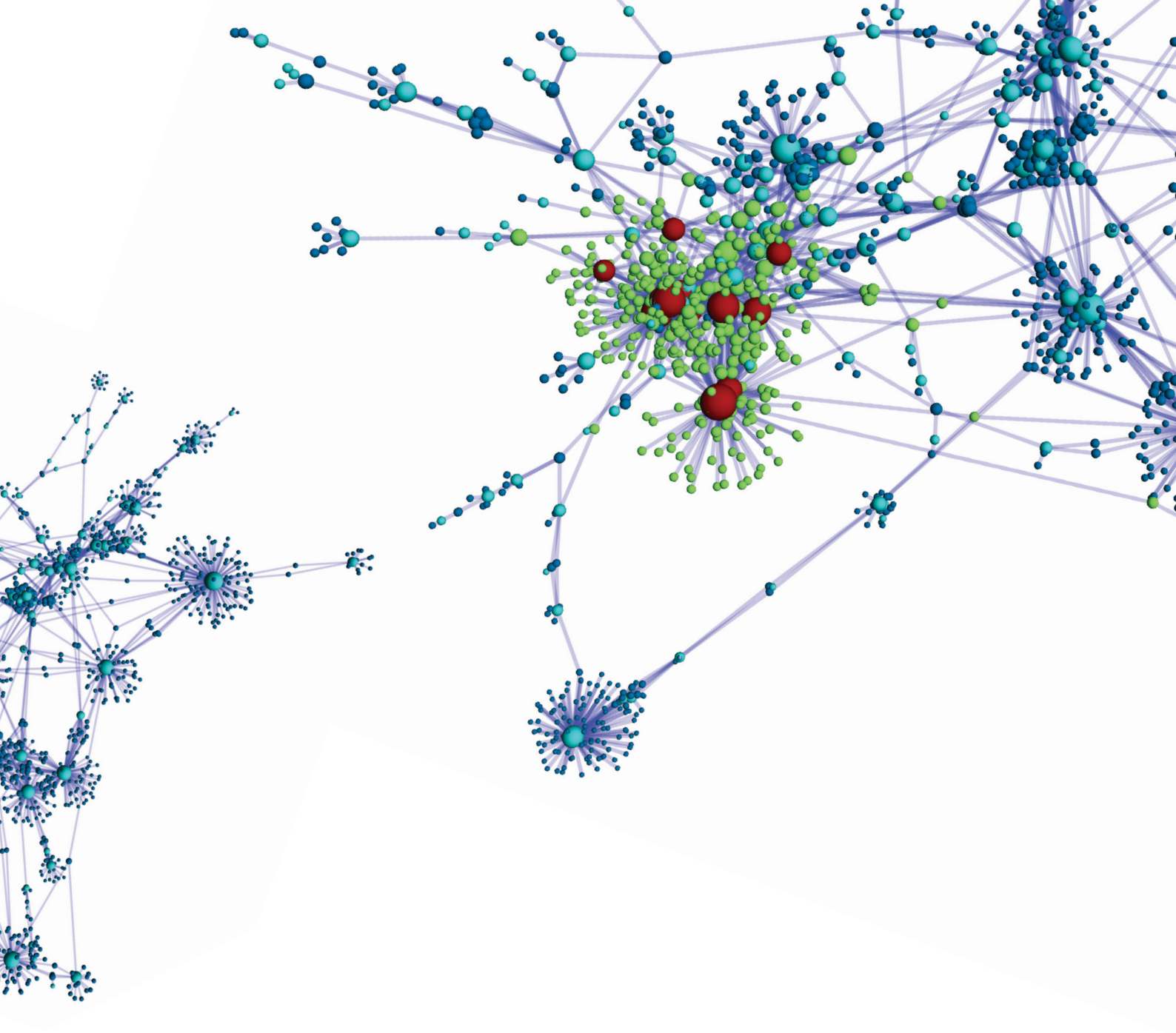
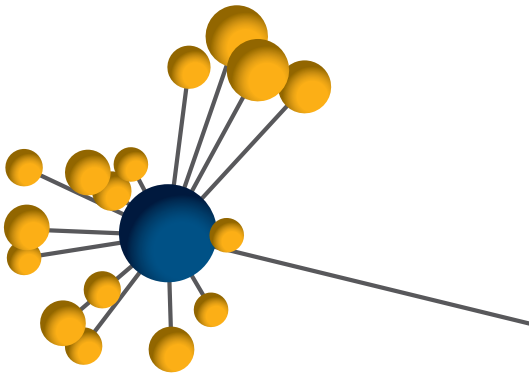


e-Therapeutics plc

The network pharmacology company

Annual report and accounts 2014

e-Therapeutics is a drug discovery and development company with a pioneering platform in network pharmacology.

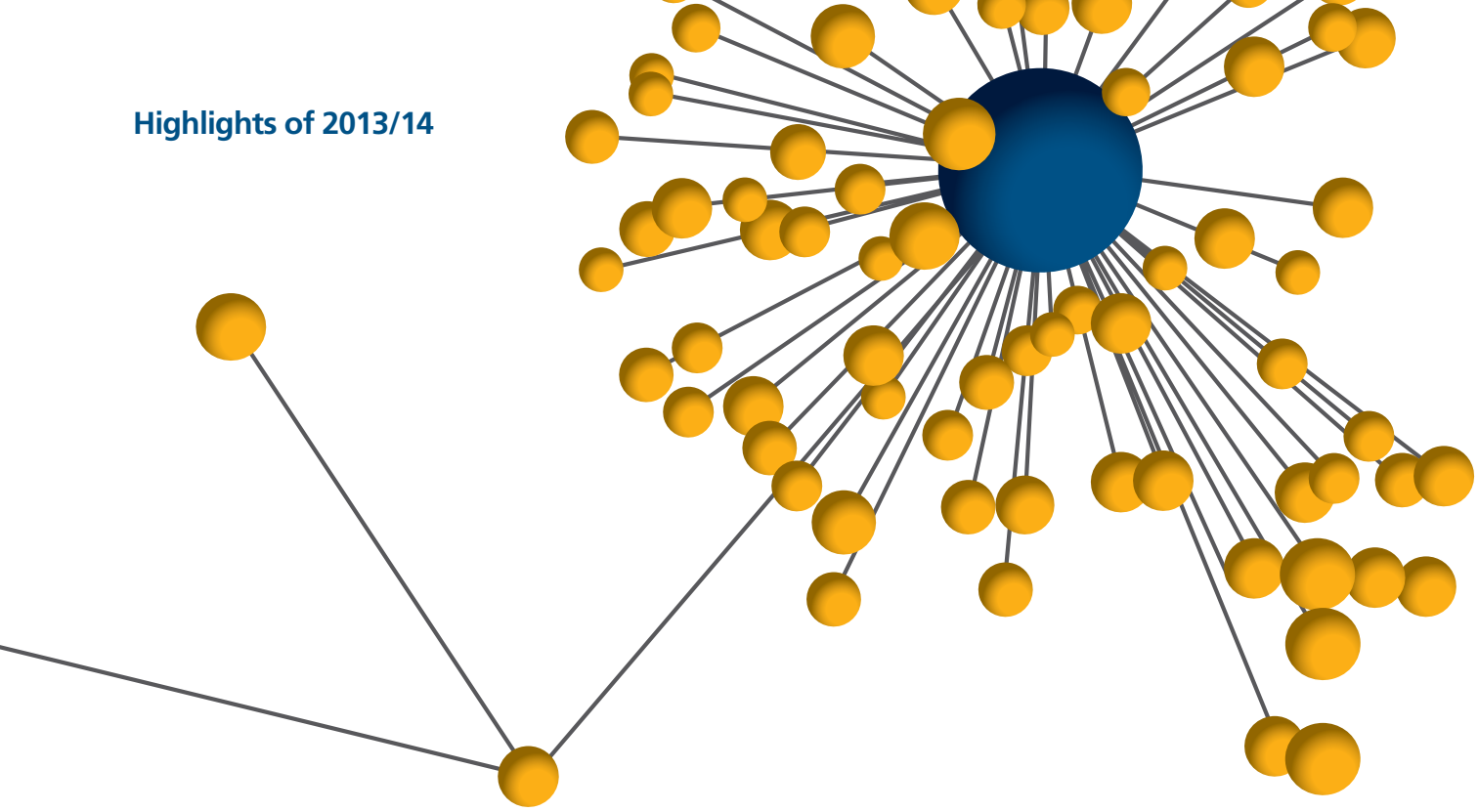


e-Therapeutics has discovered potential new drug therapies for a variety of diseases. The Company is advancing the most promising of these drugs through clinical trials. At the same time, it is applying its network pharmacology platform to discover further new drug candidates, with a particular focus on cancer and degenerative diseases of the nervous system.

Our approach

Cells contain many different proteins that interact to form complex networks. These networks are vital to normal function and also play a central role in disease. e-Therapeutics uses sophisticated computational techniques to analyse protein networks. Its scientists identify the whole set of proteins most critical in any particular disease. The team then seeks drug molecules with the best overall impact on this set of proteins. This approach is called network pharmacology. It differs from "conventional" drug discovery, which is based on targeting a single protein as specifically as possible. e-Therapeutics believes that, by accounting for the true complexity of disease at the outset, its approach has the potential to discover more effective drug treatments.

Highlights of 2013/14



Operational highlights

Positive interim results from lead cancer drug ETS2101

- Phase I trial in brain cancer, five dose escalation steps completed, no serious drug-related adverse events
- Phase I study with oral formulation commenced in healthy volunteers; completion expected Q4 2014*
- Temporary halt of recruitment to trial due to drug storage issues now reversed in both the UK and US*
- Positive interim results achieved from UK study in a variety of solid tumours; well tolerated, no further occurrence of dose-limiting fatigue and early evidence of possible retarding of tumour progression*

Progress and decisions on other programmes

- Commencement of phase IIb trial of ETS6103 in major depressive disorder
- Positive preclinical data for ETX1153c against *C. difficile*; search for development partner ongoing

Increased resource applied to drug discovery using network pharmacology

- Expansion of discovery and informatics capabilities in Oxford complete and operating fully
- A number of discovery projects have now entered *in vitro* testing

Financial highlights

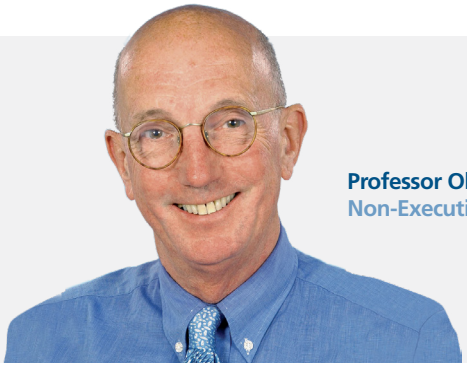
- Successful fundraising of £40 million (gross) with support from new and existing investors, providing runway through to 2019 to support multiple efficacy studies of ETS2101 and further build the pipeline
- Cash and liquid resources of £43.1 million at 31 January 2014 (31 January 2013: £9.8 million)
- Full year loss before tax of £6.1 million (FY 2013: loss of £5.0 million) as investment continues into discovery and development pipeline
- Appointment of new Finance Director, Steve Medlicott*

* Events after the 31 January 2014 year end

In this report

Substantial progress in clinical programmes and drug discovery

Our lead cancer drug ETS2101 has delivered encouraging initial trial results, while our other development and discovery activities show continued strong progress.



Professor Oliver James
Non-Executive Chairman

In summary

- Positive interim results from our lead cancer drug ETS2101
- ETS6103 starts phase IIb trial
- Increased resource applied to drug discovery
- Major fundraising supports R&D into 2019

Overview of the year

e-Therapeutics' business has been built around its proprietary platform technology in network pharmacology, an innovative approach to drug discovery that has been pioneered by the team, led by Professor Malcolm Young. The focus for the Company's drug discovery in recent years has been cancer and central nervous system disorders.

We are presently developing two drug molecules, ETS2101 and ETS6103, through clinical trials. During the year, our leading cancer drug candidate, ETS2101, continued to make progress in two phase I trials. We also began the phase IIb trial of our major depressive disorder candidate, ETS6103. We are proud of the fact that, albeit a small company, we are currently running four clinical trials to develop these products further.

Financially, in March 2013, the Company raised £40 million (£38.9 million net of expenses) in a share placing to existing and new investors, significantly strengthening our balance sheet. The funds will be used to support the advancement of our compounds independently into phase II clinical testing and to further invest in drug discovery and development. The Board believes the Company is now funded through to 2019, past several potentially important value inflections.

Operationally, the Network Pharmacology Centre near Oxford has expanded its team of scientists and drug development specialists. We are now well placed to broaden the portfolio through the discovery of new drug candidates and to continue the development of our existing clinical candidates.

Overall, significant progress has been made this financial year, clinically, operationally and financially, and the Board remains optimistic with regard to further positive developments over the coming year.

The network pharmacology approach to drug discovery

The intention of network pharmacology is to be more realistic about what happens when a drug molecule is in the body than the "magic bullet" idea that has motivated much drug discovery for many decades. Network pharmacology uses advances in two sciences, network science and chemical biology, as a basis for drug discovery. At e-Therapeutics, we use network science to examine more realistically the very large biological networks that underlie disease processes. We use information from chemical biology, of the extensive interactions that drug molecules have with the many proteins that make up these networks, more realistically to design and select drug molecules that should be effective in the disease. We believe that increased realism will lead directly to an increased probability that the drugs that we select in this way will be safe, efficacious and valuable.

The most important differentiator of our approach is that we focus on drugs that will have a multiple impact on disease networks; traditional drug discovery has tended to emphasise the impact of a molecule at a single protein target. When the Company began, its motivating ideas – the complexity of the networks that mediate normal and diseased function; the necessity of making multiple interventions with a drug molecule in order to affect these robust networks beneficially; and drug molecules affecting many proteins in these networks by binding promiscuity and pleiotropy – were all very far from the consensus in drug discovery activities around the world. However, there is little doubt that these principles have been borne out subsequently by science that we, and laboratories unconnected to the Company, have carried out in the intervening time. This newer approach to drug discovery, and applications of network analysis in many other areas, are now becoming widespread, and we continue our strategy of consolidating our intellectual property position in these areas.

Clinical highlights

ETS2101 makes progress in trials

The cancer drug candidate, ETS2101, targets cancer cells' ability to resist their own self-destruct mechanisms. "Apoptosis" is the process of programmed cell death that is present in all cells, but has been switched off in malfunctioning cancer cells. ETS2101 has been in two phase I studies during the year:

- brain cancer – an investigator-led trial taking place at the University of California San Diego Moores Cancer Center, in La Jolla, California; and
- solid tumours – a Company-sponsored study that is enrolling patients with a variety of solid tumours at hospitals in Newcastle, Leeds and Glasgow, UK.

Both trials have a dose-escalating design, in which successive groups of patients receive increasing doses of ETS2101. The aim is to establish an appropriate dose for phase II development, assess safety and tolerability and identify any initial signs of anti-cancer activity.

In January 2014, we announced the continuation of the brain cancer trials in the USA. To date, five dose escalation steps have been completed with 15 patients at doses of up to 24mg/kg body weight without any serious adverse events related to the drug. No objective tumour responses have been reported based on the Response Assessment in Neuro-Oncology (RANO) Working Group criteria. There was a temporary halt of recruitment later in January, in both the UK and USA trials, due to drug supply issues which were traced to be due to a formulation and storage issue which can be overcome by revised handling. This revised approach has been approved by both the US Food and Drug Administration (FDA) and the UK Medicines and Healthcare Products Regulatory Agency (MHRA). This has had no impact on the patients on study. UK recruitment resumed in March 2014 following MHRA approval, and we announced on 8 May 2014 that US recruitment had resumed following approval from the FDA.

Post year end, in February 2014, a further phase I study started with an oral formulation of ETS2101 in healthy volunteers. This phase I study will also employ escalating doses of ETS2101 given orally to evaluate the pharmacokinetics (PK) and oral bioavailability of ETS2101 in this form. The trial, which is being conducted in the UK, is expected to recruit 24 healthy volunteers and is anticipated to complete in Q4 2014.

In March 2014, we announced positive interim results from the UK solid tumour study. 23 patients completed treatment at doses of up to 22mg/kg body weight without any serious adverse events related to the drug. There had been no further occurrence of dose-limiting fatigue (this had been experienced by one patient in an earlier cohort on a low dose) and we were encouraged by evidence that tumour progression may be being retarded by the drug at these doses.

Since neither of the phase I trials have yet identified a maximum tolerated dose (MTD), they are to be extended by adding more cohorts at higher doses. Further data is expected from these trials later this year and, provided these results are supportive, the plan is to move rapidly into the next phase of clinical development. Initially, this will include a phase Ib/II trial in four to six specific cancer indications. These studies are intended to clarify the most susceptible cancer types to ETS2101, and it is further intended to begin a randomised phase II programme in the second half of 2015.

e-Therapeutics remains on track to complete a programme of efficacy trials in time to conclude one or more licensing deals by 2018, should the data be supportive. ETS2101 represents a significant commercial opportunity because evidence to date suggests that it could address unmet needs in multiple high-value oncology market segments. For this reason, ETS2101 is, at present, the most promising candidate to deliver material value for our shareholders.

ETS6103 begins phase IIb trial

ETS6103 is aimed at patients suffering from severe depression. The phase IIb trial is evaluating ETS6103 as a second-line therapy for patients who have not responded adequately to first-line treatment with an SSRI (selective serotonin reuptake inhibitor). The trial is also designed to show whether ETS6103 shows antidepressant activity "non-inferior" to amitriptyline.

In October 2013, the phase IIb trial of ETS6103 started in major depressive disorder in a group of primary care centres in Glasgow, UK. The trial is a randomised, double-blind, controlled study that builds on an earlier, small phase IIa study that produced encouraging results with ETS6103 in comparison with the approved tricyclic anti-depressant amitriptyline. Safety, and a number of secondary efficacy measures, will also be assessed.

Patients are enrolled prior to first-line treatment so that treatment can be standardised. Each patient is then given the standard treatment, citalopram. Those patients with significant depressive symptoms remaining after six weeks on citalopram enter the randomised phase of the study. Approximately 160 patients will be randomised. In the event that the two ETS6103 dose regimens have antidepressant activity, non-inferior to that of amitriptyline, we believe that the drug could offer an attractive alternative second-line treatment due to reduced side effects when compared to existing treatment.

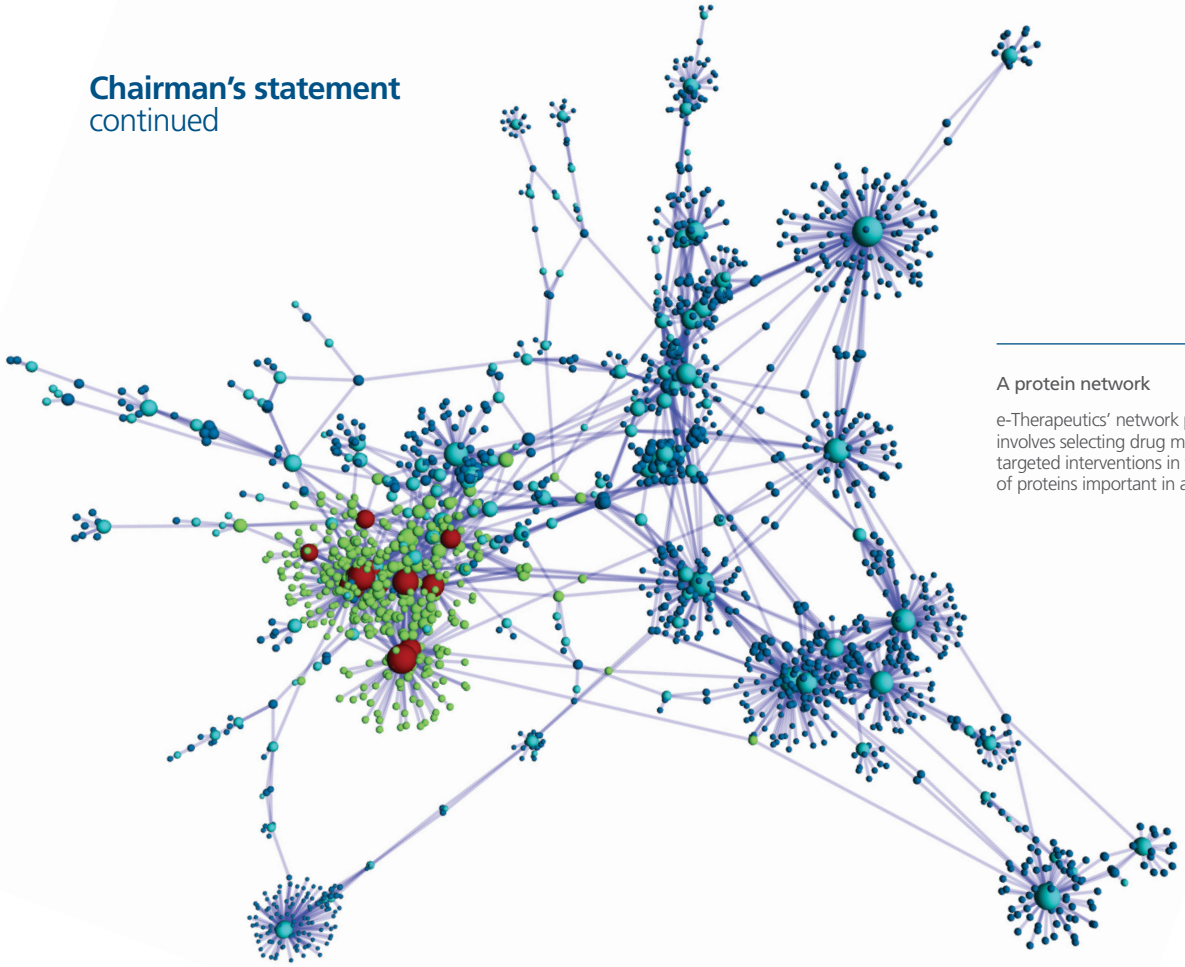
The results of the trial are expected in the first half of 2015 and if these are positive, the strategy is to seek a licensing deal for the drug.

ETS6103 is seen as a smaller commercial opportunity than ETS2101, but one that justifies the further limited investment needed to complete the proof-of-concept trial described above.

Notes

About the RANO criteria used to assess tumour responses

The RANO (Response Assessment in Neuro-Oncology) criteria incorporate information from radiographic scans and neurological examinations and also take account of patients' Karnofsky Performance Status and steroid use. If other measures are satisfied, tumour responses are classified as "complete" if there is total disappearance of lesions or "partial" if there is at least a 50% reduction in the size of all measurable lesions for at least four weeks; for some brain tumour types not including high-grade gliomas or brain metastases 25–50% reductions are classified as "minor responses".



A protein network

e-Therapeutics' network pharmacology approach involves selecting drug molecules that make multiple targeted interventions in the complex network of proteins important in a disease.

Clinical highlights continued

ETX1153c options continue to be evaluated

This product is an anti-infective candidate against *Clostridium difficile (C. difficile)*, combining two constituents, miconazole and nisin. These two constituents have been shown to work together effectively against all *C. difficile* strains tested, including the most resistant strains. Extensive testing of this candidate suggests that it is very hard for the bacteria to generate any resistance to the drug, but at the interim results in October 2013 we announced that we would not continue unilateral clinical development due to the cost of further development compared to the likely small size of the market niche for a new antibiotic. We continue to evaluate our options with this product.

Drug discovery research progress continues

Our team of drug discovery scientists is engaged in searching for new drug candidates, primarily in complex diseases in which we believe our platform has particular strengths. Drug candidates are assessed against clinical, commercial and technical criteria before proceeding to subsequent stages of research.

During the year the Oxford facility made significant progress in the three areas of discovery, namely disease network construction, disease network analysis and compound discovery. This has improved both the breadth and depth of the platform. It is difficult to articulate the extent of the work that has been achieved over the last twelve months; ultimately the outside measure of this will be the quality of new drug candidates. In this context, a number of new discovery projects are now in the *in vitro* testing stage.

We also continue to invest in improvements to our discovery platform, and in building additional intellectual property protection. Further patents have been granted in Europe during the period. We also remain active in exploring opportunities to collaborate with other companies on discovery programmes. The aim of this continued focus on discovery is to establish a portfolio of product assets of the highest quality that can be developed utilising funds generated from licensing deals.

Financial review: increased R&D spend in line with clinical programmes, supported by significant inward investment

The share placing completed in March 2013 provided the Company with £40.0 million (£38.9 million net of expenses) in cash to support drug discovery and development. Our operating expenditure increased from £5.2 million last year to £6.7 million, with Research and Development expenditure increasing by approximately 30% on the year ended 31 January 2013. We had no revenues in the period (2013: £nil), but recognition of R&D tax credits of £1.1 million (2013: £0.8 million) and net interest income of £0.6 million (2013: £0.2 million) reduced our net loss after tax to £5.0 million (2013: £4.2 million). Our latest forecasts, including the impact of the recent welcome changes to the R&D tax credit regime, indicate that our cash resources will now last into 2019.

At 31 January 2014, we had cash and short-term investments of £43.1 million (31 January 2013: £9.8 million); this figure excludes the anticipated R&D tax credit receipt of £1.1 million.

Organisational changes

In April 2014, Steve Medlicott was appointed to the Board as Finance Director. Steve is a chartered accountant and has over 20 years' experience in the UK equity market. He advised on and has been instrumental in many IPOs, share placings and M&A transactions; this includes advising e-Therapeutics in support of its March 2013 fundraising. We look forward to benefiting from his knowledge and experience to generate value for shareholders. He replaces Daniel Elger, who left the Company in April 2014. On behalf of the Board, I would like to thank Daniel for his contribution to the Company and wish him well for the future.

The Board greatly appreciates the continued support of the shareholders and looks forward to updating them on the progress of the clinical and discovery programmes in the coming year.

Professor Oliver James
Chairman
23 May 2014

Board of Directors

Professor Oliver James
Non-Executive Chairman

Oliver, 70, has served as Senior Medical Advisor to the Penrose Inquiry since 2009 and is Chair of Health Education North East. He was a non-executive director of BUPA from 1999 until 2007 and of Goldsborough Health Care plc from its flotation on the main market in 1995 until it was acquired by BUPA in 1997.

Oliver qualified as a physician in 1975 and practised until 2004 when he became head of the medical faculty at Newcastle University. He was Senior Vice-President of the Royal College of Physicians from 1997 to 1999 and has also been a member of a number of medically related national and government boards and committees. Oliver joined the Company as Non-Executive Chairman in November 2007.

Professor Malcolm Young
Chief Executive Officer

Malcolm, 53, is a scientist by background. He has been Director of the Complex Systems Group, Director of the Institute for Neuroscience, Provost of the Faculty of Science, Agriculture and Engineering and Pro-Vice Chancellor for Strategic Development at Newcastle University, after having been a Royal Society Research Fellow at the RIKEN Institute in Japan and at Oxford University. The main goals of his research have been to understand how biological function arises from structural aspects of complex biological systems.

Malcolm is one of 18 scientists worldwide nominated by the Sunday Times in 1999 as the "Brains behind the 21st Century". His scientific experience and expertise is now dedicated to discovering and developing new medicines at e-Therapeutics. Malcolm founded the Company and has led its development since. He was awarded Innovation Entrepreneur of the Year by Ernst and Young for the North and Midlands in June 2010. Malcolm is a director of Lisles Research Limited and a non-executive director of Novotech Investment Limited and of Searchbolt Limited.

Mr Steven Medlicott
Finance Director

Steve, 49, joined e-Therapeutics' management team in April 2014, having previously advised the Company in its £40m fundraising in 2013. He is a Chartered Accountant and has previously taken the role of Director responsible for Finance at Waste2Tricity.

Steve has worked in the UK equity market for over 20 years and has been involved in numerous IPOs, acquisitions and corporate transactions. He has held various roles within Altium Capital, N+1 Singer and Peel Hunt. He co-founded Blueprint Advisors in 2012.

Mr Stephen Self
Development Director

Steve, 58, began his career in chemistry in 1975 with The Wellcome Foundation. He held positions in both Research and Development and Operations before being appointed as a full time project manager in Wellcome Research in 1987. He became Head of Project Management in 1991 and was appointed Group Vice-President for Project Management in 1993.

Steve joined Boots Healthcare International in 1995 as Head of Respiratory and Analgesic product development, before joining Merck Generics in 1997 as European Technical Director. He was appointed as Merck Generic Group's Research and Development Director in 1999 and stayed with Merck until the sale of the company to Mylan in 2007. He then worked for a private equity bank on major US pharmaceutical acquisitions before joining e-Therapeutics to drive the Company's clinical development activities in December 2010.

Mr Brad Hoy
Non-Executive Director

Brad, 51, has over 20 years' commercial experience in the pharmaceutical and biotechnology industries gained through financial and general management roles in the UK and US.

Brad is Director and co-founder of Seven Hills Venture Partners Limited, a life sciences advisory firm based in Edinburgh. Previously Brad was Chief Financial Officer of Plethora Solutions Holdings plc, an AIM-listed speciality pharmaceutical company; Chief Executive Officer of Xcellsyz Limited, a UK venture capital-backed life science company; and Senior Director of Geron Corporation's stem cell-focused UK subsidiary. Prior to co-founding Seven Hills, Brad was Chief Financial Officer at Cyclacel Limited, a UK oncology company, and he held senior financial management positions at ChiRex Inc., a US-based pharmaceutical CMO. Brad is a Chartered Management Accountant. He was appointed as a Non-Executive Director of e-Therapeutics in September 2008.

Dr Rajesh Chopra
Non-Executive Director

Rajesh, 53, is a clinician and scientist by training and has since 2009 been Vice-President of Translational and Early Drug Development at Celgene Corporation. He leads a group of around 100 people working to integrate drug discovery and clinical development at Celgene sites in San Diego and San Francisco, CA, Summit, NJ, and Seville, Spain. Rajesh has extensive experience of all phases of drug development, in drug portfolio management, including acquisition of new assets, and of dealing with regulators and government agencies.

Before joining Celgene, Rajesh spent five years at AstraZeneca in the US and the UK, culminating in the role of Medical Science Director, Senior Principal Scientist and Disease Area Team Leader for blood cancers. He also has a distinguished track record as a clinician, academic and scientist in the UK, including seven years as Clinical Director of the Department of Haematological Oncology at the Christie Hospital, Manchester. Rajesh holds a BSc and an MBBS from University College and Middlesex School of Medicine, University of London and a PhD from the University of London. He is a Fellow of both the Royal College of Physicians and the Royal College of Pathologists in the UK. Rajesh was appointed as a Non-Executive Director of e-Therapeutics in February 2012.

Strategy and business model

The Group's business strategy is to develop promising drug candidates through early and mid-clinical phases to "clinical proof of concept", and to license them to an industry partner for late stage development and commercialisation. We expect this approach to generate revenues in the form of upfront payments, progress-based milestone payments and royalties on sales. e-Therapeutics may also enter into strategic discovery collaborations with selected organisations.

Following this strategy is expected to result in continuing losses until revenues from these sources exceed investment in R&D. However, as a result of the Company's March 2013 placing, the Board expects to be able to support all its discovery and development plans into 2019 even in the absence of any income from partners.

During this period we plan to complete mid-stage trials of our lead cancer drug ETS2101 and to conclude a licensing deal for the product if the clinical data are supportive. We also expect to add new candidates to our pipeline and advance a small number of the best of these through preclinical and early clinical development, giving e-Therapeutics a broader portfolio in which risk is diversified and with multiple sources of potential upside.

Business review

The Group's results for the year are set out in the consolidated income statement on page 15. A review of the Group's performance during the year, together with its position at the end of the year, is given in the Chairman's statement.

Principal risks and uncertainties

The principal risks faced by the Group, and the actions taken to mitigate them, are shown in the table below.

Risk	Description	Principal mitigation
Intellectual property	In common with other companies engaged in drug discovery, the Group faces the risk that intellectual property rights necessary to exploit its Research and Development efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete, preventing commercial exploitation.	The Group actively manages its intellectual property (IP) engaging with specialists to apply for and defend IP rights in appropriate territories. The Group's patent portfolio is reviewed regularly.
Research and Development	The Group may not generate further attractive drug candidates and candidates already in development may fail in preclinical testing or clinical trials because of lack of efficacy, unacceptable side effects or insurmountable challenges in conducting studies adequate to support regulatory approvals. Practical issues, such as inability to devise acceptable formulations for products or inability to manufacture products at acceptable cost, may also lead to failure of candidates in development.	The Group's drug discovery activity is designed to generate multiple candidates. In deciding which of these candidates to advance to preclinical testing and human clinical trials the Group considers a range of factors including technical, IP, commercial, medical, economic and financial, where appropriate seeking advice from relevant experts.
Regulatory	Drug development is a highly regulated activity governed by different regulatory authorities in different jurisdictions. It can be difficult to predict the exact requirements of different regulatory bodies and decisions by regulators may lead to delays in development and approval of drugs or lack of marketing authorisations in some or all territories.	The Group's drug development team includes specialists in regulatory affairs who consult with other experts to ensure that internal control processes and clinical trial design meet current regulatory requirements. The Group also engages directly with regulatory authorities when appropriate.
Technology	The Group's technology platform and its individual programmes may be superseded by direct competitors.	The Group has pioneered the development of network pharmacology as a method of drug discovery and pursues a process of continuous improvement and development of its technology platform. The Group maintains a portfolio of drug development assets to minimise the impact of individual assets being superseded.

Risk	Description	Principal mitigation
Commercial and economic	The Group may be unable to license its products to partners or may not be able to execute licensing deals that provide significant revenues. Development of alternative technologies or products may undermine the Group's capacity to generate revenue flowing from commercialisation of its assets. If the Group's drugs are commercialised, they may not generate significant revenues if their use and sale is restricted by regulators or by failure of healthcare payors to provide adequate reimbursement of drug costs.	In order to maximise the likelihood of entering into attractive licensing deals, the Group aims to ensure that potential licensors are appraised of candidates' progress in clinical trials. The commercial prospects of each drug discovery or development programme are reviewed on a regular basis. The Group consults with clinical and scientific experts to assess the potential impact of competing products and technologies or changes in the economic landscape pertaining to specific disease indications.
Financial	The successful development of the Group's assets requires financial investment which can come from revenues, commercial partners or investors. Failure to generate additional funding from these sources may compromise the Group's ability to execute its business plans or to continue in business.	The Group has successfully engaged with investors to generate significant cash resources, which are considered sufficient to fund current plans for the clinical development of ETS2101 and ETS6103, the generation of new drug candidates using the Group's technology platform, and the advancement of a number of these candidates to preclinical testing and clinical development. The Group operates robust controls over expenditure including detailed budgeting and authorisation of individual orders.
Operational	The Group may not be able to recruit and retain appropriately qualified staff. Facilities and other resources may become unavailable.	The Group's recruitment processes are tailored to identify and attract the best candidates for specific roles. The Group aims to provide competitive rewards and incentives to staff and directors, and benchmarks the level of benefits provided to its people against similar companies. The Group maintains appropriate types and levels of insurance cover and has business continuity and disaster recovery plans in place.

Key performance indicators

The Directors consider cash resources (Notes 13 and 14) and Research and Development spend (Note 2) to be the Group's financial key performance indicators (KPIs) at this stage of its development. The Directors consider that the most important non-financial KPIs for the Group at this stage are the number and nature of outputs from its discovery platform, the number of drugs progressing from discovery to development and the progress made by drugs through development. These are discussed in the Chairman's statement.

Future developments

The Group has a sound financial base following the 2013 fundraising, which it is using to continue to support its current discovery and development efforts and potentially add new opportunities to its pipeline. Further clinical data from the phase I trials of ETS2101 are expected later this year, following which the programme of efficacy trials can start. Meanwhile, the results of the phase IIb trial of ETS6103 will be available in 2015.

Approved by the Board and signed on its behalf by

Professor Oliver James
Chairman
23 May 2014

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 January 2014.

Directors

The Directors of the Company at the end of the year, and their interests (in respect of which transactions are notifiable to the Company under Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of the Company, were as follows:

Director	**Ordinary shares of 0.1 pence each at 31 January 2014**	Ordinary shares of 0.1 pence each at 1 February 2013
Malcolm Young[1]	**20,644,958**	20,640,482
Stephen Self	**273,577**	253,577
Daniel Elger	**30,000**	15,000
Oliver James	**126,416**	110,500
Brad Hoy	**—**	8,500
Rajesh Chopra	**19,063**	8,122

[1] Malcolm Young's interest included nil (2013: 10,310,241) shares held by his wife, Mrs D Young. In the prior year, Professor Young held a further 403,148 shares in the Company indirectly through interests in Novotech Investment Limited and Novotech Syndicate LLP.

During the period between 31 January 2014 and 12 May 2014, the Company received no notifications under Disclosure and Transparency Rule 3.1.2R.

Biographical details of the Directors are given on page 5. Daniel Elger resigned and Steve Medlicott was appointed on 7 April 2014.

Details of Directors' remuneration and their rights to subscribe for shares in the Company are disclosed in Note 4. Remuneration arrangements for Executive Directors are set by the Board's remuneration committee, which is described in the corporate governance statement on page 12. Remuneration is designed to align Executive Directors' remuneration with shareholders' interests. As well as fixed compensation, Directors and other employees can receive cash bonuses based on achievement of individual and corporate objectives. The maximum bonus for each Director is 50% of basic salary, with half of the award dependent on the Company's achievement of its corporate objectives for the year and half dependent on the Director's achievement of personal objectives. The Board agrees corporate objectives for the year and at the end of the year reviews the extent to which these have been achieved. The CEO assesses the individual performance of each of the other Directors and the Chairman assesses the performance of the CEO. In all cases, following these processes, the remuneration committee decides the bonuses to be awarded.

The Company operates a share scheme (the e-Therapeutics Performance Share Plan 2013) under which Directors and other employees have received options to acquire ordinary shares in the Company subject to fixed performance conditions. Details of the options outstanding under this and previously operated share schemes are set out in Note 16 to the accounts.

Research and Development

The Group continues to invest in discovery research conducted in-house and in drug development activities, aspects of which are outsourced when appropriate.

Political donations

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

Financial instruments and financial risk management

The financial risks faced by the Group, and its policy towards these risks, are set out in Note 18 to the accounts.

Proposed dividend

The Directors do not recommend the payment of a dividend (2013: £nil).

Employees

The Group provides equal opportunities to all staff and employees and recruits the most suitably qualified person for each position. Full and fair consideration is given to applications for employment from disabled people.

Health and safety

The Directors are committed to high standards of health and safety at work. No significant incidents have been recorded during the period.

Major shareholdings

On 12 May 2014 the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1 pence each Number	%
Invesco Asset Management	102,724,060	38.9
Aviva Investors Global Services	41,926,156	15.9
Woodford Asset Management	28,607,479	10.8
Professor Malcolm Young	20,644,958	7.8
Henderson Global Investors	17,539,408	6.7
Octopus Group	11,097,658	4.2

During the period between 31 January 2014 and 12 May 2014, the Company received a number of notifications under Disclosure and Transparency Rule 5, all of which have been published individually via a Regulatory Information Service and are available on the Company's website. The parties with holdings in the Company exceeding 3% of its issued ordinary shares remain unchanged since the year end with the exception of Woodford Asset Management, which had no shares at the year end.

Significant contracts

The Company had no contracts that the Directors consider to be so significant as to require separate disclosure.

Articles of association and capital structure

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 or by writing to the Company Secretary.

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 shareholders carrying special rights with regard to the control of the Company.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

In accordance with section 489 of the Companies Act 2006, and following the audit tender process described in the corporate governance statement, a resolution for the appointment of Deloitte LLP as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting (AGM).

Going concern

After making detailed enquiries, which are summarised in Note 1 to the financial statements, the Board has a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future and accordingly continues to prepare the financial statements on a going concern basis.

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.

Post-balance sheet events

There were no material post-balance sheet events requiring disclosure in the financial statements.

Annual General Meeting
At the AGM, the following resolutions will be proposed:

Resolution 1: Report and accounts
The Directors must present their report and the annual accounts to the meeting. This gives shareholders the opportunity to ask questions on the content before voting on the resolution.

Resolutions 2, 3 and 4: Directors
The Company's articles of association require Directors to retire and submit themselves for election at the first AGM following their appointment and for re-election at least every three years thereafter. The Directors who retire at each AGM are those who would otherwise have served for over three years without re-election by the date of the following AGM. Resolution 2 proposes that Steve Medlicott be elected following his appointment in April 2014. Steve Self was elected and Brad Hoy last re-elected in September 2011, and will accordingly retire and submit themselves for re-election at the AGM.

Resolution 5: Appointment of the Auditor
An ordinary resolution will be proposed to appoint Deloitte LLP as the Company's Auditor to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 6: Remuneration of the Auditor
An ordinary resolution will be proposed to authorise the Directors to determine the remuneration payable to the Auditor.

Resolution 7: Directors' authority to allot shares
This resolution seeks shareholder approval for the Directors to be authorised to allot shares. Under the provisions of section 551 of the Companies Act 2006, the Directors are not permitted to allot shares unless authorised to do so by the shareholders. This Act provides for such authority to be granted either by the Company in general meeting or by the articles of association and in both cases such authority must be renewed at least every five years. Notwithstanding the statutory provisions, in accordance with institutional best practice, it is the present intention of the Board to seek a similar authority each year.

At the previous AGM of the Company held on 25 July 2013, the Directors were given authority to allot ordinary shares in the capital of the Company up to approximately 70% of the Company's then issued ordinary share capital. The Directors consider it appropriate that this authority be renewed and seek authority to allot shares in the capital of the Company up to a maximum nominal amount of £184,717.01, representing 70% of the Company's issued ordinary share capital as at 12 May 2014. This power will last until the conclusion of the next AGM of the Company in 2015. The Directors have no present intention of exercising this authority.

Resolution 8: Directors' power to disapply pre-emption rights
This resolution, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company proposed by resolution 7.

Section 561 of the Companies Act 2006 requires a company proposing to allot equity securities (which includes selling shares held in treasury) to offer them first to existing shareholders in proportion to their existing shareholdings. Equity securities includes ordinary shares (the only class of share capital the Company has at present) but does not include shares issued under employee share schemes. If resolution 8 is passed, the requirement imposed by section 561 will not apply to allotments by the Directors in the specific cases referred to in the resolution and also in the following cases:

1. in connection with a rights (or similar) issue, where strict application of the principle in section 561 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of local, legal or regulatory requirements in any given overseas jurisdiction; and
2. allotments of shares for cash up to a total nominal value of £52,776.28 (representing 20% of the Company's issued share capital at 12 May 2014).

This authority will expire at the conclusion of the next AGM or, if earlier, 15 months after the date of the resolution, except in so far as commitments to allot shares have been entered into before that date. It is the present intention of the Directors to seek a similar authority annually.

The Directors believe that this resolution together with resolution 7 will provide the Company with flexibility to take advantage of business opportunities that may arise.

Professor Oliver James
Chairman
23 May 2014

Statement of Directors' responsibilities

In respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Malcolm Young
Chief Executive Officer
23 May 2014

Steven Medlicott
Finance Director

Corporate governance statement

The rules relating to securities traded on the London Stock Exchange's AIM do not require AIM companies to report in accordance with the Combined Code. However, the Board believes in the principles of good corporate governance and is committed to applying the highest principles commensurate with its size.

Board of Directors

The Company has a Board of six Directors, three of whom are Non-Executive. The Board is responsible to shareholders for the effective stewardship of the Company's affairs and has a formal schedule of matters specifically reserved for its decision which include:

- consideration of long-term strategic issues;
- financial and budgeting decisions and control; and
- ensuring the Company's compliance with good practice in corporate governance matters.

A brief biographical summary of each Director is given on page 5.

The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda and has no involvement in the day-to-day business of the Company. 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.

The Company Secretary has administrative responsibility for the meetings of the Board and its committees and is responsible for advising the Board through the Chairman on all governance matters. All of the Directors have access to the advice and services of the Company Secretary. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

The Company's articles of association and the schedule of matters reserved to the Board for decision provide that the appointment and removal of the Company Secretary is a matter for the Board.

Independence of Directors

The Board currently comprises the Chairman, who is an independent Non-Executive Director, three Executive Directors and two further independent Non-Executive Directors. The independent Non-Executive Directors, Oliver James, Brad Hoy and Rajesh Chopra, constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient calibre that their views carry significant weight in the Board's decision making.

The Board considers Oliver James, Brad Hoy and Rajesh Chopra to be 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 not received remuneration other than a Director's fee and the options awarded to them*;
- 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.

* During the year Brad Hoy assisted with the preparation of a grant application and received additional remuneration of £10,875, this being equivalent to the terms that prevail in arm's-length transactions. The nature and scale of this work is such that it is not considered to compromise Mr Hoy's independence.

Professional development

On appointment, the Directors take part in an induction programme through which they receive information about the Group, the role of the Board and the matters reserved for its decision, the terms of reference and membership of the principal Board and management committees, the powers delegated to those committees, the Group's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. This is supplemented by meetings with other senior executives.

Throughout their period in office the Directors are continually 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 executives. Directors are also advised on appointment of their legal and other duties and obligations as a Director of a listed company, both in writing and in face-to-face meetings with the Company Secretary. They are reminded of these duties each year and they are also updated on changes to the legal and governance requirements of the Group and upon themselves as Directors.

Re-election

In accordance with the 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.

Board committees

The Board has appointed two standing committees to make recommendations to the Board in specific areas, as follows:

Audit committee

The audit committee comprises three Non-Executive Directors, Oliver James, Brad Hoy and Rajesh Chopra. The committee is chaired by Brad Hoy. The Board considers that the members of the committee are independent Non-Executives.

The audit committee's terms of reference include the following roles and responsibilities:

- reviewing and making recommendations to the Board in relation to the Company's published financial statements and other formal announcements relating to the Company's financial performance;
- reviewing and making recommendations to the Board in relation to the Group's internal control (including internal financial control) and risk management systems;
- periodically considering the need for an internal audit function;
- making recommendations to the Board in relation to the appointment, reappointment and removal of the external Auditor and approving the remuneration and terms of engagement of the external Auditor;
- reviewing and monitoring the external Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the extent to which the external Auditor is engaged to supply non-audit services; and
- ensuring that arrangements are in place for the investigation and follow-up of any concerns raised confidentially by staff in relation to the propriety of financial reporting or other matters.

The terms of reference are reviewed annually and are available on request from the Company Secretary. The audit committee meets at least twice a year and has direct access to the Company's external Auditor, KPMG Audit plc.

The Company does not have an independent internal audit function as it is not currently deemed appropriate given the size of the Company and the nature of the Company's business.

Audit tender process

During the year the audit committee decided to retender the external audit of the Group and Company. This decision was motivated by the committee's wish to pursue good corporate governance practice, and not any dissatisfaction with the incumbent external Auditor, KPMG Audit plc. KPMG Audit plc has audited the company since 2007 and there has not been a tender process in that time. The process was carried out over several months, culminating in tenders being received from three audit firms in early May 2014. After careful consideration of the three bids, the audit committee recommended that Deloitte LLP be appointed as external Auditor from the year ending 31 January 2015.

Remuneration committee

The remuneration committee comprises three Non-Executive Directors, Oliver James, Brad Hoy and Rajesh Chopra. The committee is chaired by Oliver James. The Board considers that the members of the committee are independent Non-Executives.

The remuneration committee is responsible for approving:

- the remuneration of the Executive Directors, having regard to their performance;
- details of service contracts, pension arrangements and other terms and conditions on which Executive Directors are employed; and
- incentive bonus schemes and the allocation of share options and other long-term incentives to Executive Directors and other employees.

The committee normally meets twice a year to consider all aspects of remuneration of the Executive Directors. The committee is directly accountable to shareholders. As Chairman of the committee, Oliver James will be available at the AGM to answer questions about the remuneration of the Executive Directors.

Investor relations

The Board recognises the value of maintaining regular communications with shareholders. Formal reports are sent to shareholders following the year end and an opportunity is given at the AGM to question the Board. Enquiries from shareholders are welcome at all times. Proxy voting figures for each resolution are announced at the AGM.

Internal controls

The Directors have overall responsibility for ensuring that there are in place systems of internal control, both financial and non-financial, and for reviewing their effectiveness. The purpose of the internal financial controls is to ensure that proper accounting records are maintained, the Company's assets are safeguarded and the financial information used within the business and for publication is accurate and reliable; such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The Board regularly reviews financial performance and results.

The Directors confirm that by means of the procedures set out above, and in accordance with "Internal Controls: Guidance for Directors on the Combined Code", published by the Institute of Chartered Accountants in England and Wales, they have established a continuing process for identifying, evaluating and managing the significant potential risks faced by the Company and have reviewed the effectiveness of the internal control systems. This process has been in place throughout and subsequent to the accounting period under review.

By order of the Board

Professor Oliver James
Chairman
23 May 2014

Independent Auditor's report

To the members of e-Therapeutics plc

We have audited the financial statements of e-Therapeutics plc for the year ended 31 January 2014, set out on pages 15 to 34. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of Directors and Auditor

As explained more fully in the statement of Directors' responsibilities set out on page 11, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2014 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 EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG Audit plc, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom
23 May 2014

Consolidated income statement

For the year ended 31 January 2014

	Notes	2014 £000	2013 £000
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Research and Development expenditure		(5,367)	(4,093)
Administrative expenses		(1,352)	(1,154)
Operating loss	2	(6,719)	(5,247)
Financial income	5	617	223
Financial expenses		—	—
Loss before tax		(6,102)	(5,024)
Taxation	6	1,063	846
Loss for the year attributable to equity holders of the Company		(5,039)	(4,178)
Loss per share – basic and diluted	8	(1.98)p	(3.02)p

Consolidated statement of comprehensive income

For the year ended 31 January 2014

	2014 £000	2013 £000
Loss for the financial year	(5,039)	(4,178)
Other comprehensive income	—	—
Total comprehensive income for the financial year	(5,039)	(4,178)

Consolidated statement of changes in equity

For the year ended 31 January 2014

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2012	138	25,552	132	(11,098)	14,724
Total comprehensive income for year					
Loss for the financial year	—	—	—	(4,178)	(4,178)
Total comprehensive income for year	—	—	—	(4,178)	(4,178)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Total contributions by and distribution to owners	—	15	—	19	34
As at 31 January 2013	**138**	**25,567**	**132**	**(15,257)**	**10,580**
As at 1 February 2013	138	25,567	132	(15,257)	10,580
Total comprehensive income for year					
Loss for the financial year	—	—	—	(5,039)	(5,039)
Total comprehensive income for year	—	—	—	(5,039)	(5,039)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	126	38,916	—	—	39,042
Equity-settled share-based payment transactions	—	—	—	35	35
Total contributions by and distribution to owners	126	38,916	—	35	39,077
As at 31 January 2014	**264**	**64,483**	**132**	**(20,261)**	**44,618**

Company statement of changes in equity

For the year ended 31 January 2014

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2012	138	25,552	132	(8,274)	17,548
Total comprehensive income for year					
Loss for the financial year	—	—	—	(4,178)	(4,178)
Total comprehensive income for year	—	—	—	(4,178)	(4,178)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Total contributions by and distribution to owners	—	15	—	19	34
As at 31 January 2013	**138**	**25,567**	**132**	**(12,433)**	**13,404**
As at 1 February 2013	138	25,567	132	(12,433)	13,404
Total comprehensive income for year					
Loss for the financial year	—	—	—	(5,039)	(5,039)
Total comprehensive income for year	—	—	—	(5,039)	(5,039)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	126	38,916	—	—	39,042
Equity-settled share-based payment transactions	—	—	—	35	35
Total contributions by and distribution to owners	126	38,916	—	35	39,077
As at 31 January 2014	**264**	**64,483**	**132**	**(17,437)**	**47,442**

Balance sheets

At 31 January 2014

	Notes	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Non-current assets					
Property, plant and equipment	9	**121**	150	**121**	150
Intangible assets	10	**496**	378	**3,320**	3,202
Investments	11	**—**	—	**—**	—
		617	528	**3,441**	3,352
Current assets					
Tax receivable		**1,077**	845	**1,077**	845
Trade and other receivables	12	**780**	320	**780**	320
Fixed-term deposits	13	**36,250**	5,550	**36,250**	5,550
Cash and cash equivalents	14	**6,897**	4,225	**6,897**	4,225
		45,004	10,940	**45,004**	10,940
Total assets		**45,621**	11,468	**48,445**	14,292
Current liabilities					
Trade and other payables	15	**1,003**	888	**1,003**	888
Total liabilities		**1,003**	888	**1,003**	888
Net assets		**44,618**	10,580	**47,442**	13,404
Equity					
Share capital	17	**264**	138	**264**	138
Share premium	17	**64,483**	25,567	**64,483**	25,567
Warrant reserve	17	**132**	132	**132**	132
Retained earnings	17	**(20,261)**	(15,257)	**(17,437)**	(12,433)
Total equity attributable to equity holders of the Company	17	**44,618**	10,580	**47,442**	13,404

These financial statements were approved by the Board of Directors on 23 May 2014 and were signed on its behalf by:

Malcolm Young
Director

Steven Medlicott
Director

Registered number: 4304473

Statements of cash flow

For the year ended 31 January 2014

	Notes	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Cash flows from operating activities					
Loss for the year		**(5,039)**	(4,178)	**(5,039)**	(4,178)
Adjustments for:					
Depreciation, amortisation and impairment	9, 10	**83**	194	**83**	194
Loss on disposal of fixed assets		**—**	1	**—**	1
Financial income	5	**(617)**	(223)	**(617)**	(223)
Equity-settled share-based payment expenses	16	**35**	19	**35**	19
Taxation		**(1,063)**	(846)	**(1,063)**	(846)
		(6,601)	(5,033)	**(6,601)**	(5,033)
Increase in trade and other receivables		**(64)**	(52)	**(64)**	(52)
Increase in trade and other payables		**115**	344	**115**	344
Tax received		**830**	578	**830**	578
Net cash from operating activities		**(5,720)**	(4,163)	**(5,720)**	(4,163)
Cash flows from investing activities					
Interest received		**222**	266	**222**	266
Acquisition of property, plant and equipment	9	**(22)**	(60)	**(22)**	(60)
Acquisition of other intangible assets	10	**(150)**	(189)	**(150)**	(189)
(Increase)/decrease in fixed-term deposits	13	**(30,700)**	2,200	**(30,700)**	2,200
Net cash from investing activities		**(30,650)**	2,217	**(30,650)**	2,217
Cash flows from financing activities					
Net proceeds from issue of share capital	17	**39,042**	15	**39,042**	15
Net cash from financing activities		**39,042**	15	**39,042**	15
Net increase/(decrease) in cash and cash equivalents		**2,672**	(1,931)	**2,672**	(1,931)
Cash and cash equivalents at 1 February		**4,225**	6,156	**4,225**	6,156
Cash and cash equivalents at 31 January	14	**6,897**	4,225	**6,897**	4,225

Notes (forming part of the financial statements)

1 Accounting policies

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

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

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with IFRSs as adopted by the EU. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Basis of preparation

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

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

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

Standards and interpretations applied for the first time

A number of new standards and interpretations have become effective for the first time in these financial statements, albeit with no significant impact on accounting policies or disclosure. These include:

- IAS 19 'Employee Benefits' (2011), which includes revised requirements for pensions and other post-retirement benefits, termination benefits and other changes;
- Amendment to IAS 1 'Presentation of Financial Statements', which revises the way other comprehensive income is presented; and
- Annual Improvements to IFRSs – 2010–2012 Cycle, which include amendments to a number of accounting standards.

No new standards or interpretations have been adopted early in these financial statements. The most relevant are likely to be the following but, again, no significant impact is currently anticipated:

- IFRS 10 'Consolidated Financial Statements', which is mandatory for accounting periods commencing on or after 1 January 2014; and
- IAS 32 'Financial Instruments: Presentation' includes amendments to application guidance on, and presentation of the offsetting of, financial assets and financial liabilities.

Going concern

Further information on the Group's business activities, together with factors likely to affect its future development, performance and position, is set out in the strategic report and the Directors' report. Further information on the financial position of the Group, its cash flows and liquidity position is provided in the Chairman's statement. In addition Note 18 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

The Group has prepared financial forecasts and projections for the next twelve months. These forecasts assume no sales and the continuation of costs associated with drug discovery and development. The forecasts show that the Group should be able to operate within the level of its current cash balances for at least the next twelve months from the date of these financial statements.

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

Use of estimates and judgements

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

- judgement as to whether the carrying value of goodwill (Company only) and patents and trademarks (Group and Company) will be recoverable with reference to estimated future income potential (see Note 10).

Basis of consolidation

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

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

1 Accounting policies continued

Classification of financial instruments issued by the Group

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

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

Trade and other receivables

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

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

Trade and other payables

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. The annual rates of depreciation charged are as follows:

Plant and equipment	33.33% straight-line
Fixtures and fittings	15% straight-line

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

No depreciation is charged on assets under construction.

Investments in subsidiaries

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

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities. In respect of business acquisitions that have occurred since 1 February 2006, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Identifiable intangible assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

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

Research and Development

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

All other Research and Development expenditure, which comprises a proportion of employee salaries and directly attributable overheads, is recognised in the income statement as an expense as incurred.

1 Accounting policies continued

Intangible assets and goodwill continued

Other intangible assets

External expenditure on the creation of patents and trademarks is capitalised as incurred. Expenditure to maintain patents and trademarks after the date of their grant is written off as incurred.

Amortisation

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

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

Employee benefits

Defined contribution plans

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

Share-based payment transactions

The Group has an equity-settled share-based payment scheme, whereby options over shares in the Company can be granted.

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Revenue

The Company expects to derive revenue in the future principally by licensing the products resulting from its drug discovery and development efforts. No revenues were recorded from this or other sources in the current period.

1 Accounting policies continued

Expenses

Operating lease payments

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

Financial income and expenses

Financial income comprises interest receivable on funds invested.

Financial expenses comprise interest payable.

Interest income and interest payable are recognised in the income statement as they accrue, using the effective interest method.

Taxation

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

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

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

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

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and warrants granted to employees and non-employees. Where the Group makes a loss, diluted EPS equates to basic EPS.

Segment reporting

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

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

2 Expenses and Auditor's remuneration

Included in loss are the following:

	2014 £000	2013 £000
Depreciation of own assets	**51**	46
Amortisation of intangible assets	**32**	7
Research and Development costs	**5,367**	4,093
Operating leases – hire of other assets	**52**	60

Auditor's remuneration:

	2014 £000	2013 £000
Amounts receivable by the Auditor and their associates in respect of:		
– audit of the Group's annual accounts	**23**	22
– audit-related assurance services	**2**	1
– taxation compliance services	**7**	7

3 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		Number of employees Company	
	2014	2013	**2014**	2013
Staff	**18**	15	**18**	15
Directors	**3**	3	**3**	3
	21	18	**21**	18

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Wages and salaries	**1,994**	1,743	**1,994**	1,743
Share-based payments (see Note 16)	**35**	19	**35**	19
Social security costs	**255**	222	**255**	222
Contributions to money purchase pension schemes (see Note 16)	**158**	153	**158**	153
	2,442	2,137	**2,442**	2,137

4 Directors' remuneration

	2014 £000	2013 £000
Directors' emoluments	**997**	942
Contributions to money purchase pension schemes	**71**	81
	1,068	1,023

	2014		2013	
	Directors' emoluments £000	**Contributions to money purchase schemes £000**	Directors' emoluments £000	Contributions to money purchase schemes £000
Malcolm Young	**444**	**50**	415	47
Stephen Self[1]	**262**	**2**	215	17
Daniel Elger	**190**	**19**	223	17
Oliver James	**31**	**—**	31	—
Brad Hoy[2]	**42**	**—**	31	—
Rajesh Chopra	**28**	**—**	27	—
	997	**71**	942	81

[1] Stephen Self received emoluments of £15,077 (2013: £nil) in lieu of Company contributions to a money purchase pension scheme.

[2] During the year Brad Hoy assisted with the preparation of a grant application and received additional remuneration of £10,875, this being equivalent to the terms that prevail in arm's-length transactions. The nature and scale of this work is such that it is not considered to compromise Mr Hoy's independence.

	Number of Directors	
	2014	2013
Retirement benefits are accruing to the following number of Directors under:		
– money purchase pension schemes	**3**	3
Directors who exercised share options during the year	**Nil**	Nil

4 Directors' remuneration continued

The Directors who held office during the financial year held share options as set out below:

Name	At end of year	At beginning of year	Exercise price (pence)	Date from which exercisable	Expiry date
Oliver James	118,020	118,020	67.0	Vested	November 2017
Oliver James	—	25,000	38.5	28 April 2013	28 October 2013
Brad Hoy	—	25,000	38.5	28 April 2013	28 October 2013
LTIP					
Stephen Self	—	500,000	0.1	30 December 2013	30 June 2014
Stephen Self	350,000	350,000	0.1	30 December 2014	30 June 2015
Daniel Elger	400,000	400,000	0.1	12 August 2014	12 February 2015
Malcolm Young	271,552	271,552	0.1	30 November 2014	31 May 2015
Stephen Self	110,345	110,345	0.1	30 November 2014	31 May 2015
Daniel Elger	111,304	111,304	0.1	30 November 2014	31 May 2015
Malcolm Young	212,838	212,838	0.1	6 July 2015	6 January 2016
Stephen Self	108,108	108,108	0.1	6 July 2015	6 January 2016
Daniel Elger	151,387	151,387	0.1	6 July 2015	6 January 2016
Malcolm Young	200,000	200,000	0.1	26 October 2015	26 April 2016
Stephen Self	200,000	200,000	0.1	26 October 2015	26 April 2016
Daniel Elger	200,000	200,000	0.1	26 October 2015	26 April 2016
e-Therapeutics Performance Share Plan 2013 (PSP)					
Stephen Self[1]	527,658	—	0.1	30 July 2016	30 July 2023
Daniel Elger	539,006	—	0.1	30 July 2016	30 July 2023

[1] Stephen Self has an interest in a further 31,914 PSP options awarded to his wife Mrs J Self in the course of her employment by the Group as Quality Manager.

The mid-market price of the Company's shares at 31 January 2014 was 22.5 pence and the range during the year was 22.5 pence to 36 pence.

All of the LTIP options above are subject to a £1 share price target. Options issued under the e-Therapeutics Performance Share Plan 2013 are subject to various share price targets. Detailed performance conditions attached to outstanding share options are described in Note 16.

Brad Hoy sold 17,857 shares on 3 July 2013 for 34 pence per share. No other Director sold shares or sold or exercised warrants or share options during the year, although Malcolm Young's indirect holding of shares was reduced by 403,148 during the year because of sales by Novotech Syndicate LLP and Novotech Investment Limited that were outside of his control.

All of the Directors benefited from qualifying third-party indemnity provisions.

5 Financial income

	2014 £000	2013 £000
Financial income		
Bank interest receivable	**617**	223

6 Taxation

Recognised in the income statement:

	2014 £000	2013 £000
Current tax income		
Current year	**(1,077)**	(845)
Adjustments for prior years	**14**	(1)
Current tax income	**(1,063)**	(846)
Deferred tax expense		
Origination and reversal of temporary differences	**—**	—
Reduction in tax rate	**—**	—
Recognition of previously unrecognised tax losses	**—**	—
Deferred tax expense	**—**	—
Total tax income	**(1,063)**	(846)

Reconciliation of effective tax rate:

	2014 £000	2013 £000
Loss for the year	**(5,039)**	(4,178)
Total tax income	**(1,063)**	(846)
Loss excluding taxation	**(6,102)**	(5,024)
Tax at 23.17% (2013: 24.33%)	**(1,414)**	(1,222)
Expenses not deductible for tax purposes	**12**	7
Enhanced relief for Research and Development	**(1,261)**	(1,005)
Surrender of tax losses	**1,192**	989
Unrelieved tax losses	**411**	388
Other	**(17)**	(2)
Adjustments in respect of prior period	**14**	(1)
Total tax income	**(1,063)**	(846)

The tax receivable relates to Research and Development tax credits.

The Group has unrecognised deferred tax assets of £1,950,000 (2013: £1,693,000) and unused tax losses of £9,201,000 (2013: £7,417,000).

The deferred tax asset relates primarily to tax losses carried forward. It has not been recognised due to the uncertainty surrounding its future recovery against taxable profits.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted on 3 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 January 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

7 Loss of the Company

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its own income statement. The loss of the Company for the year was £5,039,000 (2013: loss of £4,178,000).

8 Loss per share

The analysis of loss per share is as follows:

	2014	2013
Basic and diluted loss per share	**(1.98)p**	(3.02)p

Basic EPS is calculated by dividing the loss for the year of £5,039,000 (2013: £4,178,000) by the weighted average number of 254,398,237 shares (2013: 138,162,050) in issue during the year.

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 5,808,266 (2013: 6,010,926) and of warrants over 875,741 (2013: 875,741) ordinary shares (see Notes 16 and 17). 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.

9 Property, plant and equipment

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 February 2012	160	134	294
Additions	29	31	60
Disposals	(90)	(29)	(119)
Balance at 31 January 2013	99	136	235
Balance at 1 February 2013	99	136	235
Additions	18	4	22
Balance at 31 January 2014	**117**	**140**	**257**
Depreciation			
Balance at 1 February 2012	117	40	157
Depreciation charge for the year	24	22	46
Eliminated on disposals	(90)	(28)	(118)
Balance at 31 January 2013	51	34	85
Balance at 1 February 2013	51	34	85
Depreciation charge for the year	28	23	51
Balance at 31 January 2014	**79**	**57**	**136**
Net book value			
At 1 February 2012	43	94	137
At 1 February 2013	48	102	150
At 31 January 2014	**38**	**83**	**121**

10 Goodwill and intangible assets – Group and Company

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
Balance at 1 February 2012	—	517	517	2,824	517	3,341
Other acquisitions – internally developed	—	189	189	—	189	189
Balance at 31 January 2013	—	706	706	2,824	706	3,530
Balance at 1 February 2013	—	706	706	2,824	706	3,530
Other acquisitions – internally developed	—	150	150	—	150	150
Balance at 31 January 2014	**—**	**856**	**856**	**2,824**	**856**	**3,680**
Amortisation and impairment						
Balance at 1 February 2012	—	180	180	—	180	180
Amortisation charge for the year	—	7	7	—	7	7
Impairment charge	—	141	141	—	141	141
Balance at 31 January 2013	—	328	328	—	328	328
Balance at 1 February 2013	—	328	328	—	328	328
Amortisation charge for the year	—	32	32	—	32	32
Impairment charge	—	—	—	—	—	—
Balance at 31 January 2014	**—**	**360**	**360**	**—**	**360**	**360**
Net book value						
At 1 February 2012	—	337	337	2,824	337	3,161
At 1 February 2013	—	378	378	2,824	378	3,202
At 31 January 2014	**—**	**496**	**496**	**2,824**	**496**	**3,320**

10 Goodwill and intangible assets – Group and Company continued

Amortisation and impairment charge

Amortisation has been charged on patents for which the registration process is complete. Where the process is incomplete no charge has been raised.

Impairment testing

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

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

11 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2014	Ownership 2013
InRotis Technologies Limited	United Kingdom	Ordinary	**100%**	100%

The value of the investment in InRotis Technologies Limited, which has not traded in the year, is £1 (2013: £1).

12 Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Other receivables	**189**	125	**189**	125
Prepayments and accrued income	**591**	195	**591**	195
	780	320	**780**	320

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

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

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

13 Fixed-term deposits

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Fixed-term deposits	**36,250**	5,550	**36,250**	5,550

Fixed-term deposits are Sterling deposits with an initial maturity of three months or more. The Group seeks to maximise returns from its cash resources by placing funds on fixed-term deposit when it is possible to do so without negatively affecting access to required short-term working capital. The weighted average maturity of fixed-term deposits at the year end was 82 days (2013: 117 days).

14 Cash and cash equivalents

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Cash and cash equivalents per balance sheets	**6,897**	4,225	**6,897**	4,225
Cash and cash equivalents per cash flow statements	**6,897**	4,225	**6,897**	4,225

15 Trade and other payables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Current				
Trade payables	**402**	273	**402**	273
Non-trade payables and accrued expenses	**601**	615	**601**	615
	1,003	888	**1,003**	888

16 Employee benefits

Defined contribution arrangements

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans in the current year was £158,000 (2013: £153,000).

There were outstanding contributions of £8,000 (2013: £8,000) and no prepaid contributions (2013: £nil) at the end of the financial year.

Share-based payments

The Group operates a share scheme, the e-Therapeutics Performance Share Plan 2013 (PSP), under which participants are granted awards whereby, if certain share price targets are met, they are entitled to acquire an agreed number of shares for a nominal price. In future, as an alternative, and subject to the same share price targets being met, participants may be able to acquire up to the same number of shares under a company share option plan (CSOP) that received HMRC approval in December 2013. In that case, they would need to pay the market price at the date of grant for the shares and the number of shares they could acquire under the PSP would be reduced by the number of CSOP shares acquired. No options have been awarded under the CSOP to date. In the past, the Company has also granted options under a Long Term Incentive Plan (LTIP) and other arrangements.

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

Grant date	Number of instruments at end of year	Number of instruments at beginning of year	Exercise price (pence)	Contractual life of options
October 2006[i]	752,880	1,042,880	13.9	10 years
April 2007[i]	92,730	92,730	38.6	10 years
October 2007[i]	118,020	118,020	67.0	10 years
October 2007[i]	—	356,870	17.4	5.5 years
April 2010[ii]	—	349,500	0.1	3.5 years
April 2010[iii]	—	50,000	38.5	3.5 years
December 2010[ii]	—	500,000	0.1	3.5 years
December 2010[iv]	350,000	350,000	0.1	4.5 years
August 2011[ii]	400,000	400,000	0.1	3.5 years
November 2011[ii]	629,167	1,086,811	0.1	3.5 years
July 2012[ii]	613,456	722,961	0.1	3.5 years
October 2012[v]	934,174	941,154	0.1	3.5 years
July 2013[vi]	1,100,786	—	0.1	10 years
July 2013[vii]	817,053	—	0.1	10 years

[i] Options issued prior to April 2010 are exercisable and vest immediately.

[ii] These options issued under the Long Term Incentive Plan had a three-year vesting period subject to a share price target of £1 (measured as the average of the closing mid-market share prices in the four weeks preceding the vesting date) being achieved at the vesting date.

[iii] These options had a three-year vesting period with no other conditions attached.

[iv] These options were conditional on continuing employment at the first anniversary of the grant; that condition having been satisfied, a three-year vesting period commenced, with a share price target of £1 (measured as in ii above).

[v] Options issued under the Long Term Incentive Plan since 31 July 2012 are capable of vesting if a share price target of £1 (measured as in ii above) is achieved at any time in the period three to three-and-a-half years from the date of grant.

[vi] "Basic options" issued under the PSP have a three-year vesting period. 25% of these options will be capable of vesting if a share price target of 125% of the grant date share price is achieved. The proportion of these options which are capable of vesting increases linearly to 100% if a share price target of 200% of the grant date share price is achieved.

[vii] "Supplementary options" issued under the PSP have a three-year vesting period and are capable of vesting if a share price target of 250% of the grant date share price is achieved.

16 Employee benefits continued

Share-based payments continued

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

	Weighted average exercise price 2014 (pence)	Number of options 2014	Weighted average exercise price 2013 (pence)	Number of options 2013
Options				
Outstanding at the beginning of the year	**5.8**	**6,010,926**	8.4	4,550,119
Forfeited during the year	**1.4**	**(1,507,161)**	15.6	(193,249)
Exercised during the year	**15.8**	**(646,870)**	13.9	(47,770)
Granted during the year	**0.1**	**1,951,371**	0.1	1,701,826
Outstanding at the end of the year	**3.9**	**5,808,266**	5.8	6,010,926
Exercisable at the end of the year	**22.8**	**963,630**	19.9	1,610,500

The weighted average share price at the date of exercise of share options exercised during the year was 31.4 pence (2013: 35.0 pence). The options outstanding at the year end have an exercise price in the range of 0.1 pence to 67.0 pence and a weighted average remaining contractual life of 4.48 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 each option grant during the year were as follows:

Date of grant	PSP: Basic options July 2013	PSP: Supplementary options July 2013
Share price at date of grant	£0.3525	£0.3525
Vesting period	3 years	3 years
Share price target	£0.44–£0.705	£0.88
Expected volatility	29%	29%
Risk-free rate	0.6%	0.6%
Dividend yield	0%	0%
Exercise price	£0.001	£0.001
Number of shares	1,123,141	828,230
Fair value per option	£0.107	£0.022

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

	2014 £000	2013 £000
Group and Company equity-settled share-based payment expense	**35**	19

17 Capital and reserves

Reconciliation of movement in capital and reserves:

Group	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2011	66	7,654	420	(7,867)	273
Total recognised income and expense	—	—	—	(3,242)	(3,242)
Issue of share capital	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Balance at 31 January 2012	138	25,552	132	(11,098)	14,724
Balance at 1 February 2012	138	25,552	132	(11,098)	14,724
Total recognised income and expense	—	—	—	(4,178)	(4,178)
Issue of share capital	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Balance at 31 January 2013	138	25,567	132	(15,257)	10,580
Balance at 1 February 2013	138	25,567	132	(15,257)	10,580
Total recognised income and expense	—	—	—	(5,039)	(5,039)
Issue of share capital	126	38,916	—	—	39,042
Equity-settled share-based payment transactions	—	—	—	35	35
Balance at 31 January 2014	**264**	**64,483**	**132**	**(20,261)**	**44,618**

Company	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2011	66	7,654	420	(5,043)	3,097
Total recognised income and expense	—	—	—	(3,242)	(3,242)
Issue of share capital	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Balance at 31 January 2012	138	25,552	132	(8,274)	17,548
Balance at 1 February 2012	138	25,552	132	(8,274)	17,548
Total recognised income and expense	—	—	—	(4,178)	(4,178)
Issue of share capital	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Balance at 31 January 2013	138	25,567	132	(12,433)	13,404
Balance at 1 February 2013	138	25,567	132	(12,433)	13,404
Total recognised income and expense	—	—	—	(5,039)	(5,039)
Issue of share capital	126	38,916	—	—	39,042
Equity-settled share-based payment transactions	—	—	—	35	35
Balance at 31 January 2014	**264**	**64,483**	**132**	**(17,437)**	**47,442**

17 Capital and reserves continued

Share capital	No. of ordinary shares 2014 '000	2013 '000
On issue at 1 February	**138,198**	138,126
Issued for cash	**125,683**	72
On issue at 31 January – fully paid	**263,881**	138,198

	2014 £000	2013 £000
Allotted, called up and fully paid		
263,881,443 (2013: 138,198,359) ordinary shares of £0.001 each	**264**	138
	264	138
Shares classified as liabilities	**—**	—
Shares classified in shareholders' funds	**264**	138
	264	138

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In March 2013, the Company raised £40.0 million (£38.9 million net of related expenses) through placings of 125,000,000 new ordinary shares of 0.1 pence. Shareholder approval was provided at a general meeting on 27 February; 4,750,000 shares were duly allotted on that day, and a further 120,250,000 on 28 February, with all new shares admitted to trading on AIM by 1 March 2013. The new shares all carry the same rights as the shares in issue immediately prior to the placings. The new shares represented 90.4% of the Company's issued ordinary share capital immediately prior to the placings.

During the period, exercise of options over 646,870 ordinary shares by former staff and the issue of 36,214 ordinary shares to Non-Executive Directors in payment of their fees led to an increase of £683 in share capital and a credit of £113,873 to the share premium account.

In March 2011, the Company raised £17,612,635 (£16,673,562 net of expenses) through a placing of 67,740,904 new ordinary shares; this was reflected in an increase in share capital of £67,741 and a credit of £16,605,822 to the share premium account. Warrants over 677,409 ordinary shares were issued in association with the placing; this was reflected in a debit of £108,385 from the share premium account and a corresponding credit to the warrant reserve.

Before the March 2011 placing and the issue of new warrants described above, there were warrants outstanding over 3,497,443 ordinary shares. 3,299,111 of these warrants were converted to ordinary shares at the time of the placing, while 198,332 remained unexercised. This conversion of warrants to shares was reflected in a reduction of the warrant reserve by £396,183 and an equal credit to the share premium account. The issue of new shares resulting from this exercise of warrants was reflected in an increase in share capital of £3,299 and a credit to the share premium account of £854,470. The fair value of warrants is calculated using a binomial model.

The warrant reserve relates to the following warrants:

Issue date	Exercise price £	Expiry date	No. of warrants outstanding at the beginning of the year	No. of warrants issued during the year	No. of warrants exercised during the year	No. of warrants outstanding at the end of the year
March 2009	0.260	16 March 2014	198,332	—	—	198,332
March 2011*	0.260	4 March 2014	677,409	—	—	677,409

* Granted in association with the issue of equity in March 2011.

All warrants subsequently lapsed unexercised on the expiry dates noted above.

18 Financial instruments

The Group's principal financial instruments comprise short-term debtors and creditors, short-term bank deposits and cash. There is currently no material difference between the carrying value of financial assets and liabilities and their fair value. 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.

Capital management

The Group's policy is to maintain a strong capital base. The Group does not yet have any significant recurring revenues and finances its operations through 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 £43,145,000 of cash and fixed-term deposits as at 31 January 2014 (2013: £9,775,000).

Management of financial risk

The main risks associated with the Group's financial instruments have been identified as credit risk and liquidity risk.

The Board is responsible for managing these risks and the policies adopted, which have remained largely unchanged throughout the year, are set out below.

Credit risk

The carrying amount of financial assets is as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade and other receivables	**780**	320	**780**	320
Fixed-term deposits	**36,250**	5,550	**36,250**	5,550
Cash and cash equivalents	**6,897**	4,225	**6,897**	4,225
	43,927	10,095	**43,927**	10,095

Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations and arises principally from the Group's other receivables. The carrying amount of other receivables in the balance sheet represents the maximum exposure to credit risk and details are given in Note 12 to the accounts. No amounts are past due in the current or prior years.

The Group has adopted a Treasury Policy that aims to ensure adequate working capital for ongoing activity, maintain a high level of security of deposited funds and optimise income generated from those funds. A list of approved deposit counterparties with monetary limits for each is maintained and is regularly reviewed by the audit committee.

The Board considers the Group's exposure to credit risk to be acceptable and normal for an entity of its size given the industries in which it operates.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to access the necessary funds to finance its operations.

The Group finances its operations using cash raised through the issue of equity. The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on two-year rolling cash forecasts. The Group's fixed-term deposits (Note 13) all have initial maturities of no more than twelve months.

The Group and the Company have the following financial liabilities:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Principal amounts				
Trade and other payables – payable within one year	**1,003**	888	**1,003**	888
	1,003	888	**1,003**	888

18 Financial instruments continued

Liquidity risk continued

Financial liabilities by category:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Financial liabilities at amortised cost	**1,003**	888	**1,003**	888

The fair value of the Group and Company's financial assets and liabilities is not considered to be materially different from their book values.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

	2014						2013					
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2 years £000**	**2 to <5 years £000**	**5 years and over £000**	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities												
Trade and other payables	**1,003**	**1,003**	**1,003**	**—**	**—**	**—**	888	888	888	—	—	—

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The Group has no interest-bearing debt in issue and therefore interest rate risk applies only to the return achieved upon cash and fixed-term deposits.

The trade and other payables do not bear interest.

Sensitivity analysis

A 1% increase in interest rates throughout the year and prior year, with all other variables remaining constant, would have had no impact on interest expense in either the current or prior year. A 1% increase in interest rate earned on all cash and fixed-term deposits, with all other variables remaining constant, would have increased interest income in the current year by approximately £424,000 (2013: approximately £119,000).

19 Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any plant and equipment or fixtures and fittings (2013: £nil).

20 Operating lease arrangements

At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Within one year	**52**	52	**52**	52
In the second to fifth years inclusive	**12**	27	**12**	27
After five years	**—**	—	**—**	—
	64	79	**64**	79

Operating lease payments represent rentals payable by the Group for its properties.

21 Related parties

Identity of related parties with which the Group has transacted

The Group has a related party relationship with its subsidiary. Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note.

The key management personnel of the Group are the Directors.

Transactions with key management personnel

The compensation of key management personnel is as follows:

	2014 £000	2013 £000
Directors' emoluments	**997**	942
Company contributions to money purchase pension funds	**71**	81
	1,068	1,023

Mrs J Self, who is the wife of Development Director Steve Self, is employed by the Group as Quality Manager and during the period received a salary of £22,636 (2013: £nil) and contributions to a money purchase pension scheme of £1,918 (2013: £nil), payable on terms equivalent to those that prevail in arm's-length transactions. There was no outstanding balance due to Mrs Self as at 31 January 2014 (2013: £nil). Mrs Self held no shares in the Company at the year end (2013: nil).

Mrs D Young, who is the wife of Chief Executive Officer Malcolm Young, is employed by the Group as an administrator and during the period to 31 January 2014 received a salary of £15,000 (2013: £15,000), payable on terms equivalent to those that prevail in arm's-length transactions. There was no outstanding balance due to Mrs Young as at 31 January 2014 (2013: £nil). Mrs Young held no shares in the Company at the year end (2013: 10,310,241).

Transactions with subsidiary – Company

During the year the Company advanced no money to and made no capital contribution to its subsidiary undertaking and at 31 January 2014 there was no balance outstanding between the subsidiary undertaking and the Company (2013: £nil).

Transactions with Novotech

Chief Executive Officer Malcolm Young is a shareholder in, and a Non-Executive Director of, Novotech Investment Limited (NIL) and is a partner in Novotech Founders LLP (NFL, which is in turn a partner in Novotech Syndicate LLP (NSL)). As at 31 January 2014 NIL and NSL had an aggregate ownership of nil (2013: 1,555,236) ordinary shares representing nil% (2013: 1.13%) of the issued share capital of the Company on that date. During the year, no costs (2013: £nil) were payable by the Company to NIL, NFL or NSL and no costs were incurred by e-Therapeutics plc on behalf of NIL, NFL or NSL (2013: £nil). As at 31 January 2014 there were no balances outstanding between the Company and NIL, NFL or NSL (2013: £nil).

Transactions with Searchbolt

Chief Executive Officer Malcolm Young is a Non-Executive Director of Searchbolt Limited ("Searchbolt"). Searchbolt is a search engine business, incorporated by way of a demerger from the Group on 14 November 2007. Searchbolt holds a perpetual exclusive licence for network analysis technology of e-Therapeutics plc for the use of the technology in internet search. During the year, £4,190 (2013: £21,896) of costs incurred by the Company on behalf of Searchbolt were recharged in full. As at 31 January 2014 there was a balance of £23,311 outstanding between the Company and Searchbolt (2013: £20,329). During the year, the Company made no payments (2013: £9,000) for consulting services to Dollywagon Limited ("Dollywagon"), a company that has a licence from Searchbolt for certain applications of Searchbolt's technology. Searchbolt received half of such income from Dollywagon and therefore received indirectly £4,500 via this route from the Company during the prior year. As at 31 January 2014, there were no balances outstanding between the Company and Dollywagon (2013: £nil).

Transactions with Lisles Research Limited

Chief Executive Officer Malcolm Young is a Director of Lisles Research Limited ("Lisles"). Lisles is engaged in the development of software for use in the financial services industry. During the year, the Company incurred £2,000 in consulting services from Lisles (2013: £nil), and £1,450 (2013: £nil) of costs incurred by the Company on behalf of Lisles were recharged in full. As at 31 January 2014 there was a balance of £550 outstanding between the Company and Lisles (2013: £nil).

Transactions with Morden Pharma Consulting

Morden Pharma Consulting ("Morden") is a business owned by the Group's Development Director, Steve Self. During the year, the Group recognised costs of £12,723 (2013: £35,767) payable to Morden, for consulting services related to drug development work provided by associates of Morden, on terms equivalent to those that prevail in arm's-length transactions. As at 31 January 2014 there were no balances outstanding between the Company and Morden (2013: £nil).

22 Subsequent events

There have been no events since the balance sheet date that require disclosure in these financial statements.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of e-Therapeutics plc (the "Company") will be held at the offices of Bond Dickinson LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX at 11.00 am on 9 July 2014 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 8, which will be proposed as a special resolution:

1. To receive the accounts for the financial year ended 31 January 2014 together with the Directors' report and the Auditor's report for that period.
2. To elect Steve Medlicott as a Director of the Company.
3. To re-elect Steve Self as a Director of the Company.
4. To re-elect Brad Hoy as a Director of the Company.
5. To appoint Deloitte LLP as the Auditor of the Company.
6. To authorise the Directors to agree the remuneration of the Auditor of the Company.
7. That the Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ("Act") to exercise all the powers of the Company to allot or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £184,717.01, provided that:

   7.1 (except as provided in paragraph 7.2 below) this authority shall expire on the date of the next annual general meeting of the Company; and

   7.2 the Company may before such expiry make an offer or agreement which would or might require shares or equity securities (within the meaning of section 560 of the Act), as the case may be, to be allotted or such rights granted after such expiry and the Directors may allot shares or equity securities or grant such rights, as the case may be, in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   All unexercised authorities previously granted to the Directors to allot shares or to grant rights to subscribe for or to convert any security into shares be and are hereby revoked.

8. That, subject to the passing of resolution 7 above, the Directors, pursuant to the general authority conferred on them, be empowered pursuant to section 570 of the Companies Act 2006 ("Act") to allot for cash, either pursuant to the authority so conferred or where the equity securities are held by the Company as treasury shares (within the meaning of section 724(5) of the Act), equity securities (within the meaning of section 560 of the Act) 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:

   8.1 made in connection with the allotment of ordinary shares of 0.1 pence each in the capital of the Company pursuant to the e-Therapeutics plc Long Term Incentive Plan 2007 (as amended from time to time) and the e-Therapeutics Performance Share Plan 2013;

   8.2 made in connection with the allotment of up to 845,610 ordinary shares of 0.1 pence each in the capital of the Company pursuant to those option agreements referred to in paragraphs 2.9 to 2.13 of Part VII of the admission document relating to the Company dated 22 November 2007 that have neither been fully exercised nor lapsed;

   8.3 made in connection with the allotment and issue of up to 118,020 ordinary shares of 0.1 pence each in the capital of the Company pursuant to the options granted to Oliver James;

   8.4 made in connection with an offer of securities, open for acceptance for a fixed period, by the Directors to ordinary shareholders of the Company on the register on a fixed record date in proportion (as nearly as may be) to their then holdings of such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares or any legal or practical problems under the laws or requirements of any recognised regulatory body or any stock exchange in any overseas territory or in connection with fractional entitlements) or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and/or

   8.5 wholly for cash (otherwise than pursuant to paragraphs 8.1 to 8.4 above) up to an aggregate nominal value of £52,776.28,

   and shall expire on the conclusion of the next annual general meeting of the Company or, if earlier, 15 months after the passing of this resolution, but the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such an offer or agreement notwithstanding that the power conferred by this resolution has expired.

All unexercised authorities previously granted to the Directors under section 570 of the Act are hereby revoked.

By order of the Board

Sean Nicolson
Secretary
23 May 2014

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

Registered in England and Wales number 4304473

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.

1. Only those members registered in the register of members of the Company as at 11.00 am on 7 July 2014 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purpose of determining who is entitled to attend and vote if the Annual General Meeting is adjourned from its scheduled time by 48 hours or less. If the Annual General Meeting is adjourned for longer, members who wish to attend and vote must be on the Company's register of members by 48 hours before the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the 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 demanded, 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, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. 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 7 July 2014 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. 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 Bond Dickinson LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX from 9.00 am on the day of the meeting until the conclusion of the meeting:

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

   7.2 copies of the Non-Executive Directors' letters of appointment.
8. 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
Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF
Tel: +44 (0) 20 7886 2500

Auditor to the Company
KPMG Audit plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
Tel: +44 (0) 191 401 3700

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA
Tel: +44 (0) 121 585 1131

Solicitors
Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX
Tel: +44 (0) 845 415 0000

Bankers
Bank of Scotland
PO Box No. 10
38 St Andrews Square
Edinburgh
EH2 2YR
Tel: +44 (0) 131 465 3900

Registered Office
17 Blenheim Office Park
Long Hanborough
Oxfordshire
OX29 8LN
Tel: +44 (0) 1993 88 00 00

Company Secretary
Sean Nicolson

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP

e-Therapeutics plc

e-Therapeutics plc
Network Pharmacology Centre
17 Blenheim Office Park
Long Hanborough
Oxfordshire OX29 8LN
United Kingdom
(Registered Office)

Tel: +44 (0) 1993 88 00 00
Fax: +44 (0) 1993 88 02 07

www.etherapeutics.co.uk

Incorporated in England and Wales
Registered number: 4304473

Newcastle upon Tyne Office
Clavering House
Clavering Place
Newcastle upon Tyne
Tyne and Wear NE1 3NG
United Kingdom