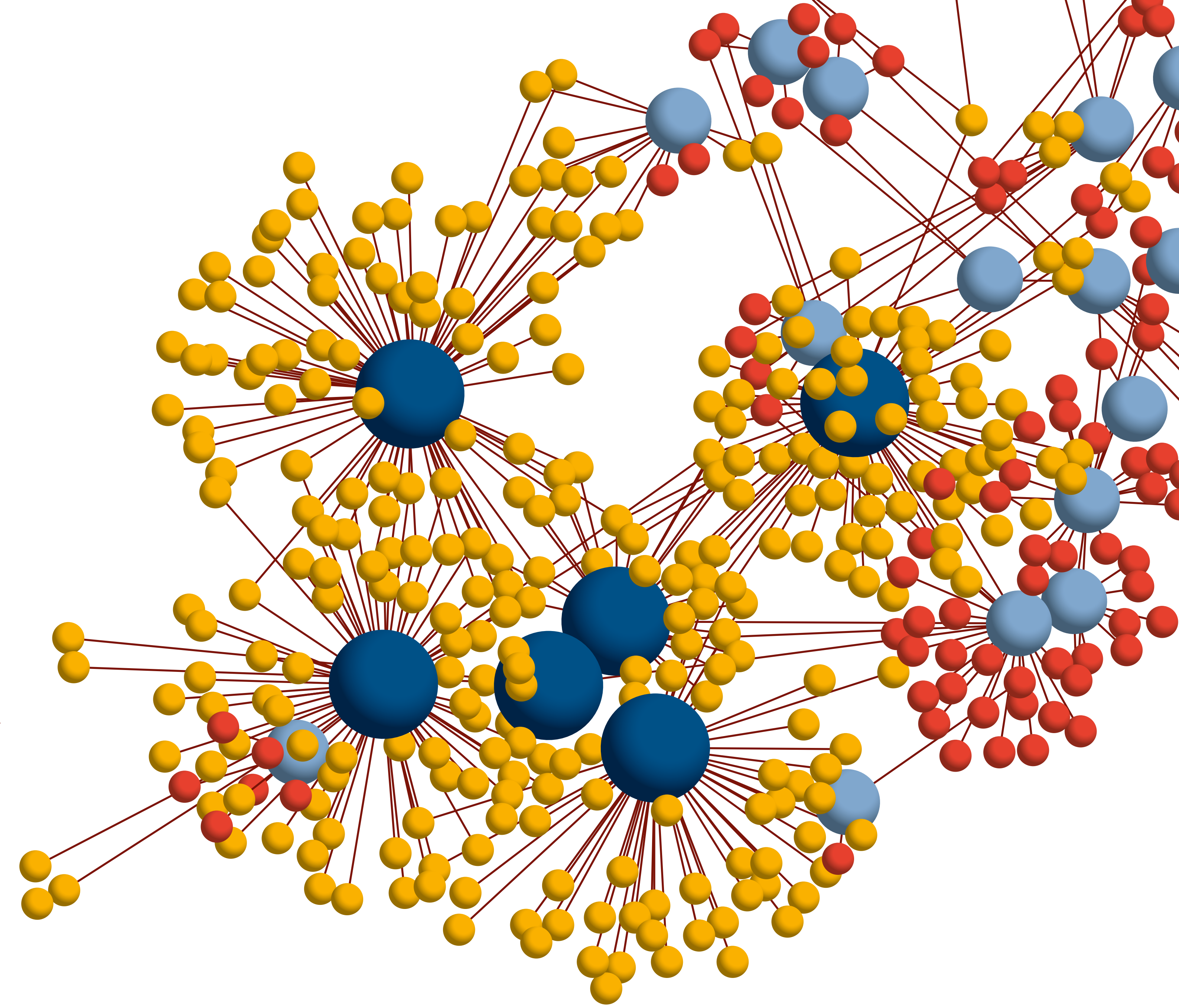


e-Therapeutics plc

The network pharmacology company

Annual report and accounts 2012

Contents

About e-Therapeutics

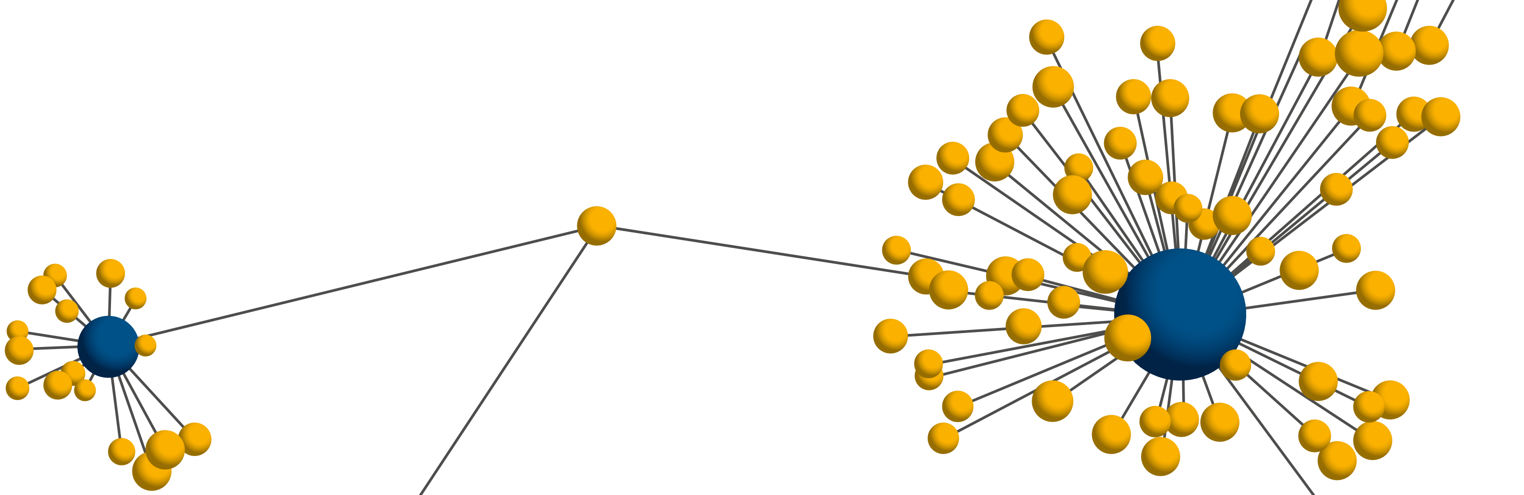
e-Therapeutics is a drug discovery and development company with a pioneering platform in network pharmacology.

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

Our approach

The science behind e-Therapeutics – network pharmacology

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



Highlights

Drug discovery renewed

- New wave of work begins using network pharmacology platform
- Focus on cancer and neurodegenerative diseases
- Platform gains further intellectual property protection

Clinical pipeline advanced

- UK regulator approves plans for phase I trial of ETS2101 in solid tumours*
- US regulator approves plans for phase I trial of ETS2101 in brain cancer*
- Further drugs for infection and depression expected to enter trials in 2012
- Plans for *C. difficile* programme ETX1153c revised*
- Extensive clinical data anticipated in 2012 and 2013

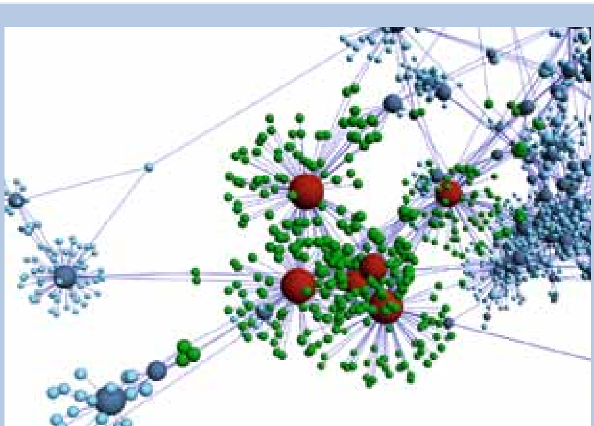
New places, plans and people

- Drug discovery hub established at Oxford
- Development programmes reviewed and revised by new Development Director Steve Self
- Daniel Elger joins as CFO, bringing added biotech, oncology and commercial experience
- Senior Celgene executive Rajesh Chopra appointed a Non-Executive Director*

Balance sheet strengthened

- Equity placing raises net £16.7 million to invest in discovery and development
- Loan debt of £1.0 million repaid
- Cash and fixed-term deposits of £13.9 million at 31 January 2012 (2011: £0.9 million) provide working capital into 2014
- Full-year net loss of £3.2 million (2011: loss of £2.3 million) reflects increasing investment in business

* Events after the 31 January 2012 year end.



A protein network: e-Therapeutics seeks drugs that impact the entire network of proteins important in a disease.

Visit our website for more information about our business
www.etherapeutics.co.uk

Chairman's statement

Drug discovery and development advance

Professor Oliver James
Non-Executive Chairman

Summary

- New wave of discovery work begins
- Three drugs advancing into clinic
- Team strengthened by new hires
- Balance sheet transformed by fundraising

Overview

Our business is focused around two core activities with potential to create significant shareholder value. One is discovery of drugs using our network pharmacology platform. The other is development of those drugs through clinical trials. We have taken substantial steps forward in both areas over the past year, supported by shareholders who have invested significant new funds into the Company.

Drug discovery invigorated

Our network pharmacology platform gives us a distinctive position within the pharmaceutical industry. Most other players seek drugs that act against a single target, usually a particular protein. There are limitations to this approach, especially when tackling complex diseases such as cancer, in which many different proteins become dysfunctional. Network pharmacology provides a means to discover drugs with maximum impact on the whole network of proteins involved in a disease process. Our patents and know-how cover key techniques for analysing such networks and identifying ways to disrupt them. We believe that the platform we have built around these approaches has the potential to identify new and improved treatments for a wide variety of diseases.

Until last year, we pursued one specific application of network pharmacology. Having identified a way of targeting a particular disease network, we sought existing drugs with the desired effect. This is a form of 'reprofiling' – finding new uses for known drugs. It carries the significant benefit that any drug with prior evidence of safety in humans can be advanced quickly into new human trials. Using network pharmacology in this way, we identified a number of promising candidates and are now taking several of these rapidly and cost-effectively into clinical trials.

This year, with additional resources to invest, we set up a new drug discovery centre near Oxford. This was officially opened by Prime Minister David Cameron in February 2012. Work at the centre includes evaluation of further reprofiling opportunities but we recognise that this uses only part of the power of network pharmacology. Many of our latest programmes are therefore designed to seek brand new drugs. This will ultimately allow a greater diversity of outputs from our platform, enabling us to address a wider range of opportunities. At the same time, we have chosen to focus our discovery effort on two therapeutic areas: cancer and degenerative diseases of the nervous system. These are areas in which we believe our platform has particular advantages and in which there are many commercial opportunities associated with unmet medical needs. We continue to improve the fundamentals of our discovery process and to add to our extensive IP estate in network pharmacology: we announced the grants of a further US patent in September 2011 and of two further European patents in May 2012.

The renewal and broadening of our discovery efforts is intended to provide a pool of drug candidates from which we will select the most attractive, based on technical, clinical and commercial criteria, to advance into clinical development. It may also lead to opportunities for discovery collaborations with selected pharmaceutical partners.

Into the clinic

At the beginning of the current period our new Development Director, Steve Self, reviewed and revised plans for clinical development of drugs resulting from the Company's earlier discovery work. Four drugs were prioritised and we have since been working to prepare these for clinical trials. Progress with each drug is detailed below. Our aim in development is to select the most promising drug candidates from our discovery portfolio and take them forward through value-enhancing steps, such as completion of phase II 'proof-of-concept' trials. We plan to realise value through licensing deals with pharmaceutical partners, in which we will grant rights to commercialise products in exchange for upfront and milestone payments, funding of further development and royalties on sales.

ETS2101 (Anti-cancer)

In March 2012 we announced that regulators in the US and the UK had approved plans for phase I testing of our cancer drug candidate ETS2101. Trials in both countries will start shortly. The UK phase I trial will enrol patients with a variety of solid tumours and will evaluate dosing, safety and activity. It will be conducted at two hospitals in northern England. The US trial will have similar aims but will enrol only patients with primary brain cancer (glioma) or cancer from other sites that has spread to the brain. It will be led by a senior investigator at a major centre for the treatment of brain cancer. Our decision to run a focused brain cancer trial in parallel with a broad 'all-comers' study is based on particularly promising pre-clinical data from glioma cell lines and the ability of ETS2101, unlike many current cancer drugs, to cross the blood-brain barrier. We expect initial data from both trials in 2012 and final data in 2013.

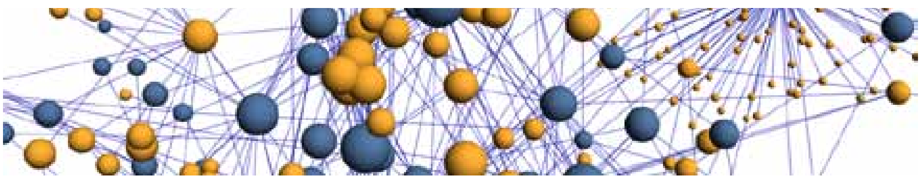
ETS2101 is among the reprofiled drugs resulting from our first wave of drug discovery. It was originally developed as a treatment for traumatic brain injury but its potential as a cancer drug was identified by e-Therapeutics' platform. As mentioned above, one advantage of reprofiled drugs can be prior evidence on safety in humans. We recently licensed rights to the original clinical data for ETS2101, including safety findings, in exchange for modest royalty payments on our future income from the drug. This provides us with an exclusive right to use these data in submissions to drug regulators.

ETX1153c (*C. difficile*)

ETX1153c is a product that combines two active ingredients to produce a potent effect against the bacterium *C. difficile*, a cause of serious bowel infections. The combination yields both high potency and exceptionally low rates of resistance. Notwithstanding this activity, we have faced practical issues in devising a formulation for the product in which the ingredients remain sufficiently stable. However, our recent results have shown the potential for a product with a superior profile of potency, low resistance, stability, formulability and patent protection. In line with our determination to invest only in products that we believe have the best features for licensing, we have decided further to research these recent results in our *C. difficile* programme and we have ceased to signal expected timescales for clinical development. Further investigation is merited by strong pre-clinical data, which show that ETX1153c is effective against *C. difficile* strains that are resistant to currently available treatments, indicating the potential for a differentiated position in the market. We will announce new plans for trials if our research yields a strong candidate for development.

British Prime Minister David Cameron and Prof. Malcolm Young, CEO of e-Therapeutics, shake hands as the Prime Minister opens our drug discovery centre at Oxford.

"We have reshaped the business this year, building a new discovery team around our unique network pharmacology platform and bringing better focus to development of products entering the clinic. These changes underpin our expectation of substantial progress over the next twelve months, beginning with the imminent entry into clinical trials of our cancer drug ETS2101."



Chairman's statement
Continued

Board and balance sheet strengthened

"Our 2012 results reflect increasing investment in drug discovery and drug development made possible by shareholders' support of a significant capital raise during the year. We are confident that continuing this investment will yield promising new drugs and advance our pipeline towards value-realising partnering deals."

Into the clinic continued

ETS6103 (Major depressive disorder)

ETS6103 is being developed for major depressive disorder. We expect to start a randomised phase IIb trial in Q3 2012. This will be conducted in patients who have failed treatment with drugs from the 'SSRI' class, a current standard therapy. The phase IIb trial will build on a small phase IIa study that provided encouraging results when it compared ETS6103 with the established drug amitriptyline.

ETX1153a (Hospital infections)

ETX1153a is a topical anti-infective for resistant hospital-based infections, which we expect to enter phase I testing in volunteers in Q4 2012. Latest pre-clinical data on this agent show a favourable resistance profile.

Improved financial position

In March 2011 we raised £16.7 million net of expenses in an equity placing to new and existing investors. As a result, the Company finished the period with a greatly enhanced cash balance of £13.9 million (2011: £0.9 million).

We used a small proportion of the placing proceeds to remove the debt from our balance sheet, redeeming £1.0 million of loan notes and paying the interest due to the date of redemption. At the same time, a majority of our outstanding warrants were converted into ordinary shares, limiting any future dilution associated with these instruments.

Our increasing investment in discovery and development is reflected in an increase in our net loss to £3.2 million from £2.3 million last year. There were no revenues to offset our operating expenses (2011: nil). The Income Statement shows tax receivable of £621,000, reflecting R&D tax credits associated with qualifying R&D expenditure. Our improved cash position and the repayment of our debt are reflected in a shift from net financial expenses of £180,000 last year to net financial income of £165,000 in the current period.

The Company's strategy is to license its products to pharmaceutical companies for late-stage development and commercialisation. The Company may also enter discovery collaborations with selected partners.
We anticipate continuing losses until revenues from these sources exceed investment in R&D. As indicated previously, we expect our current funds to support our enhanced investment in discovery and development until 2014 even in the absence of any income from partners.

Organisational changes

In June 2011 we appointed Dr Daniel Elger as Chief Financial Officer. Daniel was previously at Antisoma plc, where he played significant roles in corporate strategy, fundraisings and the acquisition of two US biotech companies. Former Finance Director John Cordiner has left the Company and on behalf of the Board I would like to thank him for his contribution to the Company's development. In February 2012, we appointed Dr Rajesh Chopra as a Non-Executive Director. Rajesh is Vice-President of Translational and Early Drug Development at major US biotech company Celgene Corporation and brings highly relevant experience to our Board.

Outlook

We look forward with confidence based on the carefully planned investment we are making in drug discovery and development. Before the end of this year, we expect to see the first findings from our new programme of clinical trials; by the end of next year we should have phase II data on one drug and phase I data on two more. We are equally excited about the next wave of discovery work with our platform and continue to believe that our unique position in network pharmacology provides a solid basis for sustained value creation.

Professor Oliver James
Chairman
18 June 2012

Board of Directors

Professor Oliver James
Non-Executive Chairman

Oliver, 68, has served as Senior Medical Advisor to the Penrose Inquiry since 2009 and has been a Non-Executive Director of NHS North of England Strategic Health Authority Cluster since 2011. He was a Non-Executive Director of BUPA from 1999 until 2007 and of Goldsborough Health Care plc from its flotation on the main market in 1995 until it was acquired by BUPA in 1997.

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

Professor Malcolm Young
Chief Executive Officer

Malcolm, 51, is a scientist by background. He has been Director of the Complex Systems Group, Director of the Institute for Neuroscience, Provost of the Faculty of Science, Agriculture and Engineering and Pro-Vice Chancellor for Strategic Development at Newcastle University, after having been a Royal Society Research Fellow at the RIKEN Institute in Japan and at Oxford University. The main goals of his research have been to understand how biological function arises from structural aspects of complex biological systems.

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

Mr Stephen Self
Development Director

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

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

Dr Daniel Elger
Chief Financial Officer

Daniel, 42, has 18 years’ experience in healthcare businesses. He began his career in medical publishing. He then spent five years at pharmaceutical marketing consultancies Blackwell Healthcare and Avenue, becoming a Programme Director in 1999 and leading accounts for GSK, Janssen, Roche, Pfizer and Merck.

In 2002 Daniel joined cancer drug developer Antisoma plc as Head of Corporate Communications, becoming Communications Director in 2005 and Vice-President, Marketing & Communications in 2008. He served on the Senior Management Team and played significant roles in corporate strategy, fundraisings and the acquisition of two US biotech companies.

Daniel has a BA in Physiological Sciences (Medicine) and a PhD in cancer cell biology, both from Oxford University. He joined e-Therapeutics in June 2011.

Mr Brad Hoy
Non-Executive Director

Brad, 49, has over 15 years’ commercial experience in the pharmaceutical and biotechnology industries gained through financial and general management roles in the UK and US.

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

Dr Rajesh Chopra
Non-Executive Director

Rajesh, 50, is a clinician and scientist by training and has since 2009 been Vice-President of Translational and Early Drug Development at Celgene Corporation. He leads a group of around 100 people working to integrate drug discovery and clinical development at Celgene sites in San Diego and San Francisco, CA, Summit, NJ, and Seville, Spain. Dr Chopra has extensive experience of all phases of drug development, in drug portfolio management, including acquisition of new assets, and of dealing with regulators and government agencies.

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

Directors' report
Period from 1 February 2011 to 31 January 2012

The Directors present their report and the audited financial statements for the year ended 31 January 2012.

Principal activity
The principal activity of the Company during the year was the discovery and development of drugs.

Business review
The Group's results for the year are set out in the Consolidated Income Statement on page 14. A review of the Group's performance during the year, together with its position at the end of the year and an assessment of its future prospects, is given in the Chairman's Statement.

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

Principal risks and uncertainties
Intellectual property
In common with other companies engaged in drug discovery, the Group faces the risk that intellectual property rights necessary to exploit its Research and Development efforts may not be adequately secured or defended. The Group's intellectual property may also become obsolete, preventing commercial exploitation.

Research and Development risk
The Group may not generate further attractive drug candidates and candidates already in development may fail in preclinical testing or clinical trials because of lack of efficacy, unacceptable side effects or insurmountable challenges in conducting studies adequate to support regulatory approvals. Practical issues, such as inability to devise acceptable formulations for products or inability to manufacture products at acceptable cost, may also lead to failure of candidates in development.

Regulatory risk
Drug development is a highly regulated activity governed by different regulatory authorities in different jurisdictions. It can be difficult to predict the exact requirements of different regulatory bodies and decisions by regulators may lead to delays in development and approval of drugs or lack of marketing authorisations in some or all territories.

Technology risk
The Group's technology platform and its individual programmes may be superseded by direct competitors.

Commercial and economic risk
The Group may be unable to license its products to partners or may not be able to execute licensing deals that provide significant revenues. Development of alternative technologies or products may undermine the Group's capacity to generate revenue flowing from commercialisation of its assets. If the Group's drugs are commercialised, they may not generate significant revenues if their use and sale is restricted by regulators or by failure of healthcare payors to provide adequate reimbursement of drug costs.

Financial risk
The successful development of the Group's assets requires financial investment which can come from revenues, commercial partners or investors. Failure to generate additional funding from these sources may compromise the Group's ability to execute its business plans or to continue in business.

Wherever possible, the Directors aim to mitigate the potential impact of these risks.

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

	Ordinary shares of 0.1 pence each at 31 January 2012	Ordinary shares of 0.1 pence each at 1 February 2011
Malcolm Young[1]	**20,620,482**	20,620,482
Stephen Self	**253,577**	—
Daniel Elger	**15,000**	—
Oliver James	**68,500**	43,500[2]
Brad Hoy	**—**	—

[1] Malcolm Young's interest includes 10,310,241 (2011: nil) shares held by his wife, Mrs D Young. Through interests in Novotech Investment Limited and Novotech Syndicate LLP, Professor Young indirectly held a further 428,512 shares in the Company.

[2] Oliver James's shareholding as at 31 January 2011 was incorrectly stated as 38,500 shares in the Annual report and accounts 2011.

During the period between 31 January 2012 and 15 June 2012, the Company received the following notification under Disclosure and Transparency Rule 3.1.2R:

- on 13 March 2012, Oliver James purchased a further 34,500 of the Company's issued ordinary shares. Professor James' resultant total holding is 103,000 shares, representing 0.1% of the issued share capital.

Biographical details of the Directors are given on page 5. John Cordiner resigned as a Director on 10 June 2011, Daniel Elger was appointed as a Director on 10 June 2011 and Rajesh Chopra was appointed as a Director on 3 February 2012.

Directors continued

Details of Directors' remuneration and their rights to subscribe for shares in the Company are disclosed in Note 4. Remuneration arrangements for Executive Directors are set by the Board's remuneration committee, which is described in the Corporate Governance section on page 12. Remuneration is designed to align Executive Directors' remuneration with shareholders' interests. As well as fixed compensation, Directors can receive bonuses based on achievement of individual and corporate objectives.

A more formalised performance-related bonus scheme has been adopted for financial periods from 1 February 2012 following consultation with major shareholders. This is based on achievement of personal and corporate objectives, with stretching targets set for performance on measures including the KPIs set out above. The remuneration committee expects that the proportion of Executive Directors' compensation that is variable and performance-related will increase with time.

The committee believes that share option awards made to Executive Directors and staff under the Company's Long Term Incentive Plan (LTIP) are also an important element of compensation; a resolution to refine the LTIP scheme will be proposed at the forthcoming AGM and the remuneration committee plans to consult further with shareholders in due course about further possible improvements to the Company's approach to compensation.

Research and Development

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

Political and charitable contributions

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

Financial instruments and financial risk management

The financial risks faced by the Group, and its policy towards these risks, are set out in Note 19 to the accounts.

Proposed dividend

The Directors do not recommend the payment of a dividend (2011: £nil).

Employees

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

Health and safety

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

Policy and practice on payment of creditors

It is the Group's policy to pay suppliers in accordance with terms and conditions agreed prior to the commencement of trading, provided that the supplier has met its contractual obligations. The Group does not follow any standard code of practice for payment of suppliers. At the end of the year, outstanding invoices for the Group and the Company represented 30 (2011: 30) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Major shareholdings

On 15 June 2012 the Company had been notified of the following shareholdings with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1 pence each Number	%
Invesco Asset Management	**65,384,615**	47.3
Professor Malcolm Young*	**20,620,482**	14.9
Henderson Global Investors	**15,396,408**	11.1
Octopus Group	**8,768,508**	6.3
Newcastle University Holdings Limited	**6,744,000**	4.9

* Malcolm Young's interest included 10,310,241 shares held by his wife, Mrs D Young. Through interests in Novotech Investment Limited and Novotech Syndicate LLP, Professor Young has an indirect interest in a further 428,512 shares in the Company.

During the period between 31 January 2012 and 15 June 2012, the Company received the following notification under Disclosure and Transparency Rule 5:

- as of 3 February 2012, RAB Capital, who at 31 January 2012 were holders of 4,300,000 shares (3.1% of the Company's then issued ordinary shares), no longer had a beneficial holding exceeding 3% of the Company's issued ordinary shares.

Significant contracts

The Company had no contracts that the Directors consider to be so significant as to require separate disclosure. The licensing contract with Khandelwal Laboratories Pvt Limited noted in the Company's annual report and accounts for the year ended 31 January 2011 is no longer in place.

Articles of association and capital structure

The rights and obligations attaching to the Company's ordinary shares are set out in the Company's articles of association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary.

Directors' report continued
Period from 1 February 2011 to 31 January 2012

Articles of association and capital structure continued
There are no restrictions on the transfer or voting of securities in the Company and there are no agreements known to the Company which might result in such restrictions. There are no shareholders carrying special rights with regard to the control of the Company. No shares held by employee share schemes of the Company have rights regarding control of the Company that are not directly exercisable by employees.

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

Independent Auditor
In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit plc as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting (AGM).

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

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

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

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

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

Resolution 2: Directors
The Company's articles of association require Directors to retire and submit themselves for election at the first AGM following their appointment and for re-election at least every three years thereafter. The Directors who retire at each AGM are those who would otherwise have served for over three years without re-election by the date of the following AGM. The only Director to be appointed at this year's meeting is Rajesh Chopra, whose appointment as a Non-Executive Director was announced on 6 February 2012. The Board of Directors believes that Dr Chopra has considerable experience, a summary of which is provided on page 5, to offer the Company.

Resolution 3: Appointment of Auditor
An ordinary resolution will be proposed to re-appoint KPMG Audit plc as the Company's Auditor to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company.

Resolution 4: Remuneration of the Auditor
An ordinary resolution will be proposed to authorise the Directors to determine the remuneration payable to the Auditor.

Resolution 5: Directors' authority to allot shares
This resolution seeks shareholder approval for the Directors to be authorised to allot shares. Under the provisions of section 551 of the Companies Act 2006, the Directors are not permitted to allot shares unless authorised to do so by the shareholders. This Act provides for such authority to be granted either by the Company in general meeting or by the articles of association and in both cases such authority must be renewed every five years. Notwithstanding the statutory provisions, in accordance with institutional best practice, it is the present intention of the Board to seek a similar authority each year.

At the previous AGM of the Company held on 12 September 2011, the Directors were given authority to allot ordinary shares in the capital of the Company up to approximately 70% of the Company's then issued ordinary share capital. The Directors consider it appropriate that this authority be renewed and seek authority to allot shares in the capital of the Company up to a maximum nominal amount of £96,688.52, representing 70% of the Company's issued ordinary share capital as at 15 June 2012. This power will last until the conclusion of the next AGM of the Company in 2013. The Directors have no present intention of exercising this authority.

Resolution 6: Directors' power to disapply pre-emption rights
This resolution, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company proposed by resolution 5.

Section 561 of the Companies Act 2006 requires a company proposing to allot equity securities (which includes selling shares held in treasury) to offer them first to existing shareholders in proportion to their existing shareholdings. Equity securities includes ordinary shares (the only class of share capital the Company has at present) but does not include shares issued under employee share schemes. If resolution 6 is passed, the requirement imposed by section 561 will not apply to allotments by the Directors in the specific cases referred to in the resolution and also in the following cases:

1. in connection with a rights (or similar) issue, where strict application of the principle in section 561 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of local, legal or regulatory requirements in any given overseas jurisdiction; and
2. allotments of shares for cash up to a total nominal value of £27,625.29 (representing 20% of the Company's issued share capital at 15 June 2012). This gives the Directors flexibility to take advantage of business opportunities as they arise.

Annual General Meeting continued

Resolution 6: Directors' power to disapply pre-emption rights continued

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

This resolution has been drafted with a view to the Company being able to sell for cash a limited number of the shares held by the Company in treasury, without first having to offer them to existing shareholders. The Company's ability to sell shares held in treasury and to issue new shares for cash without first offering them to existing shareholders is limited under this resolution to approximately 20% of the present issued share capital. The Directors believe that the flexibility to hold shares in treasury and to sell them will be beneficial to the Company particularly in relation to the operation of the Company's share incentive schemes for employees.

Resolution 7: Company's authority to purchase shares

In some circumstances, companies can find it advantageous to use surplus funds to make market purchases of their own shares. Shares purchased in this way may either be cancelled (thus reducing the total number of shares in issue and potentially increasing future earnings on the remaining shares) or held as treasury shares in accordance with the Companies Act 2006.

This resolution, which will be proposed as a special resolution, seeks to renew the existing authority for the Company to purchase its own shares in the market.

Resolution 7 specifies the maximum number of shares which may be purchased (representing 10% of the Company's issued share capital at 15 June 2012), the minimum and maximum prices at which they may be bought and when the authority will expire, reflecting the requirements of the Companies Act 2006. This limit is in line with investor protection guidelines.

The maximum price at which the shares may be purchased is 5% above the average of the middle market values of those shares for the five business days before the purchase is made.

Purchases of shares under the proposed authority are required by the AIM Rules for Companies of the London Stock Exchange to be made in compliance with the Model Code. Accordingly, the Company would not exercise the authority at a time when the Directors would be precluded from dealing in the Company's shares. Specifically, purchases would not be made within the 60 days preceding the announcement of the interim or final results. This proposal should not be taken as an indication that the Company would purchase shares at any particular price or to imply any opinion on the part of the Directors as to the market or other value of the Company's shares.

The Companies Act 2006 enables certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares in accordance with that Act. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of those shares. Further, no dividend or distribution of the Company's assets may be made to the Company in respect of those shares whilst held in treasury.

Accordingly, if the Directors exercise the authority conferred by resolution 7, the Company will have the option of holding those shares in treasury rather than cancelling them.

During the preceding year, the Directors did not use the authority granted at the AGM held in 2011 to repurchase and cancel shares. As at the date of this document, the Company had 138,126,467 shares in issue. This resolution seeks authority to purchase a maximum of 13,812,646 shares, representing approximately 10% of the current issued share capital.

The total number of ordinary shares that are under option as at 15 June 2012, the latest practicable date prior to publication of this document, is 5,425,860, all of which are options over unissued shares. The proportion of the issued ordinary share capital that the options over unissued ordinary shares represented on this date was 3.93% and the proportion of issued ordinary share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 3.57%.

Resolution 8: Amendment of rules of the Company's Long Term Incentive Plan

The Company operates a long-term incentive plan, known as the e-Therapeutics Long Term Incentive Plan 2007, under which employees (including Directors) are eligible to be granted awards whereby they can acquire, for an amount equal to their nominal value, ordinary shares of 0.1 pence in the Company subject to the satisfaction of demanding performance conditions. This resolution proposes minor changes to the rules of the plan, which has been in place since the Company's flotation on AIM in 2007, while retaining its main features of a minimum share price target (£1) equal to 150% of its float price and a three-year vesting period. The amendments proposed are:

1. in the event of a change in control of the Company, to allow participants to acquire shares in the event that the price offered is not less than the float price (67 pence);
2. to allow participants to acquire shares if the minimum share price target is met at any time during the six-month period following the end of the three-year vesting period (currently participants can only acquire shares if the average share price is not less than £1 over a 20-day period ending at the end of that three-year vesting period); and
3. to increase the maximum award that can be made to any individual in any financial year from 100% to 150% of his or her salary for that period.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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

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

Directors' report continued
Period from 1 February 2011 to 31 January 2012

Statement of Directors' responsibilities in respect of the annual report and the financial statements continued

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Professor Oliver James
Chairman
18 June 2012

Corporate governance

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

Board of Directors

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

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

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

The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda and has no involvement in the day-to-day business of the Company. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

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

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

Independence of Directors

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

The Board considers Oliver James, Brad Hoy and Rajesh Chopra to be independent in character and judgement and they:

- have not been employees of the Group within the last five years;
- have not, or have not had within the last three years, a material business relationship with the Group;
- have not received remuneration other than a Director's fee and the options awarded to them*;
- have no close family ties with any of the Group's advisers, Directors or senior employees;
- do not hold cross-Directorships or have significant links with other Directors through involvement in other companies or bodies; and
- do not represent a significant shareholder.

* During the year Brad Hoy provided temporary assistance to the Group on routine financial matters related to the preparation of statutory accounts, for which he was paid on terms equivalent to those that prevail in arm's-length transactions. The work performed involved exercising only those responsibilities set out in the Statement of Directors' responsibilities in respect of the annual report and the financial statements and is therefore not considered to compromise his independence.

Professional development

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

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

Re-election

In accordance with the articles of association, each Director must be subject to re-election at least every three years. All newly appointed Directors are also subject to election by the shareholders.

Board committees

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

Audit committee

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

Corporate governance continued

Board committees continued

Audit committee continued

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

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

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

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

Remuneration committee

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

The remuneration committee is responsible for approving:

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

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

Investor relations

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

Internal controls

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

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

By order of the Board

Professor Oliver James
Chairman
18 June 2012

Independent Auditor's report
to the members of e-Therapeutics plc

We have audited the financial statements of e-Therapeutics plc for the year ended 31 January 2012, set out on pages 14 to 33. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement set out on pages 9 and 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG Audit plc
Chartered Accountants and Statutory Auditor
KPMG Audit plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom
18 June 2012

Consolidated income statement
For the year ended 31 January 2012

	Notes	2012 £000	2011[1] £000
Revenue		**—**	—
Cost of sales		**—**	—
Gross profit		**—**	—
Research and Development expenditure		**(2,898)**	(1,679)
Administrative expenses		**(1,130)**	(796)
Operating loss	2	**(4,028)**	(2,475)
Financial income	5	**191**	14
Financial expense	5	**(26)**	(194)
Loss before tax		**(3,863)**	(2,655)
Taxation	6	**621**	342
Loss for the year		**(3,242)**	(2,313)
Loss for the year attributable to equity holders of the Company		**(3,242)**	(2,313)
Loss per share – basic and diluted	8	**(2.47)p**	(3.51)p

1 Certain costs have been reclassified between Research and Development expenditure and administrative expenses as disclosed in Note 1.

Consolidated statement of comprehensive income
For the year ended 31 January 2012

	2012 £000	2011 £000
Loss for the financial year	**(3,242)**	(2,313)
Other comprehensive income	**—**	—
Total comprehensive income for the financial year	**(3,242)**	(2,313)

Consolidated statement of changes in equity
For the year ended 31 January 2012

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2010	65	7,573	420	(5,572)	2,486
Total comprehensive income for year					
Loss for the financial year	—	—	—	(2,313)	(2,313)
Total comprehensive income for year	—	—	—	(2,313)	(2,313)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Total contributions by and distribution to owners	1	81	—	18	100
As at 31 January 2011	**66**	**7,654**	**420**	**(7,867)**	**273**
As at 1 February 2011	66	7,654	420	(7,867)	273
Total comprehensive income for year					
Loss for the financial year	—	—	—	(3,242)	(3,242)
Total comprehensive income for year	—	—	—	(3,242)	(3,242)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Total contributions by and distribution to owners	72	17,898	(288)	11	17,693
As at 31 January 2012	**138**	**25,552**	**132**	**(11,098)**	**14,724**

Company statement of changes in equity
For the year ended 31 January 2012

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2010	65	7,573	420	(2,748)	5,310
Total comprehensive income for year					
Loss for the financial year	—	—	—	(2,313)	(2,313)
Total comprehensive income for year	—	—	—	(2,313)	(2,313)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Total contributions by and distribution to owners	1	81	—	18	100
At 31 January 2011	**66**	**7,654**	**420**	**(5,043)**	**3,097**
As at 1 February 2011	66	7,654	420	(5,043)	3,097
Total comprehensive income for year					
Loss for the financial year	—	—	—	(3,242)	(3,242)
Total comprehensive income for year	—	—	—	(3,242)	(3,242)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Total contributions by and distribution to owners	72	17,898	(288)	11	17,693
At 31 January 2012	**138**	**25,552**	**132**	**(8,274)**	**17,548**

Balance sheets
At 31 January 2012

	Notes	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Non-current assets					
Property, plant and equipment	9	**137**	16	**137**	16
Goodwill	10	**—**	—	**2,824**	2,824
Other intangible assets	10	**337**	272	**337**	272
		474	288	**3,298**	3,112
Current assets					
Trade and other receivables	12	**888**	444	**888**	444
Fixed-term deposits	13	**7,750**	—	**7,750**	—
Cash and cash equivalents	14	**6,156**	927	**6,156**	927
		14,794	1,371	**14,794**	1,371
Total assets		**15,268**	1,659	**18,092**	4,483
Current liabilities					
Trade and other payables	15	**544**	351	**544**	351
		544	351	**544**	351
Non-current liabilities					
Interest-bearing loans and borrowings	16	**—**	1,035	**—**	1,035
		—	1,035	**—**	1,035
Total liabilities		**544**	1,386	**544**	1,386
Net assets		**14,724**	273	**17,548**	3,097
Equity					
Share capital	18	**138**	66	**138**	66
Share premium	18	**25,552**	7,654	**25,552**	7,654
Warrant reserve	18	**132**	420	**132**	420
Retained earnings	18	**(11,098)**	(7,867)	**(8,274)**	(5,043)
Total equity attributable to equity holders of the Company	18	**14,724**	273	**17,548**	3,097

These financial statements were approved by the Board of Directors on 18 June 2012 and were signed on its behalf by:

M P Young
Director

D W Elger
Director

Registered number: 4304473

Statements of cash flow
For the year ended 31 January 2012

	Notes	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Cash flows from operating activities					
Loss for the year		**(3,242)**	(2,313)	**(3,242)**	(2,313)
Adjustments for:					
Depreciation, amortisation and impairment	9, 10	**81**	135	**81**	135
Financial income	5	**(191)**	(14)	**(191)**	(14)
Financial expenses	5	**26**	194	**26**	194
Equity-settled share-based payment expenses	17	**11**	18	**11**	18
Taxation		**(621)**	(342)	**(621)**	(342)
		(3,936)	(2,322)	**(3,936)**	(2,322)
Increase in trade and other receivables		**(116)**	(26)	**(116)**	(26)
Increase/(decrease) in trade and other payables		**429**	(40)	**429**	(40)
Tax received		**386**	473	**386**	473
Net cash from operating activities		**(3,237)**	(1,915)	**(3,237)**	(1,915)
Cash flows from investing activities					
Interest received		**99**	14	**99**	14
Acquisition of property, plant and equipment	9	**(139)**	(4)	**(139)**	(4)
Acquisition of other intangible assets	10	**(128)**	(130)	**(128)**	(130)
Increase in fixed-term deposits	13	**(7,750)**	—	**(7,750)**	—
Net cash from investing activities		**(7,918)**	(120)	**(7,918)**	(120)
Cash flows from financing activities					
Net proceeds from issue of share capital	18	**17,682**	82	**17,682**	82
Repayment of loan notes	16	**(1,049)**	—	**(1,049)**	—
Loan notes interest paid		**(249)**	—	**(249)**	—
Net cash from financing activities		**16,384**	82	**16,384**	82
Net increase/(decrease) in cash and cash equivalents		**5,229**	(1,953)	**5,229**	(1,953)
Cash and cash equivalents at 1 February		**927**	2,880	**927**	2,880
Cash and cash equivalents at 31 January	14	**6,156**	927	**6,156**	927

Notes (forming part of the financial statements)

1 Accounting policies

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

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

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

Basis of preparation

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

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

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

Standards and interpretations applied for the first time

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

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' provides guidance if the Group were to undertake a debt for equity swap; and
- IAS 24 'Related Party Disclosures' amends the definition of a related party.

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

- IFRS 10 'Consolidated Financial Statements' establishes principles for the presentation and preparation of consolidated financial statements;
- IFRS 13 'Fair Value Measurement' defines fair value and sets out a framework for its measurement;
- IFRS 9 'Financial Instruments' addresses both the measurement and disclosure of financial instruments; and
- IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosure' include amendments to application guidance on, and presentation of the offsetting of, financial assets and financial liabilities.

Going concern

Further information on the Group's business activities, together with factors likely to affect its future development, performance and position, is set out in the business review and principal activity sections of the Directors' report. Further information on the financial position of the Group, its cash flows and liquidity position is provided in the Chairman's statement. In addition Note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

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

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

Use of estimates and judgements

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

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

Reclassification

In order to aid comparison and to be consistent with industry sector accounting practices, the Directors consider it more appropriate to classify certain costs that were previously included within administrative expenses in the consolidated income statement separately as Research and Development expenditure. The impact of this change is to increase Research and Development expenditure and decrease administrative expenses for the year ended 31 January 2011 by £1,679,000. There is no impact on operating loss or on loss per share.

Basis of consolidation

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

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

1 Accounting policies continued

Classification of financial instruments issued by the Group

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

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

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

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

Trade and other receivables

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

Fixed-term deposits

Fixed-term deposits are Sterling fixed-rate deposits, with original maturities of more than three months. Interest on fixed-term deposits is recognised in the consolidated income statement over the term using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and term deposits with an initial maturity of less than three months. Bank overdrafts that are repayable on demand, and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Trade and other payables

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

Property, plant and equipment

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

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

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

The annual rates of depreciation charged are as follows:

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

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

No depreciation is charged on assets under construction.

Investments in subsidiaries

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

Intangible assets and goodwill

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

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

Research and Development

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

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

Other intangible assets

External expenditure on patents and trademarks is capitalised as incurred.

Amortisation

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

Notes (forming part of the financial statements) continued

1 Accounting policies continued

Impairment

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

Employee benefits

Defined contribution plans

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

Share-based payment transactions

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

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

Revenue

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

Expenses

Operating lease payments

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

Financial income and expenses

Financial income comprises interest receivable on funds invested.

Financial expenses comprise interest payable.

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

Taxation

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

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

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

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

1 Accounting policies continued

Earnings per share

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

Segment reporting

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

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

2 Expenses and Auditor's remuneration

Included in loss are the following:

	2012 £000	2011 £000
Depreciation of own assets	**18**	18
Research and Development costs	**2,898**	1,679
Operating leases – hire of other assets	**60**	47

Auditor's remuneration:

	2012 £000	2011 £000
Amounts receivable by the Auditor and their associates in respect of:		
– audit of the Group's annual accounts	**26**	21
– audit-related assurance services	**4**	—
– taxation compliance services	**14**	14

3 Staff numbers and costs

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

	Number of employees Group		Number of employees Company	
	2012	2011	**2012**	2011
Staff	**8**	7	**8**	7
Directors	**3**	3	**3**	3
	11	10	**11**	10

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Wages and salaries	**1,611**	1,031	**1,611**	1,031
Share-based payments (see Note 17)	**11**	18	**11**	18
Social security costs	**206**	118	**206**	118
Contributions to money purchase pension schemes (see Note 17)	**148**	70	**148**	70
	1,976	1,237	**1,976**	1,237

Notes (forming part of the financial statements) continued

4 Directors' remuneration

	2012 £000	2011 £000
Directors' emoluments	**1,250**	657
Contributions to money purchase pension schemes	**112**	47
	1,362	704

	2012		2011	
	Directors' emoluments £000	**Contributions to money purchase schemes £000**	Directors' emoluments £000	Contributions to money purchase schemes £000
MP Young	**549**	**40**	217	21
SR Self	**179**	**11**	131	1
DW Elger	**152**	**11**	—	—
OFW James	**26**	**—**	28	—
BR Hoy	**45**	**—**	25	—
JM Cordiner*	**299**	**50**	134	13
RF Drucker	**—**	**—**	122	12
	1,250	**112**	657	47

* £30,000 (2011: nil) of emoluments and £42,000 (2011: nil) of contributions to money purchase pension schemes represent compensation for loss of office.

	Number of Directors	
	2012	2011
Retirement benefits are accruing to the following number of Directors under:		
– money purchase pension schemes	**3**	3
Directors who exercised share options during the year:	**Nil**	Nil

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

Name	At end of year	At beginning of year	Exercise price £	Date from which exercisable	Expiry date
JM Cordiner	356,870	356,870	£0.174	Vested	March 2013
JM Cordiner	699,690	699,690	£0.139	Vested	October 2016
OFW James	118,020	118,020	£0.67	Vested	November 2017
BR Hoy	80,000	80,000	£0.375	Vested	November 2012
OFW James	25,000	25,000	£0.385	28 April 2013	28 October 2013
BR Hoy	25,000	25,000	£0.385	28 April 2013	28 October 2013
SR Self	500,000	500,000	£0.001	30 December 2013	30 June 2014
SR Self	350,000	350,000	£0.001	30 December 2014	30 June 2015
DW Elger	400,000	—	£0.001	12 August 2014	12 February 2015
MP Young	271,552	—	£0.001	30 November 2014	31 May 2015
SR Self	110,345	—	£0.001	30 November 2014	31 May 2015
DW Elger	111,304	—	£0.001	30 November 2014	31 May 2015

The mid-market price of the Company's shares at 31 January 2012 was 25.5 pence and the range during the year was 25.25 pence to 37.5 pence.

All of the Directors benefited from qualifying third-party indemnity provisions. No Director sold shares or sold or exercised warrants or share options during the year.

5 Financial income and expenses

	2012 £000	2011 £000
Financial income		
Bank interest receivable	**191**	14
Financial expenses		
Interest payable on loan notes	**26**	194

6 Taxation

Recognised in the income statement:

	2012 £000	2011 £000
Current tax income		
Current year	**(577)**	(345)
Adjustments for prior years	**(44)**	3
Current tax income	**(621)**	(342)
Deferred tax expense		
Origination and reversal of temporary differences	**—**	—
Reduction in tax rate	**—**	—
Recognition of previously unrecognised tax losses	**—**	—
Deferred tax expense	**—**	—
Total tax income	**(621)**	(342)

Reconciliation of effective tax rate:

	2012 £000	2011 £000
Loss for the year	**(3,242)**	(2,313)
Total tax income	**(621)**	(342)
Loss excluding taxation	**(3,863)**	(2,655)
Tax at 26.3% (2011: 28%)	**(1,016)**	(743)
Expenses not deductible for tax purposes	**7**	13
Enhanced relief for Research and Development	**(594)**	(296)
Surrender of tax losses	**625**	345
Unrelieved tax losses	**460**	332
Other	**(59)**	4
Adjustments in respect of prior period	**(44)**	3
Total tax income	**(621)**	(342)

The tax received relates to Research and Development tax income.

The Group has unrecognised deferred tax assets of £1,426,225 (2011: £1,095,769) and unused tax losses of £5,812,901 (2011: £4,077,535).

The deferred tax asset has not been recognised due to the uncertainty surrounding its future recovery against taxable profits.

On 23 March 2011 the Chancellor of the Exchequer announced that the main rate of UK corporation tax would reduce from 26% to 25% with effect from 1 April 2012. This change became substantively enacted on 5 July 2011 and, therefore, the effect of the rate reduction on the deferred tax balances as at 31 January 2012 has been included in the figures above.

On 21 March 2012, the Chancellor announced a further reduction in the main rate of UK corporation tax to 24% with effect from 1 April 2012. The change became substantively enacted on 26 March 2012. The effect of this rate change would be to create an additional reduction in the deferred tax asset of approximately £58,129. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

Notes (forming part of the financial statements) continued

6 Taxation continued

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 22% by 1 April 2014 but these changes have not yet been substantively enacted and, therefore, are not included in the figures above. The overall effect of the further reductions from 25% to 22%, if these applied to the deferred tax balance at 31 January 2012, would be to further reduce the deferred tax asset by approximately £174,387.

7 Loss of the Company

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its own income statement. The loss of the Company for the year was £3,242,000 (2011: loss of £2,313,000).

8 Loss per share

The analysis of loss per share is as follows:

	2012	2011
Basic and diluted loss per share	**(2.47)p**	(3.51)p

Basic EPS is calculated by dividing the loss for the year of £3,242,000 (2011: £2,313,000) by the weighted average number of 131,010,249 shares (2011: 65,836,292) in issue during the year.

Diluted EPS is calculated in the same way as basic EPS but also with reference to reflect the dilutive effect of share options in existence at the year end over 4,550,119 (2011: 3,848,880) and of warrants over 875,741 (2011: 3,497,433) ordinary shares (see Notes 17 and 18). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

9 Property, plant and equipment

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 February 2010	111	40	151
Additions	4	—	4
Balance at 31 January 2011	115	40	155
Balance at 1 February 2011	115	40	155
Additions	45	94	139
Balance at 31 January 2012	160	134	294
Depreciation			
Balance at 1 February 2010	96	25	121
Depreciation charge for the year	11	7	18
Balance at 31 January 2011	107	32	139
Balance at 1 February 2011	107	32	139
Depreciation charge for the year	10	8	18
Balance at 31 January 2012	117	40	157
Net book value			
At 1 February 2010	15	15	30
At 1 February 2011	8	8	16
At 31 January 2012	**43**	**94**	**137**

10 Goodwill and intangible assets – Group and Company

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
Balance at 1 February 2010	—	259	259	2,824	259	3,083
Other acquisitions – internally developed	—	130	130	—	130	130
Balance at 31 January 2011	—	389	389	2,824	389	3,213
Balance at 1 February 2011	—	389	389	2,824	389	3,213
Other acquisitions – internally developed	—	128	128	—	128	128
Balance at 31 January 2012	—	517	517	2,824	517	3,341
Amortisation and impairment						
Balance at 1 February 2010	—	—	—	—	—	—
Amortisation charge for the year	—	3	3	—	3	3
Impairment charge	—	114	114	—	114	114
Balance at 31 January 2011	—	117	117	—	117	117
Balance at 1 February 2011	—	117	117	—	117	117
Amortisation charge for the year	—	3	3	—	3	3
Impairment charge	—	60	60	—	60	60
Balance at 31 January 2012	—	180	180	—	180	180
Net book value						
At 1 February 2010	—	259	259	2,824	259	3,083
At 1 February 2011	—	272	272	2,824	272	3,096
At 31 January 2012	—	337	337	2,824	337	3,161

Amortisation and impairment charge

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

Impairment testing

The goodwill in the Company balance sheet arose following the hive up of the trade and assets of InRotis Technologies Limited on 15 November 2007.

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

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

Notes (forming part of the financial statements) continued

11 Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2012	Ownership 2011
InRotis Technologies Limited	United Kingdom	Ordinary	**100%**	100%

The value of the investment in InRotis Technologies Limited, which has not traded in the year, is £1 (2011: £1).

12 Trade and other receivables

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Other receivables	**704**	373	**704**	373
Prepayments and accrued income	**184**	71	**184**	71
	888	444	**888**	444

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

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

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

13 Fixed-term deposits

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Fixed-term deposits	**7,750**	—	**7,750**	—

Fixed-term deposits are Sterling deposits with an initial maturity of more than three months. The Group seeks to maximise returns from its cash resources by placing funds on fixed-term deposit when it is possible to do so without negatively affecting access to required short-term working capital. The weighted average maturity of fixed-term deposits at the year end was 183 days (2011: nil).

14 Cash and cash equivalents

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Cash and cash equivalents per balance sheet	**6,156**	927	**6,156**	927
Cash and cash equivalents per cash flow statements	**6,156**	927	**6,156**	927

15 Trade and other payables

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Current				
Trade payables	**187**	52	**187**	52
Non-trade payables and accrued expenses	**357**	299	**357**	299
	544	351	**544**	351

16 Interest-bearing loans and borrowings

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Loan notes	**—**	1,035	**—**	1,035

The loan notes were redeemed by the Company in March 2011 at a redemption price of £1,049,233, the carrying amount at 31 January 2011 being disclosed net of capitalised arrangement fees of £14,000.

17 Employee benefits

Defined contribution arrangements

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans in the current year was £147,540 (2011: £70,025).

There were outstanding contributions of £5,284 (2011: £nil) and no prepaid contributions (2011: £nil) at the end of the financial year.

Share-based payments

The Group and Company operates a Long Term Incentive Plan (LTIP). In the past, the Company has also granted options under other arrangements.

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

Grant date	Number of instruments at end of year	Number of instruments at beginning of year	Exercise price (pence)	Contractual life of options
October 2006[i]	1,090,650	2,023,570	13.9	10 years
April 2007[i]	92,730	92,730	38.6	10 years
October 2007[i]	118,020	118,020	67.0	10 years
October 2007[i]	—	278,190	13.9	10 years
October 2007[i]	356,870	356,870	17.4	5.5 years
November 2008[i]	80,000	80,000	37.5	4 years
April 2010[ii]	349,500	349,500	0.1	3.5 years
April 2010[iii]	50,000	50,000	38.5	3.5 years
December 2010[ii]	500,000	500,000	0.1	3.5 years
December 2010[iv]	350,000	350,000	0.1	4.5 years
August 2011[ii]	400,000	—	0.1	3.5 years
November 2011[ii]	1,162,349	—	0.1	3.5 years

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

ii Options issued under the Long Term Incentive Plan have a three-year vesting period subject to a share price target of £1 being achieved at the vesting date.

iii These options have a three-year vesting period with no other conditions attached.

iv These options were conditional on continuing employment at the first anniversary of the grant; that condition having been satisfied, a three-year vesting period commenced, with a share price target of £1. As the one-year qualifying period was not satisfied until December 2011, they are treated as options granted during the year ended 31 January 2012 in the first table on the following page.

Notes (forming part of the financial statements) continued

17 Employee benefits continued

Share-based payments continued

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

	Weighted average exercise price 2012 (pence)	Number of options 2012	Weighted average exercise price 2011 (pence)	Number of options 2011
Options				
Outstanding at the beginning of the year	**14.2**	**3,848,880**	17.0	3,789,400
Forfeited during the year	**13.9**	**(278,190)**	4.8	(310,320)
Exercised during the year	**13.9**	**(932,920)**	13.9	(733,240)
Granted during the year	**0.1**	**1,912,349**	1.8	1,103,040
Outstanding at the end of the year	**8.4**	**4,550,119**	14.2	3,848,880
Exercisable at the end of the year	**20.6**	**1,738,270**	17.9	2,949,380

The weighted average share price at the date of exercise of share options exercised during the year was 36.5 pence (2011: 35.1 pence). The options outstanding at the year end have an exercise price in the range of 0.1 pence to 67 pence and a weighted average remaining contractual life of 3.3 years.

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

The assumptions for each option grant during the year were as follows:

Date of grant	Options November 2011	Options August 2011
Share price at date of grant	£0.2875	£0.345
Vesting period	3 years	3 years
Expected volatility	26%	35%
Risk-free rate	0.66%	0.75%
Dividend yield	0%	0%
Exercise price	£0.001	£0.001
Number of shares	1,162,349	400,000
Fair value per option	£0.002	£0.026

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

	Weighted average exercise price 2012 (pence)	Number of warrants 2012	Weighted average exercise price 2011 (pence)	Number of warrants 2011
Warrants				
Outstanding at the beginning of the year	**—**	**—**	67	60,000
Granted during the year	**—**	**—**	—	—
Expired during the year	**—**	**—**	67	(60,000)
Exercised during the year	**—**	**—**	—	—
Outstanding at the end of the year	**—**	**—**	—	—
Exercisable at the end of the year	**—**	**—**	—	—

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

	2012 £000	2011 £000
Group and Company equity-settled share-based payment expense	**11**	18

18 Capital and reserves

Reconciliation of movement in capital and reserves:

Group	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2009	56	4,684	—	(3,793)	947
Total recognised income and expense	—	—	—	(1,779)	(1,779)
Issue of share capital	9	2,889	420	—	3,318
Balance at 31 January 2010	65	7,573	420	(5,572)	2,486
Balance at 1 February 2010	65	7,573	420	(5,572)	2,486
Total recognised income and expense	—	—	—	(2,313)	(2,313)
Issue of share capital	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Balance at 31 January 2011	66	7,654	420	(7,867)	273
Balance at 1 February 2011	66	7,654	420	(7,867)	273
Total recognised income and expense	—	—	—	(3,242)	(3,242)
Issue of share capital	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Balance at 31 January 2012	**138**	**25,552**	**132**	**(11,098)**	**14,724**

Company	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2009	56	4,684	—	(969)	3,771
Total recognised income and expense	—	—	—	(1,779)	(1,779)
Issue of share capital	9	2,889	420	—	3,318
Balance at 31 January 2010	65	7,573	420	(2,748)	5,310
Balance at 1 February 2010	65	7,573	420	(2,748)	5,310
Total recognised income and expense	—	—	—	(2,313)	(2,313)
Issue of share capital	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Balance at 31 January 2011	66	7,654	420	(5,043)	3,097
Balance at 1 February 2011	66	7,654	420	(5,043)	3,097
Total recognised income and expense	—	—	—	(3,242)	(3,242)
Issue of share capital	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Balance at 31 January 2012	**138**	**25,552**	**132**	**(8,274)**	**17,548**

	No. of ordinary shares	
Share capital	**2012 '000**	2011 '000
On issue at 1 February	**66,008**	65,420
Issued for cash	**72,118**	588
On issue at 31 January – fully paid	**138,126**	66,008

Notes (forming part of the financial statements) continued

18 Capital and reserves continued

	2012 £000	2011 £000
Allotted, called up and fully paid		
138,126,467 (2011: 66,008,532) ordinary shares of £0.001 each	**138**	66
	138	66
Shares classified as liabilities	**—**	—
Shares classified in shareholders' funds	**138**	66
	138	66

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

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

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

During the period, exercise of options over 1,077,920 ordinary shares by staff and former staff led to an additional increase of £1,078 in share capital and a credit of £148,753 to the share premium account.

The warrant reserve relates to the following warrants:

Issue date	Exercise price £	Expiry date	No. of warrants outstanding at the beginning of the year	No. of warrants issued during the year	No. of warrants exercised during the year	No. of warrants outstanding at the end of the year
March 2009	0.260	16 March 2014	3,497,433	—	(3,299,111)	198,332
March 2011*	0.260	4 March 2014	—	677,409	—	677,409

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

19 Financial instruments

The Group's principal financial instruments comprise short-term debtors and creditors, short-term bank deposits and cash. All of its financial assets and liabilities are denominated in Sterling. There is currently no material difference between the carrying value of financial assets and liabilities and their fair value. The prime objectives of the Group's policy towards financial instruments are to maximise returns on the Group's cash balances, manage the Group's working capital requirements and finance the Group's ongoing operations.

Capital management

The Group's policy is to maintain a strong capital base. The Group does not yet have any significant recurring revenues and finances its operations through the issue of new shares and the management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £13,906,000 of cash and fixed-term deposits as at 31 January 2012 (2011: £927,000).

Management of financial risk

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

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

Credit risk

The carrying amount of financial assets is as follows:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade and other receivables	**888**	444	**888**	444
Fixed-term deposits	**7,750**	—	**7,750**	—
Cash and cash equivalents	**6,156**	927	**6,156**	927
	14,794	1,371	**14,794**	1,371

19 Financial instruments continued

Credit risk continued

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

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

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

Liquidity risk

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

The Group finances its operations through a mixture of equity (comprising share capital, reserves and retained earnings) and (until repaid during the year) debt (loan notes). The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on two-year rolling cash forecasts. The Group's fixed-term deposits (Note 13) all have initial maturities of no more than twelve months.

The Group and the Company have the following financial liabilities:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Principal amounts				
Loan notes repayable between two and five years	**—**	1,035	**—**	1,035
Trade and other payables – payable within one year	**544**	351	**544**	351
	544	1,386	**544**	1,386

Interest has been calculated on an effective interest basis.

Financial liabilities by category:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Financial liabilities at amortised cost	**544**	1,386	**544**	1,386

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

The fixed interest rate on the loan notes was considered to approximate fair value for those instruments.

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

	2012						2011					
Group and Company	**Carrying amount £000**	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2 years £000**	**2 to <5 years £000**	**5 years and over £000**	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities												
Loan notes	**—**	**—**	**—**	**—**	**—**	**—**	1,035	1,442	126	126	1,190	—
Trade and other payables	**544**	**544**	**544**	**—**	**—**	**—**	351	351	351	—	—	—

Interest rate risk

Interest rate risk reflects the Group's exposure to fluctuations to interest rates in the market. The Group has no interest-bearing debt in issue and therefore faces minimal interest rate risk.

The trade and other payables do not bear interest.

Notes (forming part of the financial statements) continued

19 Financial instruments continued

Financial liabilities

The interest rate risk profile of the Group's loan notes was as follows:

	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Total liabilities £000	Weighted average interest rate %	Average period over which rate is fixed
At 31 January 2012	—	—	—	—	—
At 31 January 2011	1,035	—	1,035	12.0	3.1 years

Sensitivity analysis

As the interest on the loan notes was fixed at 12%, a 1% increase in interest rates throughout the year and prior year, with all other variables remaining constant, would have had no impact on interest expense in either the current or prior year. A 1% increase in interest rate earned on all cash and fixed-term deposits, with all other variables remaining constant, would have increased interest income in the current year by approximately £154,000 (2011: approximately £19,000).

20 Capital commitments

At the year end, the Group had entered into contractual commitments for the acquisition of plant and equipment and fixtures and fittings amounting to £12,386 (2011: £nil).

21 Operating lease arrangements

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

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Within one year	**47**	50	**47**	50
In the second to fifth years inclusive	**62**	13	**62**	13
After five years	**—**	—	**—**	—
	109	63	**109**	63

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

22 Related parties

Identity of related parties with which the Group has transacted

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

The key management personnel of the Group are the Directors.

Transactions with key management personnel

The compensation of key management personnel is as follows:

	2012 £000	2011 £000
Directors' emoluments	**1,250**	657
Company contributions to money purchase pension funds	**112**	47
	1,362	704

During the period, Non-Executive Director BR Hoy received payments of £18,750 (included above) for temporary assistance on routine financial matters related to the preparation of statutory accounts, on terms equivalent to those that prevail in arm's-length transactions.

Mrs D Young, who is the wife of CEO MP Young, was employed from June 2011 by the Group as an administrator and during the period to 31 January 2012 received a salary of £9,500 (2011: £nil), payable on terms equivalent to those that prevail in arm's-length transactions. There was no outstanding balance due to Mrs Young as at 31 January 2012 (2011: £nil). Mrs Young held 10,310,241 shares in the Company at the year end (2011: nil).

Transactions with subsidiary – Company

During the year the Company advanced no money to and made no capital contribution to its subsidiary undertaking and at 31 January 2012 the subsidiary undertaking owed the Company £nil (2011: £nil).

22 Related parties continued

Transactions with Novotech

Two individuals who served as Directors of the Company during the period, MP Young and JM Cordiner, are each a shareholder in, and a Non-Executive Director of, Novotech Investment Limited (NIL) and each is a partner in Novotech Founders LLP (NFL, which is in turn a partner in Novotech Syndicate LLP (NSL)). As at 31 January 2012 NIL and NSL had an aggregate ownership of 1,640,236 ordinary shares representing 1.19% of the issued share capital of the Company on that date. During the year, no costs (2011: £nil) were payable by the Company to NIL, NFL or NSL and no costs were incurred by e-Therapeutics plc on behalf of NIL, NFL or NSL (2011: £203, recharged in full). As at 31 January 2012 there were no balances outstanding between the Company and NIL, NFL or NSL (2011: £nil).

Transactions with Searchbolt

Two individuals who served as Directors of the Company during the period, MP Young and JM Cordiner, are each a Non-Executive Director of Searchbolt Limited ("Searchbolt", formerly OGS Search Limited). Searchbolt is a search engine business, incorporated by way of a demerger from the Group on 14 November 2007. Searchbolt holds a perpetual exclusive licence for network analysis technology of e-Therapeutics plc for the use of the technology in internet search. During the year, £1,289 (2011: £3,049) of costs incurred by the Company on behalf of Searchbolt were recharged in full. As at 31 January 2012 there were no balances outstanding between the Company and Searchbolt (2011: £nil). During the year, the Company paid £9,000 for consulting services to Dollywagon Limited ("Dollywagon"), a company that has a licence from Searchbolt for certain applications of Searchbolt's technology. Searchbolt receives half of such income from Dollywagon, and therefore received indirectly £4,500 via this route from the Company during the year (2011: £nil). As at 31 January 2012, there were no balances outstanding between the Company and Dollywagon (2011: £nil).

Transactions with Morden Pharma Consulting

Morden Pharma Consulting ("Morden") is a business owned by the Group's Development Director, SR Self. In the period since Mr Self's appointment as a Director of the Company, the Group recognised costs of £16,875 (2011: £nil) payable to Morden, for consulting services related to drug development work provided by associates of Morden, on terms equivalent to those that prevail in arm's-length transactions. As at 31 January 2012 there were no balances outstanding between the Company and Morden (2011: £nil).

23 Subsequent events

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of e-Therapeutics plc (the Company) will be held at the offices of Dickinson Dees LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX at 12.30pm on 31 July 2012 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolutions 6 and 7 which will be proposed as special resolutions.

1. To receive the accounts for the financial year ended 31 January 2012 together with the Directors' report and the Auditor's Report for that period.
2. To appoint Rajesh Chopra as a Director of the Company.
3. To re-appoint KPMG Audit plc as the Auditor of the Company.
4. To authorise the Directors to agree the remuneration of the Auditor of the Company.
5. That the Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £96,688.52, provided that:

   5.1 (except as provided in paragraph 5.2 below) this authority shall expire on the date of the next Annual General Meeting of the Company; and

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

   All unexercised authorities previously granted to the Directors to allot shares or to grant rights to subscribe for or to convert any security into shares be and are hereby revoked.
6. That, subject to the passing of resolution 5 above, the Directors, pursuant to the general authority conferred on them, be empowered pursuant to section 570 of the Companies Act 2006 (Act) to allot for cash, either pursuant to the authority so conferred or where the equity securities are held by the Company as treasury shares (within the meaning of section 724(5) of the Act), equity securities (within the meaning of section 560 of the Act) as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

   6.1 made in connection with the allotment of ordinary shares of 0.1 pence each in the capital of the Company pursuant to the e-Therapeutics plc Long Term Incentive Plan 2007 (as amended from time to time including without limitation as amended by resolution 8 below);

   6.2 made in connection with the allotment of up to 1,540,250 ordinary shares of 0.1 pence each in the capital of the Company pursuant to those option agreements referred to in paragraphs 2.9 to 2.13 of Part VII of the admission document relating to the Company dated 22 November 2007 that have neither been fully exercised nor lapsed;

   6.3 made in connection with the allotment and issue of up to 198,332 ordinary shares of 0.1 pence each in the capital of the Company pursuant to the unexercised warrants described in the circular to shareholders of the Company dated 25 February 2009;

   6.4 made in connection with the allotment and issue of up to 677,409 ordinary shares of 0.1 pence each in the capital of the Company pursuant to the unexercised warrants described in the circular to shareholders of the Company dated 15 February 2011;

   6.5 made in connection with the allotment and issue of up to 248,020 ordinary shares of 0.1 pence each in the capital of the Company pursuant to the options granted to BR Hoy and OFW James;

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

   6.7 wholly for cash (otherwise than pursuant to paragraphs 6.1 to 6.6 above) up to an aggregate nominal value of £27,625.29 (being 20% of the issued share capital of the Company on 15 June 2012),

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

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

7. That in accordance with the Companies Act 2006 the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of that Act) on the London Stock Exchange of ordinary shares of 0.1 pence each in the capital of the Company provided that:

    7.1 the maximum aggregate number of ordinary shares hereby authorised to be purchased is 13,812,646;

    7.2 the minimum price which may be paid for such shares is 0.1 pence per ordinary share (exclusive of expenses);

    7.3 the maximum price (exclusive of expenses) which may be paid for such ordinary shares shall not be more than 5% above the average of the market values for an ordinary share as derived from the London Stock Exchange's Daily Official List for the five business days immediately preceding the date on which the ordinary shares are purchased;

    7.4 unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting or 15 months from the date of this resolution (whichever is earlier); and

    7.5 the Company may make a contract or contracts to purchase ordinary shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

8. That the rules of the e-Therapeutics Long Term Incentive Plan 2007 be amended as follows:

    8.1 in the definition of Minimum Performance Condition in rule 2.1:

        8.1.1 by the insertion of "(a)" after the words "the condition that";

        8.1.2 by the insertion of the words "where the award first becomes capable of exercise on or after the normal vesting date" before the words "Market Value";

        8.1.3 by the insertion of the words "any time during the period of six months commencing with" before the words "the normal vesting date"; and

        8.1.4 by the insertion of the words "(b) where the award first becomes capable of exercise in the circumstances set out in Rule 5.3, the price per share offered by the person referred to in that Rule 5.3 is not less than the placing price" at the end of the definition;

    8.2 in rule 3.2, by the insertion of the words "150% of" before the words "his salary"; and

    8.3 in rule 5.3, by the insertion of the words "Rule 5.1 shall apply to any award if the only performance condition applicable to that award is the minimum performance condition, and, if that is not the case," before the words "Rule 5.4",

    such amendments to have effect in relation to awards granted on or after the date of this meeting.

By order of the Board

Sean Nicolson
Company Secretary
18 June 2012

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

Registered in England and Wales number 4304473

Notice of Annual General Meeting continued

Notes

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

1. Only those members registered in the register of members of the Company as at 12.30pm on 27 July 2012 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purpose of determining who is entitled to attend and vote if the Annual General Meeting is adjourned from its scheduled time by 48 hours or less. If the Annual General Meeting is adjourned for longer, members who wish to attend and vote must be on the Company's register of members by 48 hours before the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at a meeting of the Company. On a poll demanded, all of a member's voting rights may be exercised by one or more duly appointed proxies. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a member from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy must vote in accordance with any instructions given by the appointing member.
3. A form of appointment of proxy is enclosed. To appoint a proxy, this form must be completed and signed, sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney of the company. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.
5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with Neville Registrars Limited at the address shown on the proxy form not later than 12.30pm on 27 July 2012 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.
6. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
7. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and they may also be inspected at the offices of Dickinson Dees LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX from noon on the day of the meeting until the conclusion of the meeting:
   - 7.1 copies of Directors' service contracts with the Company;
   - 7.2 copies of the Non-Executive Directors' letters of appointment; and
   - 7.3 the existing rules of, and the proposed amended rules of, the e-Therapeutics Long Term Incentive Plan 2007.
8. Except as provided above, members who have general queries about the meeting should contact the Company Secretary in writing at the Company's registered office. No other methods of communication will be accepted.

Advisers

Nominated Adviser and Nominated Broker
Panmure Gordon (UK) Limited
Moorgate Hall
155 Moorgate
London
EC2M 6XB
Tel: +44 (0) 207 459 3600

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

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

Solicitors
Dickinson Dees LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX
Tel: +44 (0) 844 894 1500

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

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

Company Secretary
Sean Nicolson

designed and produced by
the design portfolio
marketing services.
www.design-portfolio.co.uk

e-Therapeutics plc

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

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

www.etherapeutics.co.uk
Incorporated in England and Wales

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

Telephone: +44 (0) 191 233 1317
Fax: +44 (0) 191 233 1303

Registered number: 4304473