of the Remuneration Committee I may consult with major shareholders from time to time, or when any significant remuneration changes are proposed, to understand their expectations with regard to Executive Directors' remuneration, and report back to the Remuneration Committee. The Remuneration Committee previously consulted with certain major shareholders in relation to the introduction of the PSP and awards made under the plan. Any other concerns raised by individual shareholders are also considered. The Remuneration Committee also takes into account emerging best practice.

Approach to recruitment remuneration

The Remuneration Committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract candidates who are appropriate to the role but without paying any more than is necessary.

Any new Executive Director's regular remuneration package would include the same elements and be in line with the policy table set out earlier in this Directors' Remuneration Policy, including the same limits on performance-related remuneration.

Reasonable relocation and other similar expenses may be paid if appropriate.

Non-Executive Directors' fee policy

The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors cannot participate in the PSP, although some options were granted post year-end to Non-Executive Directors that resigned, being in lieu of notice. Non-Executive Directors are not eligible for pension contributions.

Purpose and link to strategy	Operation	Maximum potential value
Attract Non-Executive Directors with a broad range of experience and skills to oversee the implementation of the Company's strategy.	Non-Executive Director fees are determined by the Board within the limits set out in the articles of association and are paid in 12 equal monthly instalments during the year (subject to part-payment of fees in fully paid shares by agreement between the Company and the Director).	There is no prescribed minimum or maximum range increase. Annual rates are set out on page 36.

Directors’ service contracts, notice periods and termination payments

Provision	Policy
Notice periods in Executive Directors’ service contracts	Three months by the Company or Chief Executive in relation to the Chief Executive. Executive Directors may be required to work during the notice period.
Compensation for loss of office	Depending on the notice period, no more than 12 months’ basic salary and benefits (including Company pension contributions and other non-cash benefits).
Treatment of annual bonus on termination	Bonuses which have already been declared and paid before the giving of notice may be retained by the Executive Director.
Treatment of unvested PSP awards	Awards lapse on the termination of employment, although the Board has a discretion (which may be exercised within the 30-day period following the termination of employment) to treat awards as not lapsing. Where the Board exercises its discretion to treat awards as not lapsing, there is a proportionate reduction in the number of award shares that can be acquired.
Exercise of discretion	Intended only to be relied upon to provide flexibility in exceptional or inequitable circumstances. The Remuneration Committee’s determination will take into account the particular circumstances of the Executive Director’s departure and the recent performance of the Company.
All Directors	All Directors are subject to re-election every three years. No compensation is payable if they are required to stand down.

In the event of the negotiation of a compromise or settlement agreement between the Company and a departing Director, the Remuneration Committee may make such payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements. The Remuneration Committee may also include the reimbursement of repatriation costs or fees for professional or outplacement advice in the termination package, if it considers it reasonable to do so. It may also allow the continuation of benefits for a limited period.

Directors’ service contracts and letters of appointment

Copies of the current Directors’ service contracts and letters of appointment (listed below) are available for inspection at the Company’s registered office.

Director	Date of service contract / letter of appointment
Ali Mortazavi	10 February 2020
Trevor Jones	28 October 2015
Michael Bretherton	10 February 2020

Directors’ insurance and indemnity

Directors’ and officers’ liability insurance is provided at the cost of the Company for all Directors and officers. The articles of association provide for the Company to indemnify Directors against losses and liabilities properly incurred in the execution of their duties.

Statement of Remuneration

Directors' remuneration

Remuneration arrangements for Executive Directors are set by the Remuneration Committee. Remuneration is designed to align Executive Directors' remuneration with shareholders' interests. As well as fixed compensation, Executive Directors and other employees can receive cash bonuses based on achievement of individual and corporate objectives.

The maximum bonus for each Executive Director is 50% of basic salary, dependent on the Company's and the Executive Director's performance during the year. Targets for the year ended 31 January 2020 were focused on the management of cash resources, success in achieving external commercial validation and the appropriate progression of both the drug discovery assets and the technology platform, together with the performance of the business as a whole.

The Remuneration Committee decides the bonuses to be awarded.

The remuneration of the Directors for the years ended 31 January 2020 and 31 January 2019 is shown below:

	2020				
	Base salary £000	Bonus £000	Contributions to money purchase schemes £000	Benefits in kind £000	Total remuneration £000
Executive Directors					
Ray Barlow	**300**	**-**	**38**	**1**	**339**
Steve Medlicott [b]	**151**	**-**	**-**	**-**	**151**
Non-Executive Directors					
Iain Ross	**81**	**-**	**-**	**-**	**81**
Trevor Jones	**40**	**-**	**-**	**-**	**40**
Christine Soden	**40**	**-**	**-**	**-**	**40**
	612	**-**	**38**	**1**	**651**

	2019				
	Base salary £000	Bonus[a] £000	Contributions to money purchase schemes £000	Benefits in kind £000	Total remuneration £000
Executive Directors					
Ray Barlow	300	96	38	1	435
Steve Medlicott	220	67	–	–	287
Non-Executive Directors					
Iain Ross	81	–	–	–	81
Trevor Jones	40	–	–	–	40
Christine Soden	40	–	–	–	40
	681	163	38	1	883

a A bonus of £95,700 was awarded to Ray Barlow and a bonus of £66,398 was awarded to Steve Medlicott in respect of the financial year ended 31 January 2018. However, payment of these bonuses was dependent upon the successful completion of a material commercial transaction, to be defined by the Remuneration Committee and, since there was no certainty that these bonuses would be paid, they were not accrued in those financial statements. The Remuneration Committee agreed that these bonuses were to be paid in February 2019 as a result of the Company confirming its first revenue-generating commercial deal during the prior year and, therefore, these bonuses were accrued in the financial statements for the year ended 31 January 2019. No bonuses have been awarded in relation to the year ended 31 January 2019 or the current financial year.

b Steve Medlicott's working hours were reduced with effect from 1 April 2019.

Ali Mortazavi and Michael Bretherton were appointed after the year end, on 10 February 2020, and therefore received no remuneration in the year ended 31 January 2020.

On 10 February 2020 Ray Barlow and Steve Medlicott resigned. The Remuneration Committee awarded both former Executive Directors with termination payments in lieu of serving their notice periods, which were 12 months and 6 months, respectively. Full disclosure of these termination awards will be made in the Annual Report for the year ended 31 January 2021.

Also on 10 February 2020, Iain Ross and Christine Soden resigned. Both have been awarded share options in lieu of serving their notice periods, which were 6 months and 3 months, respectively. Iain was awarded 1,350,000 options and Christine was awarded 333,333 options. These options are exercisable at 0.1 pence per share and will vest when the Company's share price reaches and remains at 6.0 pence for a period of 30 consecutive days, but shall not become exercisable before 11 August 2020.

The Company operates a share scheme (the PSP) under which the Executive Directors have received options to acquire ordinary shares in the Company. Most options have a performance condition of an inherent increase in share price required to meet exercise price, being between 200% and 300% of the share price at the date of approval of the PSP. More recently, options have additionally required the Company to achieve external commercial validation. Most options have a vesting period of either two or three years, deemed to encourage long-term performance whilst recognising that the long-term prospects of an R&D company that has only recently become revenue generating are higher risk than those of a non-R&D company. During the year, additional options were granted to Ray Barlow, with various vesting periods over a 2 year period and an exercise price of 2.7p. More information can be found in Note 10 to the financial statements.

Options granted to, and held by, Directors who served during the year are summarised below:

			2020		
	Options held at beginning of the year No.	Options granted during the year No.	Options exercised during the year No.	Options forfeited during the year No.	Options held at end of the year No.
Ray Barlow	7,000,000	2,000,000	-	(1,500,000)	**7,500,000**
Steve Medlicott	2,750,000	-	-	(750,000)	**2,000,000**
Iain Ross	-	-	-	-	**-**
Trevor Jones	-	-	-		**-**
Christine Soden	-	-	-	-	**-**
	9,750,000	2,000,000	-	(2,250,000)	**9,500,000**

The options granted to, and held by, Directors who served during the year, represent the following awards:

	At end of year	At beginning of year	Exercise price (p)	Date from which exercisable	Expiry date
Steve Medlicott	**666,666**	666,666	16.76	23 November 2018	23 November 2026
Steve Medlicott	**666,667**	666,667	20.95	23 November 2018	23 November 2026
Steve Medlicott	**666,667**	666,667	25.14	23 November 2019	23 November 2026
Steve Medlicott	**-**	750,000	16.76	19 July 2019	19 January 2028
Ray Barlow	**2,000,000**	2,000,000	16.76	2 May 2019	2 May 2027
Ray Barlow	**1,750,000**	1,750,000	20.95	2 May 2019	2 May 2027
Ray Barlow	**1,750,000**	1,750,000	25.14	2 May 2019	2 May 2027
Ray Barlow	**-**	1,500,000	16.76	19 July 2019	19 January 2028
Ray Barlow	**2,000,000**	-	2.70	28 March 2021	28 March 2029

After the year end, both Directors resigned. As a result, Ray Barlow's options lapsed in full. Steve Medlicott's options lapsed in full with the exception of 666,666 vested share options awarded in November 2016 which may be exercised at a price of 16.76p.

The mid-market price of the Company’s shares at 31 January 2020 (the last trading day of the period) was 3.75p and the range during the year was 1.50p to 5.30p.

Directors’ shareholdings

The Directors of the Company who served during the year, and their interests in the issued ordinary shares of the Company, were as follows:

	Ordinary shares of 0.1p each at 31 January 2020
Ray Barlow	1,450,000
Steve Medlicott	1,550,000
Iain Ross	1,700,000
Trevor Jones	916,353
Christine Soden	370,000

During the period between 31 January 2020 and 23 March 2020, the Company received no notifications under the Market Abuse Regulation. Details of the most recently notified transactions in the ordinary shares of the Company by the Directors are available on the Company’s website at www.etherapeutics.co.uk/investors/regulatory-announcements.

Statement of Remuneration (continued)

Implementation of Remuneration Policy for the year ended 31 January 2021

The salaries and fees to be paid to Directors in the year ended 31 January 2021 are set out in the table below, together with any increase expressed as a percentage:

	Annual base salary/fees		
	31 January 2021 £000	31 January 2020 £000	Increase/ (Decrease)
Ali Mortazavi	15	n/a	n/a
Ray Barlow	n/a	300	n/a
Steve Medlicott	n/a	138	n/a
Iain Ross	n/a	81	n/a
Trevor Jones	40	40	-
Christine Soden	n/a	40	n/a
Michael Bretherton	40	n/a	n/a

Ray Barlow, Steve Medlicott, Iain Ross and Christine Soden all stepped down on 10 February 2020. Full details of termination payments will be made in the Annual Report for the year ended 31 January 2021.

Ali Mortazavi and Michael Bretherton were appointed on 10 February 2020. Ali Mortazavi will receive a large proportion of his fees through the granting of share options to better align the long-term goals of the Company to the remuneration of the Executive Director. Upon appointment he was granted 9,672,836 options under the PSP at an exercise price of 0.1p per share. One eighth of the options will vest every quarter over a two-year period but they will not become exercisable unless the share price reaches and remains over 6.0p for 30 consecutive days at any time over the two-year period. Vested options will not become exercisable until two years after the date of grant.

The basis for determining annual bonus payments for the year to 31 January 2021 is set out in the Remuneration Policy on pages 31 to 33. The performance targets are considered commercially sensitive because of the information that they would provide to the Company's competitors, but are aligned with the strategic objectives set out on page 6 of the Strategic Report.

The Remuneration Committee intends to make further awards under the PSP during the year ending 31 January 2021. These awards will be made subject to appropriate exercise prices and vesting periods.

Conclusion

This Report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee and to assess whether remuneration packages for Directors are fair in the context of business performance.

The Remuneration Committee is mindful of shareholder views, and we believe that our Directors' remuneration policy is aligned with the achievement of the Company's business objectives and the interests of shareholders.

The Directors' Remuneration Report, including the Remuneration Policy and Statement of Remuneration, were approved by the Remuneration Committee and by the Board on 25 March 2020.

Trevor Jones CBE
Chair of the Remuneration Committee

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the International Accounting Standard ("IAS") Regulation, and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, IAS 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.etherapeutics.co.uk). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibilities statement

We confirm that, to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Directors' Responsibilities Statement was approved by the Board of Directors on 25 March 2020 and is signed on its behalf by:

Ali Mortazavi
Executive Chairman

Financial Statements

Independent Auditor's Report to the Members of e-therapeutics plc

Opinion

Our opinion on the financial statements is unmodified.

We have audited the financial statements of e-therapeutics plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 January 2020, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, balance sheets, consolidated statement of cash flow, company statement of cash flow and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group associated with a course of action such as Brexit.

GrantThornton

Overview of our audit approach

- Overall Group materiality: £125,000, which represents approximately 4.4% of the Group's loss on ordinary activities before taxation.
- The key audit matter for the Group and Parent Company was identified that revenue may be improperly recognised, and for the Parent Company the key audit matter was the carrying value of goodwill.
- We performed a full scope audit on the Group and Parent Company financial statements of e-therapeutics plc and analytical procedures on the financial statements of its subsidiaries Searchbolt Limited and InRotis Technologies Limited.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's business model, including effects arising from Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter - Group and Parent Company	How the matter was addressed in the audit – Group and Parent Company
Revenue may be improperly recognised	
Revenue is recognised in accordance with the Group and Parent Company's accounting policy and International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers'. The revenue recorded by the Group and Parent Company is one of the key determinants of the Group's underlying performance and results and is a key driver of the business. The application of IFRS 15 is an area requiring significant judgement by management. In particular, the nature of the contracts with customers involve delivery of a service over a period of time. As a result, there is an element of judgement in determining the amount of revenue to be recognised in each reporting period. We therefore identified revenue recognition as a significant risk which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Understanding the Group and Parent Company's revenue recognition policy and confirming that revenue has been recognised in accordance with this policy; • Evaluating management's assessment for compliance with IFRS 15 'Revenue from Contracts with Customers' and determining whether revenue was recognised appropriately; • Obtaining copies of all revenue generating contracts in the year, developing an understanding of the key terms of each contract and determining the expected revenue recognition for each contract based on those terms and the revenue recognition policy. We then compared our expectations against management's and investigated any differences; and • Identifying contracts that spanned the year end and re-calculated the expected deferred and accrued income and compared this to management's calculation. The Group and Parent Company's accounting policy on revenue recognition is shown in note 3 to the financial statements and related disclosures are included in note 5. **Key observations** Overall, based on our audit work, we found that the judgements made by management were consistently applied and that revenue was recognised in accordance with the policies adopted by the Group and Parent Company.

Key Audit Matter - Parent Company	How the matter was addressed in the audit – Parent Company
Carrying value of goodwill	
The assessment of impairment of goodwill is required to be carried out at least annually. The calculation of the impairment requires management to make significant assumptions and judgements about the recoverability of the goodwill value, in particular inputs in determining its value in use. We therefore identified carrying value of goodwill in the Parent Company as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Obtaining management's impairment review and comparing the recoverable amounts to the carrying value of the goodwill at the year end; • Inspecting in detail the key underlying assumptions within management's impairment review, assessing each of the key assumptions against market data, where relevant and available, and performing a sensitivity analysis of each of these assumptions; • Corroborating the key inputs used in support of the key underlying assumptions to relevant supporting documentation; and • Assessing the disclosures of estimates and judgements made in the financial statements for compliance with the requirements of International Accounting Standard (IAS) 36 'Impairment of assets'. The company's accounting policy relating to carrying value of investment in subsidiaries is shown in note 3 to the financial statements and related disclosures are included in note 14. **Key observations** Based on our audit work, we are satisfied that management's assessment of the impairment is not materially misstated. We found that the disclosures in the financial statements are in line with IAS 36.

Our application of materiality

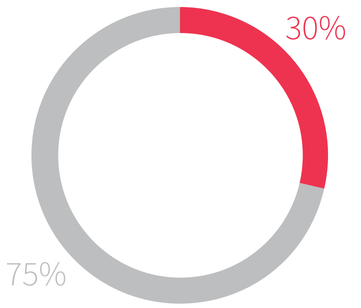
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

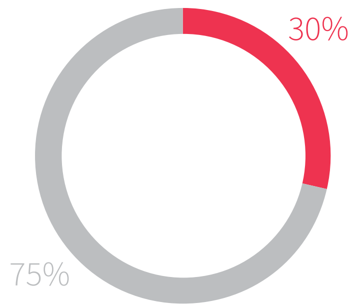
Materiality measure	Group	Parent
Financial statements as a whole	£125,000, which is approximately 4.4% of the Group's loss on ordinary activities before taxation. This benchmark is considered the most appropriate because it is a prominent key driver of the business. Materiality for the current year is lower than the level that was determined by the predecessor auditor for the year ended 31 January 2019 (£260,000) due to a change in benchmark and a change in the underlying performance of the Group between the two years. In 31 January 2019 the benchmark used was based on total expenses whereas in 31 January 2020 it has been based on underlying loss on ordinary activities before taxation. Due to the continued losses of the Group it was deemed appropriate to change the benchmark in the current	£124,000, which is approximately 2.2% of the Parent Company's loss on ordinary activities before taxation. This benchmark is considered the most appropriate because it is a prominent key driver of the business. Materiality for the current year is lower than the level that was determined by the predecessor auditor for the year ended 31 January 2019 (£259,000) due to a change in benchmark and a change in the underlying performance of the Parent Company between the two years. In 31 January 2019 the benchmark used was based on total expenses whereas in 31 January 2020 it has been based on underlying loss on ordinary activities before taxation. Due to the continued losses of the Parent Company it was deemed appropriate to change the benchmark in the current year.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality, being £88,000.	70% of financial statement materiality, being £87,000.
Specific materiality	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£6,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



Tolerance for potential uncorrected mis-statements

Performance materiality

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- Evaluating the Group's internal control environment and documenting controls relevant to the audit.
- Determining the scope of the Group audit based on the relative contribution of revenue, expenses and net assets of each component to the Group. We performed a full scope audit of the financial statements of the Parent Company e-therapeutics plc. Analytical procedures were performed on the financial statements of Searchbolt Limited and InRotis Technologies Limited.
- 100% of the Group's revenue, 99.9% of the Group's loss before tax and 99.9% of the Group's total assets were included in the scope of our full scope and specified audit procedures based on the above strategy.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 2020, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 37, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Mark Bishop FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

25 March 2020

Consolidated Income Statement

for the year ended 31 January 2020

	Notes	2020 £000	2019 £000
Revenue	5	**456**	44
Cost of sales		**–**	–
Gross profit		**456**	44
Research and development expenditure		**(2,104)**	(3,673)
Administrative expenses		**(1,240)**	(1,485)
Operating loss		**(2,888)**	(5,114)
Investment income	10	**15**	29
Loss before tax		**(2,873)**	(5,085)
Taxation	11	**526**	1,086
Loss for the year attributable to equity holders of the Company		**(2,347)**	(3,999)
Loss per share: basic and diluted	12	**(0.87)p**	(1.49)p

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2020

	2020 £000	2019 £000
Loss for the financial year	**(2,347)**	(3,999)
Other comprehensive income	**–**	–
Total comprehensive loss for the year attributable to equity holders of the Company	**(2,347)**	(3,999)

Consolidated Statement of Changes in Equity

for the year ended 31 January 2020

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2018	269	65,154	(54,685)	10,738
Total comprehensive income for year				
Loss for the financial year	–	–	(3,999)	(3,999)
Total comprehensive loss for year	–	–	(3,999)	(3,999)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	–	11	–	11
Equity-settled share-based payment transactions	–	–	52	52
Total contributions by and distribution to owners	–	11	52	63
As at 31 January 2019	269	65,165	(58,632)	6,802
Total comprehensive income for year				
Loss for the financial year	–	–	(2,347)	(2,347)
Total comprehensive loss for year	–	–	(2,347)	(2,347)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	–	11	–	11
Equity-settled share-based payment transactions	–	–	36	36
Total contributions by and distribution to owners	–	11	36	47
As at 31 January 2020	**269**	**65,176**	**(60,943)**	**4,502**

Company Statement of Changes in Equity

for the year ended 31 January 2020

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2018	269	65,154	(52,115)	13,308
Total comprehensive income for year				
Loss for the financial year	–	–	(3,997)	(3,997)
Total comprehensive loss for year	–	–	(3,997)	(3,997)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	–	11	–	11
Equity-settled share-based payment transactions	–	–	52	52
Total contributions by and distribution to owners	–	11	52	63
As at 31 January 2019	269	65,165	(56,060)	9,374
Total comprehensive income for year				
Loss for the financial year	–	–	(5,171)	(5,171)
Total comprehensive loss for year	–	–	(5,171)	(5,171)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	–	11	–	11
Equity-settled share-based payment transactions	–	–	36	36
Total contributions by and distribution to owners	–	11	36	47
As at 31 January 2020	**269**	**65,176**	**(61,195)**	**4,250**

Balance Sheets

as at 31 January 2020

	Notes	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Non-current assets					
Intangible assets	13	**110**	119	**110**	2,943
Property, plant and equipment	14	**93**	42	**93**	42
Investments	15	–	–	–	–
		203	161	**203**	2,985
Current assets					
Tax receivable	11	**557**	1,098	**557**	1,098
Trade and other receivables	16	**36**	18	**36**	18
Prepayments		**149**	328	**149**	328
Cash and cash equivalents		**3,841**	5,904	**3,840**	5,904
		4,583	7,348	**4,582**	7,348
Total assets		**4,786**	7,509	**4,785**	10,333
Current liabilities					
Trade and other payables	17	**215**	501	**466**	753
Lease liability	18	**46**	–	**46**	–
Contract liability	19	–	206	–	206
		261	707	**512**	959
Non-current liabilities					
Lease liability	18	**23**	–	**23**	–
Total liabilities		**284**	707	**535**	959
Net assets		**4,502**	6,802	**4,250**	9,374
Equity					
Share capital	21	**269**	269	**269**	269
Share premium		**65,176**	65,165	**65,176**	65,165
Retained earnings		**(60,943)**	(58,632)	**(61,195)**	(56,060)
Total equity attributable to equity holders of the Company		**4,502**	6,802	**4,250**	9,374

As permitted by section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the parent Company. The Company reported a loss for the financial year ended 31 January 2020 of £5,171,000 (2019: loss of £3,997,000).

These financial statements were approved and authorised for issue by the Board of Directors on 25 March 2020 and were signed on its behalf by:

Ali Mortazavi
Executive Chairman

Registered number: 04304473

Consolidated Statement of Cash Flow

for the year ended 31 January 2020

	Notes	2020 £000	2019 £000
Loss for the year		**(2,347)**	(3,999)
Adjustments for:			
Depreciation, amortisation and impairment	13,14	**97**	73
Equity–settled share–based payment expense	9	**36**	52
Investment income	10	**(15)**	(29)
Taxation	11	**(547)**	(1,086)
Operating cash flows before movements in working capital		**(2,776)**	(4,989)
Decrease in trade and other receivables		**161**	252
Decrease in trade and other payables		**(500)**	(317)
Tax received		**1,088**	1,352
Net cash used in operating activities		**(2,027)**	(3,702)
Interest received		**15**	26
Acquisition of other intangible assets	13	**(11)**	(20)
Acquisition of property, plant and equipment	14	**(5)**	(8)
Decrease in fixed–term deposits		–	2,500
Net cash (used in)/from investing activities		**(1)**	2,498
Proceeds from issue of share capital		**11**	11
Repayment of lease liability	18	**(46)**	–
Net cash (used in)/from financing activities		**(35)**	11
Net decrease in cash and cash equivalents		**(2,063)**	(1,193)
Cash and cash equivalents at 1 February		**5,904**	7,097
Cash and cash equivalents at 31 January		**3,841**	5,904

Company Statement of Cash Flow

for the year ended 31 January 2020

	Notes	2020 £000	2019 £000
Loss for the year		**(5,171)**	(3,997)
Adjustments for:			
Depreciation, amortisation and impairment	13,14	**2,921**	73
Equity–settled share–based payment expense	9	**36**	52
Investment income	10	**(15)**	(29)
Taxation	11	**(547)**	(1,086)
Operating cash flows before movements in working capital		**(2,776)**	(4,987)
Decrease in trade and other receivables		**161**	252
Decrease in trade and other payables		**(501)**	(319)
Tax received		**1,088**	1,352
Net cash used in operating activities		**(2,028)**	(3,702)
Interest received		**15**	26
Acquisition of other intangible assets	13	**(11)**	(20)
Acquisition of property, plant and equipment	14	**(5)**	(8)
Decrease in fixed–term deposits		–	2,500
Net cash (used in)/from investing activities		**(1)**	2,498
Proceeds from issue of share capital		**11**	11
Repayment of lease liability	18	**(46)**	–
Net cash (used in)/from financing activities		**(35)**	11
Net decrease in cash and cash equivalents		**(2,064)**	(1,193)
Cash and cash equivalents at 1 February		**5,904**	7,097
Cash and cash equivalents at 31 January		**3,840**	5,904

Notes to the Consolidated Financial Statements

1. General information

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 Strategic Report (pages 1 to 18) and the Directors' Report (pages 20 and 21). The registered address of the Company is 17 Blenheim Office Park, Long Hanborough, Oxfordshire OX29 8LN.

These consolidated financial statements are presented in the currency of the economic environment in which the Group operates, being Sterling. Financial information presented has been rounded to the nearest thousand pounds.

The Group financial statements consolidate those of the Company and its subsidiaries. The parent Company financial statements present information about the Company as a separate entity and not about its Group.

2. Standards and interpretations applied for the first time

IFRS 16 'Leases'

The adoption of the new Standard, IFRS 16, has resulted in the Group recognising a right-of-use asset and related lease liability in connection to all operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. For contracts in place at the date of initial application, of 1 February 2019, the Group has elected to apply the definition of a lease from IAS 17'leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease' and has not applied IFRS 16 to arrangements that were previously not identified as a lease under IAS 17 and IFRIC 4.As at 31 January 2019, the Group has non-cancellable operating lease commitments of £121,000, of which £6,000 related to leases for which the lease term ends within 12 months of the date of initial application. The Group has applied a modified retrospective approach and, as such, the Group is not required to present a third statement of financial position as at the date of transition. The adoption of IFRS 16 has resulted in the Group recognising the fair value of the remaining lease payments, of £115,000, and a corresponding right-of-use-asset, adjusted for amounts prepaid before the date of transition, of £123,000. The liability has not been discounted on the basis that this is immaterial. The carrying value of property, plant and equipment at 31 January 2019 was £42,000 and on 1 February 2019, after the recognition of the right-of-use asset of £123,000, the carrying value was £165,000. There was no lease liability recognised on the Balance Sheet at 31 January 2019 before the recognition under IFRS 16 of £115,000.

Standards, amendments and interpretations that are not yet effective

At the date of approval of these financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published by the IASB. None of these have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effect date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

3. Significant accounting policies

Basis of accounting

Both the parent Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with IFRSs as adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of consideration given in exchange for goods and services. The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently to all years presented.

Going concern

Although the Group has recognised revenue from commercial deals during the year, it is still largely reliant on its cash balance to fund ongoing operations. The Group is in late stage discussions with a number of well known potential pharmaceutical and biotechnology partners. It is anticipated that such discussions will be income-generating and will provide both non-dilutive funding and commercial validation.

At 31 January 2020 we reported cash and liquid resources of £3,841,000 and an underlying cash burn during the year, excluding R&D tax credits received, of £3,151,000. It was announced post year-end, on 11 February 2020, there was a placing of 53,302,355 new ordinary shares of 0.1p each at a price of 3.0p per share to raise gross proceeds of £1.6 million, which will be used for general working capital purposes.

We have prepared a detailed financial forecast, including the impact of this post year-end fundraise. This forecast assumes no further sales although, as noted above, the Group is in discussions with numerous potential partners. These financial forecasts assume that the existing structure and functionality of the Group are maintained and that investment in the in silico platform will continue. Our present projections suggest that cash resources will last for at least the next two financial years from this Balance Sheet date. This includes the receipt of R&D tax credits in relation to the year ended 31 January 2020 of £557,000. Whilst it is expected that this tax credit will be received, it is included in the key risks on pages 14 to 17. If it were not received as expected then there would be no impact on management's overall assessment on the Group's going concern status.

The financial performance and position of the Group are discussed in more detail in the Financial Review on page 12.

These financial statements have been prepared on the going concern basis since, given the points discussed above, the Directors have a reasonable expectation that the parent Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year, from the date control commences until the date that control ceases.

Intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in preparing the consolidated financial information.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. Consideration transferred is measured at fair value, being the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group and equity interests issued by the Group in exchange for control of the acquiree. Costs related to acquisitions are recognised in the Income Statement as incurred.

Contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred. It is remeasured at subsequent reporting dates for changes in the fair value of contingent consideration recognised after the acquisition date due to additional information subsequently obtained about circumstances that existed at that date.

Goodwill is measured as the excess of the consideration transferred over the net acquisition date fair values of identifiable assets acquired and liabilities assumed.

Foreign currencies

The individual financial statements of each Group company are presented in Sterling, being the functional currency. Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in the Income Statement.

Revenue

Rendering of services under contracts with customers

During the year, revenue was recognised on collaborative transactions in the area of drug discovery. The contracts with customers are reviewed individually in accordance with IFRS 15. All contracts active during the year are fixed fee and are deemed to transfer services to the customers over time, on the basis that customers are involved in the project process, receiving regular updates and having the capability of influencing the direction of the project within the high-level confines of the contract scope. Revenue is recognised over time based on the ratio of time spent by staff in the current period and the total time expected to be spent to complete each contract. This method best depicts the transfer of services because internal resources are the main component of providing contracts to customers. Although a number of deliverables are defined within the project scope of the contracts, due to the high degree of interdependence of these deliverables, they are accounted for as a single performance obligation.Project progress is measured by comparing actual time spent on the total esimated time required to provide the cusomer with a final project report. Customers are either invoiced up-front or partly up-front and partly on completion. The Group recognises contract liabilities on the Balance Sheet for consideration received in excess of the revenue recognised..

Investment income

Interest income is recognised in the Income Statement as it accrues on a time basis, by reference to the principal outstanding and effective interest rate applicable.

Expenses

Defined contribution pension plans

Payments to defined contribution pension plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payments to employees are measured at fair value of the equity instruments at the grant date, excluding the effect of non-market-based vesting conditions. Details regarding the determination of the fair value are included in Note 10.

The grant-date fair value is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions and the impact of the revision of the original estimates is recognised in the Income Statement such that the cumulative expense reflects the revised amount.

Taxation

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. Small and medium sized enterprises ("SME") R&D tax credits receivable are recognised within taxation in the Income Statement. Research and Development Expenditure Credit ("RDEC") is recognised within operating loss.

Current tax is the expected tax payable on the taxable profit 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. R&D tax credits are recognised in the period to which the corresponding R&D spend relates, to the extent that any R&D tax credits receivable are expected to be recovered and meet R&D tax rule requirements.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws that have been 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 deductible temporary differences can be utilised.

The Group is committed to maintaining the highest level of ethical standards when conducting business and has a zero tolerance approach towards the criminal facilitation of tax evasion. We have adopted appropriate policies and procedures to apply best practice to prevent the criminal facilitation of tax evasion.

3. Significant accounting policies Basis of accounting (continued)

Intangible assets

Goodwill

Goodwill is initially recognised and measured as set out in the 'Business combinations' policy above. Goodwill is not amortised but is tested at least annually for impairment, reducing the carrying amount down to the recoverable amount if this is lower. The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. Goodwill is stated at cost less accumulated impairment losses.

R&D expenditure

All R&D expenditure, which comprises a proportion of employee salaries and directly attributable overheads, is recognised in the Income Statement as incurred on the basis that the recognition criteria of IAS 38 'Intangible Assets' are not met.

Patents and trademarks

External expenditure on the creation of patents and trademarks is capitalised and carried at cost less accumulated amortisation and accumulated impairment losses. Expenditure to maintain patents and trademarks after the date of their grant is written off as incurred. Patents and trademarks are amortised on a straight-line basis over the remainder of their term from the date of their grant.

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses from derecognition of an intangible asset are recognised in the Income Statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of the assets, on the following bases:

Right-to-use property	Over the remaining lease term
Plant and equipment	33% per annum
Fixtures and fittings	15% per annum

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

Impairment of intangible and tangible assets, excluding goodwill

The carrying amounts of the Group's intangible and tangible assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the Income Statement to the extent that the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or its cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years.

Leased assets

As disclosed in note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means that comparative information is still reported under IAS 17.

Accounting policy applicable from 1 February 2019

Right-of-use assets are measured at cost, being the initial measurement of the lease liability less any prepaid amounts and less depreciation which is calculated on a straight-line basis over the lease term. A corresponding lease liability is recognised at the present value of lease payments unpaid at the Balance Sheet date. The Group does not discount lease liabilities on the basis that it is immaterial.

The Group has elected to account for short-term leases using the practical expedients. Payments in relation to these leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

Accounting policy applicable before 1 February 2019

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

Investments in subsidiaries

Investments in subsidiaries are shown in the Company Balance Sheet at cost and are reviewed annually for impairment.

Financial Instruments

The Group applies IFRS 9 'Financial Instruments'. Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets

All financial assets will be realised through the collection of contractual cash flows, hence are subsequently measured at amortised cost using the effective interest method, less expected credit losses judged as the discounted probability weighted outcomes of default at recognition. Interest income is recognised in the Income Statement, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount and the consideration payable is recognised in the Income Statement.

3. Significant accounting policies Basis of accounting (continued)

Financial Instruments (continued)

Fixed-term deposits

Fixed-term deposits are Sterling fixed-rate deposits, with original maturities of three months or more. Interest on fixed-term deposits is recognised in the Income Statement over the term on a straight-line basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and term deposits with an initial maturity of less than three months.

4. Accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are reviewed on an ongoing basis.

The following are the key judgements that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these financial statements:

- Management considers the continued adoption of the going concern basis appropriate. Further details of this decision can be found in the principal risks within the Strategic Report on pages 14 to 17.

- Revenue from collaborative partnerships is recognised over time rather than at a point in time on the basis that the customer has the ability to request regular project updates and accordingly suggest amendments to the project scope within the high-level confines of the contract, thereby directly controlling the direction of the project and the information asset being produced therein. As a result, the balance between cash receipts and revenue recognised is recorded on the Balance Sheet. At the year end, contract liabilities were £nil (2019: £206,000), as disclosed in note 19.

- The Directors have not recognised a deferred tax asset based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The potential deferred tax asset is disclosed in note 11.

- During the year, goodwill recognised in the parent Company Balance Sheet only, of £2,824,000 was fully impaired. Although management believe that the network-driven drug discovery activities of the Company will return positive cash flows, due to the uncertainty of the timing of these cash flows within our discounted cash flow analysis, the balance was impaired in full. Recoverable amount has been calculated as £nil on the basis that it is deemed to be between £nil and £2,084,000, but due to the sensitivities of the cash flow analysis, management could not support a value between this range. Further disclosure is made in Note 13. Impairment would not impact the consolidated Income Statement or consolidated Balance Sheet.

The following are the key assumptions concerning estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Revenue recognised from collaborative partnerships, and corresponding contract liabilities, reflect management's best estimate of each contract's stage of completion. Management estimates project progress at each reporting date, with consideration to project plans outlined in customer contracts, and remeasures revenue accordingly. As a result, at the year end contract liabilities of £nil (2019: £206,000) were recognised on the Balance Sheet. There were no commercial contracts in progress at the year end and therefore the cut off for revenue recognition at 31 January 2020 is not considered a significant risk for these financial statements, however it may be significant in future years depending upon the portfolio of commercial contracts in progress over the year end.

- The current tax receivable, of £557,000 (2019: £1,098,000), represents an R&D tax credit based on an advance claim with HMRC. The final receivable is subject to judgement and the correct application of complex R&D tax rules. The minimum receipt approved by HMRC could be £nil. Historically, final claims have been successful and materially in line with the receivable recognised in the financial statements. The Group expects the current year to be successful too. Further details of the decision to recognise the tax receivable in full can be found in the principal risks within the Strategic Report on pages 14 to 17.

5. Segmental Reporting

Financial information is reported to the Group's Executive Chairman (the Chief Operating Decision Maker) as one business segment, being that of drug discovery. All Group activities are carried out in the UK and all of the Group's assets and liabilities are located in the UK.

Revenue recognised, of £456,000 (2019: £44,000) includes £206,000 (2019: £nil) included in the contract liability balance at the beginning of the period.

All revenue in the current and prior year arose in the UK and relates to services transferred over time.

There are no transaction prices relating to the performance obligations from existing contracts that are unsatsified or partially satisfied as at 31 January 2020.

Revenue during the current and prior financial year was reliant upon a single external customer. The Group is engaged in R&D activities and entered into its first commercial collaboration during the prior year. Management expects to enter into further commercial collaborations in the coming financial year, diversifying revenue from external customers.

Notes to the Consolidated Financial Statements (continued)

6. Auditor's remuneration

	2020 (relating to current Auditor) £000	2019 (relating to predecessor Auditor) £000
Amounts receivable by the Auditor and its associates in respect of:		
– audit of the Group's annual financial statements	**39**	35
– other services	**3**	-

7. Staff numbers and costs

The average number of persons employed by the Group and the Company (including Executive Directors and excluding Non-Executive Directors) during the year, analysed by category, was as follows:

	Number of employees Group and Company	
	2020	2019
R&D staff	**12**	14
Finance and administration staff	**2**	2
Executive Directors	**2**	2
	16	18

The aggregate payroll costs of these persons were as follows:

	Group and Company	
	2020 £000	2019 £000
Wages and salaries	**1,658**	1,942
Share-based payments (see note 9)	**36**	52
Social security costs	**206**	258
Contributions to money purchase pension schemes	**176**	180
	2,076	2,432

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans is £176,000 (2019: £180,000). As the reporting date, there were outstanding contributions of £14,000 (2019: £13,000).

8. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	**613**	845
Contributions to money purchase pension schemes	**38**	38
	651	883

The remuneration of the highest paid Director during the year was £300,000 (2019: £397,000). Contributions to money purchase schemes in respect of the highest paid Director during the year were £38,000 (2019: £38,000).

During the year, one Director (2019: one) accrued retirement benefits under a money purchase scheme. No Director sold or exercised share options during the year.

9. Share-based payments

The Group operates a share scheme, the e-Therapeutics Performance Share Plan 2013 (the "PSP"). The terms and conditions of all options in issue during the year are shown below. If the options remain unexercised after a period of ten years from the date of grant the options expire.

All options outstanding at the beginning or end of the year were awarded under the PSP. Unless otherwise stated options are exercisable immediately upon vesting. All options are settled by physical delivery of shares.

A summary of grants is as follows:

Date of grant	Number of instruments at end of year	Number of instruments at beginning of year	Exercise price (p)	Vesting period (Note 1)	Date exercisable	Performance conditions
November 2016	2,097,499	2,487,499	16.76	2 years	Immediately upon vesting	Note 2
November 2016	2,097,500	2,487,500	20.95	2 years	Immediately upon vesting	Note 2
November 2016	2,097,501	2,487,501	25.14	3 years	Immediately upon vesting	Note 2
May 2017 (Note 3)	2,000,000	2,000,000	16.76	1 year	2 years from grant	Note 2
May 2017 (Note 3)	1,750,000	1,750,000	20.95	2 years	Immediately upon vesting	Note 2
May 2017 (Note 3)	1,750,000	1,750,000	25.14	1 month – 3 years	Immediately upon vesting or 2 years from grant, whichever is later	Note 2
December 2017	-	910,000	16.76	6 months – 2 years	Immediately upon vesting	Note 4
January 2018	-	2,250,000	16.76	6 months – 2 years	Immediately upon vesting	Note 4
April 2018	1,178,000	1,324,000	16.76	2 years	Immediately upon vesting	Note 2
November 2018	1,550,000	1,550,000	7.25	3 years	Immediately upon vesting	Note 5
March 2019	2,220,000	-	2.80	3 years	Immediately upon vesting	Note 5
March 2019 (Note 6)	666,667	-	2.70	Immediately	2 years from grant	None
March 2019 (Note 6)	666,667	-	2.70	1 year	2 years from grant	None
March 2019 (Note 6)	666.666	-	2.70	2 years	2 years from grant	None
May 2019	500,000	-	2.08	3 years	Immediately upon vesting	Note 5
Total	**19,220,500**	**18,996,500**				

Note 1
Vesting periods reflect a period of time that the Directors and Remuneration Committee believe will motivate employees whilst understanding that, given the increased risk of long-term prospects in an R&D business in the stage of its life cycle of e-therapeutics, a longer vesting period may have an adverse effect on employee motivation.

Note 2
The exercise prices of these options are either 16.76p, 20.95p or 25.14p, being between 200% and 300% of the share price at the date the PSP rules were approved. There are no additional performance conditions except the growth in share price required to meet the exercise price, aligning remuneration with the long-term growth objective of the shareholders.

Note 3
This award was granted to Ray Barlow upon taking up his position as CEO of the Company and therefore the vesting periods of this award are intended to motivate him both in the short and medium to long-term. For the options with an exercise price of 25.14p, 1/36th of these options vest one month from the grant date and thereafter on the expiry of each successive one-month period until the third anniversary of the grant date. Post year-end, on 11 February 2020, Ray stepped down as CEO and, as a result, these options lapsed in their entirety on that date.

Note 4
These options vest if the company achieves specific external commercial validation within two years of the grant date. Options are capable of cumulative vesting in six-monthly tranches from the grant date, being 25%, 50%, 75% and 100% at 24 months after grant. The performance conditions were not met and, as a result, during the year they lapsed in their entirety.

Note 5
Options vest on a straight-line basis between 50% and 100% if share performance is between the minimum and maximum performance targets. These targets are based on the percentage increase in share price in relation to a comparator group of peer companies.

Note 6
These options were granted to Ray Barlow during the year. After the year-end, on 11 February 2020, Ray stepped down as CEO and, as a result, these options lapsed in their entirety on that date.

9. Share-based payments (continued)

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

	Weighted average exercise price 2020 (p)	Number of options 2020	Weighted average exerciseprice 2019 (p)	Number of options 2019
Options				
Outstanding at the beginning of the year	**18.8**	**18,996,500**	20.1	17,052,500
Exercised during the year	–	–	–	–
Forfeited during the year	**(17.1)**	**(4,726,000)**	(19.5)	(1,306,000)
Expired during the year	–	–	–	–
Granted during the year	**2.7**	**4,950,000**	12.2	3,250,000
Outstanding at the end of the year	**15.1**	**19,220,500**	18.8	18,996,500
Exercisable at the end of the year	**20.1**	**11,598,056**	18.9	4,974,999

The options outstanding at the year-end have a weighted average remaining contractual life of 8 years (2019: 8 years).

The fair value of options has been valued using a Monte Carlo option pricing model. Volatility has been estimated by reference to historical share price data over a period commensurate with the expected term of the options awarded.

The assumptions for the options granted during the current year were as follows:

Date of grant	May 2019 (Note 1)	March 2019 (Note 2)	March 2019 (Note 1)
Share price at date of grant (p)	2.08	2.70	2.80
Minimum vesting period	3 years	1/3 – Immediately 1/3 – 1 year 1/3 – 2 years	3 years
Exercise price (p)	2.08	2.70	2.80
Expected volatility	40.59%	40.61%	38.39%
Risk-free rate	0.73%	0.66%	0.65%
Dividend yield	0%	0%	0%
Number of shares	500,000	2,000,000	2,450,000
Fair value per option (p)	0.569	0.615	0.731

Note 1
In calculating the fair value of the share options granted it has been assumed that the maximum performance target is met.

Note 2
All options awarded in this grant are exercisable after two years and, as such, the fair value has been calculated over this length of time.

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

	2020 £000	2019 £000
Group and Company equity-settled share-based payments	**36**	52

There were no liabilities recognised on the Balance Sheet at the year end or at the prior year end as a result of equity-settled share-based payments.

10. Investment income

	2020 £000	2019 £000
Bank interest receivable	**15**	29

11. Tax

	2020 £000	2019 £000
Current tax:		
SME R&D tax credit receivable for the current year	**(536)**	(1,095)
Adjustments for prior year in respect of SME R&D tax credit	**10**	9
Current tax credit	**(526)**	(1,086)
Deferred tax	**–**	–
Total on loss on ordinary activities	**(526)**	(1,086)

The standard rate of corporation tax applied to reported profit is 19% (2019: 19%). The credit for the year can be reconciled to the Consolidated Income Statement as follows:

	2020 £000	2019 £000
Loss before tax	**(2,873)**	(5,085)
Tax at the UK corporation tax rate of 19% (2019: 19%)	**(546)**	(966)
Expenses not deductible for tax purposes	**4**	12
Enhanced relief for SMEs in relation to R&D	**(231)**	(471)
Unrelieved tax losses	**230**	320
Other	**7**	10
Adjustments in respect of prior year	**10**	9
Total tax credit for the year	**(526)**	(1,086)

The total tax credit recognised with the Consolidated Income Statement is £547,000 (2019: £1,089,000), which is made up the small or medium-sized enterprise ("SME") R&D tax relief of £526,000 (2019: £1,086,000) and Research and Development Expenditure Credit ("RDEC") of £21,000 (2019: £3,000). The SME tax credit is shown within taxation, as reconciled above. The RDEC is included within administrative expenses in the Consolidated Income Statement on the basis that the RDEC is treated as taxable income, being an 'above the line' relief.

The tax receivable on the Balance Sheet, of £557,000 (2019: £1,098,000), is made up of SME tax relief of £536,000 (2019: £1,095,000) and RDEC of £21,000 (2019: £3,000). Historically, R&D credits relating to both the SME scheme and the RDEC scheme have been received from HMRC as a single payment.

The Group has accumulated losses available to carry forward against future trading profits of £26,855,000 (2019: £25,615,000). No deferred tax has been recognised in respect of tax losses since it is uncertain at the Balance Sheet date as to whether future profits will be available against which the unused tax losses can be utilised. At the Budget 2016, the UK Government announced a reduction to the corporation tax main rate for the year starting 1 April 2020, setting the rate at 17%. The estimated value of the deferred tax asset not recognised, measured at this reduced main rate of 17%, is £4,589,000 (2019: £4,373,000).

The decrease in the current year tax credit is due to a decreased R&D credit, as a result of lower qualifying expenditure during the year, reflecting management's decision to reduce spend. The current year R&D credit has not yet been approved by HMRC and, therefore, there is a risk that this claim may not be successful. Further details of this risk mitigation are disclosed in the principal risks within the Strategic Report on pages 14 to 17.

12. Loss per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2020	2019
Earnings for the purposes of basic earnings per share and diluted earnings per share, being loss attributable to owners of the Company (£000)	**(2,347)**	(3,999)
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share (number)	**268,855,366**	268,581,069
Loss per share – basic and diluted (p)	**(0.87)**	(1.49)

Diluted EPS is calculated in the same way as basic EPS but also with reference to reflect the dilutive effect of share options in existence at the year end over 19,220,500 (2019: 18,996,500) ordinary shares (see Note 9). 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.

Notes to the Consolidated Financial Statements (continued)

13. Goodwill and intangible assets

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
As at 1 February 2018	2,101	1,300	3,401	2,824	1,300	4,124
Additions	–	20	20	–	20	20
As at 31 January 2019	2,101	1,320	3,421	2,824	1,320	4,144
Additions	–	11	11	–	11	11
As at 31 January 2020	2,101	1,331	3,432	2,824	1,331	4,155
Amortisation and impairment						
As at 1 February 2018	2,101	1,165	3,266	–	1,165	1,165
Impairment losses	–	19	19	–	19	19
Amortisation charge for the year	–	17	17	–	17	17
As at 31 January 2019	2,101	1,201	3,302	–	1,201	1,201
Impairment losses	–	3	3	2,824	3	2,827
Amortisation charge for the year	–	17	17	–	17	17
As at 31 January 2020	2,101	1,221	33,22	2,824	1,221	4,045
Net book value						
As at 1 February 2018	–	135	135	2,824	135	2,959
As at 31 January 2019	–	119	119	2,824	119	2,943
As at 31 January 2020	–	**110**	**110**	–	**110**	**110**

Research and development costs of £2,104,000 (2019: £3,673,000) have been recognised in the Consolidated Income Statement.

Amortisation

Amortisation has been charged on patents for which the registration process is complete, over the term granted. Amortisation is included within administrative expenses.

Impairment testing

The Group carries out a review at each Balance Sheet date to establish the economic value of each asset 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 considering technical and commercial risks and external information on the likely market demand and penetration for the drugs for which the Group has patents. The patent costs relating to internal discovery projects that ceased being advanced during the year have therefore been fully impaired.

The goodwill in the Company Balance Sheet arose following the hive up of the trade and assets of InRotis Technologies Limited on 15 November 2007. The goodwill is allocated to the network-driven platform technology activity of the Group. Innovation and enhancement of our core platform technologies is a long-term strategic aim of the Company and significant advancements have been made in this area during the year. In particular, during the year, the Company launched its new GAINs technology, which permits identification of processes that are affected by background variations in DNA and hence impact the risk of developing particular disease. As a result of this development, management deem that the business model is now founded upon a different technological capability than it was at the date of the hive up in 2007 and, therefore, the underlying IP acquired in the hive up has negligible value to the Group and the goodwill balance has been fully impaired during the year.

14. Property, plant and equipment

Group and Company	Right-to-use Property £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
As at 1 February 2018	–	194	107	301
Additions	–	8	–	8
Disposals	–	(4)	–	(4)
As at 31 January 2019	–	198	107	305
On transition to IFRS 16	123	–	–	123
Additions	–	5	–	5
Disposals	–	(41)	(4)	(45)
As at 31 January 2020	123	162	103	388
Depreciation				
As at 1 February 2018	–	137	93	230
Depreciation charge for the year	–	28	9	37
Disposals	–	(4)	–	(4)
As at 31 January 2019	–	161	102	263
Depreciation charge for the year	46	29	2	77
Disposals	–	(41)	(4)	(45)
As at 31 January 2020	46	149	100	295
Net book value				
As at 1 February 2018	–	57	14	71
As at 31 January 2019	–	37	5	42
As at 31 January 2020	77	13	3	93

Disclosure relating to the corresponding lease relating to the right-of-use asset is shown in note 18.

Depreciation charges are included within administrative expenses.

15. Investments in subsidiaries – Company

	Total £000
Cost	
As at 1 February 2018, 31 January 2019 and 31 January 2020	2,374
Provision for impairment	
As at 1 February 2018, 31 January 2019 and 31 January 2020	2,374
Net book value	
As at 1 February 2018, 31 January 2019 and 31 January 2020	–

The Company directly holds 100% of the ordinary share capital of two subsidiary undertakings as follows:

	Principal activity	Registered address	Registered number
InRotis Technologies Limited	Dormant	17 Blenheim Office Park, Long Hanborough, Oxfordshire, OX29 8LN, UK	05019565
Searchbolt Limited	Search engine technology development	17 Blenheim Office Park, Long Hanborough, Oxfordshire, OX29 8LN, UK	06323379

InRotis Technologies Limited is exempt from the requirement for an audit under section 480 of the Companies Act 2006.

Searchbolt Limited is exempt from the requirement for an audit by virtue of section 479A of the Companies Act 2006 and has been provided with a statutory guarantee by the Company, its immediate parent, as required by section 479C of the Companies Act 2006.

16. Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade receivables	**23**	-	23	-
Other receivables	**13**	18	13	18
	36	18	**36**	18

There is no doubtful debt provision in respect of other 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 irrecoverable. Further details of financial assets are shown in Note 20.

17. Trade and other payables

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Current:				
Trade payables	**55**	135	**55**	135
Amounts due to Group undertakings	–	–	**253**	253
Other taxation and social security	**69**	73	**69**	73
Other payables	**24**	19	**24**	19
Accrued expenses	**67**	274	**65**	273
	215	501	**466**	753

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Further details of financial liabilities are shown in Note 20.

18. Lease liability

	Group		Company	
	2020 £000	2019 £000	2020 £000	2019 £000
Current:				
Lease liability	**46**	–	**46**	–
Non-current:				
Lease liability	**23**	–	**23**	–
	69	–	**69**	–

The lease liability relates to an office property. The remaining term of this lease is 1 year 8 months. The corresponding right-of-use asset is disclosed in note 14.

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expenses on a straight-line basis. The amount recognised within administrative expenses was £6,000 and the minimum lease payment at the Balance Sheet date totalled £500.

The change in the Group's lease liability, being the only liability arising from financing activities, can be classified as follows:

	£'000
As at 1 February 2018 and 31 January 2019	-
Adoption of IFRS 16	115
Cash flows: Repayments	(46)
As at 31 January 2020	**69**

19. Contract liabilities

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Current:				
Contract liabilities	–	206	–	206
	–	206	–	206

Revenue relating to collaborative partnerships utilising the Group's proprietary network-driven platform is recognised over the expected length of the project, which does not necessarily correlate to the schedule of payments made by customer in relation to such contracts. A contract liability is recognised in relation to individual contracts when payments are received in advance and is released over the service period. The contact liability recognised at the prior year end was released to revenue in the current financial year.

20. Financial instruments

The prime objectives of the Group's policy towards financial instruments are to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations. Details of the significant accounting policies for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

The carrying amount of financial assets, all measured as loans and receivables at amortised cost, and financial liabilities, all measured at amortised cost, are as follows:

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Financial assets:				
Included within other receivables (Note 16)	**13**	13	13	13
Cash and cash equivalents	**3,841**	5,904	3,841	5,904
	3,854	5,917	3,853	5,917
Financial liabilities:				
Trade payables (Note 17)	**55**	135	55	135
Amounts due to Group undertakings (Note 17)	–	–	253	253
Lease liability (note 18)	**69**	–	69	–
Included within other payables (Note 17)	**19**	19	19	19
	143	154	396	407

Management believes that there is no material difference between the carrying value of financial assets or financial liabilities and their fair value.

There were no net gains or losses, except interest revenue, recognised in the Income Statement in relation to financial assets or liabilities recognised at amortised cost. Interest received on cash balances and fixed-term deposits totalled £15,000 (2019: £29,000).

Capital management

The Group finances its operations through its revenue-generating commercial collaborations, the issue of new shares and the management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £3,841,000 of cash as at 31 January 2020 (2019: £5,904,000).

Management of financial risk

The key risks associated with the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged throughout the year, and are set out below.

Credit risk

The Group has adopted a treasury policy that aims to maintain a high level of security of deposited funds as well as optimising income generated from those funds and ensuring that the Group has adequate working capital for ongoing activities. Management considers the credit risks on liquid funds to be limited, since the counterparties are banks with high credit ratings and balances are monitored to prevent over reliance on any one bank. There are no material supplier financing arrangements. A list of approved deposit counterparties with monetary limits for each is maintained and is reviewed by the Audit Committee.

The carrying amount of trade and other receivables, of £36,000 (2019: £13,000) represents the maximum exposure to credit risk from financial assets excluding cash. Management do not expect any future credit loss, hence no loss allowance has been recognised in these financial statements for the current or prior year. Management consider the Group's exposure to credit risk to be immaterial.

The Group only deals with reputable customers and customers are required to pay an up-front element, which mitigates the credit risk. Credit terms average 45 days (2019: 45 days).

Liquidity risk

The Group manages its liquidity risk by monitoring short-term cash flows, both short and long term, against monthly forecast requirements and the longer-term cash flows against annual budgets and rolling monthly cash forecasts and by matching the maturity profiles of financial assets and liabilities. All of the financial liabilities disclosed in the table above have a contractual maturity of less than three months (2019: less than three months). The Group has sufficient cash balances available to fulfil these liabilities as they fall due.

Interest rate risk

The Group has no interest-bearing debt in issue and therefore interest rate risk applies only to the return achieved on cash deposits. The trade and other payables do not bear interest. Interest received on cash balances and fixed-term deposits was £15,000 (2019:£29,000), earned at interest rates of between 0% and 1% (2019: 0% and 1%). Management do not consider that a fluctuation in interest rates would have a material impact on the Group.

Foreign exchange rate risk

Financial assets and liabilities at the year end and at the prior year end that are not originally Sterling balances are immaterial. Net foreign exchange gains of £nil (2019: £1,000) are recognised in administrative expenses.

21. Share capital

The share capital of e-therapeutics plc consists of fully paid ordinary shares with a nominal value of £0.001 each. The Company has one class of ordinary shares, which carries no right to fixed income. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

	No. of ordinary shares	
	2020 '000	2019 '000
In issue at 1 February	**268,690**	268,531
Share issue	**435**	159
Total shares authorised and in issue at 31 January – fully paid	**269,125**	268,690

Additional shares were issued during the year relating to the part-payment of non-executive director fees, as disclosed in the Non-Executive Directors' fee policy within on page 32.

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium.

22. Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any capital items (2019: £nil).

23. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The remuneration of the Directors, who are the key management personnel of the Group, is disclosed in Note 8.

Key management personnel

Key management of the Group are the executive directors. Key management personnel remuneration includes the following expenses:

	2020 £000	2019 £000
Short-term employee benefits:		
Salaries including bonuses	**612**	844
Social security costs	**79**	88
Health insurance	**1**	1
	692	933
Post-employment benefits:		
Defined contribution pension plans	**38**	38
Share-based payments	**10**	26
Total remuneration	**740**	997

24. Subsequent events

On 11 February 2020, the Company announced a restructuring of the Board and management team along with a £1.6 million placing.

Iain Ross stood down as Non-Executive Chairman and Ali Mortazavi was appointed as Executive Chairman. Ray Barlow stood down as Chief Executive Officer and Steve Medlicott stood down as Chief Financial Officer. Michael Bretherton has been appointed as Non-Executive Director to replace Christine Soden, who also stood down.

The Company carried out a placing of 53,302,355 new ordinary share of 0.1p each at a price of 3.0p each, to raise gross proceeds of £1.6 million which will be used for general working capital purposes. The placing was undertaken directly by the Company with certain existing and new investors.

Notice of Annual General Meeting

(incorporated and registered in England and Wales under number 04304473) THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about its content or as to what action you should take, you should consult your stockbroker, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or another appropriately authorised independent adviser if you are in a territory outside the United Kingdom.

If you have sold or transferred all your shares in e-therapeutics plc, please pass this document and the accompanying proxy form to the purchaser or transferee or to the stockbroker or other agent through whom you made the sale or transfer, for transmission to the purchaser or transferee.

Notice is hereby given that the 2020 Annual General Meeting of e-therapeutics plc (the "Company") will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.00am on 2 June 2020 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 7, which will be proposed as a special resolution:

Ordinary business

1. To receive the accounts for the financial year ended 31 January 2020 together with the Directors' Report and the Auditor's Report for that period.

2. To elect Ali Mortazavi as a Director of the Company, who was appointed by the Board since the last Annual General Meeting.

3. To elect Michael Bretherton as a Director of the Company, who was appointed by the Board since the last Annual General Meeting.

4. To appoint Grant Thornton UK LLP as the Auditor of the Company.

5. To authorise the Directors to set the remuneration of the Auditor of the Company.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution, and resolution 7 will be proposed as a special resolution:

6. That the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares:

    a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £107,368.48 (being 33.3% of the Company's issued share capital as at close of business on 23 March 2020) such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum; and

    b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £215,059.38 (being 66.7% of the Company's issued share capital as at close of business on 23 March 2020), such amount to be reduced by any allotments or grants made under (a) above, in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorities to expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2021 (save that the Company may before such expiry make any offer or enter into any agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

7. That, subject to the passing of resolution 6 above, the Directors be and are hereby empowered pursuant to section 570(1) of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560(1) of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities for cash:

   a) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 6(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

   b) in the case of the authorisation granted under resolution 6(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £107,368.48 (being 33.3% of the Company's issued share capital as at close of business on 23 March 2020)

   and this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company to be held in 2021 (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired).

Your Board believes that the resolutions to be proposed as ordinary and special business at the 2020 Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, your Directors unanimously recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings of shares in the Company.

By order of the Board

Sarah Clare
Company Secretary
25 March 2020

Registered office
17 Blenheim Office Park
Long Hanborough
Oxfordshire
OX29 8LN

Registered in England and Wales number 04304473

Explanatory Notes to the Resolutions

The notes on the following pages explain the resolutions to be proposed at the 2020 Annual General Meeting of e-therapeutics plc (the "Company") to be held at the offices of the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.00am on 2 June 2020.

Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 7 is proposed as a special resolution. This means that for that resolution to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Adoption of Report and Accounts

For each financial year, the Directors are required to present the Directors' Report, the audited accounts and the Auditor's Report to shareholders at a general meeting. The financial statements and reports laid before the 2020 Annual General Meeting are for the financial year ended 31 January 2020, and the Company proposes a resolution on its financial statements and reports.

Resolutions 2 and 3 Election of Directors

In accordance with the Company's articles of association, any Director appointed by the Board during the year and up to the date of approval of the Annual Report and Accounts stand at the next Annual General Meeting following appointment. Accordingly, Ali Mortazavi and Michael Bretherton, both having been appointed on 10 February 2020, will stand for election by shareholders. Their biographies appear on page 19 of the Annual Report and Accounts for the year ended 31 January 2020.

The Board is satisfied that both Ali Mortazavi and Michael Bretherton will contribute effectively and demonstrate commitment to their roles as Executive Chairman and independent Non-Executive Director, respectively. Accordingly, the Board unanimously recommends the election of both Directors.

Resolutions 4 and 5 – Re-appointment of Auditor and Auditor's remuneration

Resolutions 4 and 5 propose the appointment of Grant Thornton LLP as the Company's Auditor for the year ending 31 January 2020, replacing Deloitte LLP, which has acted as auditor since 2014, and the authorisation of the Directors to agree the Auditor's remuneration. The Directors will delegate this authority to the Audit Committee.

Resolution 6 – Authority to allot shares

Your Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. This resolution, if passed, will give the Directors flexibility to act in the best interests of shareholders, when the opportunity arises, by issuing new shares. Accordingly, resolution 6 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares (a) up to an aggregate nominal amount of £107,368.48 and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £215,059.38.

These amounts represent approximately 33.3% and approximately 66.7% respectively of the total issued ordinary share capital of the Company as at close of business on 23 March 2020, being the last practicable day prior to the publication of this notice. If given, these authorities will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2020.

Your Directors have no present intention of issuing shares pursuant to this authority, although they did issue shares pursuant to this authority since the last Annual General Meeting. As at the date of this notice the Company holds no treasury shares.

Resolutions 7 – Disapplication of pre-emption rights

Your Directors also require additional authority from shareholders to allot equity securities for cash and otherwise than to existing shareholders pro rata to their holdings. Resolution 7 will be proposed as a special resolution to grant such an authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities for cash up to an aggregate nominal value of £107,368.48 (being 33.3% of the Company's issued ordinary share capital as at close of business on 23 March 2020, being the last practicable day prior to the publication of this notice). If given, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the annual general meeting of the Company in 2020.

Procedural and Explanatory Notes

The following notes explain your general rights as a shareholder of the Company and your right to attend and vote at this meeting or to appoint someone else to vote on your behalf.

Entitlement to attend and vote

1. The right to attend and vote at the 2020 Annual General Meeting is determined by reference to the Company's register of members. Only a member entered in the register of members as at close of business on 29 May 2020 (or, if the 2020 Annual General Meeting is adjourned, in the register of members as at the close of business on the date which is two business days before the time of the adjourned 2020 Annual General Meeting) is entitled to attend and vote at the 2020 Annual General Meeting and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the 2020 Annual General Meeting.

2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at a meeting of the Company. On a poll vote, all of a member's voting rights may be exercised by one or more duly appointed proxies. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a member from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy must vote in accordance with any instructions given by the appointing member.

3. A form of appointment of proxy is enclosed. To appoint a proxy, this form must be completed and signed, sent or delivered to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney of the Company. If you return more than one proxy appointment in respect of a share, that received last by the registrar before the latest time for the receipt of proxies will take precedence.

4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.

5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with Neville Registrars Limited at the address shown on the proxy form not later than 11.00 am on 29 May 2020 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.

6. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

7. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent, Neville Registrars Limited, whose CREST participant ID is 7RA11, by 11.00 am on 29 May 2020. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

8. Save through CREST, we do not have a facility to receive proxy forms electronically. Therefore, you may not use any electronic address referred to in the proxy form or any related document to submit your proxy form.

Voting results

9. The results of the voting at the 2020 Annual General Meeting will be announced through a regulatory information service and will appear on our website www.etherapeutics.co.uk as soon as reasonably practicable.

Inspection of documents

10. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and they may also be inspected at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH from 10.45am on the day of the meeting until the conclusion of the meeting:

    10.1 copies of Directors' service contracts with the Company; and

    10.2 copies of the Non-Executive Directors' letters of appointment.

Corporate representatives

11. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the 2020 Annual General Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, though there are restrictions on more than one such representative exercising powers in relation to the same shares.

Nominated persons

12. Any person to whom this notice is sent as a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 2020 Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights

    The statement of the rights of members in relation to the appointment of proxies in paragraph 2 above does not apply to Nominated Persons. The rights described in that paragraph can only be exercised by members of the Company.

Issued share capital and total voting rights

13. As at close of business on 23 March 2020, being the last practicable day prior to the publication of this notice, the Company's issued share capital comprised 322,427,853 ordinary shares of 0.1 pence. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this notice is 322,427,853.

Members' requests under section 527 of the Act

14. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to: (i) the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the 2020 Annual General Meeting; or (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the last annual general meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the 2020 Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Members' rights to ask questions

15. Any member attending the 2020 Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the 2020 Annual General Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the 2020 Annual General Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

Security

16. Security measures will be in place to ensure your safety at the 2020 Annual General Meeting. Please do not bring suitcases, large bags or rucksacks. If you do, we may ask you to leave the item in the cloakroom. Recording equipment, cameras and other items that might interfere with the good order of the meeting will not be permitted. Mobile phones must be turned off or on silent during the meeting. Please also note that those attending the 2020 Annual General Meeting will not be permitted to hand out leaflets in the venue.

Website

17. A copy of this notice, and other information required by section 311A of the Act, can be found at www.etherapeutics.co.uk.

Except as provided above, members who have general queries about the meeting should contact the Company Secretary in writing at the Company's registered office. No other methods of communication will be accepted.

Advisers

Nominated adviser and nominated broker

Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Tel: +44 (0) 20 7260 1000

Auditor to the Company

Grant Thornton UK LLP
Statutory Auditor
30 Finsbury Square
London
EC2A 1AG
United Kingdom

Tel: +44 (0) 20 7383 5100

Registrars

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
B62 8HD

Tel: +44 (0) 121 585 1131

Solicitors

Stephenson Harwood LLP
1 Finsbury Circus,
London
EC2M 7SH

Tel: +44 (0) 20 7329 4422

Womble Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Tel: +44 (0) 845 415 0000

Bankers

Bank of Scotland
75 George Street
Edinburgh
EH2 3EW

Tel: +44 (0) 131 549 8724

Registered office

17 Blenheim Office Park
Long Hanborough
Oxfordshire
OX29 8LN

Tel: +44 (0) 1993 88 00 00

Company Secretary

Sarah Clare
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www.etherapeutics.co.uk

Incorporated in the United Kingdom Registered in England and Wales
Registered number: 04304473

e-therapeutics

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