
e-therapeutics
Realising
our potential
Annual Report 2019

Our Ambition

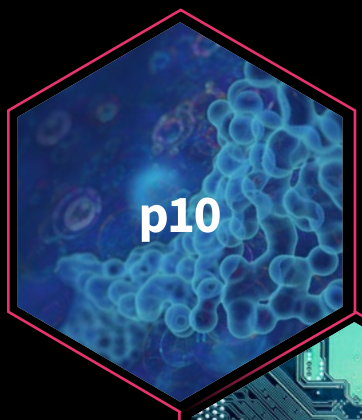
Our ambition is to help revolutionise the treatment of disease through the establishment of network-driven drug discovery ("NDD")

We construct and analyse biological networks using our revolutionary computer-based platform to give unique insight into complex disease mechanisms

Simply put, our NDD methodology allows us to discover novel and better drugs faster

Contents

Who We Are



A computational drug discovery business

Our unique, proprietary *in silico* platform incorporates big data and a suite of powerful computational tools that employ advanced analytical techniques, including machine learning, underpinned by our deep expertise in network science. Our aim is to transform and accelerate drug discovery producing novel, more effective drugs in a quicker and more cost-efficient way.

Industry relevant

Our highly advanced but complementary, mechanistic (non 'black box') computational approach offers new biological insight critical to the discovery of novel small molecule drugs to treat complex diseases. We can go from concept to a partner-ready programme with hits in a matter of months, potentially addressing the industry challenges of high costs, time and clinical failure rates.

Scientifically validated

We have successfully validated our revolutionary platform in 12 diverse areas of biology including oncology, immunology and central nervous system. With our platform, we can perform millions upon millions of experiments in a computer to come up with predicted active molecules that can be quickly tested in the laboratory.

Significant commercial milestones achieved

A commercial partnership with Novo Nordisk, a top 10 Global pharma company, was announced in December 2018. In addition, during the year we have established successful technical collaborations in the areas of genomics (C4X Discovery), natural language processing (Biorelate) and neural networks (Intellegens). Our collaborations with Oxford University and Newcastle University continue, with e-therapeutics being the industrial driver for the first prize winner in the PhD category of the Xilinx Open Hardware Competition 2018.

Case Study: Idiopathic Pulmonary Fibrosis

We recognise the complexity of fibrotic disease, specifically looking at IPF, and are focusing our advanced network approach to discover new drugs for a devastating and often fatal disease. This case study shows how we have targeted a clear need and how our proprietary platform can offer a clear solution to this and other complex diseases.

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Case Study: Idiopathic Pulmonary Fibrosis ("IPF")

Clear Need

Unmet medical needs in chronic, progressive fibrotic disease

Fibrosis has complex biology, unknown disease mechanisms and limited therapeutic options – needs we could address with our NDD approach.

six-fold

increase in deaths in the UK 1968-2008[b]

IPF is a fibrosis of the lungs with poor prognosis and no therapeutic options that prevent death.

2-3 years

median survival after diagnosis[a]

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Fibrosis: Background

IPF is a progressive and fatal lung disease for which there is no known cause or cure. Excessive fibrous connective tissue and extracellular matrix ("ECM") components, such as collagen and fibronectin, build up in the lungs, making it more difficult for oxygen to pass from the lungs to the body. This irreversibly reduces lung volume and capacity, usually resulting in death due to respiratory failure. The median survival of patients with IPF is only two to three years[a].

The incidence of IPF is increasing worldwide, with recent global incidence similar to that of stomach, liver, testicular and cervical cancers at 3-9 cases per 100,000 per year[b]. In the UK, deaths from IPF increased six-fold between 1968 and 2008[c]. The processes mediating lung fibrosis are not completely understood. Two drugs are currently approved, one of unknown mechanism of action (pirfenidone) and one broad-spectrum tyrosine-kinase inhibitor (nintedanib).

The limited therapeutic options currently available slow disease progression but do not prevent death, meaning that a large unmet medical need remains.

a Ley, B., Collard, H. R., and King, T. E. Jr. (2011) Clinical Course and Prediction of Survival in Idiopathic Pulmonary Fibrosis. American Journal of Respiratory and Critical Care Medicine. 183, 431-440

b Hutchinson, J., Fogarty, A., Hubbard, R. and McKever, T. (2015) Global incidence and mortality of idiopathic pulmonary fibrosis: a systematic review. European Respiratory Journal. 46, 795-806

c Navaratnam, V., Fleming, K. M., West, J., Smith, C. J. P., Jenkins, R. G., Fogarty, A. and Hubbard, R. B. (2011) The rising incidence of idiopathic pulmonary fibrosis in the UK. Thorax. 66, 462-467.

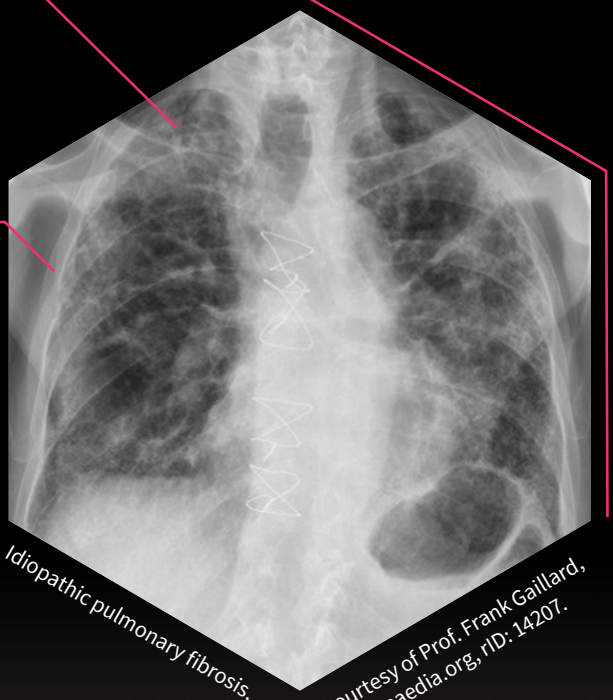
We start by using data to drive models of complex cellular mechanisms involved in the disease processes we are aiming to disrupt.

Data used for network construction:

Knowledge-driven
We research and use known biology e.g. proteins and pathways identified to affect disease

Data-driven
We use omics data generated from both diseased and healthy tissue e.g.

- the gene expression profile of human IPF vs normal control lung tissue
- the differential methylation pattern of human IPF vs normal control lung tissue
- the proteomics profile of IPF vs normal lung tissue



Idiopathic pulmonary fibrosis. Courtesy of Prof. Frank Gaillard, Radiopaedia.org, rID: 14207.

The Opportunity

We have successfully applied our *in silico* NDD platform to identify small molecules across different areas of disease.

Our platform can be used to discover novel and differentiated hits for subsequent hit to lead and lead optimisation.

Fibrosis is an area with clear unmet needs and complex biology, for which the underlying mechanisms are not well understood. The use of omics data and network biology analysis could help to discover new drugs.

Dr. Victoria Flores

Principal Scientist, Discovery Biology

"I'm very excited to be working with such an innovative drug discovery approach that allows us to discover new therapies for complex diseases. This unique approach gives the possibility of modelling *in silico* – in the form of networks – the biology of complex diseases such as IPF. By analysing networks using powerful computational tools, we can discover novel therapeutic interventions and identify active compounds for this devastating disease."

Case Study: Idiopathic Pulmonary Fibrosis ("IPF")

Clear Solution

Network-driven drug discovery ("NDD") in action

Our approach aims at developing anti-fibrotic agents by targeting the network of interactions underpinning the disease.

Using our proprietary NDD platform for network analysis, we can identify potential active compounds with desirable physico-chemical characteristics for *in vitro* testing.

We analyse the networks that we have constructed to ultimately yield a list of pre-selected compounds ideal for phenotypic screening.

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Network-driven drug discovery ("NDD")

Network construction has been undertaken based on both multiomics data and known molecular mechanisms. Focusing on systems-level approaches is beneficial for IPF, and fibrotic diseases in general, as fibrosis is a multicomponent disease and a deep understanding of the molecular mechanisms is lacking.

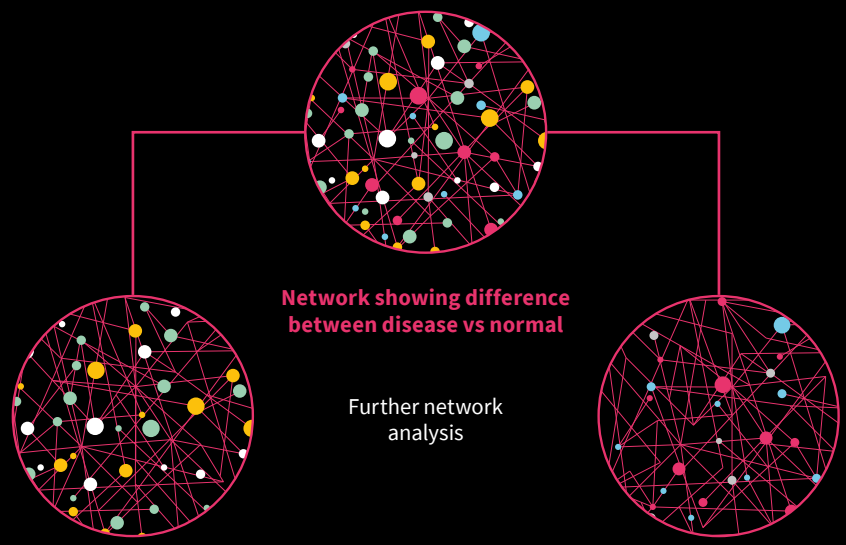
Disease network modules have been extracted from patients' data, and network analysis has shown that known biology is embedded in those networks.

These disease-related networks can be analysed to identify and extract submodules related to specific disease biology (e.g. extracellular matrix subnetwork, collagen biosynthesis subnetwork). Cell type specific mechanisms can be identified by constructing networks with data from specific IPF cell types (e.g. fibroblasts or macrophages).

Network analysis

Analysis of the networks constructed using IPF lung tissue transcriptional data yielded a list of compounds that includes known compounds used to treat IPF, such as nintedanib and pirfenidone, along with compounds with various mechanisms of action that are being clinically tested elsewhere and novel compounds which could form the basis for medicinal chemistry programmes if proven to be active in phenotypic assays.

Numerous networks are constructed using published knowledge and omics information



Our network analysis has identified many compounds, an example of which are shown here:

These compounds have been selected based on an assessment of how their biological footprint impacts network integrity. Both novel and known compounds have been returned by our approach, showing that our approach works.

Compound ID	Network impact analysis	Known compound
ETXC000000111107	0.12	N
ETXC000001260873	0.13	N
ETXC000000242522	0.09	Y
ETXC000000312523	0.13	N
ETXC000000696340	0.09	Y
ETXC000000735187	0.12	N
ETXC000000910913	0.11	N
ETXC000001045928	0.12	N
ETXC000000183851	0.10	Y
ETXC000008352768	0.13	N

Novel compounds could be selected for further screening.

Dr. Jonny Wray

Head of Discovery Informatics

"NDD can use multiple, large scale omics data sets to form novel, network-based hypotheses regarding the cellular mechanisms driving disease and use these to drive a drug discovery programme. IPF is a great example of a disease for which NDD can provide novel, tractable paths to the discovery of treatments. Using our NDD approach offers a quicker and more cost-effective way of reaching novel successful treatments."

Highlights

We continue to implement our strategy whilst evaluating our options to exploit all of our assets and capabilities

Financial

Revenue

£0.04m

(2018: nil)

Year end cash and fixed-term deposits

£5.9m

(2018: £9.6m)

Reduction in cash and fixed-term deposits in the year

£3.7m

(2018: £4.4m)

R&D spend

£3.7m

(2018: £5.0m)

Operating loss

£5.1m

(2018: £6.8m)

R&D tax credit accrued

£1.1m

(2018: £1.4m)

Operational

Secured our first commercial deal on NDD platform

We were pleased to announce our first commercial deal during the year, with Novo Nordisk in its core area of type-2 diabetes. This deal offers important validation of the Group and our technologies. We have also been shortlisted as preferred partner by a number of biopharma companies and remain optimistic for further deals in the coming financial year.

Read more on page 8

Established partnerships delivering exciting results demonstrating the potential of our NDD platform

We are focusing on the application of our NDD platform to generate useful, actionable insight from genomic data. We have successfully completed initial work in Parkinson's Disease in collaboration with C4X Discovery, identifying potential new disease mechanisms. Our collaborations with Biorelate and Intellegens have augmented our core NDD platform capabilities and added to our already rich pool of biological data. Finally, our in-house work on patient-specific NDD work in breast cancer is delivering promising results.

Read more on page 8

Progressed our existing and new discovery programmes

Progress continues on two immuno-oncology ("IO") programmes, driving external discussions on capital-efficient means to fund further work. The creation of new early-stage partner-ready programmes in neurodegeneration, fibrosis and tumour microenvironment are driving business development discussions.

Read more on page 13

Supporting our strategy with cost control

Our costs have been reduced over and above plan without sacrificing the core value that we believe will drive success going forward. As a result of both prudent cost control and a reduction in discretionary spend on internal discovery programmes, the operating loss has reduced from £6.8m in FY18 to £5.1m in FY19, with cash outflow reducing from £4.4m to £3.7m (net of R&D tax credits received).

Read more on page 14

Chairman's Statement

We have made substantial and exciting progress in further enhancing our NDD platform and therefore our offering to potential collaborators

Iain Ross
Non-Executive Chairman
4 March 2019

Dear Shareholder,

e-Therapeutics has made substantial progress during the financial year under review. We continue to operate a lean and effective organisation in a highly competitive and dynamic sector. In particular, we have continued to progress our existing assets, established new collaborations with C4X Discovery and Novo Nordisk, and have made progress in our collaborations with Biorelate and Intellegens, which together have further enhanced our platform and capabilities.

Our new in-house work on using the Network-driven drug discovery ("NDD") approach to address significant opportunities in functional genomics is particularly exciting.

Most recently we were pleased to announce a significant collaboration with Novo Nordisk and we anticipate announcing further collaborations over the coming year. We have created a broad range of assets and capabilities and are looking at a number of different commercial deals, all with the potential to provide additional revenues for the business and to build value for our shareholders.

It has been a challenging year in terms of external financial, regulatory and political uncertainty. e-Therapeutics has continued to deliver on its strategy to develop and enhance its unique and robust NDD platform. Ultimately this has only been achieved by exercising strict financial prudence throughout the year, and prioritising and focusing our resources on the development of the NDD platform. By necessity, and in the absence of actively seeking additional funding, we have not been able to fully exploit and invest in our in-house NDD-derived project assets.

As a consequence, the Board is now evaluating alternative sources of capital, including through more extensive collaborations and 'shared funding' projects. Whilst some of these initiatives may result in the Group having to share the potential overall upside with third parties, they will enable us to progress our NDD-derived programmes and increase the overall probability of success, maximising the creation of shareholder value. In addition, we intend to continue our focus on corporate and business development activities and the monetisation of our assets and capabilities. Furthermore, we remain alert to all opportunities including, if appropriate, M&A.

Your Board remains convinced of the importance, value and utility of e-therapeutics and its technology, and accordingly we will continue to aim to create and realise that value for our shareholders.

In summary, as planned during the year, e-therapeutics successfully progressed the development of its unique NDD platform and secured further validating third party collaborations. Over the coming year, in order to fully exploit all its assets and capabilities, the Group will look to form broader industry partnerships and to secure additional funding to ensure sustainable success.

Finally, I would like to extend my thanks to my Board and management colleagues and to the staff for their continuing commitment.

"We continue to operate a lean and effective organisation in a highly competitive and dynamic sector"

Chief Executive Officer's Statement

Our first ever commercial deal validates our technologies as we continue to enhance our NDD approach and follow our strategy with versatility

Ray Barlow
Chief Executive Officer
4 March 2019

Strategic update

- We continue to execute our Clear Need, Clear Solution, Clear Plan strategy underpinned by our articulated business plan.
- Our first revenue-generating commercial deal is with Novo Nordisk in its core area of type-2 diabetes.
- We have created new opportunities in industry-relevant and potentially high value discovery areas such as neurodegeneration, fibrosis and immuno-oncology and continue progression on the two internal programmes previously communicated.
- Investment in our NDD platform continues, improving and evolving our core capabilities with a focus on interrogating human genetic data and augmenting our offerings through our collaborations with C4X Discovery, Intellegens and Biorelate.
- Our cost control is managed carefully and we remain proactive in considering organic and non-organic growth options.

Dear Shareholder,

I am pleased to provide this statement on e-therapeutics' progress for the 2018/19 financial year. This time last year, we communicated that there was a clear need for our NDD technologies and assets, which provide a clear solution to some of the industry's most pressing needs. We also articulated a clear plan to continue the turnaround of the business, to engage with potential partners and to create a business that could be highly valued by the healthcare industry. We detail below how we continue to execute diligently against these strategic and tactical plans. We note the progress we have made during the year and highlight how we intend to move the business forward.

Strategy and business plan

Investments in the period have been focused on the business plan we announced last year, which is founded on three main pillars:

1. Creating and licensing partner-driven NDD-derived programmes
2. Out-licensing of our own NDD-derived assets
3. Continuously updating and enhancing our NDD platform.

As detailed below, we believe there is an opportunity to monetise some of the new functionalities we have created for the NDD platform.

Partner-driven NDD-derived programmes

In the interim release in October 2018 we highlighted work we had carried out during the year in disease areas such as neurodegeneration, fibrosis and immuno-oncology. This new work leverages our expertise in network biology and creates new opportunities in industry-relevant and potentially high value discovery areas. See a breakdown of our portfolio of projects in our KPIs on page 15.

Some of these programmes, which did not exist until recently, were the subject of several discussions with potential partners during the year. Business development work in this area continues and we were pleased to announce our first commercial deal in forming a research collaboration with Novo Nordisk in its core area of type-2 diabetes in December 2018. This is the first time we have applied the NDD approach into metabolic disease and this also demonstrates our ability to go from concept to a partner-ready programme in a matter of months. We look forward to providing an update on the progress of this collaboration in due course.

The fact that we passed deep level due diligence with a respected world leader in a new area is a good indication of the quality and substance of our NDD approach. This deal also further demonstrates the versatility of the NDD platform to address diseases of great relevance to society, medicine and the industry.

As highlighted in my review of last year, one of the challenges of a highly productive platform is to have sufficient funds to invest in all the NDD-derived programmes we have created. As a result, it has been necessary to create partnerships with the industry at an earlier stage than ideal to seek commercial funding and validation. To this end, business development continues to be a core part of our corporate strategy and we hope to be able to announce a number of additional collaborations during the coming financial year.

Self-funded NDD-derived assets

As part of the strategic review we conducted in 2017, we decided to focus the core of our internal investment on two NDD-derived assets in the immuno-oncology area: Tryptophan Catabolism and Immune Checkpoint Modulation.

We continue to make progress in our Tryptophan Catabolism programme. As previously noted, our lead series are novel, potent, first-in-class compounds that work by a different Mechanism of Action ("MoA") to the existing IDO or TDO inhibitors. We are currently undertaking further in vivo work to show how our novel MoA can impact the underlying therapeutic approach, particularly in combination with approved and marketed checkpoint inhibitors.

In our Immune Checkpoint Modulation programme, we have continued to explore the two classes of novel compounds which we know are acting by two distinct immunological mechanisms. We have continued to test efficacy across a range of T-cell driven tumour cell killing assays and to attempt to further deconvolve their biological targets.

Given our need to continue to fully support our core NDD platform and capabilities, we have not been able to invest as heavily in these projects as we would have ideally liked, and the current reality remains that we will need to identify and secure incremental funds if we wish to take these programmes forward

into the more expensive candidate selection and IND-enabling stages of development. As detailed in the Chairman's Statement, we are looking at a range of alternative funding routes for these assets at the moment.

Monetising our NDD platform

In order to maintain our competitive position, we continuously need to improve and evolve our core skills and capabilities. Accordingly, during the year we continued to invest in the augmentation of the NDD platform.

We are particularly excited by the work we have done using our NDD approach to interrogate human genomic data. We are very encouraged by the work we have done in-house in patient segment-specific NDD work, which we exemplified using breast cancer data from patients. We have presented this externally now on a number of occasions and have received positive reactions.

On 8 December 2018, we announced we had successfully completed the initial phase of our work on Parkinson's Disease in collaboration with C4X Discovery ("C4XD"). Using NDD we have been able to interrogate human genetic data from ca.200 PD-associated genes derived from C4XD's Taxonomy3 technology. This enabled us to confirm the centrality of a number of known mechanisms in Parkinson's Disease and, very importantly, identify potentially completely novel mechanisms. We are currently in discussions with C4XD to see how we can extend this initial work to exploit the synergy between technological approaches.

We believe that this approach is applicable to population genetic data for a multitude of other diseases and are marketing this innovation as GAINs ("Genome-Associated Interaction Networks"). We are looking to further explore the opportunity created by this development, as it directly addresses some of the key challenges the industry faces in linking genetic data to underlying disease mechanisms and phenotype.

Our other ongoing collaborations have also contributed to the development of our skills and capabilities. On 15 January 2018, we announced two collaborations with highly innovative AI companies. These collaborations give us unique access to a number of state-of-the art AI and machine learning techniques. We previously highlighted the contribution of our Biorelate collaboration where we have successfully used its AI-based natural language processing ("NLP") techniques to extract useful, structured biological information to help inform our NDD-derived fibrosis projects. We have also advanced our own machine learning capabilities and are progressing with the integration of Intellegen's neural network approach to create new, potentially proprietary, predicted biological data that will be useful in our existing and new NDD projects.

Finally, based on the progress in these areas, we now consider there to be an opportunity to monetise some of the innovations which we have created. As such, we are currently finalising marketing materials for distribution to existing and new contacts that may provide a means for us to generate revenues.

Cost control

We continue to manage our cash resources very carefully and, as a consequence, earlier in the year we took the decision to slow our investment in the self-funded NDD-derived assets. This decision was based on the capital we have available and our overarching aim to ensure we can maintain our core NDD platform and capabilities to enable us to offer the full gamut of our capabilities to commercial partners.

We do consider that the data we have generated on the Tryptophan Catabolism and Immune Checkpoint Modulation projects are commercially attractive and the programmes are fundable. In order to explore non-dilutive sources of funding, we are in detailed discussions with parties who are potentially willing to fund the next stages of development of these (and other) programmes in exchange for a proportion of downstream economics. We continue to consider this as a way to progress our other discovery projects in a capital-efficient manner.

Operating loss

£5.1m

(2018: £6.8m)

Reduction in cash and fixed-term deposits

£3.7m

(2018: £4.4m)

Outlook

During the year, we completed our first commercial transaction with Novo Nordisk, a world-leading healthcare company. This was an important validating milestone for e-therapeutics and its technologies. We are constantly looking to create industry-relevant innovation by augmenting our core NDD platform and using our network biology expertise to create new opportunities for the business.

Our deal with Novo Nordisk "demonstrates the versatility of the NDD platform to address diseases of great relevance to society, medicine and the industry"

As highlighted in my statement last year, we wish to invest further in our assets and continue the current business model into the medium term; therefore we need to identify additional funds. To raise our international profile, during the year, we completed a first round of non-deal investor roadshows in the USA, mainland Europe, China and Hong Kong. Our plan was to introduce new investors to the Company who, in the future, may wish to participate in the growth of the business. Generally, our technologies were well received and, as the level of industrial validation of the Company increases, we will have a sound basis to re-engage with this investor base if we so choose.

As outlined in our interim results, we are now proactively considering inorganic growth options. Accordingly, we continue to actively assess prospects that have the potential to add significant value by enabling further augmentation of our core technology platform or providing downstream skills, capabilities or cash to further develop NDD-derived assets.

We continue to execute a systematic, comprehensive and wide-ranging business development exercise which forms the foundation of a number of ongoing discussions with potential partners.

During the year, we anticipated that the capital markets would become more challenging for a business of our scale, especially due to macroeconomic and political forces. As such, we took the prudent decision to concentrate our available resources on our core platform, assets and activities whilst seeking non-dilutive sources of capital. In doing so, we have extended our cash runway but remain open to means to progress our promising NDD-derived programmes, especially via partnership and non-dilutive sources.

Our NDD platform is addressing clear drug discovery challenges and has the potential to transform and accelerate drug development. We are confident of its broad versatility and utility and remain focused on means to translate this into value for our shareholders. We look forward to maintaining an open dialogue with our shareholders during the coming year.

Our Strategy

Maximising return on investment and value to our shareholders

We bring to the biotechnology and pharmaceutical industries the power to discover new and better drugs in a more efficient and effective way.

We deliver this through our expertise in network biology and our proprietary NDD platform, which offer a different approach to drug discovery than the traditional pharmaceutical model.

Our *in silico* techniques provide benefits in terms of cost and time savings and lead to a deeper understanding of biology with the ultimate goal of the identification of new and better drugs.

Pharmaceutical companies traditionally take a 'top down' approach to drug discovery, seeking a target without considering the whole disease network. Therefore, the disease may fall back on alternative paths or the pathway targeted may only be part of a complex network.

By looking at the whole network, we identify nodes whose disruption will have the greatest benefit, making it more difficult for disease to bypass. We then compare our comprehensive library of active compounds to the weak points identified with maximum effect, drastically reducing the number of compounds to be tested in the lab. See more on Our Approach on page 11.

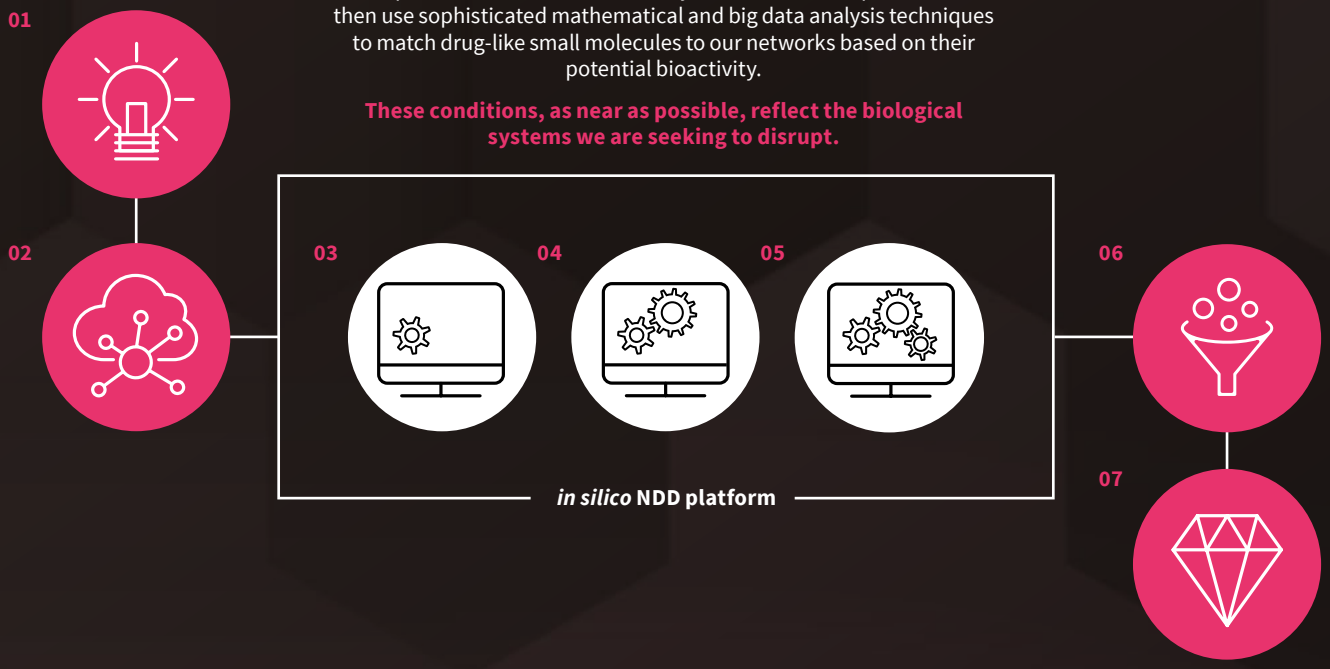
We can use our approach to develop our own NDD-derived assets and also to assist other pharmaceutical companies in their own or jointly-developed programmes. See more in our Business Model on page 12.

We address the complexity of disease with our powerful NDD platform

Modelling and analysing disease networks provides a novel approach to drug discovery. Our revolutionary computer-based platform more realistically reflects disease, with its multiple and often interconnected cellular pathways.

Our cutting edge *in silico* techniques sit at the heart of how we identify the best drug-like molecules for further screening: we draw from our comprehensive AI-enhanced library of millions of compounds and then use sophisticated mathematical and big data analysis techniques to match drug-like small molecules to our networks based on their potential bioactivity.

These conditions, as near as possible, reflect the biological systems we are seeking to disrupt.



01 Gaps in available treatment for disease
Our NDD approach is driven by biology and is ideally suited for tackling many of the complex, multifactorial diseases where the needs for effective treatments remain unmet.

02 Identification of strategies
Our aim is to alter specific functions that are driving disease. We design interventions by selecting which mechanisms to perturb rather than by selecting in advance which targets to drug. By taking this 'bottom up' approach, NDD can find drugs that act through known or novel targets.

03 Network model construction
We explicitly model the complex cellular mechanisms involved in the disease processes we are aiming to disrupt. Network construction aims to uncover and address redundant and degenerate pathways and subnetworks that can be missed by other approaches. Data-driven network construction approaches can identify and address novel molecular mechanisms involved in disease.

04 Network analysis
Our core approach utilises biological network analysis using multiple data sets and computational tools – not just AI. Biological networks are robust by their very nature and hard to disturb. Our proprietary network analytics aim to identify molecular perturbation patterns that can significantly impact those networks and thus the disease mechanisms they represent.

05 Compound mapping
The impact of millions of individual compounds on network integrity is assessed using their biological footprint of both direct and indirect protein modulations. These footprints are constructed via a statistical integration of machine learning-based predictions with empirical evidence from both structured databases and advanced natural language processing. Compounds with a high impact relative to random are selected for screening. Our *in silico* output comprises lists of compounds statistically enriched in actives.

06 Phenotypic screening
Our hypothesis-based approach generates compound deck sizes ideal for complex phenotypic screens which are more representative of human disease processes. Multiple projects, across diverse areas of biology, have demonstrated high success rates in identifying compounds with significant activity in multiple cell-based assays. These active 'hit' compounds are rational starting points for medicinal chemistry optimisation.

07 Hit to lead optimisation
Active compounds across multiple chemotypes are progressed into medicinal chemistry optimising multiple properties including efficacy, drug metabolism and pharmacokinetics ("DMPK") and chemical novelty. Multiple projects have now optimised identified hits into leads and compositions of matter patents have been filed in two programmes.

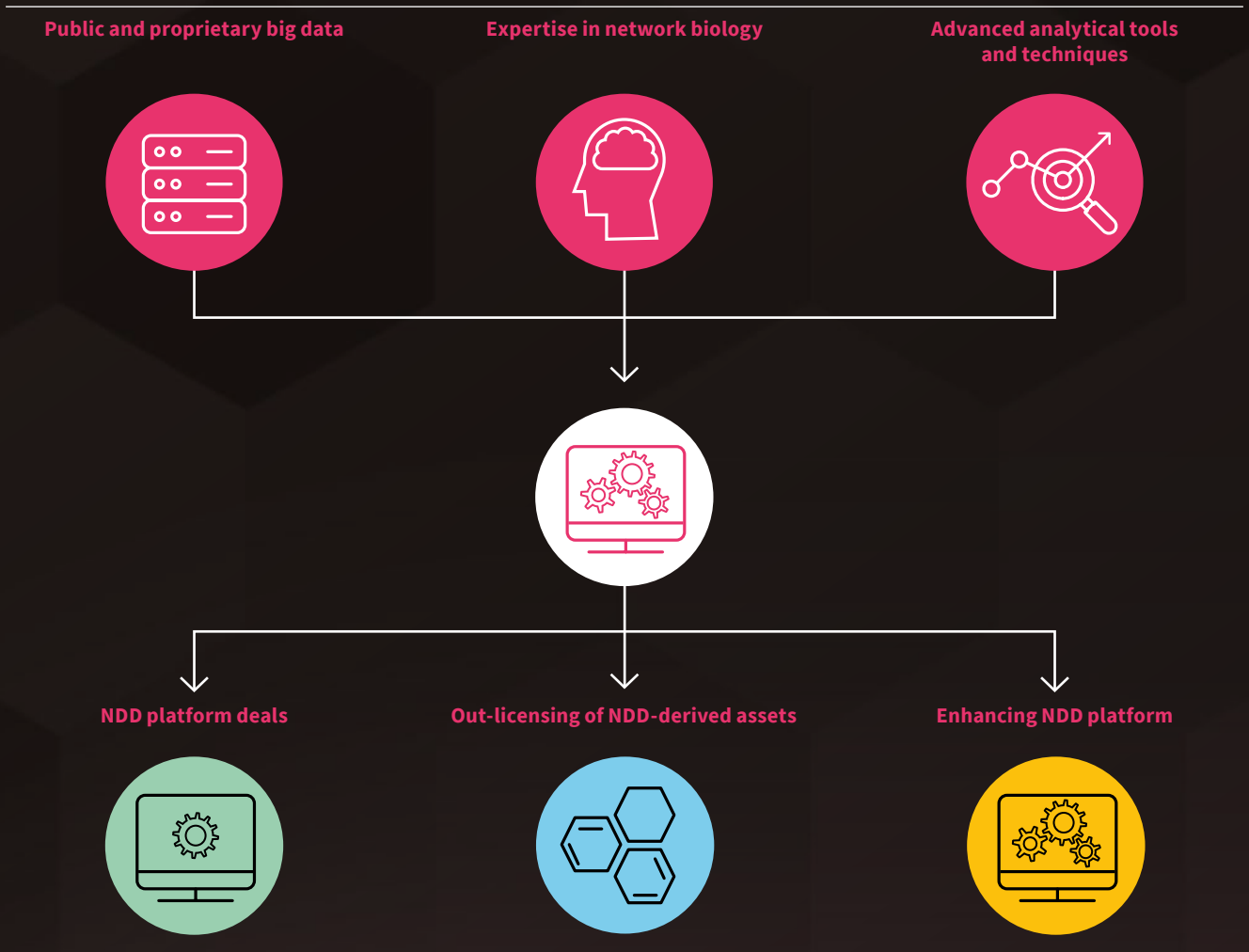
How we create value

We use our expertise in network biology and our proprietary NDD platform to maximise returns to our shareholders.

Our ongoing focus is on the right assets with relentless effort in business development and marketing and we are therefore pleased to announce our first commercial deal during the year. We will continue to focus on such activities in the coming financial year.

However, the Directors expect the Group to be able to support its business and discovery plans for the near term in the absence of any further income from partners, as disclosed in our Principal Risks on pages 17 to 19.

We also remain proactive and open to considering all potential organic and non-organic opportunities that could add value to our shareholders.

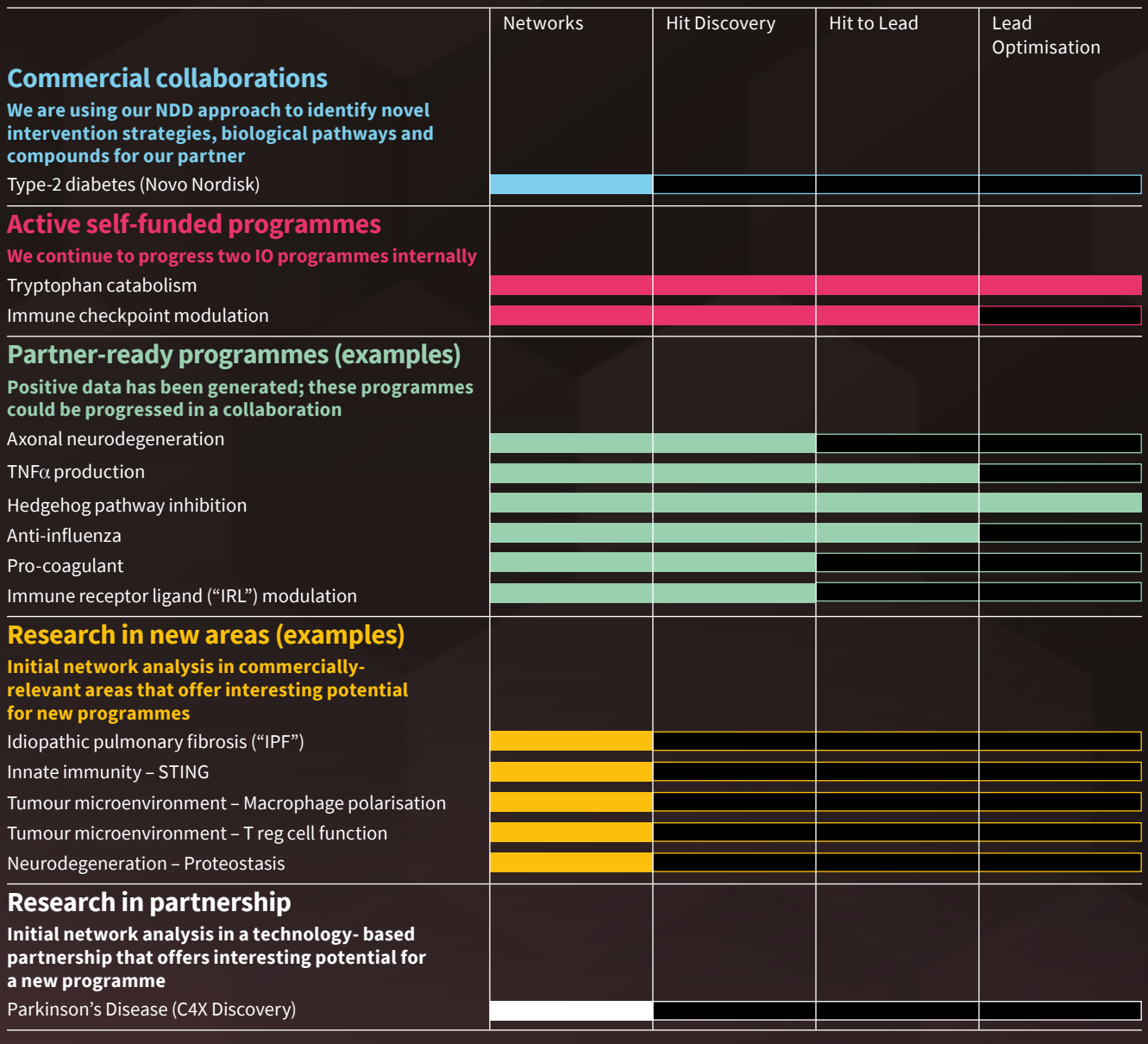


Our *in silico* NDD platform can benefit traditional pharmaceutical and biotechnology companies that are looking to decrease the cost and increase the speed and productivity of their drug discovery activities. We can apply our NDD platform to disease areas of mutual interest to provide a list of analysed compounds to be taken forward into further screening or medicinal chemistry.

Given the productivity of the platform, we are also developing internal, preclinical drug discovery programmes to a point where they are attractive to industrial partners looking to acquire or in-license such assets.

Our NDD platform can offer more to potential partners than an output of compounds, it can offer deep insight into biological mechanisms as well as partners' processes and datasets to increase the value of their own offering. We are therefore continuously updating and improving our platform so that we can offer a unique combination of convergent technologies.

An example of our programmes



www.etherapeutics.co.uk/what-we-do/our-assets

Financial Review

We recognise our first revenue and continue to reduce costs whilst retaining investment in the core platform functionality and NDD-derived assets

Steve Medlicott
Finance Director
4 March 2019

"A three-year trend of sequentially declining six-monthly losses"

As outlined in the Chief Executive Officer's Statement, we were pleased to report our first commercial deal in December 2018 with Novo Nordisk in the area of type-2 diabetes. Whilst the financial terms were not disclosed, we confirmed that the research collaboration agreement would last for a period of up to 12 months. Work commenced in January 2019 and accordingly, to reflect the level of work done, we have reported associated revenues of £0.04m in the year to 31 January 2019 (2018: £nil).

The overall operating loss for the year was £5.1m (2018: loss of £6.8m). The loss reported in the second half of the year of £2.3m (H2 2018: £3.1m) reflects a three-year trend of sequentially declining six-monthly losses and was the lowest half-yearly loss since 2012. This reduced loss reflects lower external spend on our self-funded NDD-derived assets in the period, but also continued strong focus on cost control across the whole Group.

R&D spend for the year of £3.7m (2018: £5.0m) was £1.3m lower than the prior year. The last remaining clinical trial, ETS2101, ended in August 2018 and this, combined with reduced spend on the self-funded assets, accounted for the majority of the reduction in R&D spend.

Administrative costs in the year of £1.5m (2018: £1.7m) continue to decline, primarily due to a reduction in people costs.

Year end cash and cash equivalents was £5.9m (2018: £9.6m). The cash reduction for the year as a whole was £3.7m (2018: £4.4m). After adjusting for the R&D tax credit of £1.4m (2018: £3.0m) the underlying cash burn of £5.1m was in line with the operating loss. This compares with an underlying cash burn in the prior year of £7.4m.

In the second half of the year, the cash reduction of £1.7m was the lowest half yearly burn rate since 2011. It is important to be aware that whilst we are continually looking at all costs, we have continued and will continue to invest in both core NDD platform functionality and the self-funded assets. The decision to increase investment in the platform was made over two years ago and this is evidenced by the advances we have made over the last 12 months in patient-specific segmentation, our proprietary database expansion and the recent C4X Discovery collaboration.

Notwithstanding the fact that we will continue to invest within both the platform and the self-funded assets, we anticipate a further, more modest, reduction in operating loss in the current year.

We are anticipating claiming an R&D tax credit of £1.1m for the current financial year. Combined with our year end cash position and based on the second half cash consumption exit rate, we maintain our expectation that we will have sufficient cash to continue core operations into late 2020. However, as always, this will need to be evaluated if we wish to invest in further experimental validation of new NDD-derived programmes or later stage preclinical work.

Measuring our progress

Financial KPIs

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

-£3.7m

2019	£5.9m
2018	£9.6m
2017	£14.0m

We carefully monitor cash spend to ensure efficient use of the cash reserves obtained through fundraising in 2013. The Directors have forecast that, even assuming that no further commercial deals are won, the cash reserves should be sufficient to meet the core operating requirements of the Group until October 2020.

Read more on page 14

R&D spend as reported in the P&L

-26%

2019	£3.7m
2018	£5.0m
2017	£10.9m

We derive our long-term value from our proprietary NDD platform and NDD-derived assets, hence this is how we focus our R&D spend. Discretionary spend on self-funded discovery programmes has reduced during the year as the Directors continue to carefully consider the commercial prospects of the Group. Investment continues to be made in improving the NDD platform.

Read more on page 12

Non-financial KPIs

Number of commercial agreements

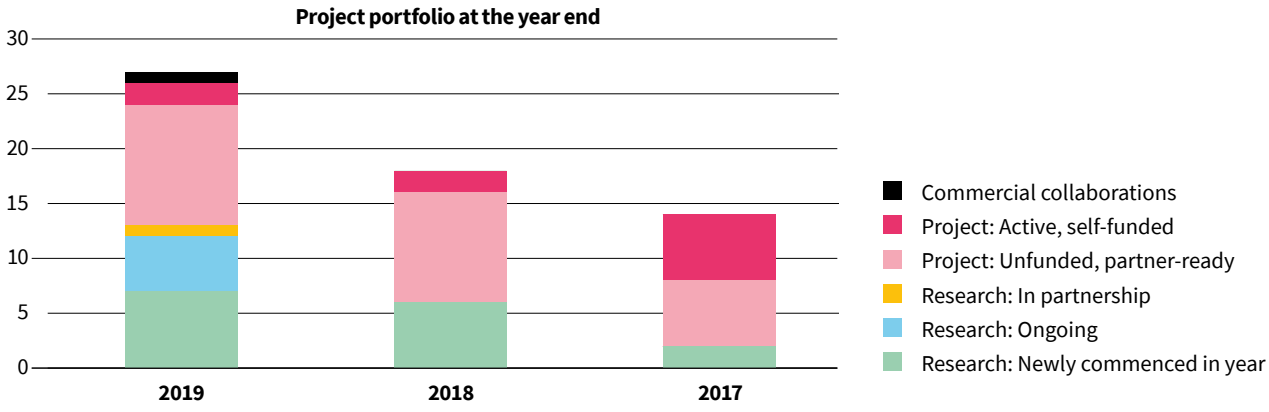
+1

2019	1
2018	Nil
2017	Nil

During the year the Group announced its first commercial agreement, using its NDD platform to look to discover potentially novel biological mechanisms and therapeutic approaches for a specific area of type-2 diabetes with Novo Nordisk. This is an important first step for the Group and in the coming financial year we will continue to focus on the commercialisation of both our preclinical assets and our *in silico* NDD platform.

Read more on page 8

Review of NDD programmes



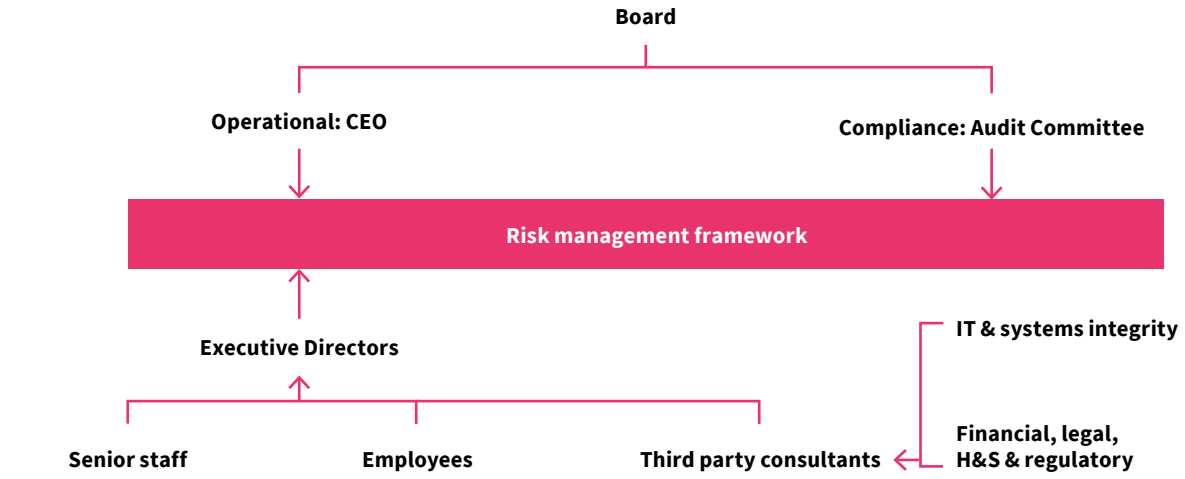
We are focusing on a commercial collaboration in type-2 diabetes as announced during the year and continue to apply spare capacity to two self-funded NDD-derived IO discovery programmes. We are also researching commercially-relevant areas that may interest potential partners wishing to commence a new programme, in areas such as fibrosis, tumour microenvironment (IRL and STING) and macrophage polarisation. Research is also underway into Parkinson's Disease in partnership with C4X Discovery, utilising our NDD platform and its genetic target platform.

Read more on page 13

Risk Management

The Group remains committed to understanding, analysing and addressing risk

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



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

This process has continued to be enhanced during the year, especially with regard to cyber risk, a risk which is increasing across all industries, our Group being no exception. The Group has engaged with cyber risk specialists and has implemented a new system of employee cyber risk training along with a number of additional security measures aimed at protecting our information systems, such as two factor authentications, hardware encryption, file protections, an audit trail, incident logs and information asset registers. As a result, we are pleased to have successfully achieved certification of compliance with both the Cyber Essentials Scheme and the IASME Governance Standard during the year. These are risk-based accreditations founded on international best practice that aim to demonstrate a commitment to cyber security.

Risk management processes adopted by the Group include the following:

- A business continuity management strategy, including business impact analysis and IT disaster recovery plan, which is reviewed by the Board annually and distributed to all employees.
- Categorised and prioritised risk registers, which are reviewed by the Board annually and distributed to all employees.
- Risk assessments are reviewed at least annually with senior staff and made available to all employees.
- A log of data security incidents and risks is reported to the Board at each meeting.
- Employee policies are reviewed annually by senior staff and an independent HR consultant, who can be contacted in confidence by all employees.
- Annual IT vulnerability testing is undertaken by third party consultants.
- Information asset registers are reviewed quarterly by senior staff.
- Regular cyber risk training is provided to all employees by third party consultants.
- Internal controls are implemented throughout all levels of the business.
- Standard operating procedures are documented for use throughout the business.

The Group's system of risk management and internal control is designed to safeguard the Group's assets and the reliability of information within the business, ensuring that opportunities as well as risks are identified and that the Board has the correct information to drive shareholder value:

1. Project direction: The Board reviews and approves all significant contracts.
2. Cost control: Annual budgets and forecasts as well as monthly management accounts and short-term cash forecasts are reviewed by the Board.
3. Information security: The Board is updated on any potential security incidents and risks at every meeting.

The key risks of the Group are shown on the following pages. Most, if not all, are common risks with other R&D businesses at this stage of their life cycle.

Principal Risks and Uncertainties

Risk	Mitigation
How can we adequately protect our intellectual property ("IP")?	
If IP rights are not adequately secured or defended against infringement, or conversely become subject to infringement claims by others, commercial exploitation could be completely inhibited. No change in risk level since prior year	The key technological mechanism for value creation is our NDD platform, the operation and maintenance of which requires detailed, advanced know-how and expertise which would be difficult and time-consuming for competitors to replicate. We also actively manage our IP, engaging with specialists to apply for and defend IP rights. During the year, a new patent has been filed that covers recent advances in the way we apply our NDD platform.
How can we retain and motivate the best people?	
The knowledge skill set of our employees is fundamental to the ongoing success of the Group, yet is often intuitional and hard to document. This gives rise to the challenge of not only recruiting, but also motivating and retaining appropriately qualified staff. No change in risk level since prior year	Our recruitment processes are tailored to identify and attract the best candidates for specific roles, aiming to provide competitive rewards and incentives to both staff and Directors. We are committed to providing a working environment to encourage staff retention and undertake industry- and size-specific annual benchmarking. Knowledge sharing and documentation is encouraged, with an internal control system including standard operating procedures where possible, underpinned by our IP strategy. More about how we promote a healthy corporate culture can be found in the Corporate Governance Statement on pages 24 to 29.
How can we overcome the inherently broken traditional pharmaceutical model?	
Drug candidates can fail due to a lack of efficacy or potency, unacceptable toxicology results or insurmountable challenges in medicinal chemistry. This is the main reason that the conventional pharmaceutical R&D model takes many years and billions of dollars from discovery to approved medicine. Therefore, there is a risk that we do not successfully identify any viable drug candidates. The parent Company has goodwill on the Balance Sheet of £2.8m (2018: £2.8m) that is allocated to the NDD activity of the business and would be impaired if these activities could no longer support its value. No change in risk level since prior year	The risk to the industry is fundamental to our 'Clear Need, Clear Solution, Clear Plan' strategy, more information on which is included on page 10. Our proprietary NDD platform is designed to address this risk, using large scale databases and a suite of powerful computational tools to construct and analyse networks and the impact of millions of individual compounds on network integrity to produce hit identification: this is our NDD approach. This is quicker and cheaper than traditional approaches, therefore generates multiple structurally diverse candidates in different disease areas to diversify the inherent risk of biology. We understand that our underlying NDD platform is critical to creating value and therefore we invest heavily in enhancing its capabilities and engage with technology collaboration partners to mitigate the risk of the technology being superseded.

Principal Risks and Uncertainties (continued)

Risk	Mitigation
How can we ensure the integrity and security of our information?	
Cyber risk encompasses the risks of cyber crime, IT systems failure, data protection and data theft or misappropriation. Our strategy is founded on our NDD platform and our technology is imperative to our long-term success. Any attacks could threaten the integrity of our core technology or IP and lead to a misappropriation of our data or, ultimately, our remaining cash balance, which is fundamental to our going concern status. This is an increasing risk irrespective of the amount and quality of mitigating actions taken by our management due to the increasing sophistication of cyber criminals. Threats arise not only from hackers, malware or known third parties, but can unfortunately also arise from employee action or inaction, whether intentional or not, and we acknowledge this so that it can be addressed and mitigated as far as possible. ↑ Increase in risk level since prior year.	The Group has a business continuity management strategy, including a business continuity plan and IT disaster recovery plan, and back-up plans to reduce business disruption in the event of a major technological failure. We have established information privacy and security policies which are reviewed and distributed to all employees annually with the aim of ensuring that data is protected and that we comply with relevant legislative, regulatory and contractual requirements. Employees are our first line of defence against cyber attacks and we promote secure behaviours to help mitigate this growing risk. We provide training to our employees, which includes ongoing cyber security awareness training provided by a third party partner and regular 'ethical phishing' to educate our staff to be vigilant for suspicious emails that often look very realistic. We engage with specialists to provide ongoing training to our employees to provide the physical protection required, such as firewalls and anti-malware, and perform annual systems vulnerability testing. We maintain a register of our categorised data, recording access limitation and security measures, including a review of our data processors and cloud-based storage providers. A log of all security incidents is recorded and reported to the Board. There have been no significant incidents and no cyber breaches during the year. The Group also maintains levels of insurance considered appropriate for the size and activities of the business, which includes cyber insurance. The actions outlined above have resulted in us being awarded certification of compliance with both the Cyber Essentials Scheme and the IASME Governance Standard during the year, which recognises our commitment to secure our data integrity.
Without adequate revenue, how can we fund the business?	
The biotechnology and pharmaceutical industries are very competitive, with many major players having substantial R&D departments with greater resources and financial support. We signed our first revenue-generating commercial deal during the year; however, to ensure the long-term viability of the Group, we need to be successful in executing multiple commercial deals that provide significant revenues, either through the licensing of NDD-derived assets or NDD platform deals, per our business model, which is discussed in more detail on page 12. The successful development of the Group's assets requires financial investment. Without revenue or commercial partners reliance falls on investors or potential M&A opportunities that could augment our core technology platform or provide downstream skills, capabilities or cash to accelerate our NDD-derived assets. Failure to generate additional funding from these sources may compromise the Group's ability to execute its business plans or to continue in business. ↑ Increase in risk level since prior year.	The commercial prospects of each drug discovery programme are reviewed regularly, with consultation from commercial and scientific experts, to assess the potential impact of competing products and technologies or changes in the economic landscape pertaining to specific disease indications. We are focusing on business development, presenting at numerous conferences and seminars to ensure that potential collaborators are aware of the utility of the platform. In the meantime, we consider that our current cash resources are sufficient to fund current plans for the development of the Group's technology platform and the generation of new drug candidates in the short to medium term. We operate robust controls over expenditure and Note 21 to the financial statements includes our objectives, policies and processes for managing capital and financial risk. As discussed more fully in the Chief Executive Officer's Statement on pages 8 and 9, we remain proactive and open to considering all potential organic and non-organic opportunities that could add value to our shareholders. Also, see the following principal risk on going concern.

Risk	Mitigation
How can we gain comfort that we are a going concern?	
Although the Group undertook its first commercial deal during the year, the day-to-day working capital requirements were largely met through cash reserves obtained through past fundraising. We believe that the current position of the Group is not unusual for a drug discovery company. However, we also recognise that this is not a sustainable position for the long-term success of the Group. If the Group cannot be sustainably funded by revenue or alternative funding measures, then the Group may not be able to continue as a going concern. ↑ Increase in risk level since prior year.	At the year end 31 January 2019 we reported cash and liquid resources of £5,904,000 and an underlying cash burn during the year, excluding R&D tax credits received, discretionary project spend and development closure costs, of £3,902,000. We have prepared a detailed financial forecast for the next two financial years. This forecast assumes no sales and the continuation of costs associated with drug discovery. The impact of Brexit has been considered and management believes that there will be minimal to no impact other than the impact on UK GDP. These financial forecasts assume that the existing structure and functionality of the Group are maintained and that investment in both the *in silico* platform and discovery assets will continue. However, the Group is continually reviewing discretionary costs across all areas of the business, as evidenced by the fact that the six monthly reported loss before tax has declined sequentially over the last three years. We anticipate that the coming financial year will see a similar trend of an ongoing reduction in costs, albeit at perhaps a more modest rate. Our present projections suggest that, in the absence of additional revenue and excluding receipt of the anticipated R&D tax credit of £1,098,000, the Group's cash resources will last until July 2020. At the date of signing these financial statements, the Group anticipates that the R&D tax credit will be received, as discussed in the principal risk below, and therefore it has been recognised as receivable at the year end. Assuming the receipt of this R&D tax credit as planned, cash is forecast to last until October 2020. It is possible to make material cost reductions in addition to those included in the financial forecasts. It is the intention of the Directors to call on these measures if required to extend the cash runway. It should also be noted that the forecasts have been prepared assuming no future cash receipt either from dilutive funding or from existing or future collaboration partners. The Directors believe that current collaboration discussions have a high probability of resulting in a material cash inflow during the coming financial year. Such cash receipts would extend the cash runway of the Group. The financial performance and position of the Group are discussed in more detail in the Financial Review on page 14. As a result of the above points, these financial statements have been prepared on the going concern basis since the Directors have a reasonable expectation that the parent Company and the Group have adequate resources to continue in operational existence for the foreseeable future.
Why are tax credits so important?	
We have recognised an R&D tax receivable on the Balance Sheet of £1,098,000 (2018: £1,364,000). This claim has not yet been approved by HM Revenue & Customs and, as such, there is a risk that the claim may not be successful. No change in risk level since prior year.	Third party advice is sought regarding the R&D tax credits that the Group is eligible to claim. Historically, claims have been successful and the Group expects the current year claim to be successful, too. However, for prudence, the Group has also built scenarios into its budgeting and cash forecasting activities to ensure that the Group remains a going concern if the claim is not successful as expected.

Approval of the Strategic Report

The Strategic Report on pages 2 to 19 was approved by the Board and signed on its behalf:

Ray Barlow
Chief Executive Officer
4 March 2019

Board of Directors

Dr. Ray Barlow
Chief Executive Officer

Ray, 50, brings the experience, knowledge and personal networks from more than 20 highly productive years in regional and global leadership positions spanning the complete value chain in the pharmaceutical and biotechnology industries. Having completed his PhD at the University of Manchester, UK in 1994 and a post-doctoral fellowship at McGill University, Canada, Ray joined the Technology Access and Strategic Alliances Team at Zeneca in 1995, becoming the Team Leader only a few years later. After the merger with Astra, Ray took a global management role, in-licensing new technologies and developing molecules in oncology, cardiovascular, respiratory and inflammatory disease areas, while concurrently obtaining an MBA (with distinction) at the Manchester Business School. He then moved into business development as a Senior Analyst and then Director of Corporate Development, where he spearheaded a number of transactions and contributed to shaping AstraZeneca's strategic roadmap, including its entry into biologics.

Following a period leading regional commercial operations for AstraZeneca in 14 European countries and Russia, Ray moved to senior business development roles in the biotechnology sector, where he out-licensed a portfolio of meningitis B assets to Sanofi and was involved in successfully listing Emergent Biosolutions, Inc. on NASDAQ. Ray also ran his own business (BD Solutions Limited) for five years, advising clients on corporate development and commercialisation, including as CEO of Asterion Limited, where he successfully closed deals with Genzyme Inc. and Ipsen.

Ray joined Crucell NV in 2010 and was part of the team instrumental in its sale to Johnson & Johnson, for whom he orchestrated deals in infectious diseases and vaccines before becoming Executive Director of Corporate Development at Amgen in 2012. In this role, Ray closed immuno-oncology deals with Boehringer Ingelheim, negotiated international commercial deals with GSK, Mitsubishi Tanabe and Novartis, and played a key part in the acquisition of Onyx Pharmaceuticals Inc. and Dezima Pharma BV. Ray took up the role of CEO at e-therapeutics in April 2017.

Key

- ● Chair of Committee
- ○ Member of Committee
- (A) Audit Committee
- (R) Remuneration Committee

Steve Medlicott
Chief Financial Officer

Steve, 53, joined e-therapeutics' management team in April 2014, having previously advised the Company in its £40m fundraising in 2013. He is a Chartered Accountant. Steve acted as Interim Chief Operating Officer between July 2016 and April 2017.

Prior to joining e-therapeutics, Steve worked in the UK equity market for over 20 years. During this time, he was involved primarily in research and advised on numerous flotations, acquisitions and corporate transactions. He has held various research and executive roles within UK capital market companies including Altium Capital, N+1 Singer and Peel Hunt. He co-founded Blueprint Advisors in 2012.

Iain Ross
Non-Executive Chairman

A

Iain, 65, was appointed Non-Executive Chairman of e-therapeutics plc in January 2016 and in July 2016 was appointed Interim Executive Chairman until Ray Barlow's appointment as CEO in April 2017. Iain has over 40 years' experience in the international life sciences and technology sectors, where he has completed multiple financing transactions, and over 25 years in cross-border management as Chairman and CEO. He has led and participated in six Initial Public Offerings ("IPOs") and has direct experience of M&A transactions in Europe, the USA and the Pacific Rim.

Currently, he is Non-Executive Chairman of Redx Pharma plc (LSE) and Kazia Therapeutics Limited (ASX and NASDAQ) and was responsible for leading the turnaround of both companies before appointing new executive management. He is also a qualified Chartered Director and former Vice Chairman of the Council of Royal Holloway, London University.

Previously, he has held significant roles in multi-national companies including Sandoz, Hoffman La Roche, Reed Business Publishing and Celltech Group plc. He has advised banks and private equity groups on numerous company turnarounds including, as CEO of Quadrant Healthcare (1996 to 2000), taking the company public and signing numerous collaborations before selling the business to Elan in 2001. As Chairman and CEO at Allergy Therapeutics (2001 to 2002) he restructured the company prior to its IPO and as Executive Chairman at Silence Therapeutics plc (2004 to 2010) he turned the business around through M&A and established numerous big pharma collaborations. As Executive Chairman at Ark Therapeutics plc (2010 to 2015) he successfully restructured the business and disposed of the manufacturing assets and reversed in Premier Veterinary Group.

Professor Trevor Jones CBE
Non-Executive Director

A R

Trevor, 76, has over 40 years' distinguished experience in the pharmaceutical and biotechnology industry as well as in academia. He is currently a Non-Executive Director of the life sciences investment company Arix Bioscience plc. He is also Visiting Professor at King's College, London and holds honorary degrees and Gold Medals from seven universities.

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

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

Christine Soden
Non-Executive Director

A R

Christine, 61, a Chartered Accountant, has some 30 years' experience in the life sciences sector, spanning a broad range of technologies and products from genetic discovery through drug development, branded pharmaceuticals and generics and medical devices. She has served as CFO and Chief Operating Officer and as Non-Executive Director in a range of public and private companies, completed several public and private financing transactions and been instrumental in completing numerous M&A and licensing transactions and business restructurings, both in the UK and internationally.

Christine is currently CFO of Acacia Pharma Group plc and a Non-Executive Director of Fertility Focus Limited and Futurenova Limited.

Previously, Christine served as CFO and then Non-Executive Director of AIM-listed Electrical Geodesics, Inc., which was recently acquired by Philips NV, following roles as CFO of Optos plc, BTG plc, Oxagen Limited and Celltech-Chiroscience Group plc, having started her life-sciences career as Financial Controller of Medeva plc. She joined the Board of e-therapeutics in November 2017 and chairs the Audit Committee.

Directors' Report

The Directors present their Annual Report together with the financial statements and Auditor's Report for the year ended 31 January 2019. The Corporate Governance Statement on pages 24 to 29 also forms part of this Directors' Report.

General information

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

Review of business

The Group continues to invest in drug discovery research activities. The Strategic Report on pages 2 to 19 forms part of this Directors' Report and provides a review of the business, including the Group's trading for the year ended 31 January 2019, an indication of likely future developments, key performance indicators and risks.

Results and dividend

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

The Directors do not recommend the payment of a dividend (2018: £nil).

Directors' interests

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Directors' Remuneration Report on pages 31 to 38.

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

Directors' remuneration

Details of the Directors' remuneration appear in the Directors' Remuneration Report on pages 31 to 38.

Directors

The Directors of the Company who served during the year ended 31 January 2019 and up to the date of this Report were:

Director	Capacity
Iain Ross	Non-Executive Chairman
Ray Barlow	Chief Executive Officer
Steve Medlicott	Chief Financial Officer
Trevor Jones	Non-Executive Director
Christine Soden	Non-Executive Director

No Directors were appointed or resigned during the year.

Directors' and officers' liability insurance

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

Political donations

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

Financial instruments – risk management

The Group's financial risk management policy is set out in Note 21 to the financial statements.

Research and development

During the year ended 31 January 2019 the Group's expenditure on R&D was £3,673,000 (2018: £5,019,000).

Articles of association and capital structure

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

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 22 to the financial statements. There are no restrictions on the transfer or voting of securities in the Company, and there are no agreements known to the Company which might result in such restrictions. There are no shareholdings carrying special rights with regard to the control of the Company.

As at 31 January 2019, the Company's issued share capital was £269,000, divided into 268,689,878 ordinary shares of 0.1p each in nominal value.

Re-election of Directors

The appointment of the Chairman is terminable by either e-therapeutics or the Chairman on six months' notice. The appointments of each of the other Non-Executive Directors are terminable by either the Company or the individual Director on three months' notice. Each appointment is contingent on satisfactory performance and on the re-election criteria more fully explained in the following paragraph.

In accordance with the Company's articles of association, each Director must be subject to re-election at least every three years. All newly appointed Directors are also subject to election by the shareholders at the first Annual General Meeting following their appointment. Accordingly, Iain Ross and Trevor Jones, both having been a Director at each of the two preceding Annual General Meetings, will retire at the forthcoming Annual General Meeting of the Company on 30 April 2019 and, being eligible, will both offer themselves for re-election.

Disclosure of information to Auditor

Each Director who held office at the date of approval of this Report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting. Deloitte LLP was first appointed as Auditor of the Company at the Annual General Meeting in July 2014, following an extensive tender process.

Subsequent events

There were no material subsequent events requiring disclosure in the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH on 30 April 2019 at 11:00am. The notice convening the meeting is set out on pages 64 and 65 together with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at www.etherapeutics.co.uk/investors/reports-results.

By order of the Board

Sue Steven
Company Secretary
4 March 2019

Major shareholdings

On 01 March 2019 the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1p each Number	% of ordinary shares of 0.1p each held at date of notification
Invesco Asset Management Ltd	84,524,060	31.46
Richard Griffiths and controlled undertakings	56,767,667	21.13
Woodford Asset Management LLP	46,807,479	17.42
Lombard Odier Asset Management	21,394,589	7.96
Octopus Investments Ltd	11,097,658	4.13

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

Statement by the Non-Executive Chairman

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

Dear Shareholder,

As Chairman of e-therapeutics, and on behalf of the Board, I am pleased to present our Corporate Governance Statement for the year ended 31 January 2019. I am responsible for leading the Board so as to ensure that the Company has in place the strategy, people and structure to deliver value to shareholders and other stakeholders of the Group as a whole over the medium to long term, supported by a corporate culture based on sound ethical values and behaviour, as more fully explained in the Corporate Governance Statement on the following pages.

In previous years, e-therapeutics has based its corporate governance, as far as possible, on the 2013 Quoted Companies Alliance ("QCA") Corporate Governance Code for Small and Mid-Size Quoted Companies, although we were not formally required to do so under the AIM Rules. In March 2018, the London Stock Exchange published revised rules for AIM-listed companies which introduced a requirement for all AIM companies to apply a recognised corporate governance code from 28 September 2018. Accordingly, the Company has chosen to adopt the recently published (April 2018) QCA Corporate Governance Code (the "QCA Code") and this Corporate Governance Statement is based upon the QCA Code, which has proved to be a useful guide to assist me and the Board of e-therapeutics in articulating how we approach and apply good corporate governance.

We continue to evaluate how we govern the Group on an ongoing basis, working for the best long-term interests of our shareholders in an open, transparent and ethical manner. The corporate governance framework adopted is appropriate for the relatively small company that e-therapeutics is, at an early revenue-generating stage of development. The Board considers that this framework can grow with the Company, yet it is considered premature to plan for an evolution of the governance framework at this stage. If the Company undertakes significant transactions that would require growth, then the Board will consider the implication of this on the corporate governance structure at that point in time.

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

The QCA Code sets out 10 principles, in three broad categories, and in this Corporate Governance Statement I have set out the Group's application of the QCA Code, including, where appropriate, cross-references to other sections of the Annual Report and to our website.

Iain Ross
Non-Executive Chairman
4 March 2019

Deliver growth: Principles 1-4

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

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

Our strategy and business model are outlined in our Strategic Report, on pages 10 and 12, respectively.

Our business continuity and risk management process, including principal risks and uncertainties, are shown on pages 16 to 19 of the Strategic Report, and there is also more information about the challenges faced when implementing our strategy on our website at www.etherapeutics.co.uk/investors/corporate-governance.

2 Seek to understand and meet shareholder needs and expectations

The Board is keen to promote greater awareness of the Group and a detailed report on the Group's activities during the reporting period is contained in my Statement and the CEO's Statement on pages 7 to 9. More recent Company announcements may be found at www.etherapeutics.co.uk/investors/regulatory-announcements.

Responsibility for day-to-day shareholder liaison lies with the Executive Directors and ultimately lies with the Board. More information on which is included at www.etherapeutics.co.uk/investors/corporate-governance.

The Company receives every year, just prior to its Annual General Meeting, voting guidance reports from organisations such as Institutional Shareholder Services ("ISS"). These highlight any areas of concern and invite the Company to comment prior to publication. In the recent past, these concerns have been in respect of:

- non-disclosure of the specific performance metrics needed to be achieved for the options awarded to vest;
- inadequate disclosure in the Annual Report of the additional remuneration received by CEO upon joining the Company; and
- the proposed disapplication of pre-emption rights amount exceeded recommended limits of 10% of issued share capital.

None of these involve non-compliance with the QCA Code, but we have in this year's Annual Report addressed the following:

- The specific performance metrics needed to be achieved for the options awarded to vest are shown in the Directors' Remuneration Report on page 37 and in Note 10 to the financial statements.
- Explanation of the joining fees received by the CEO upon joining the Company are shown in the footnote to the table in the Directors' Remuneration Report on page 36.

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

In addition to our shareholders, we believe our main stakeholder groups are our employees and suppliers. More information can be found about our relationships with our key stakeholders and our commitment to providing a healthy and secure working environment at www.etherapeutics.co.uk/investors/corporate-governance.

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

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

A detailed review of the Group's risk management framework, including principal risks and mitigating actions, is included in the Strategic Report on pages 16 to 19.

Corporate Governance Statement (continued)

Maintain a dynamic management framework: Principles 5-9

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

As Non-Executive Chairman, I am responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda in consultation with the other Directors and I am not involved in the day-to-day business of the Group. I facilitate the effective contribution of the Directors and ensure that they receive accurate, timely and clear information and that they communicate effectively with shareholders. I am satisfied that the current Board as a whole is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

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

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

Board of Directors

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

Independence of Directors

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

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

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

I am not considered by the Board at the present time to be independent, having served as Interim Executive Chairman during the period from July 2016 to the appointment of Ray Barlow as CEO in April 2017.

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

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

Time commitments

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

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

Attendance at Board and Committee meetings

During the financial year, the Board met seven times in person and on one occasion by telephone. In addition, authority was delegated on an ad hoc basis to subcommittees to deal with statutory matters, such as the final approval of the announcements of the full year results and interim statement. Attendance at those subcommittee meetings is not reported below.

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

Director	Board	Audit Committee	Remuneration Committee
Iain Ross	8/8	2/2	1/1
Ray Barlow	8/8	–	–
Steve Medlicott	8/8	–	–
Trevor Jones	8/8	2/2	2/2
Christine Soden	8/8	2/2	2/2

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

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

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

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

Director	Biotech/ pharma sector	Financial	General Management	Other public company (board level)
Iain Ross	•		•	•
Ray Barlow	•		•	
Steve Medlicott	•	•		
Trevor Jones	•			•
Christine Soden	•	•		•

The Directors' biographical details are set out on pages 20 to 21 and provide an indication of the breadth of skills and experience of the Board. Each Director takes responsibility for maintaining his/her skill set, which includes roles and experience with other boards and organisations as well as attending formal training and seminars. The Executive Directors receive regular and ongoing updates from their professional advisers covering financial, legal, tax and stock exchange regulations.

The experience and knowledge of each of the Directors gives them the ability to constructively challenge the Group's strategy and to scrutinise performance. Directors may also take independent professional advice at the Group's expense where necessary in the performance of their duties. In this regard, during the reporting period, the Board sought expert external advice in relation to the operation of the Company's share option plan.

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

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

The Company is a strong supporter of diversity in the boardroom and, during the reporting period, the Board comprised one female and four male Directors. Sue Steven continues to support the Board as Company Secretary. The Company remains of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

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

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside the formal annual evaluation, I routinely assess the performance of the Board and its members and discuss any problems or shortcomings with the relevant Directors.

I am responsible for the annual performance assessment of the CEO. The CEO reviews the performance of the CFO. Any performance-related remuneration is determined by the Remuneration Committee. The Executive Directors and the other Non-Executive Directors are responsible for evaluating my performance as Chairman.

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

The Board undertook a formal evaluation of its performance in early 2019. In conducting this review, I undertook a formal discussion with the other Non-Executive Directors regarding the performance of the Board, its Committees and the other Non-Executive Directors' own individual contribution and performance. In preparation, I solicited the views of the other Directors, including the completion by each Director of a confidential questionnaire.

Further details of the focus of discussions with regard to the Board evaluation, including the Board roles and responsibilities, the valuation of individual Directors and what I was evaluated on, can be found at www.etherapeutics.co.uk/investors/corporate-governance.

Following the reviews, I shared my observations with the other Directors. These individual evaluations aimed to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

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

There were no previous recommendations published in the prior year financial statements.

The results of the review during the current financial year were satisfactory overall, but a number of minor actions emerged from it, summarised as follows:

- Ongoing training of Directors will be improved and a more structured approach taken for their broader development.
- The Non-Executive Directors will visit the operating unit of the business and receive presentations by senior management on a more frequent basis to enhance their knowledge and understanding of the business as it evolves.

Further details on Board evaluation and information regarding the Group's approach to succession planning can be found at www.etherapeutics.co.uk/investors/corporate-governance.

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

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

Our staff give us the knowledge that feeds into our network biology expertise and our core technological capabilities, and that knowledge flows through our business model, as shown on page 12 of the Strategic Report, to directly create value for our shareholders. Accordingly, the long-term commercial success of the Group depends on the commitment and dedication of our staff. The retention of our staff is therefore considered a principal risk to the Group, as discussed on page 17 of the Strategic Report.

We recognise the importance of investing in our employees and provide opportunities for training and personal development and encourage the involvement of employees in the planning and direction of their own work. We are committed to respecting the human rights of our employees, to providing them with favourable working conditions that are free from unnecessary risk, and to maintaining fair and competitive terms and conditions of service at all times. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

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

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

During the reporting period, the Group has undertaken a full review of its requirements under the General Data Protection Regulation ("GDPR"), resulting in the introduction of an Information Security Policy and Data Protection Policy which encompass our responsibilities in respect of the GDPR as well as covering physical and cyber security of the Group's assets, employees and information, including third party information, as well as business continuity and disaster recovery procedures. More information on our risk management framework can be found on page 16 of the Strategic Report.

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

As Chairman, I am responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role, setting its agenda in consultation with the other Directors and ensuring that the Directors receive accurate, timely and clear information. I also ensure effective communication with shareholders and facilitate the effective contribution of Non-Executive Directors. Ray Barlow, as CEO, is responsible for the operational management of the Group, engagement with shareholders and the implementation of Board strategy and policy. Steve Medlicott, as CFO, is responsible for the health and safety matters of the Group and also acts as Data Protection Officer.

The Board is responsible to shareholders for the effective stewardship of the Group's affairs and there is a formal schedule of matters reserved for decision by the Board in place which enables the Board to provide leadership and ensure effectiveness, which may be found at www.etherapeutics.co.uk/investors/corporate-governance.

Board Committees

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

More information on the role of the Audit Committee and the Remuneration Committee, including the Committees' terms of reference, are found at www.etherapeutics.co.uk/investors/corporate-governance. Also see the Audit Committee Report on page 30 and the Directors' Remuneration Report on pages 31 to 38.

Build trust: Principle 10

10 Communicate how the Company is governed and is performing

As explained earlier in this Statement and on the corporate website at www.etherapeutics.co.uk/investors/corporate-governance, the Board has established an Audit Committee and a Remuneration Committee and the work of each of the Board Committees undertaken during the year ended 31 January 2019 is detailed in the Audit Committee Report on page 30 and the Directors' Remuneration Report on pages 31 to 38.

The results of the proxy votes received in relation to the 2018 Annual General Meeting are available at www.etherapeutics.co.uk/investors/reports-results. No resolutions had a significant proportion (>20%) of votes cast against them at that meeting.

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

Iain Ross
Chairman
4 March 2019

"The Group has a strong ethical culture and adopts a policy of equal opportunities and diversity"

"The current Board as a whole is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders"

Statement by the Chair of the Audit Committee

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

Dear Shareholder,

On behalf of your Board, I am pleased to present our Audit Committee Report for the year ended 31 January 2019.

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

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

A new risk has been included in our principal risks this year, being that of cyber crime. This is not a new risk to the Group, but has been highlighted to acknowledge that cyber criminals are becoming increasingly sophisticated in their attacks and that no business, however small, is safe. We have implemented a number of new mitigating actions during the year and are pleased to report that these actions have resulted in our successful certification of compliance with both the Cyber Essentials Scheme and IASME Governance Standard.

Further details of the Group's risk management, including principal risks and mitigations, are shown on pages 16 to 19 of the Strategic Report.

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

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

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

The Audit Committee reviews the fee proposals presented by the Auditor and the scope of work is monitored carefully to ensure that independence is not compromised. In the year ended 31 January 2019, audit fees for the Company totalled £35,000 (2018: £39,000), compared with non-audit fees of £1,000 (2018: £3,000).

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

No other formal recommendations have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during the year ended 31 January 2019.

Membership and meetings of the Audit Committee

The Audit Committee is chaired by myself, Christine Soden, and the other members are Iain Ross and Trevor Jones. Trevor Jones and I are independent Non-Executive Directors. At the invitation of the Committee, the CFO and representatives of the external Auditor usually attend Committee meetings, although, where this is the case, time is allowed for discussion without any members of the executive team being present, to allow the external Auditor to raise any issues of concern.

Two meetings of the Audit Committee were held during the year ended 31 January 2019. In addition to formal reviews of reports from the external Auditor, the Audit Committee discussed matters relating to financial policy, controls and reporting, as follows:

Date	Matters discussed
March 2018	Review of external audit for the year ended 31 January 2018
	Internal controls and risk management
November 2018	Review of audit planning report including audit risk areas for the year ended 31 January 2019

Christine Soden
Chair of the Audit Committee
4 March 2019

Statement by the Chair of the Remuneration Committee

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

Dear Shareholder,

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2019.

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

In the prior year, a bonus was awarded to the Executive Directors but it was agreed by the Board that this would be deferred and paid upon the Group successfully entering into a commercial deal. Due to the uncertainty of the bonus being payable, whilst it was disclosed, no financial provision was made in the FY18 financial statements. In December 2018, we entered into a commercial deal with Novo Nordisk and it has been agreed that this bonus is now payable.

The cash position of the Group continued to reduce during the year and, whilst the Executive Directors have worked effectively across all areas, it has been decided that no bonus is payable in relation to the year ended 31 January 2019.

The Directors' Remuneration Policy and Statement of Remuneration which follow this annual statement set out the Remuneration Committee's approach to future remuneration and provides details of remuneration for the year ended 31 January 2019. This Report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee and to assess whether remuneration packages for Directors are fair in the context of business performance.

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

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

Trevor Jones CBE
Chair of the Remuneration Committee
4 March 2019

Key Responsibilities of the Remuneration Committee

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

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

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

Membership and meetings of the Remuneration Committee

The Remuneration Committee is chaired by myself, Trevor Jones, and the other member is Christine Soden, both of us being independent Non-Executive Directors. The Company Secretary acts as secretary to the Remuneration Committee.

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

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

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

The Remuneration Committee did not undertake formal benchmarking of Directors' remuneration in 2018/19 and does not have retention agreements with any external remuneration consultants. Advice is taken from Executive Directors and external advisers as needed in relation to specific questions and projects.

Remuneration Policy

Policy on executive remuneration

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

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

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Basic salary			
Attract and retain Executive Directors with sufficient experience and competence to deliver strategy.	Paid in 12 equal monthly instalments during the year.	Reviewed annually and as required to reflect the role, responsibility and performance of the individual and the Company and informally to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Remuneration Committee has regard to, amongst other things, the progress of the Company's drug discovery assets and the technology platform, market worth and business sector. There is no prescribed minimum or maximum increase. Annual rates are set out on page 38.	–
Benefits			
Provide benefits consistent with role.	Currently these consist of health insurance and membership of a Group life assurance scheme.	The Remuneration Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Company.	–
Discretionary bonus			
Incentivise achievement of business objectives by providing a reward for performance against annual targets.	Paid in cash after the end of the financial year to which it relates.	The maximum annual bonus is currently capped at 50% of basic salary. The level of such cap is reviewed annually and is set at an appropriate percentage of salary.	Targets are based on the appropriate progression of both the drug discovery assets and the technology platform, together with the performance of the business as a whole. Payment of any bonus is subject to the overriding discretion of the Remuneration Committee. The maximum bonus typically requires a very high level of performance.
Long-term incentives			
Alignment of interests with shareholders delivered in the form of shares.	Grant of awards under the PSP. Participants are entitled to acquire award shares after a vesting period and subject to payment of an exercise price.	There is no individual limit, although the scheme is subject to an overall limit of 10% of the Company's issued share capital (this limit includes outstanding options from all current and historical employee option schemes and any shares issued upon the exercise of employee share options in the previous ten years).	For performance metrics attached to outstanding awards see page 37 of this Report and Note 10 to the financial statements.
Pension			
Attract and retain Executive Directors for the long term by providing funding for retirement.	The Executive Directors are entitled to participate in money purchase arrangements.	The Company may make payments of 12.5% of basic salary into any pension scheme or similar arrangement as the participating Executive Director may reasonably request. Such payments are not counted for the purpose of determining bonuses or awards under the PSP.	–

Remuneration Policy (continued)

Long-term incentives
Long-term incentive awards are used to ensure that the focus of the Directors remains on the long-term added value to the shareholders. No additional share options were granted during the year. The Remuneration Committee will consider granting further options in the coming financial year upon careful consideration of the Group's performance and long-term goals.

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

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

Statement of consideration of employment conditions of employees
The Remuneration Committee receives reports on an annual basis on the level of pay rises awarded across the Group and takes these into account when determining salary increases for Executive Directors.

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

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

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

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

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

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

Non-Executive Directors' fee policy
The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors cannot participate in the PSP and they are not eligible for pension contributions.

Purpose and link to strategy	Operation	Maximum potential value
Attract Non-Executive Directors with a broad range of experience and skills to oversee the implementation of the Company's strategy.	Non-Executive Director fees are determined by the Board within the limits set out in the articles of association and are paid in 12 equal monthly instalments during the year (subject to part-payment of fees in fully paid shares by agreement between the Company and the Director).	There is no prescribed minimum or maximum increase. Annual rates are set out on page 38.

Directors' service contracts, notice periods and termination payments

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

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

Directors' service contracts and letters of appointment

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

Director	Date of service contract/letter of appointment
Ray Barlow	8 January 2017 (taking effect from 6 April 2017)
Steve Medlicott	7 April 2014
Iain Ross	6 January 2016
Trevor Jones	28 October 2015
Christine Soden	25 October 2017 (taking effect from 1 November 2017)

Directors' insurance and indemnity

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

Statement of Remuneration

Information subject to audit

Directors' remuneration

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

The maximum bonus for each Executive Director is 50% of basic salary, dependent on the Company's and the Executive Director's performance during the year. Targets for the year ended 31 January 2019 were focused on the management of cash resources, success in achieving external commercial validation and the appropriate progression of both the drug discovery assets and the technology platform, together with the performance of the business as a whole.

The CEO assesses the individual performance of the CFO 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 remuneration of the Directors for the years ended 31 January 2019 and 31 January 2018 is shown below:

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

	2018							
	Base salary £000	Salary/fees for interim role £000	Bonus[a] £000	Contributions to money purchase schemes £000	Benefits in kind £000	Compensation for loss of office and payments in lieu of notice £000	Upon joining	Total remuneration £000
Executive Directors								
Ray Barlow[b]	250	–	–	31	1	–	53[c]	335
Steve Medlicott	220	9[d]	–	–	–	–	–	229
Sean Nicolson[e]	13	–	–	–	–	110	–	123
Non-Executive Directors								
Iain Ross	81	30[f]	–	–	–	–	–	111
Brad Hoy[g]	34	–	–	–	–	–	–	34
Trevor Jones	40	–	–	–	–	–	–	40
Christine Soden[h]	10	–	–	–	–	–	–	10
	648	39	–	31	1	110	53	882

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

b Ray Barlow was appointed on 6 April 2017.

c £12,739 of the fees paid to Ray Barlow upon his appointment were as a reimbursement for relocation expenses incurred. The remaining £40,075 was paid to Ray Barlow to partially compensate for the loss of benefit from his previous employment as a result of joining the Company.

d Steve Medlicott received additional base salary in respect of his role as Interim Chief Operating Officer.

e Sean Nicolson resigned on 28 February 2017.

f From 13 July 2016 to 5 April 2017, Iain Ross acted as Interim Executive Chairman, for which he received additional fees as agreed by the Remuneration Committee. Since this was for an interim period, it has been disclosed as a Non-Executive Director.

g Brad Hoy resigned on 1 November 2017 and received a payment of £3,400 in lieu of notice, being the equivalent of one month's Non-Executive Director's fee.

h Christine Soden was appointed on 1 November 2017.

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

	2019				
	Options held at beginning of the year No.	Options granted during the year No.	Options exercised during the year No.	Options forfeited during the year No.	Options held at end of the year No.
Ray Barlow	7,000,000	–	–	–	**7,000,000**
Steve Medlicott	2,750,000	–	–	–	**2,750,000**
Iain Ross	–	–	–	–	**–**
Trevor Jones	–	–	–	–	**–**
Christine Soden	–	–	–	–	**–**
	9,750,000	–	–	–	**9,750,000**

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

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

The mid-market price of the Company's shares at 31 January 2019 (the last trading day of the period) was 5.25p and the range during the year was 5.25p to 9.62p.

Directors' shareholdings

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

Director	Ordinary shares of 0.1p each at 31 January 2019
Ray Barlow	1,200,000
Steve Medlicott	1,550,000
Iain Ross	1,700,000
Trevor Jones	480,733
Christine Soden	120,000

During the period between 31 January 2019 and 1 March 2019, the Company received no notifications under the Market Abuse Regulation. Details of the most recently notified transactions in the ordinary shares of the Company by the Directors are available on the Company's website at www.etherapeutics.co.uk/investors/regulatory-announcements.

Statement of Remuneration (continued)

Information not subject to audit

Implementation of Remuneration Policy for the year ended 31 January 2020

The salaries and fees to be paid to Directors in the year ended 31 January 2020 are set out in the table below, together with any increase expressed as a percentage:

	Annual base salary/fees		
	31 January 2020 £000	**31 January 2019 £000**	Increase/ (Decrease) %
Ray Barlow	300	**300**	–
Steve Medlicott	138	**220**	(37)
Iain Ross	81	**81**	–
Trevor Jones	40	**40**	–
Christine Soden	40	**40**	–

The reduction in salary for Steve Medlicott is the result of a reduction in hours worked, with effect from 1 April 2019.

The basis for determining annual bonus payments for the year to 31 January 2020 is set out in the Remuneration Policy on page 33. The performance targets are considered commercially sensitive because of the information that they would provide to the Company's competitors.

The Remuneration Committee intends to make awards under the PSP during the year ending 31 January 2020. These awards will be made subject to appropriate exercise prices and vesting periods.

Conclusion

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

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

The Directors' Remuneration Report, including the Remuneration Policy and Statement of Remuneration, were approved by the Remuneration Committee and by the Board on 4 March 2019.

Trevor Jones CBE
Chair of the Remuneration Committee

Directors' Responsibilities Statement

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

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

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

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

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

Responsibilities statement

We confirm that, to the best of our knowledge:

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

This Directors' Responsibilities Statement was approved by the Board of Directors on 4 March 2019 and is signed on its behalf by:

Ray Barlow
Chief Executive Officer

Steve Medlicott
Chief Financial Officer

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of e-therapeutics plc (the "parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated Income Statement;
- the consolidated Statement of Comprehensive Income;
- the consolidated and parent Company Statements of Changes in Equity;
- the consolidated and parent Company Balance Sheets;
- the consolidated Statement of Cash Flow; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- occurrence of revenue;
- the recoverability of research and development ("R&D") tax receivables;
- parent Company: Carrying value of goodwill; and
- going concern.

Within this report, any new key audit matters are identified with Λ and any key audit matters which are the same as the prior year identified with >.

Key audit matters with increased or lower levels of risk compared with the prior year are identified with Λ and >.

Materiality

The materiality that we used for the Group financial statements was £260,000, which was determined on the basis of total expenses.

Scoping

Full scope audits were performed for e-therapeutics plc and its subsidiary, Searchbolt Limited.

Significant changes in our approach

The Group completed its first revenue-generating commercial deal in the period, for which a new key audit matter has been identified. There have been no other significant changes in our approach.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	Group materiality: £260,000 (2018: £345,00) Company materiality: £259,000 (2018: £344,000)
Basis for determining materiality	5% of total expenses (2018: 5% of total expenses)
Rationale for the benchmark applied	As an emerging growth business with limited revenue generation, total expenses is the key measure of the business and therefore the appropriate measure on which to base materiality. Materiality is 5% of total expenses for the Group and the Company. The Company holds the majority of the operations of the Group.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000 (2018: £17,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Occurrence of revenue ⩓

Key audit matter description

The Group made its first revenue-generating commercial deal in the period and so recognises its first revenue of £44,000 in the financial statements. Revenue has been recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'.

The contract is immaterial, however, we have identified a key audit matter with respect to revenue recognition, pinpointed to the occurrence of revenue, given that this contract marks the first revenue recorded by the Group.

The disclosure regarding revenue is on page 53 and the accounting policy is on page 51.

How the scope of our audit responded to the key audit matter

We have performed the following audit procedures:

- assessed the design and implementation of controls underlying the identification of revenue;
- reviewed the terms of the contract and assessed whether management properly considered the scope of IFRS 15 'Revenue from Contracts with Customers' in determining whether the standard should be applied under those contractual terms;
- reviewed management's memo outlining the key terms of the contract, the revenue recognition policy and the calculation of revenue recognised in the period;
- reviewed the signed contract to check key terms impacting the accounting treatment;
- agreed the contract value to invoice and cash entering the bank account;
- reviewed the accounting treatment in line with IFRS 15 'Revenue from Contracts with Customers';
- held enquiries with management and project staff to understand the nature and progress of the deliverables; and
- recalculated the revenue recognised in the period.

Key observations

We consider revenue recognition to be reasonable.

Recoverability of research and development (R&D) tax receivables ⩥

Key audit matter description

The R&D tax receivable, of £1.1m (2018: £1.4m), is based on an advance claim with HM Revenue & Customs ("HMRC"). The final receivable is subject to judgement and the correct application of complex R&D tax rules.

The disclosure regarding the R&D tax receivable is on page 57, the risk is on page 19 and the accounting policy is on page 51.

How the scope of our audit responded to the key audit matter

We have performed the following audit procedures:

- assessed the design and implementation of controls underlying the preparation and submission of the R&D tax claims;
- made enquiries of management to assess the eligibility for R&D tax credits;
- obtained evidence for the recoverability of historical receivables from HMRC;
- involved our R&D taxation specialists to review the claim details against R&D tax credit rules;
- analysed the methodology used to calculate the R&D claim; and
- recalculated the claim.

Key observations

We consider management's calculation of the R&D claim to be reasonable and recoverable.

⩓ New key audit matter ⩥ Unchanged key audit matter ⩓ Increased risk ⩥ Lower risk

Independent Auditor's Report to the Members of e-Therapeutics plc (continued)

Parent Company: Carrying value of goodwill

Key audit matter description

There is goodwill of £2.8m in the Company Balance Sheet relating to the hive up of InRotis Technologies Limited into e-therapeutics plc in 2007. The network-driven drug discovery platform acquired by the hive up has only recently become income generating, so the value of its goodwill is not supportable by reference to expected cash flow projections, but rather the prospect of the future commercialisation of the platform. Further successful future commercialisation is a key component of the Group's long-term business strategy. Therefore, the judgement that the future commercialisation will be achieved, and that the goodwill balance is supportable, is highly significant to the financial statements.

The market capitalisation at 31 January 2019 was £14.1m (2018: £25.8m), resulting in headroom of £4.5m (2018: £13.6m), the change in level of judgement reflects this reduction.

The disclosure regarding the carrying value of goodwill is on page 58 and the accounting policy is on page 51.

How the scope of our audit responded to the key audit matter

We have performed the following audit procedures:

- assessed the design and implementation of controls underlying the preparation of the goodwill impairment review;
- compared the market capitalisation of the Group to its carrying value as an indicator of investor confidence;
- reviewed management's goodwill impairment assessment, to understand the assets to which the goodwill relates and management's plans for commercialising those assets;
- reviewed management's going concern assessment, given that recovering value from the business is closely linked to going concern; and
- reviewed the disclosures in the financial statements related to the carrying value of goodwill for consistency with management's assessment.

Key observations

We consider the carrying value of goodwill to be reasonable and that no impairment is required.

Going concern

Key audit matter description

Management's forecasts indicate that the Group will have sufficient cash to finance its operations to October 2020 at the current run rate, or to July 2021 with certain cost saving measures being implemented in June 2019. After this time, the Group will be reliant on sourcing income. Given the uncertainty inherent in forecasting performance, and the increasing importance of cash burn and identifying sources of income, we have identified the adoption of the going concern basis of accounting and management's judgement that there are no material uncertainties with respect to going concern as a key audit matter.

The judgement around going concern is a risk of increasing importance given the uncertainty in forecasting performance and the increase of cash burn as a proportion of available funds. The change in level of judgement reflects this.

The disclosure and risk regarding going concern is on page 19 and the accounting policy is on page 50.

How the scope of our audit responded to the key audit matter

We have performed the following audit procedures:

- assessed the design and implementation of controls underlying the preparation and submission of cash flow forecasts and management's assessment of going concern;
- reviewed the judgements applied by management in their assessment of going concern, including evaluation of the judgements applied in determining the uncertainties that exist and whether they are material;
- reviewed the cash flow forecasts, performed a forecast accuracy assessment in order to challenge the underlying forecast assumptions;
- reviewed the cost saving measures that management plan to implement as required to July 2021 in the event that this is required, to challenge the savings that could be made and understand the impact to forecast performance and cash burn;
- reviewed the likelihood of receipt of the R&D tax credit, by reviewing the accuracy and success of historical claims;
- made enquiries of management in respect of identifying business partnerships;
- reviewed the potential impact of Brexit; and
- reviewed the disclosures in the financial statements related to going concern for consistency with management's assessment.

Key observations

We consider management's forecasts to be reasonable. We concur with the Directors that it is appropriate to prepare the financial statements on the going concern basis and consider management's disclosures to be consistent with their assessment. We concur with management's assessment that there are no material uncertainties related to going concern.

An overview of the scope of our audit

The Group comprises the parent Company, e-therapeutics plc, and one subsidiary, Searchbolt Limited. Full scope audits were performed by the Group engagement team on both entities to component materiality of £259,000 (2018: £344,000).

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Group and of the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • 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.	**We have nothing to report in respect of these matters**
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.	**We have nothing to report in respect of these matters**

Use of our report

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

Andrew Evans FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
4 March 2019

Consolidated Income Statement for the year ended 31 January 2019

	Notes	2019 £000	2018 £000
Revenue	5	**44**	–
Cost of sales		**–**	–
Gross profit		**44**	–
Research and development expenditure		**(3,673)**	(5,019)
Administrative expenses		**(1,485)**	(1,749)
Operating loss	6	**(5,114)**	(6,768)
Investment income	11	**29**	49
Loss before tax		**(5,085)**	(6,719)
Taxation	12	**1,086**	1,360
Loss for the year attributable to equity holders of the Company		**(3,999)**	(5,359)
Loss per share: basic and diluted	13	**(1.49)p**	(2.00)p

Consolidated Statement of Comprehensive Income for the year ended 31 January 2019

	2019 £000	2018 £000
Loss for the financial year	**(3,999)**	(5,359)
Other comprehensive income	**–**	–
Total comprehensive loss for the year attributable to equity holders of the Company	**(3,999)**	(5,359)

Consolidated Statement of Changes in Equity for the year ended 31 January 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2017	268	65,143	(49,431)	15,980
Total comprehensive income for year				
Loss for the financial year	–	–	(5,359)	(5,359)
Total comprehensive loss for year	–	–	(5,359)	(5,359)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1	11	–	12
Equity-settled share-based payment transactions	–	–	105	105
Total contributions by and distribution to owners	1	11	105	117
As at 31 January 2018	269	65,154	(54,685)	10,738
Total comprehensive income for year				
Loss for the financial year	–	–	(3,999)	(3,999)
Total comprehensive loss for year	–	–	(3,999)	(3,999)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	–	11	–	11
Equity-settled share-based payment transactions	–	–	52	52
Total contributions by and distribution to owners	–	11	52	63
As at 31 January 2019	**269**	**65,165**	**(58,632)**	**6,802**

Company Statement of Changes in Equity for the year ended 31 January 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2017	268	65,143	(46,873)	18,538
Total comprehensive income for year				
Loss for the financial year	–	–	(5,347)	(5,347)
Total comprehensive loss for year	–	–	(5,347)	(5,347)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1	11	–	12
Equity-settled share-based payment transactions	–	–	105	105
Total contributions by and distribution to owners	1	11	105	117
As at 31 January 2018	269	65,154	(52,115)	13,308
Total comprehensive income for year				
Loss for the financial year	–	–	(3,997)	(3,997)
Total comprehensive loss for year	–	–	(3,997)	(3,997)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	–	11	–	11
Equity-settled share-based payment transactions	–	–	52	52
Total contributions by and distribution to owners	–	11	52	63
As at 31 January 2019	**269**	**65,165**	**(56,060)**	**9,374**

Balance Sheets as at 31 January 2019

	Notes	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Non-current assets					
Intangible assets	14	**119**	135	**2,943**	2,959
Property, plant and equipment	15	**42**	71	**42**	71
Investments	16	**–**	–	**–**	–
		161	206	**2,985**	3,030
Current assets					
Tax receivable		**1,098**	1,364	**1,098**	1,364
Trade and other receivables	17	**18**	91	**18**	89
Prepayments		**328**	504	**328**	504
Fixed-term deposits	18	**–**	2,500	**–**	2,500
Cash and cash equivalents	18	**5,904**	7,097	**5,904**	7,097
		7,348	11,556	**7,348**	11,554
Total assets		**7,509**	11,762	**10,333**	14,584
Current liabilities					
Trade and other payables	19	**501**	1,024	**753**	1,276
Contract liabilities	20	**206**	–	**206**	–
Total liabilities		**707**	1,024	**959**	1,276
Net assets		**6,802**	10,738	**9,374**	13,308
Equity					
Share capital	22	**269**	269	**269**	269
Share premium		**65,165**	65,154	**65,165**	65,154
Retained earnings		**(58,632)**	(54,685)	**(56,060)**	(52,115)
Total equity attributable to equity holders of the Company		**6,802**	10,738	**9,374**	13,308

As permitted by section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the parent Company. The Company reported a loss for the financial year ended 31 January 2019 of £3,997,000 (2018: loss of £5,347,000).

These financial statements were approved and authorised for issue by the Board of Directors on 4 March 2019 and were signed on its behalf by:

Ray Barlow
Chief Executive Officer

Steve Medlicott
Chief Financial Officer

Registered number: 04304473

Consolidated Statement of Cash Flow for the year ended 31 January 2019

	Notes	2019 £000	2018 £000
Loss for the year		**(3,999)**	(5,359)
Adjustments for:			
Depreciation, amortisation and impairment	6	**73**	72
Equity-settled share-based payment expense	10	**52**	105
Investment income	11	**(29)**	(49)
Taxation	12	**(1,086)**	(1,360)
Operating cash flows before movements in working capital		**(4,989)**	(6,591)
Decrease in trade and other receivables		**252**	145
Decrease in trade and other payables		**(317)**	(927)
Tax received		**1,352**	2,968
Net cash used in operating activities		**(3,702)**	(4,405)
Interest received		**26**	86
Acquisition of other intangible assets	14	**(20)**	(5)
Acquisition of property, plant and equipment	15	**(8)**	(66)
Decrease in fixed-term deposits	18	**2,500**	7,000
Net cash from investing activities		**2,498**	7,015
Net proceeds from issue of share capital		**11**	12
Net cash from financing activities		**11**	12
Net (decrease)/increase in cash and cash equivalents		**(1,193)**	2,622
Cash and cash equivalents at 1 February		**7,097**	4,475
Cash and cash equivalents at 31 January	18	**5,904**	7,097

Notes to the Consolidated Financial Statements

1. General information

e-Therapeutics plc (the "Company") is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (the "Group") are set out in the Strategic Report (pages 2 to 19) and the Directors' Report (pages 22 and 23).

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

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

2. Standards and interpretations applied for the first time

The new standards and interpretations that have become effective for the first time in these financial statements are:

- IFRS 9 'Financial Instruments' and consequential amendments to IFRS 7 'Financial Instruments: Disclosures'. There has been no impact on the classification or measurement of financial instruments or the amounts reported or disclosures made in these financial statements.
- IFRS 15 'Revenue from Contracts with Customers'. In the prior year, the Group had no contracts with customers, as is considered normal for a drug discovery company at a similar stage of development, and therefore there has been no impact on the amounts reported or disclosures made in these financial statements.

Amendments that have become effective for the first time in these financial statements, with no material impact on the amounts reported or disclosures made, are:

- IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- IFRS 4 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'
- IAS 40 'Transfers of Investment Property'
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- Annual Improvements to IFRS Standards 2014–2016 Cycle

No new standards or interpretations have been adopted early in these financial statements. At the date of authorisation of these financial statements, the following new and revised standards have been issued but are not yet effective:

New or revised standards to be applied from 1 February 2019:

- IFRS 16 'Leases'. As at 31 January 2019, the Group has non-cancellable operating lease commitments of £121,000 (see Note 23). The Group will elect not to recognise assets and liabilities for leases with a lease term of 12 months or less, which accounts for £6,000 of the year end operating lease commitment. For leases not covered by this exemption, the Group will apply a modified retrospective approach, recognising the cumulative effective of initial application as an adjustment to the opening equity as at 1 February 2019. A lease liability, measured at the fair value of the remaining lease payments, of £115,000, and a corresponding right-of-use-asset, adjusted for amounts prepaid before the date of transition, of £123,000, will be recognised. The liability recognised will not be discounted on the basis that this will be immaterial. An adjustment of £8,000 will be made to opening equity. The impact on profit or loss is to decrease administrative expenses by £46,000 and to increase depreciation by £46,000.

Amendments to be applied from 1 February 2019, with no material impact on the amounts reported or disclosures made currently anticipated, are:

- IFRS 9 'Prepayment Features with Negative Compensation'
- IFRS 10 'Consolidated Financial Statements' and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- IAS 19 'Employee Benefits'
- IAS 28 'Long-term Interests in Associates and Joint Ventures'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to IFRS Standards 2015–2017 Cycle

New or revised standards to be applied from 1 February 2021, with no material impact on the amounts reported or disclosures made currently anticipated, are:

- IFRS 17 'Insurance Contracts'

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies

Basis of accounting

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

Going concern

The Group recognised revenue from its first commercial deal during the year, yet is currently still largely reliant on its cash balance to fund ongoing operations. The primary focus of the management is on establishing additional commercial collaborations during the coming financial year. As detailed in the Chief Executive Officer's Statement on pages 8 and 9, the Group is in late stage discussions with a number of well known potential pharmaceutical and biotechnology partners. It is anticipated that such discussions will be income-generating and will provide both non-dilutive funding and commercial validation.

At the year end 31 January 2019 we reported cash and liquid resources of £5,904,000 and an underlying cash burn during the year, excluding R&D tax credits received, discretionary project spend and development closure costs, of £3,902,000. We have prepared a detailed financial forecast for the next two financial years. This forecast assumes no further sales and the continuation of costs associated with drug discovery. The impact of Brexit has been considered and management believes that there will be minimal to no impact other than the impact on UK GDP.

These financial forecasts assume that the existing structure and functionality of the Group are maintained and that investment in both the *in silico* platform and discovery assets will continue. However, the Group is continually reviewing discretionary costs across all areas of the business, as evidenced by the fact that the six-monthly reported loss before tax has declined sequentially over the last three years. We anticipate that the coming financial year will see a similar trend of an ongoing reduction in costs, albeit at perhaps a more modest rate.

Our present projections suggest that, in the absence of additional revenue and excluding receipt of the anticipated R&D tax credit of £1,098,000, the Group's cash resources will last until July 2020. At the date of signing these financial statements, the Group anticipates that the R&D tax credit will be received, as discussed in the principal risks on page 19 of the Strategic Report, and therefore has been recognised as receivable at the year end. Assuming the receipt of this R&D tax credit as planned, cash is forecast to last until October 2020.

It is possible to make material cost reductions in addition to those included in the financial forecasts. It is the intention of the Directors to call on these measures if required to extend the cash runway. It should also be noted that the forecasts have been prepared assuming no future cash receipt either from dilutive funding or from existing or future collaboration partners. The Directors believe that current collaboration discussions have a high probability of resulting in a material cash inflow during the coming financial year. Such cash receipts would extend the cash runway of the Group.

The financial performance and position of the Group are discussed in more detail in the Financial Review on page 14.

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

Basis of consolidation

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

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

Business combinations

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

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

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

Foreign currencies

The individual financial statements of each Group company are presented in Sterling, being the functional currency.

Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in the Income Statement.

Revenue

Rendering of services under contracts with customers

During the year, revenue was recognised on a collaborative transaction. In accordance with IFRS 15, revenue is calculated based on the consideration to which the Group expects to be entitled and is recognised over the length of services provided under the contract. The transaction fee is allocated over the length of the service being provided in accordance with the project plan. It is recognised as a contract liability at the time of the initial transaction and is released over the expected period of service on the basis of work completed. The progress of each project is re-evaluated by management at each reporting date and the revenue recognised is remeasured accordingly. No revenue was recognised in the prior year.

Investment income

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

Expenses

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.

Defined contribution pension plans

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

Share-based payment transactions

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

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

Taxation

Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Small and medium sized enterprises ("SME") R&D tax credits receivable are recognised within taxation in the Income Statement. Research and Development Expenditure Credit ("RDEC") is recognised within operating loss.

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years. R&D tax credits are recognised in the period to which the corresponding R&D spend relates, to the extent that any R&D tax credits receivable are expected to be recovered and meet R&D tax rule requirements.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws that have been enacted or substantively enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

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

Intangible assets

Goodwill

Goodwill is initially recognised and measured as set out in the 'Business combinations' policy above. Goodwill is not amortised but is tested at least annually for impairment. Goodwill is stated at cost less accumulated impairment losses.

R&D expenditure

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

Patents and trademarks

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

Derecognition

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

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

Property, plant and equipment

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

Plant and equipment	33% per annum
Fixtures and fittings	15% per annum

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

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

Impairment of intangible and tangible assets, excluding goodwill

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

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

Investments in subsidiaries

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

Financial Instruments

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

There has been no change to the classification or measurement of financial instruments during the year as a result of the adoption of IFRS 9.

Financial assets

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

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount and the consideration payable is recognised in the Income Statement.

Fixed-term deposits

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

Cash and cash equivalents

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

4. Accounting judgements and sources of estimation uncertainty

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

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

- The Directors consider the continued adoption of the going concern basis appropriate. Further details of this decision can be found in the principal risks within the Strategic Report on page 19.
- The fair value of share options is calculated using the Monte Carlo model with an input volatility based on historical share price data over a period commensurate with the expected term of the options awarded. Historical volatility may not be indicative of future volatility, yet management judges this to be the most appropriate method of calculation. Given the share option expense of £52,000 (2018: £105,000), the volatility methodology used is not expected to have a material impact on these financial statements. Details of the fair value calculation for options granted during the year, including inputs into the Monte Carlo model, are disclosed in Note 10.
- Revenue from collaborative partnerships is spread over the expected life of the project. Management estimates project progress at each reporting date, with consideration to project plans outlined in customer contracts, and remeasures revenue accordingly. Given the revenue recognised during the year, of £44,000 (2018: £nil), any overruns or underruns within the constraints of the individual contracts with customers would not be expected to have a material impact on these financial statements.

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

- Intangible assets and goodwill have been reviewed for impairment and, as a result, an impairment charge of £19,000 (2018: £10,000) was recognised. Further details of this testing can be found in Note 14.
- The current tax receivable, of £1,098,000 (2018: £1,364,000), represents an R&D tax credit based on an advance claim with HMRC. The final receivable is subject to judgement and the correct application of complex R&D tax rules. The minimum receipt approved by HMRC could be £nil. Historically, claims have been successful and the Group expects the current year to be successful too. Further details of the decision to recognise the tax receivable in full can be found in the principal risks within the Strategic Report on page 19.

5. Segmental reporting

Information reported to the Group's CEO (the Chief Operating Decision Maker) relates to one business segment, being that of drug discovery.

The Directors have 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.

All Group activities are carried out in the UK.

Revenue recognised, of £44,000 (2018: £nil), relates to revenue from a customer contract. All revenues from external customers are attributed to the UK, being the country of domicile of the external customer.

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

6. Operating loss for the year

Included in operating loss are the following:

	2019 £000	2018 £000
Net foreign exchange gain	**(1)**	(3)
Amortisation of intangible assets	**17**	16
Impairment of intangible assets	**19**	10
Depreciation of property, plant and equipment	**37**	46
R&D costs	**3,673**	5,019
Operating leases – minimum lease payments	**51**	45
Staff costs (see Note 8)	**2,432**	2,595

Notes to the Consolidated Financial Statements (continued)

7. Auditor's remuneration

	2019 £000	2018 £000
Amounts receivable by the Auditor and its associates in respect of:		
– audit of the Group's annual financial statements	**35**	39
– other services	**–**	3

8. Staff numbers and costs

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

	Number of employees Group and Company	
	2019	2018
R&D staff	**14**	15
Finance and administration staff	**2**	3
Executive Directors	**2**	2
	18	20

The aggregate payroll costs of these persons were as follows:

	Group and Company	
	2019 £000	2018 £000
Wages and salaries	**1,942**	2,050
Share-based payments (see Note 10)	**52**	105
Social security costs	**258**	253
Contributions to money purchase pension schemes	**180**	187
	2,432	2,595

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans is £180,000 (2018: £187,000). As the reporting date, there were outstanding contributions of £13,000 (2018: £13,000).

9. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	**845**	851
Contributions to money purchase pension schemes	**38**	31
	883	882

The remuneration of the highest paid Director during the year was £397,000 (2018: £304,000). Contributions to money purchase schemes in respect of the highest paid Director during the year were £38,000 (2018: £31,000).

During the year, one Director (2018: one) accrued retirement benefits under a money purchase scheme.

No Director sold or exercised share options during the year.

10. Share-based payments

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

All options outstanding at the beginning or end of the year were awarded under the PSP (one-off awards 2016). With the exception of the November 2018 grant, the exercise prices of the options are either 16.76p, 20.95p or 25.14p, being between 200% and 300% of the share price at the date these rules were approved. Unless otherwise stated, there are no additional performance conditions except the growth in share price required to meet the exercise price, aligning remuneration with the long-term growth objective of the shareholders. Unless otherwise stated options have a vesting period of two years, being a period of time that the Directors and Remuneration Committee believe will motivate employees whilst understanding that, given the increased risk of long-term prospects in an R&D business in the stage of its life cycle of e-therapeutics, a longer vesting period may have an adverse effect on employee motivation. The November 2018 grant has an exercise price of 7.25p and options vest after three years on a straight-line basis between 50% and 100% if share performance is between the minimum and maximum performance targets. These targets are based on the percentage increase in share price in relation to a comparator group of peer companies. The conditions of these options have been introduced with careful consideration of the Directors and the Remuneration Committee following feedback from the Institutional Shareholder Services ("ISS") during the year, to better align the strategic objectives of the Group to the remuneration of employees. Unless otherwise stated options are exercisable immediately upon vesting. All options are settled by physical delivery of shares.

A summary of grants is as follows:

Date of grant	**Number of instruments at end of year**	Number of instruments at beginning of year	Exercise price (p)
November 2016	**2,487,499**	2,767,499	16.76
November 2016	**2,487,500**	2,767,500	20.95
November 2016[a]	**2,487,501**	2,767,501	25.14
May 2017[b]	**2,000,000**	2,000,000	16.76
May 2017[b]	**1,750,000**	1,750,000	20.95
May 2017[b]	**1,750,000**	1,750,000	25.14
December 2017[c]	**910,000**	1,000,000	16.76
January 2018[c]	**2,250,000**	2,250,000	16.76
April 2018	**1,324,000**	–	16.76
November 2018[a]	**1,550,000**	–	7.25

a These options have a three-year vesting period.
b The May 2017 award was granted to Ray Barlow upon taking up his position as CEO of the Company and therefore the vesting periods of this award are intended to motivate him both in the short and medium to long-term. The options with an exercise price of 16.76p have a one-year vesting period, but are not exercisable until two years after the grant date. The options with an exercise price of 20.95p have a two-year vesting period and are exercisable immediately after vesting. For the options with an exercise price of 25.14p, 1/36th of these options vest one month from the grant date and thereafter on the expiry of each successive one-month period until the third anniversary of the grant date, and are exercisable two years after the grant date or immediately upon vesting, whichever is later.
c These options vest if the company achieves external commercial validation within two years of the grant date. Options are capable of cumulative vesting in six-monthly tranches from the grant date, being 25%, 50%, 75% and 100% at 24 months after grant.

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

	Weighted average exercise price 2019 (p)	**Number of options 2019**	Weighted average exercise price 2018 (p)	Number of options 2018
Options				
Outstanding at the beginning of the year	**20.1**	**17,052,500**	14.6	15,601,052
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**19.5**	**(1,306,000)**	6.0	(7,087,802)
Expired during the year	**–**	**–**	54.5	(210,750)
Granted during the year	**12.2**	**3,250,000**	19.3	8,750,000
Outstanding at the end of the year	**18.8**	**18,996,500**	20.1	17,052,500
Exercisable at the end of the year	**18.9**	**4,974,999**	–	–

The options outstanding at the year-end have a weighted average remaining contractual life of 8 years (2018: 9 years).

Notes to the Consolidated Financial Statements (continued)

10. Share-based payments (continued)

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

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

Date of grant	November 2018	April 2018
Share price at date of grant (p)	6.75	7.75
Minimum vesting period	3 years	2 years
Exercise price (p)	7.25	16.76
Expected volatility	46.91%	36.40%
Risk-free rate	0.75%	0.89%
Dividend yield	0%	0%
Number of shares	1,550,000	1,700,000
Fair value per option (p)	1.962	0.177

For the November 2018 grant, it is assumed that the maximum performance target is met.

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

	2019 £000	2018 £000
Group and Company equity-settled share-based payment expense	**52**	105

11. Investment income

	2019 £000	2018 £000
Bank interest receivable	**29**	49

12. Tax

	2019 £000	2018 £000
Current tax:		
R&D tax credit receivable for the current year	**(1,095)**	(1,364)
Adjustments for prior year in respect of R&D tax credit	**9**	4
Current tax credit	**(1,086)**	(1,360)
Deferred tax	**–**	–
Total on loss on ordinary activities	**(1,086)**	(1,360)

The standard rate of corporation tax applied to reported profit is 19% (2018: 19.17%). The credit for the year can be reconciled to the Group Income Statement as follows:

	2019 £000	2018 £000
Loss before tax	**(5,085)**	(6,719)
Tax at the UK corporation tax rate of 19% (2018: 19.17%)	**(966)**	(1,288)
Expenses not deductible for tax purposes	**12**	9
Enhanced relief for R&D	**(471)**	(580)
Unrelieved tax losses	**320**	478
Other	**10**	17
Adjustments in respect of prior year	**9**	4
Total tax credit for the year	**(1,086)**	(1,360)

The Group has accumulated losses available to carry forward against future trading profits of £25,615,000 (2018: £23,938,000). No deferred tax has been recognised in respect of tax losses since it is uncertain at the Balance Sheet date as to whether future profits will be available against which the unused tax losses can be utilised. At the Budget 2016, the UK Government announced a reduction to the corporation tax main rate for the year starting 1 April 2020, setting the rate at 17%. The estimated value of the deferred tax asset not recognised, measured at this reduced main rate of 17%, is £4,373,000 (2018: £4,075,000).

The decrease in the current year tax credit is due to a decreased R&D credit, as a result of lower qualifying expenditure during the year, reflecting management's decision to reduce spend. The current year R&D credit has not yet been approved by HMRC and, therefore, there is a risk that this claim may not be successful. Further details of this risk mitigation are disclosed in the principal risks within the Strategic Report on page 19.

Expenses not deductible include amortisation and impairment of goodwill and intangible assets.

13. Loss per share

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

	2019	2018
Earnings for the purposes of basic earnings per share and diluted earnings per share, being loss attributable to owners of the Company (£000)	**(3,999)**	(5,359)
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share (number)	**268,581,069**	268,457,115
Loss per share – basic and diluted (p)	**(1.49)**	(2.00)

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 18,996,500 (2018: 17,052,500) ordinary shares (see Note 10). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

Notes to the Consolidated Financial Statements (continued)

14. Goodwill and intangible assets

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
As at 1 February 2017	2,101	1,295	3,396	2,824	1,295	4,119
Other acquisitions – internally developed	–	5	5	–	5	5
As at 31 January 2018	2,101	1,300	3,401	2,824	1,300	4,124
Other acquisitions – internally developed	–	20	20	–	20	20
As at 31 January 2019	**2,101**	**1,320**	**3,421**	**2,824**	**1,320**	**4,144**
Amortisation and impairment						
As at 1 February 2017	2,101	1,139	3,240	–	1,139	1,139
Impairment losses	–	10	10	–	10	10
Amortisation charge for the year	–	16	16	–	16	16
As at 31 January 2018	2,101	1,165	3,266	–	1,165	1,165
Impairment losses	–	19	19	–	19	19
Amortisation charge for the year	–	17	17	–	17	17
As at 31 January 2019	**2,101**	**1,201**	**3,302**	**–**	**1,201**	**1,201**
Net book value						
As at 1 February 2017	–	156	156	2,824	156	2,980
As at 31 January 2018	–	135	135	2,824	135	2,959
As at 31 January 2019	**–**	**119**	**119**	**2,824**	**119**	**2,943**

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

Impairment testing
The Group carries out a review at each Balance Sheet date to establish the economic value of each asset in the patent portfolio. If the economic value of a patent is believed to be lower than the carrying value, the carrying value is reduced accordingly. The economic value is based on estimated future income potential, considering technical and commercial risks and external information on the likely market demand and penetration for the drugs for which the Group has patents.

The goodwill in the Company Balance Sheet arose following the hive up of the trade and assets of InRotis Technologies Limited on 15 November 2007. The goodwill is allocated to the NDD activity of the Group. In assessing goodwill impairment, recoverable amount is based on fair value less costs to sell. The carrying value of goodwill is compared to the market capitalisation of the Group as part of the impairment assessment.

In considering the carrying value of the goodwill, management has not undertaken a discounted cash flow analysis on the basis that there is limited historical basis for revenue assumptions; as such the carrying value of goodwill is compared to the market capitalisation of the Group as part of the impairment assessment. At the Balance Sheet date there was £11,282,000 headroom, and since the Balance Sheet date up to the date of approval of the Annual Report and financial statements there has not been a material movement in the share price.

15. Property, plant and equipment

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
As at 1 February 2017	128	107	235
Additions	66	–	66
As at 31 January 2018	194	107	301
Additions	8	–	8
Disposals	(4)	–	(4)
As at 31 January 2019	**198**	**107**	**305**
Depreciation			
As at 1 February 2017	107	77	184
Depreciation charge for the year	30	16	46
As at 31 January 2018	137	93	230
Depreciation charge for the year	28	9	37
Disposals	(4)	–	(4)
As at 31 January 2019	**161**	**102**	**263**
Net book value			
As at 1 February 2017	21	30	51
As at 31 January 2018	57	14	71
As at 31 January 2019	**37**	**5**	**42**

16. Investments in subsidiaries – Company

	Total £000
Cost	
As at 1 February 2017, 31 January 2018 and 31 January 2019	2,374
Provision for impairment	
As at 1 February 2017, 31 January 2018 and 31 January 2019	2,374
Net book value	
As at 1 February 2017, 31 January 2018 and 31 January 2019	–

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

17. Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Other receivables	**18**	91	**18**	89

There is no doubtful debt provision in respect of other receivables in the current or prior year for the Group or the Company. All debts are not past due in the current or prior year. The Group and the Company's management has received no indication that any unimpaired amounts will be irrecoverable. Further details of financial assets are shown in Note 21.

18. Cash and fixed-term deposits

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Fixed-term deposits	**–**	2,500	**–**	2,500

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. There were no fixed-term deposits at the year end. The weighted average maturity of fixed-term deposits at the prior year-end was 135 days.

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Cash and cash equivalents	**5,904**	7,097	**5,904**	7,097

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

Total liquid resources, including cash and fixed-term deposits, is shown below:

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Fixed-term deposits	**–**	2,500	**–**	2,500
Cash and cash equivalents	**5,904**	7,097	**5,904**	7,097
	5,904	9,597	**5,904**	9,597

19. Trade and other payables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Current:				
Trade payables	**135**	637	**135**	637
Amounts due to Group undertakings	**–**	–	**253**	253
Other taxation and social security	**73**	75	**73**	75
Other payables	**19**	13	**19**	13
Accrued expenses	**274**	299	**273**	298
	501	1,024	**753**	1,276

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Further details of financial liabilities are shown in Note 21.

20. Contract liabilities

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Current:				
Contract liabilities	**206**	–	**206**	–
	206	–	**206**	–

Revenue relating to collaborative partnerships utilising the Group's proprietary NDD platform is recognised over the expected life of the project although the customer pays upfront in full for these services. A contract liability is recognised for revenue relating to these services at the time of the initial sale transaction and is released over the service period. Revenue relating to contract liabilities outstanding at the year end is expected to be recognised within 12 months.

21. Financial instruments

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

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

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Financial assets:				
Included within other receivables (Note 17)	**13**	13	**13**	13
Fixed-term deposits (Note 18)	**–**	2,500	**–**	2,500
Cash and cash equivalents (Note 18)	**5,904**	7,097	**5,904**	7,097
	5,917	9,610	**5,917**	9,610
Financial liabilities:				
Trade payables (Note 19)	**135**	637	**135**	637
Amounts due to Group undertakings (Note 19)	**–**	–	**253**	253
Other payables (Note 19)	**19**	13	**19**	13
	154	650	**407**	903

There is no difference between the carrying amounts or designations of financial assets and financial liabilities determined at the date of initial application of IFRS 9, being 1 February 2018, and the carrying amounts as previously disclosed under IAS 39 as at 31 January 2018.

The Directors believe that there is no material difference between the carrying value of financial assets or financial liabilities and their fair value.

There were no net gains or losses, including interest revenue or expense, recognised in the Income Statement in relation to financial assets or liabilities recognised at amortised cost.

Capital management

The Group 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 £5,904,000 of cash and fixed-term deposits as at 31 January 2019 (2018: £9,597,000).

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

Notes to the Consolidated Financial Statements (continued)

21. Financial instruments (continued)

Management of financial risk

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

Credit risk

The carrying amount of loans and receivables, of £13,000 (2018: £13,000) represents the maximum exposure to credit risk. The Directors do not expect any future credit loss, hence no loss allowance has been recognised in these financial statements for the current or prior year. The Directors consider the Group's exposure to credit risk to be immaterial.

Liquidity risk

The Group manages its liquidity risk by monitoring short-term cash flows against monthly forecast requirements and the longer-term cash flows against annual two-year budgets and two-year forecasts prepared at least annually as the Board deems appropriate and by matching the maturity profiles of financial assets and liabilities. The Group's fixed-term deposits (Note 18) all have initial maturities of no more than 12 months. All of the financial liabilities disclosed in the table above have a contractual maturity of less than three months (2018: less than three months). The Group has sufficient cash balances available to fulfil these liabilities as they fall due.

Interest rate risk

The Group has no interest-bearing debt in issue and therefore interest rate risk applies only to the return achieved on cash and fixed-term deposits. The trade and other payables do not bear interest. Interest received on cash balances and fixed-term deposits was £29,000 (2018: £49,000), earned at interest rates of between 0% and 1% (2018: 0% and 1%). The Directors do not consider that a fluctuation in interest rates would have a material impact on the Group.

22. Share capital

	No. of ordinary shares	
	2019 000	2018 000
In issue at 1 February	**268,531**	268,426
Issued for cash	**159**	105
In issue at 31 January – fully paid	**268,690**	268,531

	2019 000	2018 000
Authorised		
Ordinary shares of £0.001 each	**269**	269
	269	269

	2019 £000	2018 £000
Allotted, called up and fully paid		
268,689,878 (2018: 268,530,866) ordinary shares of £0.001 each	**269**	269
	269	269

The Company has one class of ordinary shares, which carry no right to fixed income.

23. Operating lease commitments

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

	Group	
	2019 £000	2018 £000
Within one year	**52**	28
In the second to fifth years inclusive	**69**	–
After five years	**–**	–
	121	28

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

24. Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any capital items (2018: £nil).

25. Related parties

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

The remuneration of the Directors, who are the key management personnel of the Group, is disclosed in Note 9.

26. Subsequent events

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

Notice of Annual General Meeting

(incorporated in the United Kingdom and registered in England and Wales under number 04304473)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Notice is hereby given that the 2019 Annual General Meeting of e-therapeutics plc (the "Company") will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.00am on 30 April 2019 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 7, which will be proposed as a special resolution:

Ordinary business

1. To receive the accounts for the financial year ended 31 January 2019 together with the Directors' Report and the Auditor's Report for that period.
2. To re-elect Iain Ross as a Director of the Company.
3. To re-elect Trevor Jones as a Director of the Company.
4. To re-appoint Deloitte LLP as the Auditor of the Company.
5. To authorise the Directors to set the remuneration of the Auditor of the Company.

Special business

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

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

   a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £89,473.73 (being 33.3% of the Company's issued share capital as at close of business on 1 March 2019), such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum; and

   b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £179,216.15 (being 66.7% of the Company's issued share capital as at close of business on 1 March 2019), such amount to be reduced by any allotments or grants made under (a) above, in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorities to expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2020 (save that the Company may before such expiry make any offer or enter into any agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

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

   a) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 5(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

   b) in the case of the authorisation granted under resolution 6(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £53,737.98 (being 20% of the Company's issued share capital as at close of business on 1 March 2019).

   And this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2020 (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired).

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

By order of the Board

Sue Steven
Company Secretary
4 March 2019.

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

Registered in England And Wales number 04304473

Explanatory Notes to the Resolutions

The notes on the following pages explain the resolutions to be proposed at the 2019 Annual General Meeting of e-therapeutics plc (the "Company") to be held at the offices of the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.00am on 30 April 2019 (the "Annual General Meeting").

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

Resolution 1 – Adoption of Report and Accounts
For each financial year, the Directors are required to present the Directors' Report, the audited accounts and the Auditor's Report to shareholders at a general meeting. The financial statements and reports laid before the 2019 Annual General Meeting are for the financial year ended 31 January 2019, and the Company proposes a resolution on its financial statements and reports.

Resolutions 2 and 3 – Re-election of Directors
In accordance with the Company's articles of association, each Director must be subject to re-election at least every three years. Accordingly, Iain Ross and Trevor Jones, both having been a Director at each of the two preceding Annual General Meetings, will retire at the 2019 Annual General Meeting of the Company and, being eligible, will both offer themselves for re-election. Their biographies appear on page 21 of the Annual Report and Accounts for the year ended 31 January 2019.

The Board is satisfied that both Iain Ross and Trevor Jones continue to contribute effectively and demonstrate commitment to their roles as Chairman of the Board and independent Non-Executive Director, respectively. Accordingly, the Board unanimously recommends the re-election of both Directors.

Resolutions 4 and 5 – Re-appointment of Auditor and Auditor's remuneration
Resolutions 4 and 5 propose the re-appointment of Deloitte LLP as the Company's Auditor for the year ending 31 January 2020, and the authorisation of the Directors to agree the Auditor's remuneration. The Directors will delegate this authority to the Audit Committee.

Resolution 6 – Authority to allot shares
Your Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. This resolution, if passed, will give the Directors flexibility to act in the best interests of shareholders, when the opportunity arises, by issuing new shares. Accordingly, resolution 5 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares (a) up to an aggregate nominal amount of £89,473.73 and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £179,216.15.

These amounts represent approximately 33.3% and approximately 66.7%, respectively, of the total issued ordinary share capital of the Company as at close of business on 1 March 2019, being the last practicable day prior to the publication of this Notice. If given, these authorities will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2020.

Your Directors have no present intention of issuing shares pursuant to this authority.

As at the date of this Notice the Company holds no treasury shares.

Resolutions 7 – Disapplication of pre-emption rights
Your Directors also require additional authority from shareholders to allot equity securities for cash and otherwise than to existing shareholders pro rata to their holdings. Resolution 7 will be proposed as a special resolution to grant such an authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities for cash up to an aggregate nominal value of £53,737.98 (being 20% of the Company's issued ordinary share capital as at close of business on 1 March 2019, being the last practicable day prior to the publication of this Notice). If given, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2020.

Procedural and explanatory notes

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

Entitlement to attend and vote

1. The right to attend and vote at the 2019 Annual General Meeting is determined by reference to the Company's register of members. Only a member entered in the register of members as at close of business on 26 April 2019 (or, if the 2019 Annual General Meeting is adjourned, in the register of members as at the close of business on the date which is two business days before the time of the adjourned 2019 Annual General Meeting) is entitled to attend and vote at the 2019 Annual General Meeting and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the 2019 Annual General Meeting.

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

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

4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or 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 11.00am on 26 April 2019 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.

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

7. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent, Neville Registrars Limited, whose CREST participant ID is 7RA11, by 11.00am on 26 April 2019. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

Explanatory Notes to the Resolutions (continued)

Voting results

9. The results of the voting at the 2019 Annual General Meeting will be announced through a regulatory information service and will appear on our website www.etherapeutics.co.uk as soon as reasonably practicable.

Inspection of documents

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

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

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

Corporate representatives

11. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the 2019 Annual General Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, though there are restrictions on more than one such representative exercising powers in relation to the same shares.

Nominated persons

12. Any person to whom this notice is sent as a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 2019 Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

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

Issued share capital and total voting rights

13. As at close of business on 1 March 2019, being the last practicable day prior to the publication of this Notice, the Company's issued share capital comprised 268,689,878 ordinary shares of 0.1p. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this Notice is 268,689,878.

Members' requests under section 527 of the Act

14. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to: (i) the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the 2019 Annual General Meeting; or (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the last Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the 2019 Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Members' rights to ask questions

15. Any member attending the 2019 Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the 2019 Annual General Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the 2019 Annual General Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.

Security

16. Security measures will be in place to ensure your safety at the 2019 Annual General Meeting. Please do not bring suitcases, large bags or rucksacks. If you do, we may ask you to leave the item in the cloakroom. Recording equipment, cameras and other items that might interfere with the good order of the meeting will not be permitted. Mobile phones must be turned off or on silent during the meeting. Please also note that those attending the Annual General Meeting will not be permitted to hand out leaflets in the venue.

Website

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

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

Advisers

Nominated adviser and nominated broker
Numis Securities Limited
10 Paternoster Square
London
EC4M 7LT

Tel: +44 (0) 20 7260 1000

Auditor to the Company
Deloitte LLP
Statutory Auditor
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