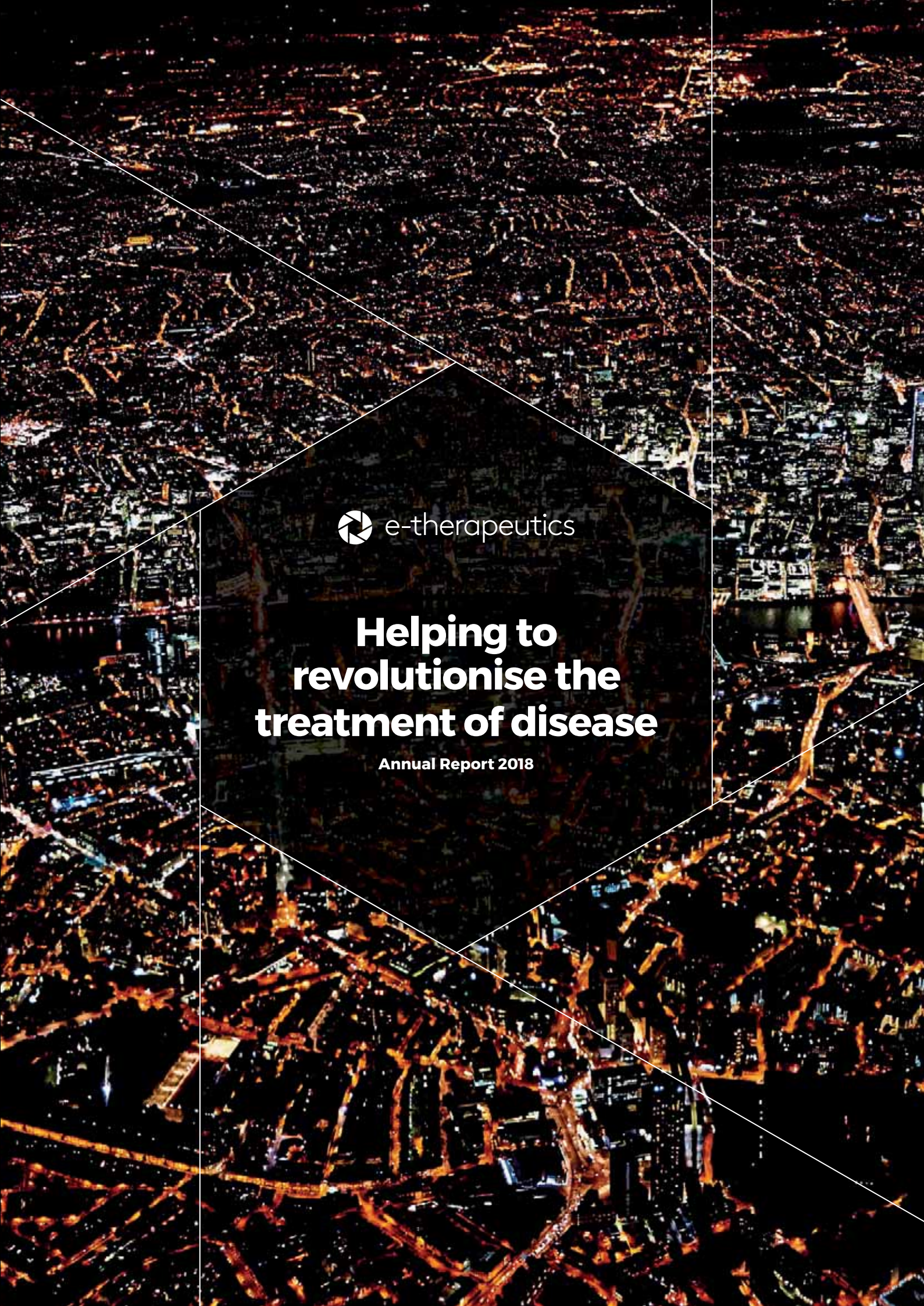

e-therapeutics

Helping to revolutionise the treatment of disease

Annual Report 2018

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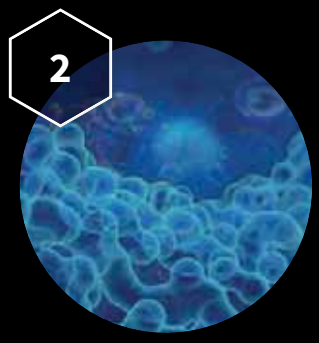
www.etherapeutics.co.uk

Our Ambition

We are an Oxford, UK-based business with a revolutionary computer-based platform and a unique network-driven drug discovery ("NDD") methodology which allows us to discover novel and better drugs faster.

Our ambition is to help revolutionise the treatment of disease through the establishment of our NDD approach to drug discovery.

Clear need



The conventional pharma R&D model is broken, taking many years and billions of dollars from discovery to approved medicine, with high failure rates in the clinic due to inadequate efficacy – lengthy, uncertain and costly.

Clear solution

We believe in the power of networks. Working at the cutting edge of biology and informatics, our approach embraces the true complexity of biology. Our solution – an NDD approach based on big biological data, artificial intelligence ("AI"), machine learning and state-of-the art analytical approaches. We help translate biology into chemistry into therapy.

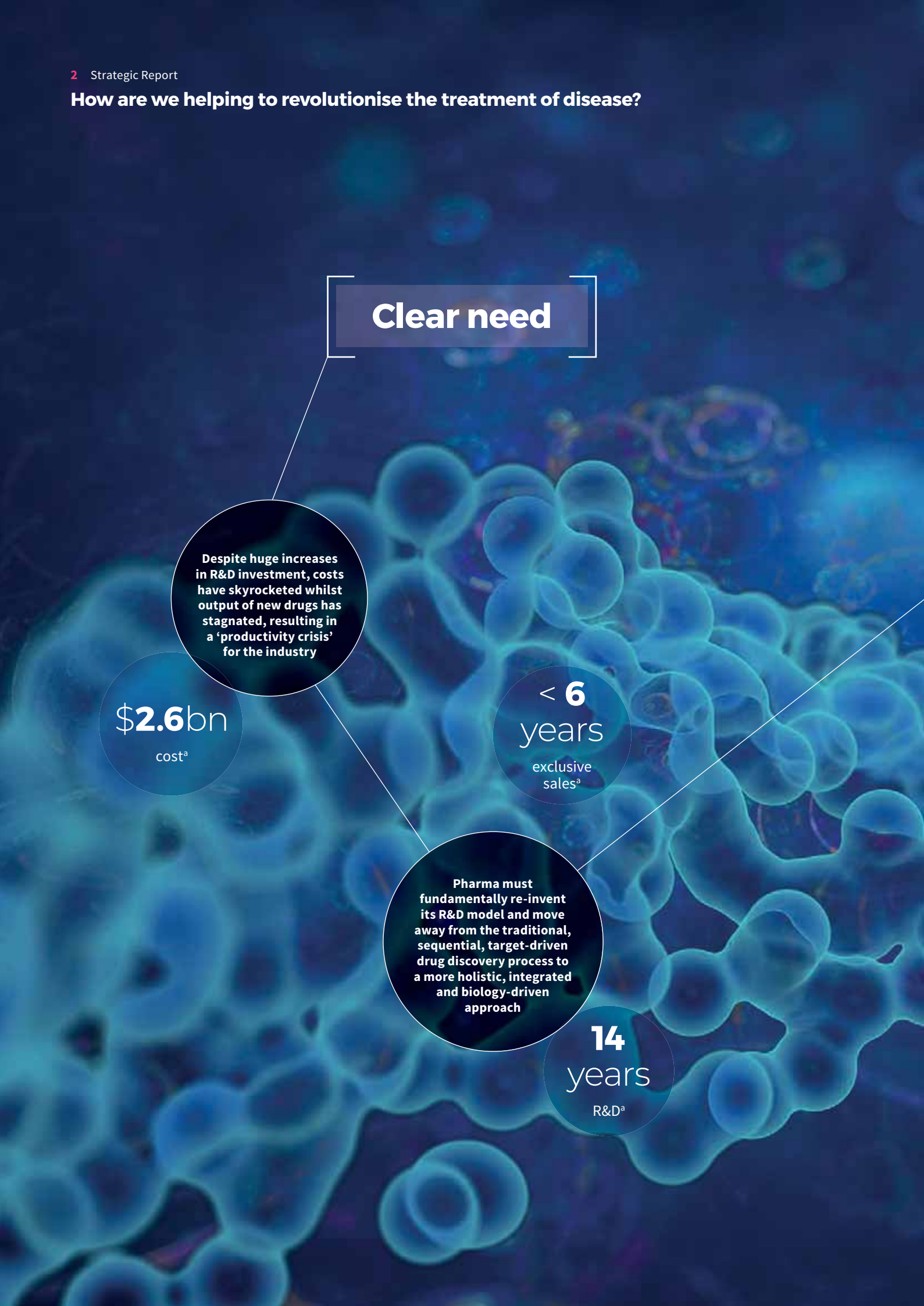
Clear plan

Our business plan is focused on the commercialisation of our NDD platform and is founded on three main pillars:

- creating and licensing NDD discovery programmes;
- out-licensing of our own NDD-derived assets; and
- continuously updating and improving our NDD platform.

In executing our plan, we apply keen cost control and only invest in activities for which there is a potential for return on investment and value creation for our Shareholders.

How are we helping to revolutionise the treatment of disease?



The current pharma R&D model is broken

Q&A with Ray Barlow, the Chief Executive Officer

Q **What problems are e-therapeutics trying to solve?**

A As it matures, the pharma industry is going through a classic case of the law of diminishing returns. Recent research[b] has shown that return on investment for pharma companies has been rapidly declining for decades to a level where it is already below the cost of capital. This is clearly not a sustainable position.

The cost to get a drug to market has been rising and the time to get a drug to market has remained about 14 years[a], at a time when competition from generic companies and pressure from payers has been increasing markedly.

Traditional approaches to drug R&D research have not delivered. Despite all of the conventional wisdom regarding a 'target-driven' reductionist approach, the industry is still plagued by major, hugely expensive late-stage clinical failures. For example, research[c] has shown that 88% of failures in phase IIb were due to an inability to reach sufficient efficacy.

Something is clearly wrong with the industrialised approach to R&D and we need a new way to embrace the inherent complexity of biology. In addition, once drugs reach the market, payers will now only pay for products that offer significant clinical improvements. The days of 'me too' products are clearly over. Given that much of the 'low hanging fruit' has already been picked, the focus has to turn to novel ways to address complex diseases. Thankfully, disruptive technologies such as NDD and new business (like e-therapeutics) should be able to help fill these gaps.

a Pharmaceutical Industry Profile: Tufts CSDD Impact Report 2013: 15(5)
b Pharma's broken business model: An industry on the brink of terminal decline. Kelvin Stott, November 2017
c Lessons learned from the fate of AstraZeneca's drug pipeline. Cook et al. Nature Reviews Drug Discovery. 16 May, 2014.

How are we revolutionising the treatment of disease?

Q What is unique about NDD?

A When I started my role, we initiated a comprehensive review of the competitive technology landscape. Based on this review, we know that no-one else in the industry can do what we do, in the way we do it.

Our approach is truly differentiated: the combination of big biological data, network science, advanced analytical methods and techniques, such as machine learning and AI, is proprietary and unique. It is encouraging to hear potential partners concur with our assessment of NDD and its potential utility.

Q What advantages does NDD have?

A NDD is essentially a mechanistic bridge between complex biology and starting points for medicinal chemistry. During the course of one day, we are able to do millions upon millions of experiments in a computer to come up with predicted active molecules that can be quickly tested in the laboratory. Consequently, we can go from biological concept to hits in months, compared to years by traditional approaches. Having validated our approach in 12 diverse areas of biology, we are confident that we are able to address many different types of complex disease. NDD thus offers the industry tangible benefits in terms of time, cost, novelty and quality over other approaches to small molecule drug discovery.

Q What about the drugs derived from your NDD platform?

A Using NDD we interrogate biology in a fundamentally different way. Our approach has the proven ability to yield drugs that could not be found by conventional approaches. We do not need to know the binding target in advance – even receptors that are currently unknown can be taken account of and first-in-class drugs with novel mechanisms of action ("MoA") can be found. Our NDD-derived tryptophan catabolism programme is a good example of this.

The ultimate benefit is producing more effective drugs in a quicker and more cost-effective way.

At e-therapeutics, we look at biology in a different way and, in doing this, we can bring a new perspective to the treatment of serious illness

Clear solution


We create new and better drugs in a more efficient and effective way
Our unique, powerful, computer-based NDD platform and our specialised approach to network biology enable us to see the bigger picture of complex disease

How are we revolutionising the treatment of disease?

Clear plan

By using NDD we can create our own innovative, IP-protected, preclinical drugs with the potential to address areas of significant unmet clinical and commercial need.

Q How has the strategy changed?

A e-Therapeutics is now a technology-driven drug discovery business. The focus is on the NDD platform and playing to our core strengths in informatics, data science, network biology and drug discovery. In reducing the number of active projects from 12 to two we had to apply good discipline to focus on fewer, higher-value, commercially relevant opportunities. During this process, we also identified ways in which we could use our NDD platform to address other commercially interesting diseases (such as fibrosis) and use NDD to address other challenges in drug discovery.

Q What are the key elements of the business plan?

A Our business strategy is focused on maintaining and continuing to develop the functionality of our novel and proprietary NDD platform and using it to create innovative, preclinical drugs with the potential to address areas of significant unmet clinical and commercial need.

In executing our strategy, we intend to use our own resources to develop our own IP-protected, preclinical drug discovery programmes, which will be of interest to biopharmaceutical partners looking to acquire or in-license novel and differentiated assets.

Given the expertise we have developed in network biology, we can also enable biopharmaceutical partners to discover new drugs in complex disease areas that currently thwart traditional approaches.

Our technologies are disruptive. We firmly believe that our unique combination of computational tools will also be of significant interest to technology companies who want to disrupt the inherently inefficient and costly drug discovery process. We have approached these forward-thinking companies looking to form commercial partnerships.

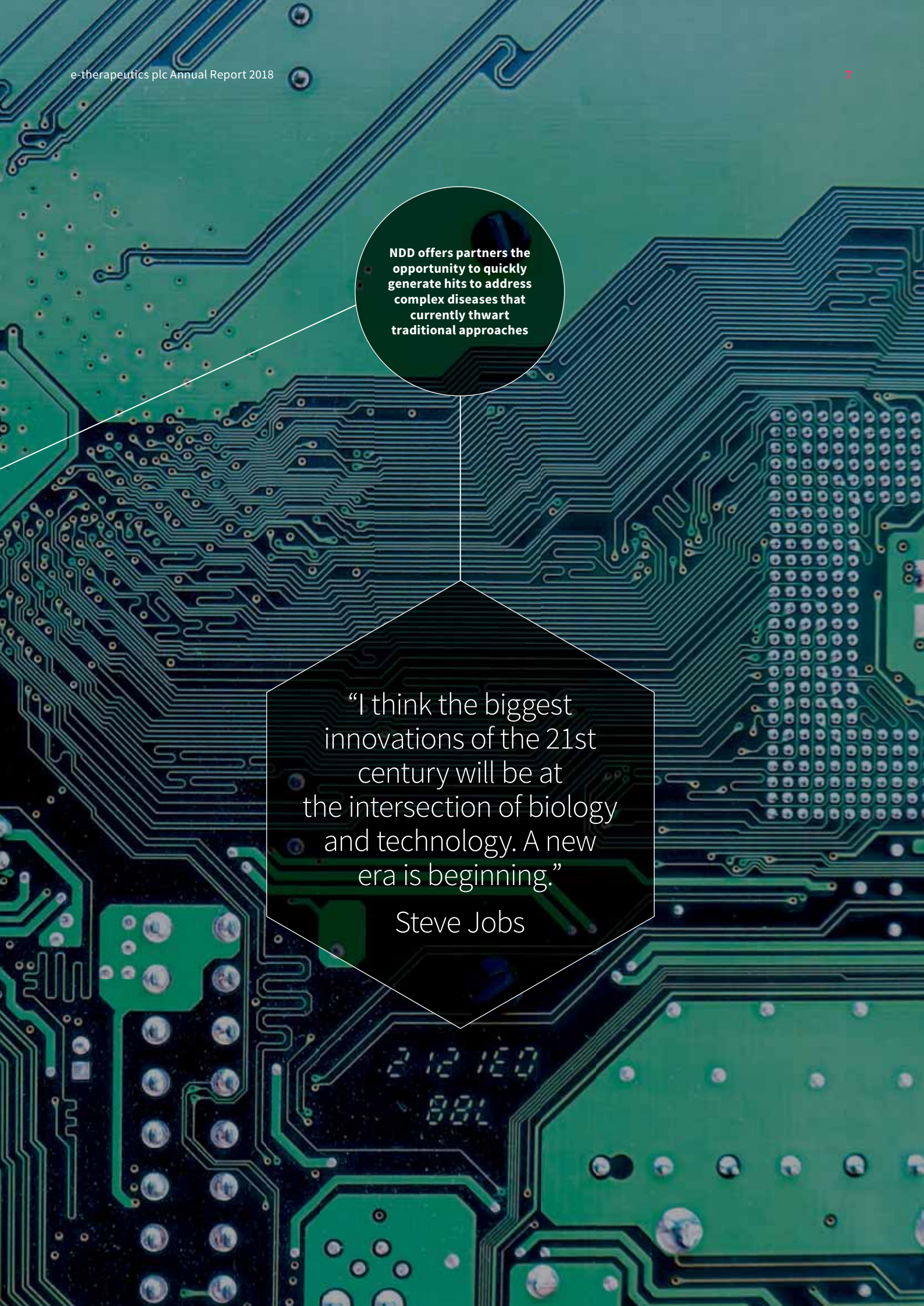
Q What about timing?

A Over the past few years, the investment by our Shareholders has allowed us to create a NDD platform that has capitalised on the explosion of biological data, greater processing speeds and advancements in data analytics. As a result of these rapid advances in data and technology, there is an emerging industry of innovators applying computational approaches to drug discovery. We are at the front of this innovation. Big pharma has taken notice and is now commercially engaging with these innovators. What we are seeing is the start of a paradigm shift in the global drug discovery industry.

It now feels like we are coming to the market at the right time, with an industry that is 'tuned in' to the solutions we can provide, and with a higher level of validation than the competition.

Q Do you and the team remain excited?

A Absolutely. We are truly at the creative edge of an exciting confluence of disciplines and have a dedicated, experienced, multi-disciplinary team working with new purpose. As a team, we are all motivated to take e-therapeutics to the next stage of its evolution and to helping the business reach its full potential.



NDD offers partners the opportunity to quickly generate hits to address complex diseases that currently thwart traditional approaches

"I think the biggest innovations of the 21st century will be at the intersection of biology and technology. A new era is beginning."

Steve Jobs

Highlights

With new leadership, we are focusing our resources, controlling our cash and implementing our strategy

Financial

Year end cash and fixed-term deposits

£9.6m

(2017: £14.0m)

Reduction in cash and fixed-term deposits in the year

£4.4m

(2017: £10.8m)

R&D spend

£5.0m

(2017: £10.9m)

Operating loss

£6.8m

(2017: £16.3m)

R&D tax credit

£1.4m

(2017: £3.1m)

Operational

New leadership and subsequent strategic review

Dr. Ray Barlow joined as new CEO on 6 April 2017 and undertook a systematic review with a panel of commercial and scientific experts from big pharma and successful biotechs, which confirmed the novelty, utility and productivity of e-therapeutics' NDD platform.

Read more on page 10

Focusing the business on the right value-add activities

Our resources are now focused on:

- two NDD-derived immuno-oncology programmes (tryptophan catabolism and immune checkpoint modulation);
- new partner-ready NDD programmes in high value areas (e.g. fibrosis);
- enhancing the capabilities of our NDD platform (e.g. genomics); and
- two new AI collaborations with Intellegens and Biorelate

Read more on page 14

Cost control implemented

The operating loss has reduced from £16.3m in 2017 to £6.8m in 2018, with cash outflow reducing from £10.8m in 2017 to £4.4m in 2018, as a result of prudent cost control, including the reduction in the number of active projects during the year.

Read more on page 15

Emphasis on marketing and business development

The business was rebranded during the year and the Group has presented at international conferences to showcase e-therapeutics' technologies and assets to major industry players. We initiated a systematic business development process in September 2017, initially focused on the NDD platform. The Group is actively seeking collaborations and commercial deals, and is in late-stage discussion with a number of potential partners.

Read more on page 13

Organising our internal resources to give the Board a strong base from which to continue its commitment to its Shareholders

"We now have a leaner, more efficient and focused organisation, better equipped to deal with the challenges ahead."

Dear Shareholder,

In April 2017, when Ray Barlow was appointed as CEO, he made it clear from the outset that he intended to create a business that was capable of being highly valued by the healthcare industry.

Accordingly, during the last 12 months, Ray and his team have undertaken a 'root and branch' review of our business, fundamentally refocused our internal activities and worked tirelessly on developing our external profile and presence. Ray has systematically organised our internal resources and external support, focused our portfolio of programmes and used his extensive contacts in the industry to enable e-therapeutics to have visibility and meaningful interactions with a wide range of pharmaceutical and biotech companies around the world.

Ray has ensured that the Company, its technologies and its programmes are being seen as 'state-of-the-art and relevant' in the eyes of the industry. As a consequence, the Company now has a number of interesting third-party discussions ongoing, which, if successful, will lead to a validation of the Company's unique NDD platform and potentially lead to the commencement of some valuable third party collaborations.

The Board will continue its aim to create value through organic growth. However, e-therapeutics is operating within the dynamic area of drug discovery and therefore regularly sees a variety of prospects which could improve the business. The Board monitors these on merit with respect to augmenting our NDD platform or taking our NDD-derived programmes through to significant inflection points and, as a consequence, we remain alert to external opportunities to accelerate the development of this business.

During the period, we completed the transition of the Board and management and we now have a leaner, more efficient and focused organisation, better equipped to deal with the challenges ahead. On 1 November 2017, we announced that Brad Hoy had retired from the Board after nine years of committed service. Concurrently, Christine Soden, an experienced financial executive, was appointed as a Non-Executive Director and Chair of the Audit Committee. I would like to thank Brad for his service to the Company and particularly for his personal support during my initial tenure as Chairman, and welcome Christine to the team.

As we look ahead, the next 12 to 18 months will clearly be an important period for e-therapeutics as we progress the development of our NDD platform and our in-house programme initiatives. We anticipate continued positive progress across all facets of the business and expect to see further validation of our discovery capabilities. Coupled with an active investor-relations strategy, we believe this will translate to positive interest from the Market.

As the Company generates commercial traction over the coming year, we believe that Shareholder value will reflect the considerable upside offered by the Company's unique technologies. Your Board and management are committed, through a strong commercial programme, to ensuring that the value proposition of e-therapeutics is better recognised.

Finally, I would like to extend my personal thanks to our CEO, Ray Barlow, together with his leadership team, and to our patient Shareholders for your support and contribution to our Company during a very challenging period.

Iain G Ross
Non-Executive Chairman
26 March 2018

Chief Executive Officer's Statement

With a business plan focused on commercialisation, we remain flexible and pragmatic in our approach to adding value to our Shareholders

Strategic update

- A systematic review of the technology confirms the novelty, utility and productivity of e-therapeutics' NDD platform.
- Internal preclinical discovery efforts are focused on the Company's two NDD-derived immuno-oncology programmes, the creation of new, partner-ready NDD projects and on enhancements to the NDD platform.
- The prime external focus is on business development and external validation of the NDD platform.
- Costs continue to be managed prudently.
- We remain proactive and open to considering all potential organic and non-organic opportunities that could add value to our Shareholders.

Dear Shareholder,

It is a privilege to provide my first full-year report to you as the CEO of e-therapeutics plc.

We provided detailed business updates to Shareholders after my 100-day strategic review (24 July 2017) and at the half-year results (26 September 2017), both of which can be viewed at www.etherapeutics.co.uk/investors/regulatory-announcements. In these communications, we highlighted the need for a turnaround of the business by focusing on the right activities, controlling the cash spend on the right programmes and beginning to promote the business in a professional manner. Today, I am pleased to report that we continue to execute well against our strategic and tactical plans and we are making material progress in all areas where we believe there is potential to create value for our Shareholders.

As articulated elsewhere in the Annual Report, there is a clear need for our NDD technologies and our NDD-derived assets, which provide a clear solution to some of the industry's most pressing problems in the research and development of new drugs.

Our technologies are disruptive. We firmly believe that the combination of our proprietary biological data, network science, advanced analytical methods and techniques, such as machine learning and AI, is truly unique. NDD offers the industry potential benefits in terms of reduced time, reduced cost, novelty and quality over other approaches to drug discovery.

Business plan

Our organic business plan is focused on commercialisation of the NDD platform and NDD-derived assets and is founded on three main pillars:

1. **Creating and licensing partner-ready programmes**: executing NDD platform deals with biopharmaceutical companies, which will create new drugs in commercially relevant areas.
2. **Out-licensing of our own NDD-derived assets**: discover, develop and partner new and better, IP-protected drugs in commercially relevant disease areas.
3. **Continuously updating and improving our NDD platform**: offering a unique combination of convergent technologies to biopharmaceutical companies and a new breed of technology companies working to disrupt drug R&D.

Assets

To execute our plan, we need to be continuously developing our asset and capability base.

During the year, we have generated good and commercially attractive data on our two NDD-derived, preclinical, small molecule immuno-oncology projects.

Operating loss

£6.8m

(2017: £16.3m)

Reduction in cash and fixed-term deposits

£4.4m

(2017: £10.8m)

Specifically, we are now optimising leads in our tryptophan catabolism programme that are more active than the existing clinical agents and appear to be novel, first-in-class compounds that act by a new MoA. Our immune checkpoint modulation programme has addressed some highly challenging and complex biology to generate two classes of novel compound that are able to overcome tumour-induced T cell exhaustion, thereby restoring their ability to kill cancer cells.

We have focused resources to generate partner-ready programmes in exciting, industry relevant, high value discovery areas in cancer and inflammation such as fibrosis, tumour microenvironment and macrophage polarisation.

We have also been able to develop potential new functionalities for our NDD platform, including the use of genomic data to drive patient segmentation, and the use of NDD to uncover the MoA of NDD-derived and other drugs.

We are in the process of filing a number of patent families for our NDD platform and our NDD-derived assets. If granted, these patents will protect the products and provide us, and licensees, with the opportunity to secure sustained commercial protection in the future.

"NDD offers the industry potential benefits in terms of reduced time, reduced cost, novelty and quality over other approaches to drug discovery."

Business development

We started a detailed, systematic externalisation exercise of business development in September 2017. The initial wave focused on the NDD platform itself and, in March 2018, we began the initial marketing of our NDD-derived immuno-oncology assets.

The interest in the NDD platform is real and we are in late-stage discussions with a number of parties which we hope will enable us to announce a number of different types of deal during the next 12 months.

Science never stands still and we are constantly looking at ways to augment our capabilities. The recently announced collaborations with Intellegens and Biorelate are examples of deals which enable us to access the very latest innovations in AI. We are currently exploring other collaborations of this type.

Cost control

In executing our strategy, we are mindful of our finite resources. Our operating loss for the year ended 31 January 2018, of £6.8m, was significantly below the £16.3m operating loss reported for 2017.

This reflects a keen control on costs and the focus of our R&D resources on fewer, higher value, commercially relevant projects.

We run a virtual development model and outsource our chemistry and biology work to skilled contract research organisations with whom we have developed deep relationships with over the years. Internally, we have developed a 'killer experiment' mentality under which projects that do not have the potential to be highly competitive commercially are stopped, so we can pursue those that have better prospects.

Remaining adaptable to change

Entering the new financial year, we need to be realistic and pragmatic about our business strategy and cash position. The current reality is that we cannot afford to invest in all the NDD-derived programmes we have created and we will need to go out to the industry earlier than perhaps ideal to seek commercial funding.

We remain completely committed to our core business strategy of investing our resources, and cash, into our own drug discovery platform and chosen drug discovery programmes (for as long as positive data are being created). Following this strategy is expected to result in continuing losses until revenues from external sources exceeds our investment in R&D and infrastructure. However, if required, we also have the flexibility to quickly reallocate our resources and to focus on maintaining our core NDD-platform.

We are now in a better position to be proactive and open to considering potential M&A opportunities that could augment our core technology platform or provide downstream skills, capabilities or cash to further develop NDD-derived assets. We also need to be ready to react to a potential wave of consolidation that may occur in the next industry cycle.

As such, we will look carefully at all opportunities which could add value to our Shareholders. In the medium term, if we wish to continue to follow this business model we may need to raise additional funds. To raise our international profile, we have initiated a round of non-deal investor roadshows in the USA, mainland Europe, Israel and Asia. Our plan is to attract new investors that share our belief in the future potential of the business.

We look forward to the future with increasing optimism and commit to maintaining an open dialogue with our Shareholders during the coming year.

Ray Barlow
Chief Executive Officer
26 March 2018

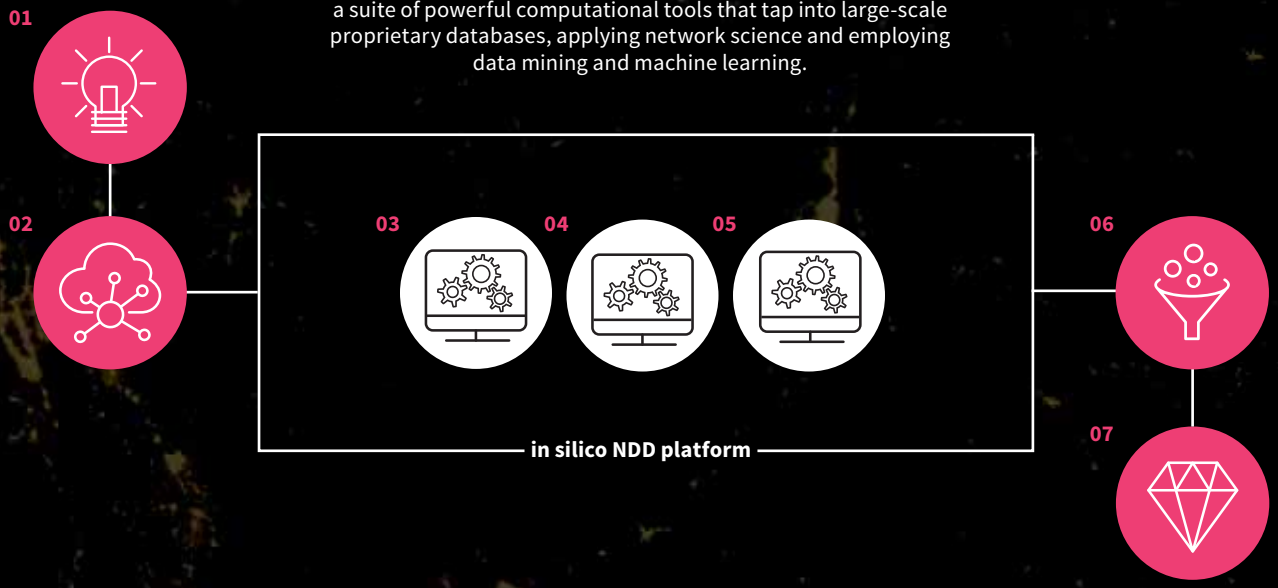
Our Process

Fusing expert insight with powerful technology, we translate biology into chemistry

Biological big data meet network science, AI and advanced analytics with high-performing drug hits

Network biology is the key: networks can be viewed as the mechanistic bridge between the molecular and the phenotypic levels

Our cutting edge in silico techniques sit at the heart of how we identify the very best drug-like molecules for further screening, using a suite of powerful computational tools that tap into large-scale proprietary databases, applying network science and employing data mining and machine learning.



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

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

03 Network model construction
We explicitly model the complex cellular mechanisms involved in the disease processes we are aiming to disrupt. Network construction aims to uncover and address redundant pathways and sub-networks that can be missed in other approaches. The networks can be key in ultimately identifying mechanisms and targets.

04 Network analysis
Our core approach utilises biological network analysis using multiple data sets and computational tools – not just AI. We apply our network biology expertise and have user interfaces to the computation process suitable for use by disease biologists.

05 Compound mapping
The impact of millions of individual compounds on network integrity is assessed using their biological footprint of both direct and indirect protein modulations. Relative impact values are calculated for each compound and those with the highest impact are selected for screening. Our output is chemical.

06 Phenotypic screening
Our hypothesis-based approach generates compound deck sizes ideal for complex phenotypic screens more representative of disease. Compounds screened are rational starting points for medicinal chemistry programmes and are productive, with high rates of selected compounds showing the required activity in multiple cell-based assays.

07 Hit to lead optimisation
Chemotypes are progressed into medicinal chemistry. Identified hits have been chemically optimised into leads across multiple projects. High-performing drug hits have been validated in 12 diverse areas of biology. We invest our own money into preclinical discovery programmes with the greatest potential.

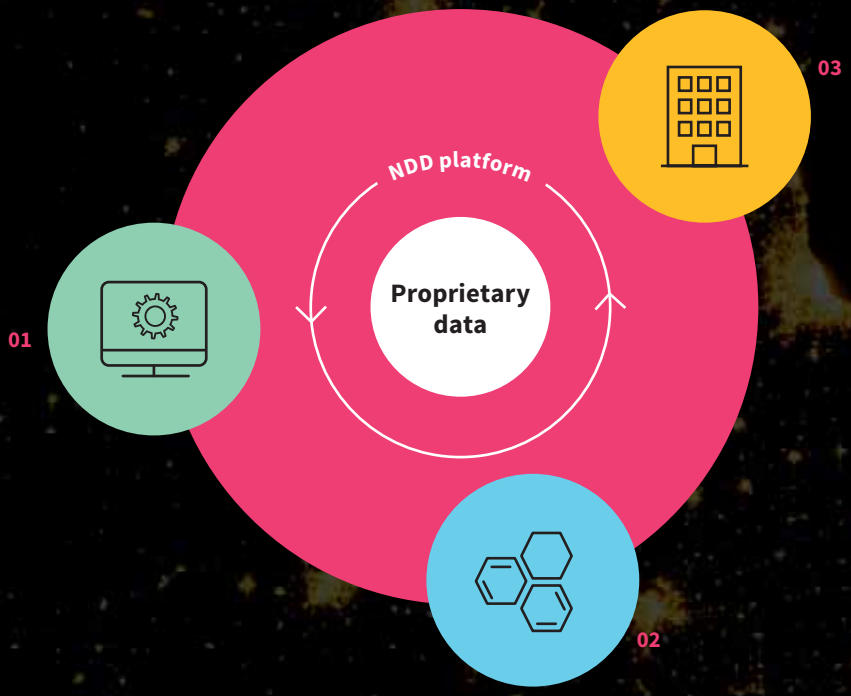
How we create value

Keeping options open to maximise return on investment and value to our Shareholders

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

No revenue-generating collaborations have been signed during the year or prior year, but our ongoing focus is on the right assets with relentless effort in business development and marketing.

Whilst the Directors expect the Group to be able to support its business and discovery plans for the near-term in the absence of any income from partners, we are fully focused on a commercial deal in the coming financial year and the Directors feel that the current year's strategic review and the refocusing of the business model have left the Group in a stronger position to do so.



01 NDD platform deals
We anticipate that the Group's in silico NDD platform will be of significant interest to traditional pharmaceutical and biotechnology companies that are looking to decrease the cost and increase the speed and productivity of their drug discovery activities, and we seek collaborations to apply our NDD platform to disease areas of mutual interest or unlock inherent value within partners' existing proprietary data sets. Our technologies are disruptive. We firmly believe that our unique combination of computational tools will also be of significant interest to technology companies that want to disrupt the inherently inefficient and costly drug discovery process.

02 Out-licensing of NDD-derived assets
Given the productivity of the platform, we will also continue to use the Group's resources to develop certain internal, preclinical drug discovery programmes to a point where they are attractive to industrial partners looking to acquire or in-license such assets. We expect this approach to generate revenues in the form of upfront payments, progress-based milestone payments and ultimately royalties on sales.

03 M&A
We strive to be proactive and remain open to considering potential M&A opportunities that could augment our core technology platform or provide downstream skills, capabilities or cash to accelerate our NDD-derived assets.

Our Discovery Assets

We have validated our approach in diverse areas of biology, from oncology to immunology to neurodegeneration

More about our current self-funded projects

Tryptophan catabolism

Tryptophan plays an important role in regulating immune tolerance, as demonstrated in the maintenance of the immune privilege of the placenta. The catabolism of tryptophan has been more recently revealed in tumours where it is purported to contribute towards immune evasion, with cancer cells suppressing T cell responses via both depletion of tryptophan and accumulation of its metabolite kynurenine.

Project aim: To identify novel modulators of tryptophan catabolism with a distinct mechanism and superior pharmacological characteristics.

Immune checkpoint modulation

Immune checkpoints are part of the normal physiological 'braking system' of the immune response. Immune cell populations, such as T cells, carry receptors that transmit suppressive messages to the interior if they meet the appropriate external signal. In cancer, these signals can be generated inappropriately by tumour cells, thereby contributing to immune evasion by tumours.

Project aim: To identify mechanistically novel small molecule modulators of immune checkpoint signalling that can be used in combination with existing treatments to improve patient responses; and in situations where patients do not respond to standard care.

Financial Review

A reduction in cash spend as our resources are focused on two NDD-derived projects each in areas of significant commercial need

"The cost base remains under constant review."

One of the fundamental objectives of management over the last 12 months was to focus on the Group's costs and, by association, its cash burn. Importantly, this was done without negatively impacting the Group's commercial prospects. This ongoing focus on cost remains core to management and is evidenced by the fact that the operating loss in the second half of the last financial year, of £3.1m, was below that of the first half, of £3.7m.

Looking at the overall performance of the Group in the year to 31 January 2018, the full-year operating loss was £6.8m, £9.5m lower than the prior year (2017: £16.3m). The main reason for the reduced loss was a £5.9m fall in R&D spend to £5.0m (2017: £10.9m). This reduction in R&D spend was due to a combination of fewer internal drug discovery assets and a material decrease in spend on drug development as the remaining clinical trial is being wound down.

At the time of our preliminary results last year, we announced an investment in the functionality of the core computational discovery platform with the recruitment of three additional employees in this part of the Group. However, overall, staff costs fell by £0.9m to £2.6m for the year ended 31 January 2018. If we achieve commercial success, we will recruit additional staff to support new work.

Drug discovery spend for the year ended 31 January 2018 was reduced by £3.2m to £4.4m (2017: £7.6m). The reduction in spend related to the focused external costs on our two NDD-derived drug discovery projects. We entered the financial year with six active projects (12 at the time of our 2016 results) and this was further reduced to two following the strategic review last summer. These remaining projects are both in areas of immuno-oncology and we anticipate ongoing investment in these projects in the coming financial year.

Spend on drug development in the year to 31 January 2018 fell by £2.7m to £0.6m (2017: £3.3m). We announced the orderly closure of the remaining clinical trial in March 2016 and at the time of writing this report two patients remain in the study. The trial is expected to close in August 2018 at the latest.

Administrative spend in the year to 31 January 2018, of £1.7m, was £1.6m lower than the prior year (2017: £3.3m). The two main reasons for this were a fall in patent cost write-offs and a reduction in exceptional management costs. Following the closure of the clinical trials in the prior year, we took the decision at that time to write off all associated patent costs, amounting to £0.7m; similar patent cost write-offs in the last 12 months were less than £0.1m. Management changes in the year to 31 January 2017 resulted in £0.6m of compensation payments; this compares to £0.1m in the year to 31 January 2018. Underlying administrative costs, excluding these two items, decreased by £0.4m. This was driven primarily by a reduction in ongoing staff costs.

Year end cash and fixed-term deposits amounted to £9.6m; this was £4.4m lower than the opening position of £14.0m. During the year, we received R&D tax credit payments totalling £3.0m. We anticipate the receipt of a smaller R&D tax credit in relation to the current year, of £1.4m, which reflects the reduced amount of allowable R&D spend during the year.

A further reduction to the cost run-rate is possible in the coming financial year, but this would involve reducing investment in our two core NDD-derived discovery assets and it is our current belief that continued investment in these programmes will generate additional Shareholder value. The cost base remains under constant review and, whilst we are currently planning external discovery projects at similar levels to last year, all our contract research organisations are operating under short notice periods so that we can remain flexible in the way we are able to deploy this investment.

Subject to ongoing active management of the cost base and reducing spend, for example on NDD-derived discovery programmes, we believe we are capable of extending the cash runway into 2020.

Steve Medlicott
Finance Director
26 March 2018

Key Performance Indicators

Measuring our progress

Financial KPIs

Cash and fixed-term deposits

-£4.4m

2018	£9.6m
2017	£14.0m
2016	£24.8m

The Group carefully monitors cash spend to ensure efficient use of the cash reserves raised through fundraising in 2013. The Directors have forecast that, without the successful negotiation of a commercial deal, the cash reserves should be sufficient to meet the core operating requirements of the Group for at least two years from the Balance Sheet date.

Read more on page 15

R&D spend

-54%

2018	£5m
2017	£10.9m
2016	£10.0m

The R&D spend has reduced in line with the refocusing of the Group's strategy on its two current self-funded discovery projects. In addition to the current projects working towards discovery assets for out-licensing, the R&D activities of the Group also incorporate ongoing platform development, validating the NDD platform in diverse areas of biology and evaluating potential new areas.

Read more on page 10

Non-financial KPIs

Number of commercial agreements

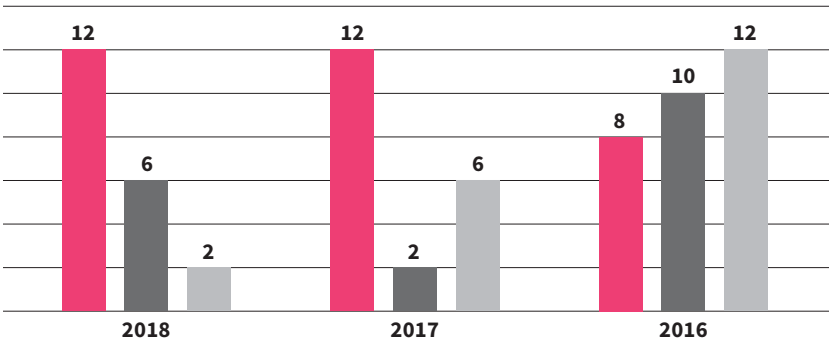
Nil

2018	Nil
2017	Nil
2016	Nil

The key strategic focus of the Group for the coming financial year is the commercialisation of both our preclinical assets and our NDD in silico platform approach to drug discovery, through out-licensing or collaboration agreements. During the year, we signed two collaborations with AI-based companies, Intellegens and Biorelate.

Read more on page 13

Review of NDD programmes



- Total number of validated projects
- Number of new projects commenced during year
- Number of active, self-funded projects at the year end

We have now validated the NDD platform with confirmed hits in 12 diverse areas of biology, including oncology, inflammatory disease and neurodegeneration. We are now focusing our internal resources on two self-funded NDD-derived immuno-oncology discovery programmes and on developing new partner-ready NDD programmes. During the year, we created new NDD programmes in high value areas such as fibrosis, tumour microenvironment (IRL and STING) and macrophage polarisation.

Read more on page 14

Principal Risks and Uncertainties

Risk	Mitigation
Intellectual property ("IP")	
In common with other companies engaged in drug discovery, the Group faces the risk that IP rights may not be adequately secured or defended against infringement, or may become subject to infringement claims by others, preventing commercial exploitation.	The Group actively manages its IP, engaging with specialists to apply for and defend IP rights in appropriate territories. Additionally, the creation, maintenance and operation of the Group's technology platform requires detailed, advanced know-how and expertise which would be difficult and time-consuming for competitors to replicate.
People	
The knowledge skillset of employees is fundamental to the ongoing projects of the Group, yet is often intuitional and hard to document. This gives rise to the risk that the Group may not be able to recruit and retain appropriately qualified staff.	The Group's recruitment processes are tailored to identify and attract the best candidates for specific roles. The Group aims to provide competitive rewards and incentives to staff and Directors, and benchmarks the level of benefits provided to its people against similar companies. The Group is committed to providing a working environment to encourage staff retention. Knowledge sharing and documentation are encouraged, underpinned by our IP strategy.
Research and development ("R&D")	
It is an inherent risk of a business undertaking R&D activities that the Group may not be successful in generating attractive drug candidates because of a lack of efficacy or potency, unacceptable toxicology results or insurmountable challenges in medicinal chemistry. The drug discovery activities of the Group have a foundation built upon our unique NDD platform, and hence the risk is not only that the platform fails to generate sufficient hits, but also that the technology may be superseded by competitors. The parent Company has goodwill on the Balance Sheet of £2.8m (2017: £2.8m) that is allocated to the drug discovery activities of the business. Therefore, the risks surrounding R&D also give rise to the risk that the carrying value of this goodwill cannot be supported, in which case an impairment charge would be required.	The Group's drug discovery activity is designed to generate multiple structurally diverse candidates in different disease areas to diversify the inherent risk of biology. The Group has pioneered the development of network pharmacology as a method of drug discovery and pursues a process of continuous improvement and development of its drug discovery platform. As well as investing in advanced functionality of the platform, the Group engages with technology collaboration partners, such as Intellegens and Biorelate during the year, and, combined, these mitigate the risk of the technology being superseded.
Commercial	
The Group may not be successful in executing licensing deals that provide significant revenues. The biotechnology and pharmaceutical industries are very competitive, with many major players having substantial R&D departments with greater resources and financial support than e-therapeutics.	The commercial prospects of each drug discovery programme are reviewed regularly, with consultation from commercial and scientific experts, to assess the potential impact of competing products and technologies or changes in the economic landscape pertaining to specific disease indications. The Group is focusing on business development, presenting at international conferences to ensure that potential collaborators are aware of the utility of the platform.
Financial, including going concern	
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. During the year, the Group did not undertake any commercial deals and, as such, met its day-to-day working capital requirements through cash reserves obtained through fundraising. The Directors consider that the current position of the Group is not unusual for a drug discovery company.	The Group successfully engaged with investors to generate cash resources which are considered sufficient to fund current plans for the development of the Group's technology platform and the generation of new drug candidates in the short to medium term. The Group operates robust controls over expenditure and Note 23 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. The Group has prepared detailed financial forecasts for the next two financial years. These forecasts assume no sales and the continuation of costs associated with drug discovery. The forecasts show that the Group should be able to operate within the level of its current cash balances for in excess of two years from the reporting date of these financial statements. 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 of accounting in preparing the annual financial statements.
Tax credits	
The Group has an R&D tax receivable on the Balance Sheet of £1.4m (2017: £3.1m). This claim has not yet been approved by HM Revenue & Customs ("HMRC") and, as such, there is a risk that the claim may not be successful.	Third party advice is sought regarding the R&D tax credits that the Group is eligible to claim. Historically, claims have been successful and the Group expects the current year claim to be successful, too. However, for prudence, the Group has also built scenarios into its budgeting and cash forecasting activities to ensure that the Group remains a going concern if the claim is not successful as expected.

Approval of the Strategic Report

The Strategic Report on pages 1 to 17 was approved by the Board and signed on its behalf:

Ray Barlow
Chief Executive Officer
26 March 2018

Board of Directors

Dr. Ray Barlow
Chief Executive Officer

Ray, 49, brings the experience, knowledge and personal network from more than 20 highly productive years in regional and global leadership positions spanning the complete value chain in the Pharmaceutical and Biotechnology industries. Having completed his PhD at University of Manchester, UK in 1994 and a post-doctoral fellowship at McGill University in Canada, Ray joined the Technology Access and Strategic Alliances Team at Zeneca in 1995, becoming the Team Leader only a few years later. After the merger with Astra, Ray took a global management role, in-licensing new technologies and developing molecules in oncology, cardiovascular, respiratory and inflammatory disease areas, while concurrently obtaining an MBA (with distinction) at the Manchester Business School. He then moved into Business Development as a Senior Analyst and then Director of Corporate Development, where he spearheaded a number of transactions and contributed to shaping AstraZeneca's strategic roadmap, including its entry into biologics.

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

Ray joined Crucell NV in 2010 and was part of the team instrumental in its sale to Johnson & Johnson, for whom he orchestrated deals in infectious diseases and vaccines before becoming Executive Director of Corporate Development at Amgen in 2012. In this role, Ray closed immuno-oncology deals with Boehringer Ingelheim, negotiated international commercial deals with GSK, Mitsubishi Tanabe and Novartis, and played a key part in the acquisition of Onyx Pharmaceuticals Inc. and Dezima Pharma BV. Ray took up the role of Chief Executive Officer at e-therapeutics on 6 April 2017.

Steve Medlicott
Finance Director

Steve, 52, joined e-therapeutics' management team in April 2014, having previously advised the Company in its £40m fundraising in 2013. He is a Chartered Accountant. Steve acted as Interim Chief Operating Officer between July 2016 and April 2017.

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

Key

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

Iain Ross
Non-Executive Chairman

A R

Iain, 64, has over 40 years' experience in the international life sciences and technology sectors, where he has completed multiple financing transactions, and over 25 years in cross-border management as a chairman and chief executive officer. He has led and participated in five Initial Public Offerings ("IPOs"), and has direct experience of M&A transactions in Europe, USA and Pacific Rim.

Currently he is Executive Chairman of Redx Pharma plc and Non-Executive Chairman of Kazia Therapeutics Limited (ASX & NASDAQ). Also, he is a Non-Executive Director of Biomer Technology Limited; and Anatara LifeSciences Limited (ASX).He is a qualified Chartered Director and former Vice Chairman of the Council of Royal Holloway, London University.

Previously, he has held significant roles in multi-national companies including Sandoz, Hoffman La Roche, Reed Business Publishing and Celltech Group plc where, as Chief Executive Officer of Celltech Biologics plc, he moved the company from a loss-making position to reporting a net profit before the sale to Lonza. He has advised banks and private equity groups on numerous company turnarounds. These include, as Chief Executive Officer of Quadrant Healthcare, taking the company public, signing numerous collaborations and selling the business to Elan in 2001. As Chairman and Chief Executive Officer at Allergy Therapeutics, he re-structured the company Balance Sheet to position Allergy Therapeutics as a virtually debt-free, cash-generative company prior to its subsequent IPO. As Executive Chairman at Silence Therapeutics plc (formerly SR Pharma plc), he turned the business around through M&A and established collaborations with Pfizer, AstraZeneca and Dainippon Sumitomo before completing a merger with Intradigm Inc.
Iain was appointed as Chairman of e-therapeutics in January 2016 and acted as Interim Executive Chairman from July 2016 until the appointment of Ray Barlow as Chief Executive Officer in April 2017.

Professor Trevor Jones CBE
Non-Executive Director

A R

Trevor, 75, has over 40 years' distinguished experience in the pharmaceutical and biotech industry as well as in academia. He is currently Chairman of the international CRO Simbec-Orion Group Limited and a Non-Executive Director of the Welsh investment company, Arthurian Life Sciences Limited and the global health and life sciences investment company Arix Bioscience plc. He is also Visiting Professor at King's College, London and holds honorary degrees and Gold Medals from seven universities.

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

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

Christine Soden
Non-Executive Director

A R

Christine, 60, a Chartered Accountant, has some 30 years' experience in the life sciences sector, spanning a broad range of technologies and products from genetic discovery through drug development, branded pharmaceuticals and generics and medical devices. She has served as Chief Financial Officer and Chief Operating Officer and as Non-Executive Director in a range of public and private companies and completed several public and private financing transactions and been instrumental in completing numerous M&A and licensing transactions and business restructurings, both in the UK and internationally.

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

Previously, Christine served as Chief Financial Officer and then Non-Executive Director of AIM-listed Electrical Geodesics, Inc., which was recently acquired by Philips NV, following roles as Chief Financial Officer of Optos plc, BTG plc, Oxagen Limited and Celltech-Chiroscience Group plc, having started her life-sciences career as Financial Controller of Medeva plc. She joined the Board of e-therapeutics on 1 November 2017 and chairs the Audit Committee.

Directors' Report

The Directors present their Annual Report together with the financial statements and Auditor's Report for the year ended 31 January 2018. The Corporate Governance Statement on pages 23 to 26 also forms part of this report.

General information and principal activity

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

The Group continues to invest in drug discovery research activities, details of which, along with an indication of likely future developments of the Group, are included in the Strategic Report on pages 1 to 17.

Review of business

The Strategic Report on pages 1 to 17 provides a review of the business, the Group's trading for the year ended 31 January 2018, key performance indicators and an indication of future developments and risks, and forms part of this Directors' Report.

Results and dividend

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

The Directors do not recommend the payment of a dividend (2017: £nil).

Directors' interests

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Remuneration Policy and Statement of Remuneration for 2017/18 on pages 30 to 35.

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

Directors' remuneration

Details of Directors' remuneration appear in the Remuneration Policy and Statement of Remuneration for 2017/18 on pages 30 to 35.

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.

Employees

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

The Group recognises the importance of investing in its employees and, as such, it provides opportunities for training and personal development and encourages the involvement of employees in the planning and direction of their work. The Group also recognises that commercial success depends on the full commitment of all its employees, and commits to respecting their human rights, to providing them with favourable working conditions that are free from unnecessary risk, and to maintaining fair and competitive terms and conditions of service at all times. These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

The benefits of diversity in the workforce are also recognised and, whilst the Group will continue to make all appointments based on the best candidate for the role, it is acknowledged that it is not just gender diversity that supports the strength and future success of the business, and the Group remains focused on achieving the right level of diversity whether related to ethnicity, gender, creed or culture.

Directors

The Directors of the Company who served during the year ended 31 January 2018 and up to the date of this Report were:

Director	Capacity	Date of appointment if during the year	Date of resignation if during the year
Iain Ross	Non-Executive Chairman		
Ray Barlow	Chief Executive Officer	6 April 2017	
Steve Medlicott	Finance Director		
Sean Nicolson	Executive Director		28 February 2017
Brad Hoy	Non-Executive Director		1 November 2017
Trevor Jones	Non-Executive Director		
Christine Soden	Non-Executive Director	1 November 2017	

Health and safety
The Directors are committed to high standards of health and safety at work. No significant incidents have been recorded during the period. Steve Medlicott is the Director with overall responsibility for health and safety matters.

The Group seeks to meet legal requirements aimed at providing a healthy and secure working environment to all employees and understands that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all employees. All employees are positively encouraged to be involved in consultation and communication on health and safety matters that affect their work.

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

Financial instruments – risk management
The Group's financial risk management policy is set out in Note 23 to the financial statements.

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

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 19 to the financial statements. There are no restrictions on the transfer or voting of securities in the Company, and there are no agreements known to the Company which might result in such restrictions. There are no Shareholders carrying special rights with regard to the control of the Company.

As at 31 January 2018, the Company's issued share capital was £269,000, divided into 268,530,866 ordinary shares of 0.1 pence each in nominal value.

Major shareholdings
On 22 March 2018 the Company had been notified of the following Shareholders with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1p each Number	% of ordinary shares of 0.1p each held at date of notification
Invesco Asset Management	84,524,060	31.48
Richard Griffiths and controlled undertakings	56,767,667	21.14
Woodford Asset Management	46,807,479	17.43
Lombard Odier Asset Management (Europe) Limited	32,142,027	11.97
Octopus Group	11,097,658	4.13

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

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

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

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

Post-Balance Sheet events
There were no material post-Balance Sheet events requiring disclosure in the financial statements.

Annual General Meeting
The AGM of the Company will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London, EC2M 7SH on 31 May 2018 at 11.00am. The notice convening the meeting is set out on pages 60 to 64 together with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at www.etherapeutics.co.uk.

By order of the Board

Sue Steven
Company Secretary
26 March 2018

Directors' Responsibilities Statement

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

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

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

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

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

Responsibility statement

We confirm that, to the best of our knowledge:

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

This Directors' Responsibilities Statement was approved by the Board of Directors on 26 March 2018 and is signed on its behalf by:

Ray Barlow
Chief Executive Officer

Steve Medlicott
Finance Director

Corporate Governance Statement

As an AIM-listed company, e-therapeutics is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council ("FRC") in 2016. However, the Board embraces the principles of good corporate governance and has continued to apply high standards of governance by having regard to the principles of the QCA Corporate Governance Code for small and medium sized listed companies published in 2013 (the "QCA Code").

Board of Directors

During the year under review, there were a number of changes to the composition of the Board, as set out in the table on page 20. During the period, the Board comprised two Executive Directors, Steve Medlicott and Sean Nicolson (up to the date of his resignation on 28 February 2017), with the Non-Executive Chairman, Iain Ross, acting as Interim Executive Chairman from July 2016 until Ray Barlow's appointment as Chief Executive Officer on 6 April 2017. Throughout the period, the Board also comprised two additional Non-Executive Directors, namely Trevor Jones and Brad Hoy (up to the date of his resignation on 1 November 2017) and Christine Soden following her appointment on 1 November 2017.

The skills and experience of the Board are set out in their biographical details on pages 18 and 19. The experience and knowledge of each of the Directors give them the ability to challenge strategy constructively and scrutinise performance.

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

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 at the first AGM following their appointment.

Time commitments

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

The Board is satisfied that both the Chairman and the other Non-Executive Directors are able to devote sufficient time to the Company's business.

Board responsibilities

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: overall Company strategy; the annual business plan; acquisitions; approval of aggregate expenditure in discovery projects; approval of the accounts; assessment of the effectiveness of governance practice and risk management; appointment of senior executives; and consideration of significant financial matters and regulatory issues. The Board also seeks to ensure that the necessary financial and human resources are in place for the Company to be able to meet its objectives, to review management performance and to ensure that its obligations to its Shareholders are understood and met.

The schedule of matters reserved for Board decision and terms of reference of the Board committees are published on the Company's website (www.etherapeutics.co.uk).

Division of responsibilities

Iain Ross, as Non-Executive Chairman, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and ordinarily 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.

Corporate Governance Statement (continued)

However, on 13 July 2016, following the resignation of Malcolm Young as Chief Executive Officer, Iain Ross was appointed Interim Executive Chairman, taking responsibility for corporate and commercial decisions, and leading the search for a new Chief Executive Officer, which commenced immediately. The appointment of Ray Barlow as Chief Executive Officer was announced on 9 January 2017, and Iain Ross returned to the position of Non-Executive Chairman when Ray Barlow officially took up his role on 6 April 2017.

Ray Barlow, as Chief Executive Officer, is now responsible for the operational management of the Company and for the implementation of Board strategy and policy.

Company Secretary

Sue Steven was appointed as Company Secretary on 15 March 2017, following the resignation of Sean Nicolson. Sue provides information and advice on corporate governance and individual support to Directors on any aspect of their role, particularly supporting the Chairman and those who chair Board committees. Directors may also take independent professional advice at the Company's expense where necessary in the performance of their duties.

Reporting directly to the Chairman, the Company Secretary is responsible for ensuring that Board procedures are followed, that the Company complies with company law and the AIM Rules and that the Board receives the information it needs to fulfil its duties effectively. The appointment (or termination of appointment) of the Company Secretary is a matter for decision by the whole Board.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code, which recommends that a company should have at least two independent Non-Executive Directors. The Board has considered and determined that, since the date of their respective appointments, both Trevor Jones and Christine Soden (and also Brad Hoy throughout the period he served on the Board) are independent in character and judgement and that they:

- have not been employees of the Company within the last five years;
- have not, or have not had within the last three years, a material business relationship with the Company;
- have no close family ties with any of the Company'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.

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

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

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

Professional development

Throughout their period in office, the Directors are continually updated on the Company's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Company 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 an AIM-listed company, both in writing and in face-to-face meetings with the Company Secretary. They are reminded of these duties and they are also updated on changes to the legal and governance requirements of the Company and upon themselves as Directors.

The Board in 2017/18

During the year, the Board led the refocusing of the Company's activities, concentrating on the development of the proprietary discovery platform and the transition to a new leadership team. More information on these matters is provided in the Strategic Report.

The Board continued to develop its investor strategy to promote greater liquidity of the Company's shares.

The overall performance of the Company was reviewed throughout the year.

Meetings of the Board and Committees of the Board

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

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

Director	Board	Audit Committee	Remuneration Committee
Iain Ross	7/7	2/2	3/3
Ray Barlow[a]	6/6	–	–
Steve Medlicott	7/7	–	–
Sean Nicolson[b]	0/0	–	–
Brad Hoy[c]	5/5	1/1	0/1
Trevor Jones	7/7	0/0	3/3
Christine Soden[d]	2/2	1/1	1/1

a Appointed on 6 April 2017.
b Resigned on 28 February 2017.
c Resigned on 1 November 2017.
d Appointed on 1 November 2017.

Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of Committees of which they are not a member is not reflected in the above table.

Share dealing

The Directors understand the importance of complying with the AIM Rules and applicable legislation relating to dealings by Directors and employees of the Company in the Company's ordinary shares, and the Company has established a share dealing code which the Directors believe is appropriate for a company quoted on AIM and is compliant with Rule 21 of the AIM Rules relating to dealing policies. The Company and the Directors take all reasonable steps to ensure compliance by the Company's Directors and employees with such code.

Board Committees

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

Audit Committee

A report on the duties of the Audit Committee and how it discharges its responsibilities is provided in the Audit Committee report on page 27.

Remuneration Committee

The Directors' Remuneration Report and details of the activities of the Remuneration Committee are set out on pages 28 to 35. The report sets out a summary of the Company's policy on remuneration, having due regard to the interests of Shareholders, and details of the elements of the remuneration package of each individual Director.

Risk management and internal control

The Audit Committee is responsible for establishing the Company's system of internal control (covering all aspects of the business) and for reviewing its effectiveness. The Audit Committee adopts an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This ongoing process is regularly reviewed by the Audit Committee and has regard to the FRC's 'Guidance on Risk Management Internal Control and Related Financial and Business Reporting' published in September 2014. The Audit Committee meets with the Executive Directors and the Company's independent Auditor and satisfies itself as to the adequacy of the Company's internal control systems. A list of the Company's principal risks and the principal actions taken to mitigate them appears on page 17.

e-Therapeutics is an entrepreneurial company with strong financial and management controls within the business. Examples of control procedures include:

- an annual budget set by the Board, with regular review of progress;
- monthly management accounts;
- dual bank signatories for all payments with pre-determined authority limits for specific Directors and employees;
- regular meetings of Executive Directors to review management information and follow up on operational issues or investigate any exceptional circumstances;
- a risk register;
- clear levels of authority, delegation and management structure;
- Board review and approval of significant contracts and overall project spend;
- a Quality Management System to support the clinical trial activities the Company conducts, ensuring compliance with clinical trial legislation and guidelines;
- annual audits and other contractor management procedures to ensure good vendor performance;
- restriction of user access to IT systems; and
- ongoing review of the need for IP protection of core assets and processes.

The Company's system of internal control is designed to safeguard the Company's assets and to ensure the reliability of information used within the business. The system of controls manages appropriately, rather than eliminates, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

The independent Auditor does not perform a comprehensive review of internal control procedures, but reports to the Audit Committee on the outcomes of its annual audit process.

The Board confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

Corporate Governance Statement (continued)

Board effectiveness and performance evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside the formal annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any problems or shortcomings with the relevant Directors. As a consequence, during the period, the Board has undertaken a rigorous and formal annual evaluation of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees) and the performance of its individual Directors. During the review, the Chairman undertook a formal discussion with the other Non-Executive Directors regarding the performance of the Board and its Committees and the other Non-Executive Directors' own individual contributions and performance. In preparation, the Chairman solicited the views of the other Directors, including the completion by each Director of a confidential questionnaire.

With regard to the evaluation of the Board itself, the discussions focused in particular on:

- Board roles and responsibilities;
- the Board's contribution to developing and testing strategy and to risk management;
- the composition of the Board (i.e. mix of skills, experience and expertise);
- the effectiveness of internal and external relationships and communication;
- the effectiveness in anticipating and responding to challenges and crises;
- the effectiveness of Board Committees; and
- the flexibility of the Board in dealing with a wide range of issues.

The evaluation of the performance of individual Directors encompassed:

- preparation and meeting attendance;
- preparedness to understand key Company issues;
- quality of contribution at Board and Committee meetings;
- contribution to the development of strategy and risk management;
- use of previous experience to contribute to key issues and strategy;
- effectiveness in challenging assumptions, in maintaining own views and opinions and in following up main areas of concern;
- building successful relationships with other Board members, management and advisers; and
- communication with and influence on other Board members, management and key Shareholders.

In addition to the above, the Chairman was evaluated on his:

- effective leadership of the Board;
- management of relationships and communications with Shareholders;
- identification of development needs of individual Directors with a view to enhancing the overall effectiveness of the Board as a team;
- promotion of the highest standards of corporate governance; and
- management of Board meetings and ensuring effective implementation of Board decisions.

Following the reviews, the Chairman shared his observations and any actions arising, where appropriate, with the other Non-Executive Directors and the Executive Directors. These individual evaluations aim to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

The Chief Executive Officer reports to the Board and the Chairman reviews his performance on behalf of the Board. The Chief Executive Officer reviews the performance of the other Executive Director. The Executive Directors and the other Non-Executive Directors are responsible for evaluating the performance of the Chairman.

Following the evaluation process, the Company considers that the Board and its individual members continue to perform effectively, that the Chairman performs his role appropriately and that the process for evaluation of his performance has been conducted in a professional and rigorous manner.

Shareholder communication

The Board is keen to promote greater awareness of the Company. The Board seeks to build on a mutual understanding of objectives between the Company and its Shareholders by:

- communicating regularly with Shareholders throughout the year;
- providing information to Shareholders in a balanced and understandable way;
- making annual and interim presentations to institutional investors;
- meeting Shareholders to discuss long-term issues and to obtain their views;
- encouraging private investors, in particular, to attend the AGM, so that they have an opportunity to ask questions of the Board and are equipped to make their own assessment of the Company's position and prospects; and
- regular meetings of the Board being used as the forum to ensure that Non-Executive Directors are updated on the views of major Shareholders that have been communicated to the Executive Directors.

The Board believes that the Company has a strong governance culture. The Board has regard to the 12 principles of corporate governance set out in the QCA Code and considers them in a manner appropriate for a company of its size. The Board is committed to continued engagement with its Shareholders.

By order of the Board

Iain G Ross
Chairman
26 March 2018

Audit Committee Report

While operating as a Committee of the Board, the Company's Audit Committee is by no means remote from the key issues facing the business. The Committee has considered not only the adequacy of financial reporting and the applicability of accounting standards to the business, but also how the challenges faced by the Company may flow through into internal control, accounting policy and financial reporting to Shareholders.

The Audit Committee is responsible for reviewing approaches to risk management and looking at internal controls on behalf of the Board. The full Board has been engaged in looking at the critical success factors for the Company. The risk management process is discussed on page 25 and a table of risks and how the current strategy helps to mitigate those risks appears on page 17.

Membership and meetings of the Audit Committee

The Audit Committee is chaired by Christine Soden. The other members are Iain Ross and Trevor Jones. At the invitation of the Committee, the Finance Director and representatives of the external Auditor usually attend Committee meetings. Time is allowed at the end of each meeting for discussion without any members of the executive team being present, to allow the external Auditor to raise any issues of concern.

Two meetings were held in 2017/18. In addition to formal reviews of reports from the external Auditor, the Audit Committee discussed matters relating to financial policy, controls and reporting, as summarised in the following table:

Date	Matters discussed
March 2017	Review of external audit for the year ended 31 January 2017 Internal controls and risk management
November 2017	Review of audit planning report, including audit risk areas for the year ended 31 January 2018

Terms of reference

The Audit Committee's terms of reference confirm the main responsibilities of the Committee and are available on the Company's website at www.etherapeutics.co.uk/investors/corporate-governance.

The Audit Committee is responsible for monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. The Audit Committee reviews the accounting standards, policies and judgements, behind and the clarity and fairness of, the interim and year end results' statements.

The Audit Committee reviews internal controls and risk management procedures in the context of any issues which arise during the external audit process, or if concerns are raised by a member of the Board or by an employee under the 'whistle blowing' procedures.

The Audit Committee has primary responsibility for the relationship between the Company and its external Auditor. Representatives from the external Auditor are invited to attend Audit Committee meetings and the Chair of the Audit Committee meets less formally with the audit partner, as needed. The independence of the Auditor is kept under review and is reported on once a year, as part of the key issues memorandum presented to the Audit Committee by the Auditor.

The Audit Committee reviews the fee proposals presented by the Auditor and the scope of work is monitored carefully to ensure that independence is not compromised. In the year to 31 January 2018, audit fees for the Company totalled £39,000 (2017: £39,000), compared with non-audit fees (including advice on tax) of £3,000 (2017: £17,000). The Audit Committee is satisfied with the independence, objectivity and effectiveness of the external Auditor and the Audit Committee has not felt it necessary at this stage to propose re-tendering of the audit contract. A resolution for the re-appointment of Deloitte LLP as the statutory Auditor will therefore be proposed at this year's AGM.

No other formal recommendations have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during 2017/18.

This report was approved by the Audit Committee and the Board on 26 March 2018.

Christine Soden
Chair of the Audit Committee

Directors' Remuneration Report

On behalf of your Board, I am pleased to present our Remuneration Report for the year ended 31 January 2018.

As an AIM-listed company, e-therapeutics is not obliged to provide a full Directors' Remuneration Report meeting the requirements of the UK Corporate Governance Code. We do, however, have regard to the principles of the QCA Code that we consider to be appropriate for an AIM company of our size. This report provides details of remuneration for all Directors and explains the potential and actual bonus amounts in the year. It gives a general statement of policy on Directors' remuneration as it is currently applied, and a summary of the share incentive scheme currently in place (more details of awards under the scheme appear in Note 22 to the financial statements on pages 56 and 57).

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors. The Remuneration Committee's terms of reference are available on the Company's website (www.etherapeutics.co.uk/investors/corporate-governance). The Remuneration Committee recognises the importance of our reward and performance strategy in recruiting and retaining high quality individuals who can lead, develop and sustain business growth over the longer term. The information in the Remuneration Policy and Statement of Remuneration for 2017/18 on pages 30 to 35 highlighted as being subject to audit has been audited by the Company's Auditor.

Membership and meetings of the Remuneration Committee

The Chair of the Remuneration Committee is Trevor Jones, an independent Non-Executive Director, and its other members are the Company's Non-Executive Chairman, Iain Ross, and Christine Soden. Christine was appointed as a member of the Remuneration Committee on 21 November 2017, and is also an independent Non-Executive Director. The Company Secretary acts as secretary to the Remuneration Committee.

Other Directors may attend by invitation of the Remuneration Committee. It is a fundamental principle that no individual should be able to participate in discussions about their own remuneration. All Remuneration Committee meetings are minuted and copies of the minutes are provided to the full Board. The Remuneration Committee operates within terms of reference adopted by the Committee and approved by the Board in March 2015. The Remuneration Committee is responsible for recommending any changes in the structure of remuneration packages for the Executive Directors. It also plays an important role when an Executive Director joins and leaves the Company. It recommends to the Board the terms of employment for any appointment of an Executive Director and any subsequent changes which may be needed. It also reviews any payments which might arise on termination of an Executive Director's contract.

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

- review of remuneration for the Executive Directors;
- decision on awards to be made under the e-Therapeutics Performance Share Plan 2013;
- completion of agreements relating to departing and incoming management; and
- review of the KPIs in relation to the incoming Chief Executive Officer's performance-related pay from the date of his appointment to 31 January 2018 for recommendation to the Board for approval.

The Remuneration Committee did not undertake formal benchmarking of Directors' remuneration in 2017/18 and does not have retention agreements with any external remuneration consultants. Advice is taken from Executive Directors and external advisers as needed in relation to specific questions and projects.

Long term Incentive Plan

Long-term incentive awards were made to Executive Directors under the e-Therapeutics Performance Share Plan 2013 in the year ended 31 January 2018. Awards made in the current and previous years may vest in the year ending 31 January 2019. Awards made during the year have vesting periods between one month and three years, and exercise prices of between 16.76p and 25.14p.
The mid-market price of the Company's shares at 31 January 2018 (the last trading day of the period) was 9.625p and the range during the year was 6.00p to 13.25p.

Key remuneration decisions and changes in remuneration for the year ending 31 January 2019

The Remuneration Committee conducted its annual review of all aspects of the remuneration packages of the Executive Directors to ensure that they continue to reward and motivate achievement of medium- and long-term objectives, and align the interests of Executive Directors and Shareholders. Accordingly, the Committee's activities during the year included reviewing the basic salaries of the Executive Directors for the year ending 31 January 2019, having regard to The UK Bioindustry Remuneration Survey 2017, and also reviewing and approving bonus payments to the Executive Directors for the year ended 31 January 2018, as more fully set out on pages 30 to 35.

The Remuneration Committee's activities during the year also included determining the amounts that may potentially be payable in the form of bonuses, and the form of the long-term incentive arrangements under the e-Therapeutics Performance Share Plan 2013 (including the size of awards and the applicable vesting periods and performance targets) for the year ending 31 January 2019.

Further details are given in the Remuneration Policy on pages 30 to 35.
No changes to the Remuneration Policy are currently anticipated for the year ending 31 January 2019.

Conclusion

The Directors' Remuneration Policy and Statement of Remuneration which follows this annual statement sets out the Remuneration Committee's approach to remuneration for the future and provides details of remuneration for the year ended 31 January 2018. This report is intended to provide Shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee, and to assess whether remuneration packages for Directors are fair in the context of business performance.

The Remuneration Committee is mindful of Shareholder views and interests and we believe that our Directors' Remuneration Policy continues to be aligned with the achievement of the Company's business objectives. As always, the AGM provides an opportunity for face-to-face discussions on important matters for the Company and its Shareholders.

Trevor M Jones CBE
Chair of the Remuneration Committee
26 March 2018

Remuneration Policy and Statement of Remuneration for 2017/18

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

Future policy

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

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
Basic salary			
Attract and retain Executive Directors with sufficient experience and competence to deliver strategy	Paid in 12 equal monthly instalments during the year.	Reviewed annually and as required to reflect the role, responsibility and performance of the individual and the Company and informally to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Remuneration Committee has regard to, amongst other things, the progress of the Company's drug discovery assets and the technology platform, market worth and business sector. There is no prescribed minimum or maximum increase. Annual rates are set out on page 35.	n/a
Benefits			
Provide benefits consistent with role	Currently these consist of health insurance and membership of a Group life assurance scheme. The Remuneration Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Company.	The cost of providing benefits is borne by the Company and varies from time to time.	n/a
Discretionary bonus			
Incentivise achievement of business objectives by providing a reward for performance against annual targets	Paid in cash after the end of the financial year to which it relates.	The maximum annual bonus is currently capped at 50% of basic salary. The level of such caps is reviewed annually and is set at an appropriate percentage of salary.	Targets are based on the appropriate progression of both the drug discovery assets and the technology platform, together with the performance of the business as a whole. Payment of any bonus is subject to the overriding discretion of the Remuneration Committee.
Long-term incentives			
Alignment of interests with Shareholders by providing long-term incentives delivered in the form of shares	Grant of awards under the e-Therapeutics Performance Share Plan 2013. Participants are entitled to acquire award shares after a vesting period and subject to payment of an exercise price.	There is no individual limit, although the scheme is subject to an overall limit of 10% of the Company's issued share capital (this limit includes outstanding options from all current and historical employee option schemes and any shares issued upon the exercise of employee share options in the previous ten years).	For recent awards, participants are entitled to acquire award shares after a vesting period of one month to three years, at an exercise price of between 16.76p and 25.14p.
Pension			
Attract and retain Executive Directors for the long term by providing funding for retirement	Some Executive Directors are entitled to participate in money purchase arrangements, or to receive a cash allowance in lieu of pension contributions. In addition, those Executive Directors who do not receive pension contributions (or payments in lieu) will be entitled to pension contributions under the Pensions Act 2008.	The Company may make payments of up to 12.5% of basic salary into any pension scheme or similar arrangement as the participating executive may reasonably request (or a payment in lieu). Such payments are not counted for the purposes of determining bonuses or awards under the e-Therapeutics Performance Share Plan 2013.	n/a

Notes to the future policy table

Performance conditions

The performance targets for the annual bonus are determined annually by the Remuneration Committee with the maximum bonus typically requiring a very high level of performance.

The performance target for the e-Therapeutics Performance Share Plan 2013 is usually based on increases in the price of the Company's shares over a two- or three-year period.

Differences from Remuneration Policy for all employees

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

All the Company's employees are eligible to be considered for awards under the e-Therapeutics Performance Share Plan 2013.

Statement of consideration of employment conditions of employees elsewhere in the Company

The Remuneration Committee receives reports on an annual basis on the level of pay rises awarded across the Company and takes these into account when determining salary increases for Executive Directors. In addition, the Remuneration Committee receives regular reports on the structure of remuneration for senior management in the tier below the Executive Directors and uses this information to ensure a consistency of approach for the most senior managers in the Company. The Remuneration Committee also approves the award of any long-term incentives.

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

Statement of consideration of Shareholder views

The Chair of the Remuneration Committee consults with major Shareholders from time to time, or when any significant remuneration changes are proposed, to understand their expectations with regard to Executive Directors' remuneration and reports back to the Remuneration Committee. The Remuneration Committee previously consulted with certain major Shareholders in relation to the introduction of the e-Therapeutics Performance Share Plan 2013, and did so again in respect of awards made under the plan during the year. Any other concerns raised by individual Shareholders are also considered. The Remuneration Committee also takes into account emerging best practice and guidance from major institutional Shareholders.

Approach to recruitment remuneration

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

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

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

Remuneration Policy and Statement of Remuneration for 2017/18 (continued)

Directors' service contracts, notice periods and termination payments

Provision	Policy	Details
Notice periods in Executive Directors' service contracts	12 months by the Company or Chief Executive Officer in relation to the Chief Executive Officer and six months by the Company or individual Executive Director in relation to other Executive Directors.	Executive Directors may be required to work during the notice period.
Compensation for loss of office	Depending on the notice period, no more than 12 months' basic salary and benefits (including Company pension contributions and other non-cash benefits).	–
Treatment of annual bonus on termination	Bonuses which have already been declared and paid before the giving of notice may be retained by the Executive Director.	–
Treatment of unvested e-Therapeutics Performance Share Plan 2013 awards	Awards lapse on the termination of employment, although the Board has a discretion (which may be exercised within the 30-day period following the termination of employment) to treat awards as not lapsing.	Where the Board exercises its discretion to treat awards as not lapsing, there is a proportionate reduction in the number of award shares that can be acquired.
Exercise of discretion	Intended only to be relied upon to provide flexibility in exceptional or inequitable circumstances.	The Remuneration Committee's determination will take into account the particular circumstances of the Executive Director's departure and the recent performance of the Company.
All Directors	Re-election.	All Directors are subject to re-election every three years. No compensation is payable if they are required to stand down.

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

Directors' service contracts and letters of appointment

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

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

Directors' insurance and indemnity

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

Non-Executive Directors' fee policy

The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors cannot participate in the Company's share option scheme and they are not eligible for pension arrangements.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
To attract Non-Executive Directors who have a broad range of experience and skills to oversee the implementation of the Company's strategy	Non-Executive Director fees are determined by the Board within the limits set out in the articles of association and are paid in 12 equal monthly instalments during the year (subject to part-payment of fees in fully paid shares by agreement between the Company and the Director).	Annual rate set out in the annual report on remuneration for the current year and the following year. No prescribed minimum or maximum annual increase.	n/a

Information subject to audit

Directors' remuneration

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

The maximum bonus for each Executive Director is 50% of basic salary, dependent on the Company's and the Executive Director's performance during the year. Targets for the year ended 31 January 2018 were focused on the management of cash resources and success in achieving external commercial validation, and the appropriate progression of both the drug discovery assets and the technology platform, together with the performance of the business as a whole.

The Chief Executive Officer assesses the individual performance of the other Executive Director and the Chairman assesses the performance of the Chief Executive Officer. In all cases, following these processes, the Remuneration Committee decides the bonuses to be awarded.

The remuneration of the Directors for the years ended 31 January 2018 and 31 January 2017 is shown below:

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

	2017								
	Base salary £000	Salary/fees for interim role £000	Bonus £000	Contributions to money purchase schemes £000	Payments in lieu of contributions to money purchase schemes £000	Benefits in kind £000	Compensation for loss of office and payments in lieu of notice £000	Compensation for loss of office: payments to money purchase schemes £000	Total remuneration £000
Executive Directors									
Steve Medlicott	209	21[d]	103	–	–	–	–	–	333
Sean Nicolson	154	–	15	1	–	1	–	–	171
Malcolm Young	161	–	–	3	21	6	292	26	509
Stephen Self	139	–	–	–	14	–	260	–	413
Non-Executive Directors									
Iain Ross	81	70[f]	50	–	–	–	–	–	201
Brad Hoy	41	–	10	–	–	–	–	–	51
Trevor Jones	40	–	25	–	–	–	–	–	65
	825	91	203	4	35	7	552	26	1,743

a A bonus of £95,700 was awarded to Ray Barlow and a bonus of £66,398 was awarded to Steve Medlicott in respect of the current financial year. However, payment of these bonuses is dependent upon the successful completion of a material commercial transaction, to be defined by the Remuneration Committee, and, therefore, since there is no certainty that these bonuses will be paid, they have not been accrued in these financial statements.
b Ray Barlow was appointed on 6 April 2017.
c £12,739 of the fees paid to Ray Barlow upon his appointment were as a reimbursement for relocation expenses incurred.
d Steve Medlicott received additional base salary in respect of his role as Interim Chief Operating Officer.
e Sean Nicolson resigned on 28 February 2017.
f From 13 July 2016 to 5 April 2017, Iain Ross acted as Interim Executive Chairman, for which he received additional fees as agreed by the Remuneration Committee. Since this was for an interim period, it has been disclosed as a Non-Executive Director.
g Brad Hoy resigned on 1 November 2017 and received a payment of £3,400 in lieu of notice, being the equivalent of one month's Non-Executive Director's fee.
h Christine Soden was appointed on 1 November 2017.

Remuneration Policy and Statement of Remuneration for 2017/18 (continued)

Information subject to audit (continued)

The Company operates a share scheme (the e-Therapeutics Performance Share Plan 2013) under which Directors and other employees have received options to acquire ordinary shares in the Company subject to fixed performance conditions. Full details of the options outstanding under this and previously operated share schemes are set out in Notes 9 and 22 to the financial statements. Options granted to, and held by, Directors who served during the year are summarised below:

	2018				
	Options held at beginning of the year No.	Options granted during the year No.	Options exercised during the year No.	Options forfeited during the year No.	Options held at end of the year No.
Ray Barlow	–	7,000,000	–	–	7,000,000
Steve Medlicott	3,562,694	750,000	–	(1,562,694)	2,750,000
Sean Nicolson (resigned 28 February 2017)	750,000	–	–	(687,500)	62,500
Iain Ross	–	–	–	–	–
Brad Hoy (resigned 1 November 2017)	–	–	–	–	–
Trevor Jones	–	–	–	–	–
Christine Soden	–	–	–	–	–
	4,312,694	7,750,000	–	(2,250,194)	9,812,500

Directors' shareholdings

The Directors of the Company who served during the year, and their interests (in respect of which transactions are notifiable to the Company under Article 19(1) of Regulation (EU) No 596/2014 of the European Parliament and the Council on market abuse (the "Market Abuse Regulation")) in the issued ordinary shares of the Company, were as follows:

Director	Ordinary shares of 0.1 pence each at 31 January 2018 or date of resignation
Ray Barlow	1,200,000
Steve Medlicott	1,450,000
Sean Nicolson[a]	140,573
Iain Ross	1,450,000
Brad Hoy[b]	–
Trevor Jones	321,721
Christine Soden	120,000

a Sean Nicolson resigned on 28 February 2017. His shareholding is stated as at that date.

b Brad Hoy resigned on 1 November 2017. His shareholding is stated as at that date.

During the period between 31 January 2018 and 22 March 2018, the Company received no notifications under The Market Abuse Regulation. Details of the most recently notified transactions in the ordinary shares of the Company by the Directors are available on the Company's website at www.etherapeutics.co.uk/investors/reg-announcements.

Information not subject to audit

Implementation of Remuneration Policy for the year ending 31 January 2019

The salaries and fees to be paid to Directors in the year ending 31 January 2019 are set out in the table below, together with any increase expressed as a percentage:

	Annual base salary/fees		
	31 January 2019 £000	**31 January 2018 £000**	Increase %
Ray Barlow	300	**300**	–
Steve Medlicott	220	**220**	–
Iain Ross	81	**81**	–
Trevor Jones	40	**40**	–
Christine Soden	40	**–**	n/a

The basis for determining annual bonus payments for the year to 31 January 2019 is set out in the future policy table on page 30. The performance targets are considered commercially sensitive because of the information that they would provide to the Company's competitors.

The Remuneration Committee intends to make awards under the e-Therapeutics Performance Share Plan 2013 during the year ending 31 January 2019. These awards will be made subject to appropriate exercise prices and vesting periods.

The Directors' Remuneration Report and the Company's Remuneration Policy and Statement of Remuneration for 2017/18 were approved by the Remuneration Committee and by the Board on 26 March 2018.

Trevor M Jones CBE
Chair of the Remuneration Committee

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of e-therapeutics plc (the "parent Company") and its subsidiaries (the "Group") which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and parent Company Balance Sheets;
- the Consolidated and parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flow; and
- the related Notes 1 to 25.

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

Basis for opinion

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

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters

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

- Recoverability of research and development ("R&D") tax receivable; and
- Going concern; and
- Parent Company: Carrying value of goodwill

Materiality

The materiality that we used in the current year was £345,000 which was determined on the basis of total expenses.

Scoping

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Key audit matters

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

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

Carrying value of Research and Development ("R&D") tax receivable

Key audit matter description

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

The disclosure regarding the R&D tax receivable is on page 52 and the accounting policy is on page 47.

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

We have performed the following audit procedures:

- Assessed the design and implementation of controls underlying the preparation and submission of the R&D tax claims;
- Made enquiries of management to assess the eligibility for R&D tax credits;
- Obtained evidence for the recoverability of historical receivables from HMRC;
- Involved our R&D taxation specialists to review the claim details against R&D tax credit rules;
- Analysed the methodology used to calculate the claim; and
- Recalculated the claim.

Key observations

We found that management's calculation of the R&D tax claim was reasonable.

Going Concern

Key audit matter description

Management's forecasts indicate that the Group will have sufficient cash to finance its operations to August 2019 at the current run rate, or to May 2020 with certain cost-saving measures being implemented at the end of the financial year ended 31 January 2019. After this time, the Group will be reliant on sourcing income. Given the uncertainty inherent in forecasting performance, and the increasing importance of cash burn and identifying sources of income, we have identified the adoption of the going concern basis of accounting and management's judgement that there are no material uncertainties with respect to going concern as a key audit matter.

The disclosure regarding going concern is on page 17 and the accounting policy is on page 46.

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

We have performed the following audit procedures:

- Assessed the design and implementation of controls underlying the preparation and submission of cash flow forecasts and management's assessment of going concern;
- Reviewed the judgements applied by management in their assessment of going concern, including evaluation of the judgements applied in determining the uncertainties that exist and whether they are material;
- Reviewed the cash flow forecasts, performed a forecast accuracy assessment and challenged the underlying forecast assumptions;
- Reviewed the cost saving measures that management plan to implement as required to May 2020, in the event that this is required, to challenge the savings that could be made and understand the impact to forecast performance and cash burn; and
- Made enquiries of management in respect of identifying business partnerships; and
- Reviewed the disclosures in the financial statements related to going concern for consistency with management's assessment.

Key observations

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

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

Parent Company: Carrying value of goodwill

Key audit matter description

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

The disclosure regarding the carrying value of goodwill is on page 53 and the accounting policy is on page 47.

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

We have performed the following audit procedures:

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

Key observations

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

Our application of materiality

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

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

Materiality	Group materiality: £345,000 Company materiality: £344,000
Basis for determining materiality	5% of total expenses
Rationale for the benchmark applied	As an emerging growth business with no revenue generation, total expenses is the key measure of the business and therefore the appropriate measure on which to base Group and Company materiality. The Company holds the majority of the operations of the Group.

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

An overview of the scope of our audit

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

Other information

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

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of this matter.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Andrew Evans FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
26 March 2018

Consolidated Income Statement for the year ended 31 January 2018

	Notes	2018 £000	2017 £000
Revenue		**–**	–
Cost of sales		**–**	–
Gross profit		**–**	–
Research and development expenditure		**(5,019)**	(10,911)
Administrative expenses		**(1,749)**	(3,318)
Write-off of goodwill arising from acquisition of subsidiary	13	**–**	(2,101)
Operating loss	6	**(6,768)**	(16,330)
Investment income	10	**49**	132
Loss before tax		**(6,719)**	(16,198)
Taxation	11	**1,360**	3,073
Loss for the year attributable to equity holders of the Company		**(5,359)**	(13,125)
Loss per share: basic and diluted	12	**(2.00)p**	(4.91)p

Consolidated Statement of Comprehensive Income for the year ended 31 January 2018

	2018 £000	2017 £000
Loss for the financial year	**(5,359)**	(13,125)
Other comprehensive income	**–**	–
Total comprehensive income for the year attributable to equity holders of the Company	**(5,359)**	(13,125)

Consolidated Statement of Changes in Equity for the year ended 31 January 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2016	264	64,572	(36,405)	28,431
Total comprehensive income for year				
Loss for the financial year	–	–	(13,125)	(13,125)
Total comprehensive income for year	–	–	(13,125)	(13,125)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	4	571	–	575
Equity-settled share-based payment transactions	–	–	99	99
Total contributions by and distribution to owners	4	571	99	674
As at 31 January 2017	268	65,143	(49,431)	15,980
Total comprehensive income for year				
Loss for the financial year	–	–	(5,359)	(5,359)
Total comprehensive income for year	–	–	(5,359)	(5,359)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1	11	–	12
Equity-settled share-based payment transactions	–	–	105	105
Total contributions by and distribution to owners	1	11	105	117
As at 31 January 2018	**269**	**65,154**	**(54,685)**	**10,738**

Company Statement of Changes in Equity for the year ended 31 January 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2016	264	64,572	(33,581)	31,255
Total comprehensive income for year				
Loss for the financial year	–	–	(13,391)	(13,391)
Total comprehensive income for year	–	–	(13,391)	(13,391)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	4	571	–	575
Equity-settled share-based payment transactions	–	–	99	99
Total contributions by and distribution to owners	4	571	99	674
As at 31 January 2017	268	65,143	(46,873)	18,538
Total comprehensive income for year				
Loss for the financial year	–	–	(5,347)	(5,347)
Total comprehensive income for year	–	–	(5,347)	(5,347)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	1	11	–	12
Equity-settled share-based payment transactions	–	–	105	105
Total contributions by and distribution to owners	1	11	105	117
As at 31 January 2018	**269**	**65,154**	**(52,115)**	**13,308**

Balance Sheets

	Notes	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Non-current assets					
Intangible assets	13	**135**	156	**2,959**	2,980
Property, plant and equipment	14	**71**	51	**71**	51
Investments	15	**–**	–	**–**	–
		206	207	**3,030**	3,031
Current assets					
Tax receivable		**1,364**	2,972	**1,364**	2,972
Trade and other receivables	16	**91**	276	**89**	276
Prepayments		**504**	501	**504**	501
Fixed-term deposits	17	**2,500**	9,500	**2,500**	9,500
Cash and cash equivalents		**7,097**	4,475	**7,097**	4,475
		11,556	17,724	**11,554**	17,724
Total assets		**11,762**	17,931	**14,584**	20,755
Current liabilities					
Trade and other payables	18	**1,024**	1,951	**1,276**	2,217
Total liabilities		**1,024**	1,951	**1,276**	2,217
Net assets		**10,738**	15,980	**13,308**	18,538
Equity					
Share capital	19	**269**	268	**269**	268
Share premium		**65,154**	65,143	**65,154**	65,143
Retained earnings		**(54,685)**	(49,431)	**(52,115)**	(46,873)
Total equity attributable to equity holders of the Company		**10,738**	15,980	**13,308**	18,538

As permitted by s408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the parent Company. The Company reported a loss for the financial year ended 31 January 2018 of £5,347,000 (2017: loss of £13,391,000).

These financial statements were approved and authorised for issue by the Board of Directors on 26 March 2018 and were signed on its behalf by:

Ray Barlow
Chief Executive Officer

Steve Medlicott
Finance Director

Registered number: 04304473

Consolidated Statement of Cash Flow for the year ended 31 January 2018

	Notes	2018 £000	2017 £000
Loss for the year		**(5,359)**	(13,125)
Adjustments for:			
Depreciation, amortisation and impairment	6	**72**	2,861
Loss on disposal of fixed assets	6	**–**	2
Investment income	10	**(49)**	(132)
Equity-settled share-based payment expenses	22	**105**	99
Taxation	11	**(1,360)**	(3,073)
Operating cash flows before movements in working capital		**(6,591)**	(13,368)
Decrease in trade and other receivables		**145**	611
(Decrease)/Increase in trade and other payables		**(927)**	751
Tax received		**2,968**	2,570
Net cash from operating activities		**(4,405)**	(9,436)
Interest received		**86**	194
Acquisition of subsidiary		**–**	(1,473)
Acquisition of property, plant and equipment	14	**(66)**	(22)
Acquisition of other intangible assets	13	**(5)**	(143)
Decrease in fixed-term deposits	17	**7,000**	9,000
Net cash from investing activities		**7,015**	7,556
Net proceeds from issue of share capital		**12**	13
Net cash from financing activities		**12**	13
Net increase/(decrease) in cash and cash equivalents		**2,622**	(1,867)
Cash and cash equivalents at 1 February		**4,475**	6,342
Cash and cash equivalents at 31 January		**7,097**	4,475

Notes to the Consolidated Financial Statements

1. General information

e-Therapeutics plc (the "Company") is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (the "Group") are set out in the Strategic Report (pages 1 to 17) and the Directors' Report (pages 20 and 22).

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

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

2. Standards and interpretations applied for the first time

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

Amendments:

- IAS 7 – Disclosure initiative
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Various – Annual Improvements to IFRSs 2014 – 2016 Cycle

No new standards or interpretations have been adopted early in these financial statements. At the date of authorisation of these financial statements, the following new and revised standards have been issued but are not yet effective, again, with no material impact on accounting policies, disclosure or amounts reported currently anticipated:

New or revised standards to be applied from 1 February 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers

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

- IFRS 16 – Leases

New or revised standards to be applied from 1 February 2021:

- IFRS 17 – Insurance Contracts

Amendments to be applied from 1 February 2018:

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

Amendments to be applied from 1 February 2019:

- IAS 28 – Long-term Interests in Associates and Joint Ventures
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Various – Annual Improvements to IFRS Standards 2015–2017 Cycle

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies

Basis of accounting

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

Going concern

The Directors have, at the time of approving these financial statements, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 17.

Basis of consolidation

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

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

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and any equity interest issued by the Group in exchange for control of the acquiree. Costs related to acquisitions are recognised in profit or loss as incurred.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The subsequent accounting for changes in the fair value of contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 'Financial Instruments' or IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' as appropriate, with the corresponding gain or loss being recognised in the Income Statement.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the identifiable assets acquired and liabilities assumed. Identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair values.

Foreign currencies

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

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

Revenue

Sale of goods and rendering of services

The Company expects to derive revenue in the future principally through different types of collaborative partnership relying on its in silico drug discovery platform, and by licensing the products resulting from its drug discovery efforts. No such revenues were recognised in the current or prior year.

Investment income

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

Expenses

Operating lease payments

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

Defined contribution pension plans

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

Share-based payment transactions

Equity-settled share-based payments to employees are measured at fair value of the equity instruments at the grant date, excluding the effect of non-market-based vesting conditions. Details regarding the determination of the fair value are included in Note 22.

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

Taxation

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws that have been enacted or substantively enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The 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 the Group can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Intangible assets

Goodwill

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

R&D expenditure

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

Patents and trademarks

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

Derecognition

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

Notes to the Consolidated Financial Statements (continued)

3. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

Impairment of intangible and tangible assets, excluding goodwill

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

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

Investments in subsidiaries

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

Financial instruments

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

Financial assets

Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised in the Income Statement, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are assessed for indicators of impairment at each Balance Sheet date and are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected. The amount of impairment recognised in the Income Statement is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Financial liabilities

Trade and other payables are measured at amortised cost using the effective interest method. Income is recognised in the Income Statement.

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

Fixed-term deposits

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

Cash and cash equivalents

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

4. Accounting judgements and sources of estimation uncertainty

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

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

- The Directors consider the continued adoption of the going concern basis appropriate, notwithstanding the fact that no revenue was recognised in the current or prior year. Further details of this decision can be found in the Strategic Report on page 17.

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

- Intangible assets and goodwill have been reviewed for impairment and further details of this testing can be found in Note 13.
- The current tax receivable, as disclosed in Note 11, represents an R&D tax credit based on an advance claim with HMRC. The final receivable is subject to the correct application of complex R&D tax rules and HMRC approval.

5. Segmental 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 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.

6. Operating loss for the year

Included in operating loss are the following:

	2018 £000	2017 £000
Net foreign exchange (gains)/losses	**(3)**	10
Amortisation of intangible assets	**16**	23
Impairment of intangible assets	**10**	704
Depreciation of property, plant and equipment	**46**	33
Loss on disposal of property, plant and equipment	**–**	2
R&D costs	**5,019**	10,911
Operating leases – hire of other assets	**45**	81
Staff costs (see Note 8)	**2,595**	3,537

7. Auditor's remuneration

	2018 £000	2017 £000
Amounts receivable by the Auditor and its associates in respect of:		
– audit of the Group's annual financial statements	**39**	36
– audit-related assurance services	**–**	3
– taxation compliance services	**–**	8
– other services	**3**	9

Notes to the Consolidated Financial Statements (continued)

8. Staff numbers and costs

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

	Number of employees Group		Number of employees Company	
	2018	2017	**2018**	2017
R&D staff	**15**	18	**15**	18
Finance and administration staff	**3**	3	**3**	3
Executive Directors	**2**	3	**2**	3
	20	24	**20**	24

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Wages and salaries	**2,050**	2,877	**2,050**	2,877
Share-based payments (see Note 22)	**105**	99	**105**	99
Social security costs	**253**	360	**253**	360
Contributions to money purchase pension schemes	**187**	201	**187**	201
	2,595	3,537	**2,595**	3,537

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans is £187,000 (2017: £201,000). As the reporting date, there were outstanding contributions of £13,000 (2017: £8,000).

9. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	**851**	1,713
Contributions to money purchase pension schemes	**31**	30
	882	1,743

	2018		2017	
	Directors' emoluments £000	**Contributions to money purchase schemes £000**	Directors' emoluments £000	Contributions to money purchase schemes £000
Ray Barlow (appointed 6 April 2017)	**304**[d]	**31**	–	–
Steve Medlicott	**229**	**–**	333	–
Sean Nicolson (resigned 28 February 2017)	**123**[e]	**–**	170	1
Malcolm Young (resigned 12 July 2016)	**–**	**–**	480[a]	29[b]
Stephen Self (resigned 30 September 2016)	**–**	**–**	413[c]	–
Iain Ross	**111**	**–**	201	–
Brad Hoy (resigned 1 November 2017)	**34**	**–**	51	–
Trevor Jones	**40**	**–**	65	–
Christine Soden (appointed 1 November 2017)	**10**	**–**	–	–
	851	**31**	1,713	30

a Includes £291,865 representing compensation for loss of office and payments in lieu of notice, and £21,401 in lieu of Company contributions to a money purchase pension scheme.
b £26,250 of contributions to money purchase pension schemes for Malcolm Young represents compensation for loss of office.
c Includes £260,110 representing compensation for loss of office and payments in lieu of notice, and £13,940 in lieu of Company contributions to a money purchase pension scheme.
d Includes £52,834 upon joining the Company, £12,739 of which relates to the reimbursement of relocation expenses incurred.
e Includes £110,681 representing compensation for loss of office.

9. Directors' remuneration (continued)

	Number of Directors	
	2018	2017
Retirement benefits are accruing to the following number of Directors under:		
– money purchase pension schemes	**1**	1
Directors who exercised share options during the year	**Nil**	Nil

The Directors who held office during the financial year held share options under the e-Therapeutics Performance Share Plan 2013 as set out below:

Name	At end of year	At beginning of year	Exercise price (p)	Date from which exercisable	Expiry date
Steve Medlicott	–	1,045,454	0.10	8 July 2017	8 July 2024
Steve Medlicott	–	517,240	0.10	6 January 2018	6 January 2025
Steve Medlicott	666,666	666,666	16.76	23 November 2018	23 November 2026
Steve Medlicott	666,667	666,667	20.95	23 November 2018	23 November 2026
Steve Medlicott	666,667	666,667	25.14	23 November 2019	23 November 2026
Steve Medlicott	750,000	–	16.76	19 July 2019	19 January 2028
Sean Nicolson	20,833	250,000	16.76	23 November 2018	23 November 2026
Sean Nicolson	20,833	250,000	20.95	23 November 2018	23 November 2026
Sean Nicolson	20,834	250,000	25.14	23 November 2019	23 November 2026
Ray Barlow	2,000,000	–	16.76	2 May 2019	2 May 2027
Ray Barlow	1,750,000	–	20.95	2 May 2019	2 May 2027
Ray Barlow	1,750,000	–	25.14	2 May 2019	2 May 2027
Ray Barlow	1,500,000	–	16.76	19 July 2019	19 January 2028

The mid-market price of the Company's shares at 31 January 2018 (the last trading day of the period) was 9.625p and the range during the year was 6.00p to 13.25p.

Options issued under the e-Therapeutics Performance Share Plan 2013 are subject to various share price targets. Detailed performance conditions attached to outstanding share options are described in Note 22.

No Director sold shares or sold or exercised share options during the year.

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

10. Investment income

	2018 £000	2017 £000
Bank interest receivable	**49**	132

Notes to the Consolidated Financial Statements (continued)

11. Tax

	2018 £000	2017 £000
Current tax:		
R&D tax credit receivable for the current year	**(1,364)**	(2,839)
Adjustments for prior year in respect of R&D tax credit	**4**	(234)
Current tax credit	**(1,360)**	(3,073)
Deferred tax	**–**	–
Total on loss on ordinary activities	**(1,360)**	(3,073)

The standard rate of corporation tax applied to reported profit is 19.17% (2017: 20%). The credit for the year can be reconciled to the Group Income Statement as follows:

	2018 £000	2017 £000
Loss before tax	**(6,719)**	(16,198)
Tax at the UK corporation tax rate of 19.17% (2017: 20%)	**(1,288)**	(3,240)
Expenses not deductible for tax purposes	**9**	441
Enhanced relief for R&D	**(580)**	(1,137)
Unrelieved tax losses	**478**	1,094
Other	**17**	3
Adjustments in respect of prior year	**4**	(234)
Total tax credit for the year	**(1,360)**	(3,073)

The Group has accumulated losses available to carry forward against future trading profits of £23,938,000 (2017: £20,650,000). No deferred tax has been recognised in respect of tax losses since it is uncertain at the Balance Sheet date as to whether future profits will be available against which the unused tax losses can be utilised. The estimated value of the deferred tax asset not recognised, measured at a standard rate of 17%, is £4,075,000 (2017: £3,533,000).

The decrease in the current year R&D tax credit is a result of lower qualifying expenditure during the year, following the refocusing of the Group's strategy on its two current self-funded discovery projects (the Group entered the year with six active projects). The current year R&D credit has not yet been approved by HMRC and, therefore, there is a risk that this claim may not be successful. Further details of this risk mitigation are disclosed on page 17.

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

During the year, there was a reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017).

12. Loss per share

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

	2018	2017
Earnings for the purposes of basic EPS and diluted EPS, being loss attributable to owners of the Company (£000)	**(5,359)**	(13,125)
Weighted average number of ordinary shares for the purposes of basic EPS and diluted EPS (number)	**268,457,115**	267,062,262
Loss per share: basic and diluted (p)	**(2.00)**	(4.91)

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 17,052,500 (2017: 15,601,052) ordinary shares (see Note 22). 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.

13. Goodwill and intangible assets

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
As at 1 February 2016	–	1,152	1,152	2,824	1,152	3,976
Recognised on acquisition of a subsidiary	2,101	–	2,101	–	–	–
Other acquisitions – internally developed	–	143	143	–	143	143
As at 31 January 2017	2,101	1,295	3,396	2,824	1,295	4,119
Other acquisitions – internally developed	–	5	5	–	5	5
As at 31 January 2018	**2,101**	**1,300**	**3,401**	**2,824**	**1,300**	**4,124**
Amortisation and impairment						
As at 1 February 2016	–	412	412	–	412	412
Impairment losses	2,101	704	2,805	–	704	704
Amortisation charge for the year	–	23	23	–	23	23
As at 31 January 2017	2,101	1,139	3,240	–	1,139	1,139
Impairment losses	–	10	10	–	10	10
Amortisation charge for the year	–	16	16	–	16	16
As at 31 January 2018	**2,101**	**1,165**	**3,266**	**–**	**1,165**	**1,165**
Net book value						
As at 1 February 2016	–	740	740	2,824	740	3,564
As at 31 January 2017	–	156	156	2,824	156	2,980
As at 31 January 2018	**–**	**135**	**135**	**2,824**	**135**	**2,959**

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

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

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

Notes to the Consolidated Financial Statements (continued)

14. Property, plant and equipment

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
As at 1 February 2016	148	144	292
Additions	18	4	22
Disposals	(38)	(41)	(79)
As at 31 January 2017	128	107	235
Additions	66	–	66
As at 31 January 2018	**194**	**107**	**301**
Depreciation			
As at 1 February 2016	129	99	228
Depreciation charge for the year	16	17	33
Eliminated on disposals	(38)	(39)	(77)
As at 31 January 2017	107	77	184
Depreciation charge for the year	30	16	46
As at 31 January 2018	**137**	**93**	**230**
Net book value			
As at 1 February 2016	19	45	64
As at 31 January 2017	21	30	51
As at 31 January 2018	**57**	**14**	**71**

15. Investments in subsidiaries – Company

	Total £000
Cost	
As at 1 February 2016	–
Acquisition of subsidiary	2,374
As at 31 January 2017 and 31 January 2018	**2,374**
Provision for impairment	
As at 1 February 2016	–
Impairment losses	2,374
As at 31 January 2017 and 31 January 2018	**2,374**
Net book value	
As at 1 February 2016	–
As at 31 January 2017	–
As at 31 January 2018	**–**

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

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

InRotis Technologies Limited is exempt from the requirement for an audit under s480 of the Companies Act 2006.

Searchbolt Limited is exempt from the requirement for an audit by virtue of s479A of the Companies Act 2006 and has been provided with a statutory guarantee by the Company, its immediate parent, as required by s479C of the Companies Act 2006.

16. Trade and other receivables

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Other receivables	**91**	276	**89**	276

There is no doubtful debt provision in respect of other receivables in the current or prior year for the Group or the Company. All debts are not past due in the current and prior year. The Group and the Company's management have received no indication that any unimpaired amounts will be unrecoverable.

17. Fixed-term deposits

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Fixed-term deposits	**2,500**	9,500	**2,500**	9,500

Fixed-term deposits are Sterling deposits with an initial maturity of three months or more. The Group seeks to maximise returns from its cash resources by placing funds on fixed-term deposit when it is possible to do so without negatively affecting access to required short-term working capital. The weighted average maturity of fixed-term deposits at the year end was 135 days (2017: 164 days).

18. Trade and other payables

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Current:				
Trade payables	**637**	889	**637**	889
Amounts due to Group undertakings	**–**	–	**253**	266
Other taxation and social security	**75**	102	**75**	102
Other payables	**13**	8	**13**	8
Accrued expenses	**299**	952	**298**	952
	1,024	1,951	**1,276**	2,217

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. Share capital

	No. of ordinary shares	
	2018 000	2017 000
In issue at 1 February	**268,426**	264,456
Issued for cash	**105**	107
Issued as consideration in acquisition of subsidiary	**–**	3,863
In issue at 31 January – fully paid	**268,531**	268,426

	2018 £000	2017 £000
Allotted, called up and fully paid		
268,530,866 (2017: 268,426,042) ordinary shares of £0.001 each	**269**	268
	269	268

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

Notes to the Consolidated Financial Statements (continued)

20. Operating lease commitments

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

	Group	
	2018 £000	2017 £000
Within one year	**28**	48
In the second to fifth years inclusive	**–**	24
After five years	**–**	–
	28	72

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

21. Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any capital items (2017: £nil).

22. Share-based payments

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

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 (p)
April 2007[a]	–	92,730	38.6
October 2007[a]	–	118,020	67.0
July 2014 (effective grant date: April 2014)[b]	–	250,000	0.1
July 2014 (effective grant date: April 2014)[c]	–	250,000	0.1
July 2014 (effective grant date: June 2014)[b]	–	1,729,120	0.1
July 2014 (effective grant date: June 2014)[c]	–	626,651	0.1
January 2015[b]	–	1,578,571	0.1
January 2015[c]	–	645,960	0.1
November 2016[d]	2,767,499	3,436,666	16.76
November 2016[d]	2,767,500	3,436,667	20.95
November 2016[e]	2,767,501	3,436,667	25.14
May 2017[f]	2,000,000	–	16.76
May 2017[g]	1,750,000	–	20.95
May 2017[h]	1,750,000	–	25.14
December 2017[i]	1,000,000	–	16.76
January 2018[i]	2,250,000	–	16.76

a Options are exercisable and vest immediately.
b 'Basic options' issued under the PSP have a three-year vesting period from the grant date, or effective grant date if stated. 25% of these options will be capable of vesting if a share price target of 125% of the share price on the grant date is achieved three years from the grant date, or effective grant date if stated. The proportion of these options which are capable of vesting increases linearly to 100% if a share price target of 200% of the share price on the grant date is achieved.
c 'Supplementary options' issued under the PSP have a three-year vesting period from the grant date, or effective grant date if stated, and are capable of vesting if a share price target of 250% of the share price on the grant date is achieved three years from the grant date, or effective grant date if stated.
d Options have a two-year vesting period and are exercisable immediately after vesting.
e Options have a three-year vesting period and are exercisable immediately after vesting.
f Options have a one-year vesting period and are exercisable two years after the grant date.
g Options have a two-year vesting period and are exercisable immediately after vesting.
h 1/36th of these options vest one month from the grant date and thereafter on the expiry of each successive one-month period until the third anniversary of the grant date. Options are exercisable two years after the grant date.
i The options vest if the Company achieves external commercial validation within two years of the grant date. Options are capable of cumulative vesting in six-monthly tranches from the grant date, being 25%, 50%, 75% and 100% at 24 months after grant. The options are exercisable immediately after vesting.

22. Share-based payments (continued)

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

	2018 Weighted average exercise price (p)	**Number of options 2018**	2017 Weighted average exercise price (p)	Number of options 2017
Options				
Outstanding at the beginning of the year	**14.6**	**15,601,052**	1.3	12,118,842
Forfeited during the year	**6.0**	**(7,087,802)**	0.6	(6,827,790)
Expired during the year	**54.5**	**(210,750)**	–	–
Granted during the year	**19.3**	**8,750,000**	21.0	10,310,000
Outstanding at the end of the year	**20.1**	**17,052,500**	14.6	15,601,052
Exercisable at the end of the year	**–**	**–**	54.5	210,750

The options outstanding at the year end have a weighted average remaining contractual life of nine years (2017: nine years).

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

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

Date of grant	Jan 2018	Dec 2017	May 2017	May 2017	May 2017
Share price at date of grant (p)	10.00	9.13	7.88	7.88	7.88
Minimum vesting period	6 months – 2 years[b]	6 months – 2 years[b]	1 year	2 years	1 month – 3 years[a]
Exercise price and share price target (p)	16.76	16.76	16.76	20.95	25.14
Expected volatility	48.74%	50.04%	45.82%	45.82%	42.01% – 45.82%[a]
Risk-free rate	0.57%	0.45%	0.08%	0.08%	0.081% – 0.196%[a]
Dividend yield	0%	0%	0%	0%	0%
Number of shares	2,250,000	1,000,000	2,000,000	1,750,000	1,750,000
Fair value per option (p)	1.164	0.947	0.431	0.223	0.125 – 0.243[a]

a 1/36th of these options vest one month from the grant date and thereafter on the expiry of each successive one-month period until the third anniversary of the grant date. The volatility and risk-free rate is calculated over a period commensurate with the vesting period. Each tranche of options that vest on successive months therefore have a different fair value, the range of which is shown.

b Options are capable of cumulative vesting in six-monthly tranches from the grant date up to 100% at 24 months from grant and, as such, the fair value is calculated based on a two year period.

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

	2018 £000	2017 £000
Group and Company equity-settled share-based payment expense	**105**	99

Notes to the Consolidated Financial Statements (continued)

23. Financial instruments

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

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 £9,597,000 of cash and fixed-term deposits as at 31 January 2018 (2017: £13,975,000).

Management of financial risk

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

Credit risk

The carrying amount of financial assets, all measured as loans and receivables at amortised cost, and cash balances is as follows:

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Financial assets:				
Other receivables	**91**	276	**89**	276
Prepayments	**504**	501	**504**	501
	595	777	**593**	777
Cash and cash equivalents:				
Fixed-term deposits	**2,500**	9,500	**2,500**	9,500
Cash and cash equivalents	**7,097**	4,475	**7,097**	4,475
	9,597	13,975	**9,597**	13,975
	10,192	14,752	**10,190**	14,752

The Directors consider that there is no material difference between the carrying value of financial assets and their fair value. The carrying amount of other receivables in the Balance Sheet represents the maximum exposure to credit risk and details are given in Note 16.

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

The Directors consider the Group's exposure to credit risk to be acceptable and normal for a similar entity at its stage of development.

23. Financial instruments (continued)

Liquidity risk

The Group finances its operations using cash raised through the issue of equity. The Group manages its liquidity risk by monitoring short-term cash flows against monthly forecast requirements and the longer-term cash flows against annual two-year budgets and two-year forecasts prepared at least annually as the Board deem appropriate. The Group's fixed-term deposits (Note 17) all have initial maturities of no more than 12 months.

The Group and the Company have the following financial liabilities, all measured at amortised cost and all payable within one year:

	Group		Company	
	2018 £000	2017 £000	**2018 £000**	2017 £000
Trade payables	**637**	889	**637**	889
Amounts due to Group undertakings	**–**	–	**253**	266
Other taxation and social security	**75**	102	**75**	102
Other payables	**13**	8	**13**	8
Accrued expenses	**299**	952	**298**	952
	1,024	1,951	**1,276**	2,217

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

Interest rate risk

The Group has no interest-bearing debt in issue and therefore interest rate risk applies only to the return achieved upon cash and fixed-term deposits. The trade and other payables do not bear interest. Interest received on cash balances and fixed-term deposits was £49,000 (2017: £132,000), earned at interest rates of between 0% and 1% (2017: 0% and 1%). The Directors do not consider that a fluctuation in exchange rates would have a material impact on the Group.

24. Related parties

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

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

Acquisition of Searchbolt

Searchbolt Limited ("Searchbolt") was acquired in the prior year. At the time of the acquisition, Malcolm Young was Chief Executive Officer of e-therapeutics plc and a shareholder and non-executive director of Searchbolt (holding 32.8% of Searchbolt's fully diluted shares), and Sean Nicolson was Executive Director of e-therapeutics plc and a shareholder of Searchbolt (holding 0.35% of Searchbolt's fully diluted shares). During the prior year, Malcolm Young received consideration settled by cash of £104,364 and consideration settled by newly issued e-therapeutics plc shares of £487,458. Also during the prior year, Sean Nicolson received consideration settled by newly issued e-therapeutics plc shares of £7,250. No amounts were payable to Malcolm Young and Sean Nicolson in the current year.

25. Subsequent events

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

Notice of Annual General Meeting

(incorporated and registered in England and Wales under number 04304473)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Notice is hereby given that the Annual General Meeting of e-therapeutics plc (the "Company") will be held at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.00am on 31 May 2018 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 6, which will be proposed as a special resolution:

Ordinary business

1. To receive the accounts for the financial year ended 31 January 2018 together with the Directors' Report and the Auditor's Report for that period.
2. To elect Christine Soden as a Director of the Company.
3. To re-appoint Deloitte LLP as the Auditor of the Company.
4. To authorise the Directors to set the remuneration of the Auditor of the Company.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution, and resolution 6 will be proposed as a special resolution:

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

   a) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) of £89,420.78 (being 33.3% of the Company's issued share capital as at close of business on 22 March 2018), such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum; and

   b) comprising equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £179,110.09 (being 66.7% of the Company's issued share capital as at close of business on 22 March 2018), such amount to be reduced by any allotments or grants made under (a) above, in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorities to expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2019 (save that the Company may before such expiry make any offer or enter into any agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

6. That, subject to the passing of resolution 5 above, the Directors be and are hereby empowered pursuant to section 570(1) of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560(1) of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities for cash:

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

   b) in the case of the authorisation granted under resolution 5(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £53,706.17 (being 20% of the Company's issued share capital as at close of business on 22 March 2018)

and this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2019 (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired).

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

By order of the Board

Sue Steven
Company Secretary
26 March 2018

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

Registered in England and Wales number 04304473

Explanatory Notes to the Resolutions

The notes on the following pages explain the resolutions to be proposed at the Annual General Meeting of e-therapeutics plc (the "Company") to be held at the offices of the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH at 11.00am on 31 May 2018 (the "Annual General Meeting").

Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 6 is proposed as a special resolution. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

Resolution 1 – Adoption of Report and Accounts
For each financial year, the Directors are required to present the Directors' Report, the audited accounts and the Auditor's Report to Shareholders at a general meeting. The financial statements and reports laid before the Annual General Meeting are for the financial year ending 31 January 2018, and the Company proposes a resolution on its financial statements and reports.

Resolution 2 – Re-election of Directors
All Directors are subject to election by Shareholders at the first Annual General Meeting following their appointment by the Board. Christine Soden was appointed by the Board as a Director on 1 November 2017 and, therefore, will retire at the forthcoming Annual General Meeting and, being eligible, will offer herself for re-election. Resolution 2 proposes the election of Christine Soden, whose biography appears on page 19 of the Annual Report and accounts for the year ended 31 January 2018.

Resolutions 3 and 4 – Re-appointment of Auditor and Auditor's remuneration
Resolutions 3 and 4 propose the re-appointment of Deloitte LLP as the Company's Auditor for the year ending 31 January 2019, and the authorisation of the Directors to agree the Auditor's remuneration. The Directors will delegate this authority to the Audit Committee.

Resolution 5 – Authority to allot shares
Your Directors may only allot shares or grant rights over shares if authorised to do so by Shareholders. This resolution, if passed, will give the Directors flexibility to act in the best interests of Shareholders, when the opportunity arises, by issuing new shares. Accordingly, resolution 5 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares (a) up to an aggregate nominal amount of £89,420.78 and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £179,110.09.

These amounts represent approximately 33.3% and approximately 66.7% respectively of the total issued ordinary share capital of the Company as at close of business on 22 March 2018, being the last practicable day prior to the publication of this notice. If given, these authorities will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2019.

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

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

Resolutions 6 – Disapplication of pre-emption rights
Your Directors also require additional authority from Shareholders to allot equity securities for cash and otherwise than to existing Shareholders pro rata to their holdings. Resolution 6 will be proposed as a special resolution to grant such an authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities for cash up to an aggregate nominal value of £53,706.17 (being 20% of the Company's issued ordinary share capital as at close of business on 22 March 2018, being the last practicable day prior to the publication of this notice). If given, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2019.

Procedural and explanatory notes

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

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered on the register of members of the Company at close of business on 29 May 2018 or, in the event that this meeting is adjourned, on the register of members as at close of business on the day two days before the date of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their names at that time. Changes to the entries on the register of members after close of business on 29 May 2018, or in the event that this meeting is adjourned, in the register of members after close of business on the day two days before the date of the adjourned meeting shall 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 vote, all of a member's voting rights may be exercised by one or more duly appointed proxies. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a member from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy must vote in accordance with any instructions given by the appointing member.

3. A form of appointment of proxy is enclosed. To appoint a proxy, this form must be completed and signed, sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney of the company. If you return more than one proxy appointment in respect of a share, that received last by the registrar before the latest time for the receipt of proxies will take precedence.

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

5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with Neville Registrars Limited at the address shown on the proxy form not later than 11.00am on 29 May 2018 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.

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

7. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent, Neville Registrars Limited, whose CREST participant ID is 7RA11, by 11.00am on 29 May 2018.

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

Explanatory Notes to the Resolutions (continued)

Voting results

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

Inspection of documents

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

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

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

Corporate representatives

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

Nominated persons

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

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

Issued share capital and total voting rights

13. As at close of business on 22 March 2018, being the last practicable day prior to the publication of this Notice, the Company's issued share capital comprised 268,530,866 ordinary shares of 0.1 pence. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this Notice is 268,530,866.

Members' requests under section 527 of the Act

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

Members' rights to ask questions

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

Security

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

Website

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

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

Advisers

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

Tel: +44 (0) 20 7260 1000

Auditor to the Company
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Statutory Auditor
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Registrars
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