e-Therapeutics

Modern science for complex disease

e-Therapeutics plc
Annual report and accounts 2016

e-Therapeutics plc

Who we are

e-Therapeutics is a drug discovery and development company with a proprietary discovery platform based on advances in network pharmacology and chemical biology.

The Company is applying its platform to the discovery of new drug candidates. The therapeutic focus of the Company's discovery activity is in immuno-oncology, addressing drug resistance in targeted cancer therapies and antivirals. The platform is yielding multiple, highly potent, selective and diverse molecules at much higher yields than is reported for conventional drug discovery.

The Company has generated a variety of preclinical stage assets, including ETX1153c, a functionally resistance-less antibiotic; ETS2300, telomerase inhibition in anti-cancer; ETS3100, small molecule anti-TNFα; ETS2400, in Hedgehog pathway inhibition; and ETS5200, which is delivering novel broad-spectrum antivirals.

e-Therapeutics has also advanced selected drug candidates into clinical trials. A Phase IIb study of a drug candidate for major depressive disorder, ETS6103 is complete, plus Phase I clinical trials in cancer for ETS2101.

Our approach

Cells contain many different proteins that interact to form complex networks. These networks are vital to normal function and also play a central role in disease. e-Therapeutics uses sophisticated computational techniques to analyse protein networks.

Its scientists identify the whole set of proteins most critical in any particular disease. The team then seeks drug molecules with the best overall impact on this set of proteins. This approach is called network pharmacology. It differs from "conventional" drug discovery, which is based on targeting a single protein as specifically as possible. e-Therapeutics believes that, by accounting for the true complexity of disease at the outset, its approach has the potential to discover more effective drug treatments.

Modern science for complex disease

Operational highlights

Highly productive discovery platform

- Strategic focus for the business, now fully developed and generating many potent compounds
- Twelve active projects (FY15: six) and three projects in lead optimisation (FY15: nil)

ETS6103 – detailed update on analysis of Phase IIb trial results

- Confirmed antidepressant activity for SSRI non-responders
- Fewer side effects and better tolerance profile than current post-SSRI treatment

ETS2101 – refocus from infused form to explore oral form

- Early phase experimental clinical trials completed
- New data suggests potential for compound when given without a steroid pre-med

Board changes – Appointment of Professor Trevor Jones as Non-Executive Director and Iain Ross as Non-Executive Chairman

Prioritisation of asset commercialisation – progressing more projects from discovery platform and seeking partners for assets

Financial highlights

- Net cash at £24.8m (FY15: £33.8m)
- Operating loss of £11.6m (FY15: loss of £10.2m)
- R&D tax credit of £2.5m (FY15: £2.0m)
- Discovery spend was £4.3m (FY15: £2.7m) due to the increase in number of active projects

Focus, Partner and Commercialise

In January of this year, I was delighted to be appointed as Chairman of the e-Therapeutics Board. During my short tenure, I have been impressed with the competence and skills of the management and staff, and also with the commitment of the shareholders and the Company's advisers. In my view, e-Therapeutics is entering an exciting new chapter.

> "I believe that e-Therapeutics' time has come."

To Focus, Partner and Commercialise
I believe e-Therapeutics is at the cutting edge of science, has an excellent share register and is at a pivotal point in its development. Over a number of years, the Company has developed and refined its network pharmacology discovery platform. The team, led by Professor Malcolm Young, believes it now has the capability to provide the pharmaceutical and biotech industry with access to a highly efficient, proprietary 'drug discovery engine', which can enable and accelerate the identification of novel compounds in significant areas of unmet medical need. In my view, our mantra going forward should be to "Focus, Partner and Commercialise" to realise value for shareholders.

The core strength of the business lies in our novel discovery capability
Since originally identifying our first lead development compounds, substantial investment has enabled us to accelerate the development and expand the Company's discovery capabilities and infrastructure. The platform is now the core focus for the business as it provides fast and accurate data enabling the identification of highly potent novel compounds which have the potential to be 'game changers' in established multiple, billion dollar markets.

We have continued with further analysis of the data since our preliminary examination of the ETS6103 Phase IIb results. The data confirm the predicted antidepressant activity of the compound and a detailed analysis is included in the Chief Executive Officer's statement on page 4. We will not further fund the development of this program in the absence of a partner. Accordingly, the management is currently assessing the viability of the options for partnering this programme.

In respect of ETS2101, we commenced a Phase Ib trial mid-year using an infusion formulation in hepatocellular cancer and pancreatic cancer. Recent evidence indicates the possibility that a different dosage form of ETS2101 may be preferable, as outlined in the Chief Executive Officer's statement. We intend therefore to bring clinical trials using the infusion formulation to an orderly close in order to explore potentially superior routes of administration.

Beyond these older assets, the real core strength of this business lies in its novel discovery capability. This is where we intend to increasingly focus our efforts.

By partnering we will accelerate the productivity of our discovery engine
The key challenge over the next 18-24 months will be to further validate our novel discovery platform by entering collaborations with established industry partners who can financially and commercially translate the outputs of our platform into meaningful and important medicines.

By not going it alone, we can considerably reduce the development risk; at the same time, we can increase the probability of success by engaging with appropriate partners with specific expertise in the most appropriate therapeutics sectors. As a result, we have already started to target and engage with a number of potential partners. We recognise that it will take time and patience to be able to secure material partnerships.

We need to be fit for purpose and flexible
Over the next few months we intend to build our in-house business development capabilities so that we will be in a better position to identify and engage with key

industry players and work effectively towards securing meaningful partnerships. We will need to maintain a degree of flexibility in terms of the timing and stage at which we secure partnerships and collaborations. The value inherent in our discovery projects and platform could be unlocked via preclinical out-licensing deals, early stage clinical development deals or discovery collaborations, providing important validation and portfolio diversification.

In parallel with business development activities, our intellectual property portfolio will continue to be strengthened and broadened and we will take the necessary steps to protect our portfolio going forward as it is an inherent component of our enterprise value.

Strengthened Board for commercialisation chapter
During the period, Professor Trevor Jones joined the Board. He not only brings long scientific and R&D experience, but his acute insight and knowledge of the pharmaceutical industry will prove invaluable as we seek to market our capabilities. The Board and management will continue to evolve and strengthen to meet the challenges before us.

I believe that e-Therapeutics' time has come and I look forward to working with the Board and management team to deliver some transformational relationships, which will ensure and enhance shareholder value.

Iain G. Ross
Chairman
21 March 2016

> “The real core strength of this business lies in its novel discovery capability. This is where we intend to increasingly focus our efforts.”

Chief Executive Officer's statement

Strong progress in Discovery

The Company sustained a high level of activity throughout the year, particularly in Discovery. We also reported preliminary analysis of clinical data on our anti-depression programme, ETS6103, which is reported definitively later in this report. The infused version of ETS2101 entered Phase Ib and we have detailed new evidence which is pivoting our interest to a possible oral doseform. Our cash resources were £24.8m at the end of the year and we anticipate receipt of an R&D tax credit of £2.5m relating to R&D spend incurred in the year. The Company remains well funded.

> “Our approach to drug discovery continues to yield a high number of potent compounds across multiple indications, delivered in a significantly shorter timeframe and at lower cost than traditional drug discovery approaches.”

Progress in Discovery
Following the substantial investment in 2013, e-Therapeutics' discovery platform has been developed from a prototype or 'academic' system into a highly efficient, engineered production system, which is now in full operation.

Our approach to drug discovery continues to yield a high number of potent compounds across multiple indications, delivered in a significantly shorter timeframe and at lower cost than traditional drug discovery approaches. We have identified thousands of active molecules in medically and commercially important areas. During the year, we undertook twelve active projects (FY15: six) and three projects (FY15: nil) are in lead optimisation.

The disparity between the 'hit rate' of our platform and the published hit rates for older approaches to drug discovery remains strikingly high. Our projects' average hit rate is around 25%, whereas conventional hit rates range around 0.01% (e.g. Bender A. Curr. Op. Drug Disc. & Dev., 2008) – a disparity in our favour of some 2,500 times.

Among the molecules generated in this way, there are:

- Telomerase inhibitors which are about 1,000 times more potent in killing cancer cells than the previous best small molecules;
- Hedgehog pathway (cancer) inhibitors with nanomolar potency, which do not bind the protein 'SMO', potentially addressing drug resistance to current products;
- Potent broad-spectrum antivirals, active against multiple rather than single strains of influenza.

The most advanced of our discovery projects, in telomerase inhibition, hedgehog pathway inhibition and anti-TNFα (a key inflammatory cytokine) are now in lead optimisation. The expectation is that the most advanced will enter formal preclinical evaluation later this year.

Advantages of our platform
As we accumulate more data, we are increasingly confident that our discovery process improves fundamentally on the traditional approach to drug discovery, both in terms of time/cost and in its ability to identify active and highly potent compounds.

Our experience suggests that we can progress from project initiation to identification and adoption of a lead compound in 24 months. This compares to industry statistics that suggest a time frame of anywhere between 3 and 5 years to the same end. In the discovery phase of each preclinical project, we typically identify many potent compounds across multiple chemotypes. We believe that this breadth increases the probability that each project will successfully progress.

The agility of our platform means that we can now respond quickly and effectively to commercial opportunities. One example is that we are now generating small molecules in aspects of immuno-oncology as diverse as checkpoint inhibition, tumour microenvironment immune-potentiation, and control of systemic inflammatory response syndrome (SIRS – which is a very serious side effect of many advanced immunotherapies which may limit their practical use). We aim shortly to have the most comprehensive such programme available anywhere.

Similarly, our small molecule broad-spectrum antiviral programme has been focussed on dangerous influenza viruses, but is readily extensible to other pressing antiviral needs, such as Zika, Ebola and JCV (John Cunningham Virus).

2015/2016 in summary

DISCOVERY

Twelve active projects, three in lead optimisation

5,600

5,600 molecules in *in vitro* testing, with an average 'hit rate' of 25%

ETS6103

Phase IIb trial completed

ETS2101

Three Phase Ia trials completed, examining oral formulation for further exploration

£24.8M

Cash resources at 31 January 2016

Commercialisation is the priority
We are now focussing our efforts on commercialising both our preclinical and clinical assets, and our platform approach to drug discovery. Our work in this area has increased in the second half of the last financial year and the level of activity and focus will continue at a high level for the foreseeable future.

Development programmes
ETS6103
In February 2016, we gave a preliminary update following the unblinding of the Phase IIb trial data. Since initial examination, in-depth analysis has now shown that the profile we hoped to have for the compound has been achieved.

This trial was focused on major depressive disorder that is refractory or relapsing from first-line treatment with an SSRI (a class of drugs often used as first-line antidepressants). The randomised, double-blind study was conducted in Glasgow. The study enrolled a total of 383 patients. 164 patients who did not respond adequately to the first-line SSRI treatment (citalopram) were then randomised into one of three study arms, which included two doses of ETS6103 and one of amitriptyline. Patients were dosed over an eight-week treatment period.

Our aim was to determine whether ETS6103:

(i) is an antidepressant,

(ii) is capable of treating patients for whom SSRI treatment has not been successful,

(iii) could have a low therapeutic dose, consistent with a low tolerance and side effect burden, so that...

(iv) ...it has a more benign side effect and tolerance profile than current treatment with a tricyclic antidepressant, such as amitriptyline.

Chief Executive Officer's statement continued

An earlier small pilot trial showed that ETS6103 was an effective antidepressant, with non-inferiority in efficacy ($p<0.05$) compared to amitriptyline when ETS6103 was given at a higher dose (200-400mg). The recent Phase IIb trial also evaluated non-inferiority to amitriptyline even though, in this case, the doses of ETS6103 were much lower.

The results were:

(i) ETS6103 is an antidepressant:

- MADRS scores of patients in the ETS6103 arms improved significantly over the period of the trial ($p<0.0001$ for both 70mg and 20mg);
- All other depression scores showed the same strong effect (for 70mg: CGI-S $p<10^{-6}$, and HAM-D $p<10^{-14}$);
- 32% of patients taking 70mg ETS6103 responded, showing a decrease from baseline MADRS greater than 50% (28% for 20mg ETS6103);
- 20% of 70mg ETS6103 patients went into remission (MADRS score below 11) (13% on 20mg ETS6103);
- Neither the response rate nor the remission rate for 70mg ETS6103 differed statistically from those of amitriptyline ($p>0.3$ for response rate, and $p>0.15$ for remission).

(ii) ETS6103 is capable of treating some depressed patients who did not respond to SSRI treatment: all the patients in (i) had previously not responded adequately to the SSRI citalopram;

(iii) ETS6103 at even low (20mg and 70mg) doses generated the results in (i) above;

(iv) ETS6103 generated fewer treatment emergent adverse events than amitriptyline. Specifically, there were fewer adverse events overall, fewer gastrointestinal disorders, and fewer nervous system disorders than for amitriptyline.

As regards efficacy alone, while response and remission rates for 70mg ETS6103 did not differ statistically from those for amitriptyline, the two low doses of ETS6103 (20mg and 70mg) were not statistically non-inferior to amitriptyline. However, the overall benefit to patients who have not responded to an SSRI, taking account of response and remission rates together with a better side effect and tolerance profile when compared to amitriptyline, implies that ETS6103 may be an attractive therapeutic option for these patients.

We have previously indicated that if the trial were successful we would look to out-licence ETS6103. Our conclusion is that the results support the target product profile of ETS6103 that we hoped to have. ETS6103 does indeed benefit SSRI-non-responders, and it does so with a better side effect and tolerance burden than other post-SSRI antidepressants, such as amitriptyline. In the context of a need for effective and less toxic antidepressants for those who are not treated successfully with SSRIs, ETS6103's profile may represent an additional treatment option for some patients, and we are progressing potential out-licensing steps.

ETS2101

During the year we completed three Phase Ia studies in the UK and US and commenced Phase Ib trials in hepatocellular carcinoma (HCC) and pancreatic cancer, across multiple locations. The first patient in these trials was dosed in May 2015. All of these trials employed an infusion formulation containing Cremophor. We have determined the maximum tolerated dose (MTD) for this form as 30mg/kg.

The current Phase Ib trial is investigating the safety, tolerability and anti-tumour activity of ETS2101 with the infusion formulation. Both the HCC and pancreatic cancer trials involve two arms: either in combination with the standard of care (SoC) for newly diagnosed HCC or pancreatic cancer patients or as a monotherapy in patients with primary HCC or pancreatic cancer who have relapsed or refractory disease. Eight patients have been enrolled into the HCC in combination with SoC; eight into pancreatic in combination with SoC; twelve into HCC relapsed or refractory monotherapy; and 19 into pancreatic relapsed or refractory monotherapy.

The presence of Cremophor in the infusion formulation requires that patients are pre-treated with dexamethasone because of its irritant side effects. Recent data show that ETS2101 can selectively modulate pro-immune cytokines, an effect that is likely to be suppressed by dexamethasone. We are therefore examining closely factors around an oral, or other non-steroid, formulation for further exploration of ETS2101, and therefore will bring the Phase Ib study to an orderly close.

Summary

Overall, the output from our discovery platform continues to progress very strongly. We have three discovery programmes with differentiated candidate molecules in lead optimisation and a fully operational and highly productive discovery platform that will continue to deliver valuable molecules. Realising the value of these projects is our priority, and we are now focused on partnering our programmes. We remain well funded for all our activities.

Malcolm Young
Chief Executive Officer
21 March 2016

Increased R&D spending

The Company's operating loss in the year was £11.6m (12 months to January 2015: loss of £10.2m). The overall expenditure on research and development increased over the previous year, although there was a change in mix with a £1.6m increase in Discovery costs offset slightly by a £0.3m decline in Development spend. Central and administrative costs were broadly flat at £1.8m (12 months to January 2015: £1.7m).

"The anticipated receipt of the £2.5m R&D tax credit in the current year, when added to the year-end net cash position, gives us around £27m of funds."

Discovery spend in the year was £4.3m (12 months to January 2015: £2.7m). Internal spend was broadly flat during the year. External project spend of £2.3m was £1.6m ahead of the prior year (12 months to January 2015: £0.7m). This increase is a reflection of the combination of the number of active projects and the relative stage, within preclinical discovery, of each project – the initial assay work is relatively less expensive than the later stages of optimisation and lead compound selection.

External project spend in Q4 FY16 of £0.8m compares to £0.3m in Q1 FY16. Outstanding external project orders at the year-end were £1.7m. We anticipate a continued high level of external project spend throughout the current year.

Development spend was down £0.3m in the year to £5.5m (12 months to January 2015: £5.8m). Spend on ETS2101 was £0.1m lower reflecting a combination of the completion of the Phase Ia UK and US trials and the absence of oral formulation trial costs in the last financial year. The Phase Ib trials will account for the majority of the ETS2101 costs in the current year. With the change in strategy for ETS2101, this cost is expected to fall significantly as the trial is wound down.

Spend on ETS6103 was lower in H2 FY16 than either of H1 FY16 or H2 FY15 as the Phase IIb trial neared completion. We anticipate some modest completion costs in the new financial year in relation to this trial.

Central spend was marginally ahead of the prior year at £1.8m. There was a £0.1m increase in the IFRS2 share-based payment charge and a £0.3m increase in business development expenditure, much of which was incurred in the second half.

We anticipate an R&D tax credit arising from allowable R&D spend in FY16 of £2.5m (12 months to January 2015: £2.0m). We are pleased to report that last year we were able to bring forward the cash receipt of the R&D tax credit by three months when compared to the prior year. This was as a result of advanced planning that meant that we were able to report audited preliminary figures two months earlier than the prior year. Consequently we were able to file our R&D tax claim early and this resulted in the cash receipt in H1 FY16. We are targeting a similar performance in the current year.

Finance Director's statement continued

Financial highlights

£24.8M
Cash and liquid resources
(31 January 2015: £33.8m)

£11.3M
Loss before tax
(31 January 2015: loss of £9.8m)

£2.5M
Anticipated R&D tax credit
(31 January 2015: £2.0m)

£10.0M
R&D spend (31 January 2015: £8.5m)

The year-end net cash of £24.8m was £9m lower than the opening position. The difference between the net cash outflow of £9m and the operating loss of £11.6m is primarily a result of the receipt of the £2m R&D tax credit, £0.3m of interest received and a small net inflow from working capital offset slightly by a £0.1m investment in patents.

The anticipated receipt of the £2.5m R&D tax credit in the current year, when added to the year-end net cash position, gives us around £27m of funds. Subject to no change in the tax environment, we could receive up to an additional £6m of R&D tax credits over the coming years as we continue to invest in the core business.

Steve Medlicott
Finance Director
21 March 2016

> “We anticipate a continued high level of external project spend throughout the current year.”

Strategy and business model

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

Following this strategy is expected to result in continuing losses until revenues from these sources exceed investment in R&D. The Board expects to be able to support its discovery and development plans for the foreseeable future even in the absence of any income from partners.

During this period we plan to complete the review of the results of the Phase IIb trial of ETS6103 and conclude a licensing deal for the product if the clinical data are supportive, and to effect an orderly conclusion of the Phase Ib trial of the infused form of ETS2101 and focus on the viability of the development of an oral dose form for further investigation within an immuno-oncology setting. We also expect to add new candidates to our pipeline and advance a small number of the best of these through preclinical development, giving e-Therapeutics a broader portfolio in which risk is diversified and with multiple sources of potential upside.

Business review

The Group's results for the year are set out in the consolidated income statement on page 31. A review of the Group's performance during the year, together with its position at the end of the year, is given in the Chief Executive Officer's statement and the Finance Director's statement on pages 4 to 8.

Principal risks and uncertainties

The principal risks faced by the Group, and the actions taken to mitigate them, are detailed overleaf.

Key performance indicators

The Directors monitor a number of performance indicators on a regular basis, the most important of which are summarised on page 11.

The future

More information on the Group's future prospects and the Directors' consideration of the applicability of the going concern basis of accounting appears on page 11.

Mitigating our risks

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

Risk and description	Principal mitigation
Intellectual property In common with other companies engaged in drug discovery, the Group faces the risk that intellectual property rights necessary to exploit its Research and Development efforts may not be adequately secured or defended. Similarly the intellectual rights relating to the Group's technology platform may not be adequately secured or defended. The Group's intellectual property may also become subject to infringement claims by others, or obsolete, preventing commercial exploitation.	The Group actively manages its intellectual property (IP) engaging with specialists to apply for and defend IP rights in appropriate territories. The Group's patent portfolio is reviewed regularly.
Research and Development The Group may not generate further attractive drug candidates and candidates already in development may fail in preclinical testing or clinical trials because of lack of efficacy, unacceptable side effects or insurmountable challenges in conducting studies adequate to support regulatory approvals. Practical issues, such as inability to devise acceptable formulations for products or inability to manufacture products at acceptable cost, may also lead to failure of candidates in development.	The Group's drug discovery activity is designed to generate multiple structurally diverse candidates. In deciding which of these candidates to advance to preclinical testing and human clinical trials the Group considers a range of factors including technical, IP, commercial, medical, economic and financial, where appropriate seeking advice from relevant experts.
Regulatory Drug development is a highly regulated activity governed by different regulatory authorities in different jurisdictions. It can be difficult to predict the exact requirements of different regulatory bodies and decisions by regulators may lead to delays in development and approval of drugs or lack of marketing authorisations in some or all territories.	The Group's drug development team includes specialists in regulatory affairs who consult with other experts to ensure that internal control processes and clinical trial design meet current regulatory requirements. The Group also engages directly with regulatory authorities when appropriate.
Technology The Group's technology platform and its individual programmes may be superseded by direct competitors.	The Group has pioneered the development of network pharmacology as a method of drug discovery and pursues a process of continuous improvement and development of its technology platform. The Group maintains a portfolio of drug development assets to minimise the impact of individual assets being superseded.
Commercial and economic The Group may be unable to license its products to partners or may not be able to execute licensing deals that provide significant revenues. Development of alternative technologies or products may undermine the Group's capacity to generate revenue flowing from commercialisation of its assets. If the Group's drugs are commercialised, they may not generate significant revenues if their use and sale is restricted by regulators or by failure of healthcare payors to provide adequate reimbursement of drug costs.	In order to maximise the likelihood of entering into attractive discovery collaboration and licensing deals, the Group aims to ensure that potential licensors are appraised of candidates' progress in discovery and/or clinical trials. The commercial prospects of each drug discovery or development programme are reviewed on a regular basis. The Group consults with clinical and scientific experts to assess the potential impact of competing products and technologies or changes in the economic landscape pertaining to specific disease indications. The Group actively considers the opportunities for value realisation at multiple points within the drug discovery and development process.
Financial The successful development of the Group's assets requires financial investment which can come from revenues, commercial partners or investors. Failure to generate additional funding from these sources may compromise the Group's ability to execute its business plans or to continue in business.	The Group has successfully engaged with investors to generate significant cash resources, which are considered sufficient to fund current plans for clinical development and the generation of new drug candidates using the Group's technology platform, and any advancement of these candidates to preclinical testing and clinical development. The Group operates robust controls over expenditure including detailed budgeting and authorisation of individual orders.
Operational The Group may not be able to recruit and retain appropriately qualified staff. Facilities and other resources may become unavailable.	The Group's recruitment processes are tailored to identify and attract the best candidates for specific roles. The Group aims to provide competitive rewards and incentives to staff and Directors, and informally benchmarks the level of benefits provided to its people against similar companies. The Group maintains appropriate types and levels of insurance cover and has business continuity and disaster recovery plans in place.

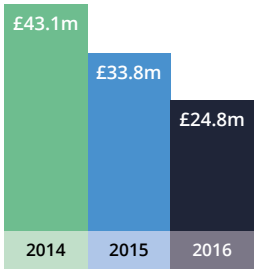
Key performance indicators (KPIs)

Measuring our progress

The Directors monitor a number of performance indicators on a regular basis, the most important of which are summarised below.

Financial KPIs

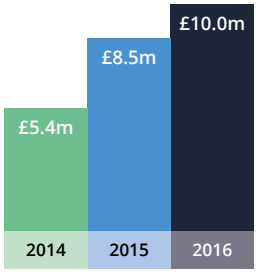
Cash resources



-27%

Where to look for more detail
Notes 18 and 19 page 45

Research and Development spend

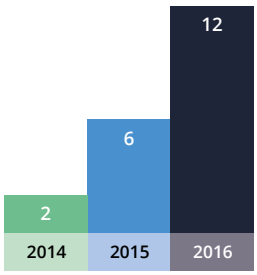


+16%

Where to look for more detail
Finance Director's statement pages 7 and 8

Non-financial KPIs

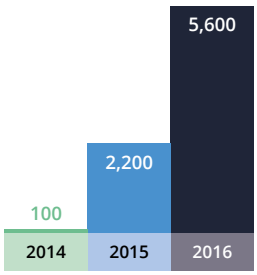
Number of active discovery projects



+100%

Where to look for more detail
Chief Executive Officer's statement pages 4 to 6

Number of molecules in *in vitro* testing



+155%

Where to look for more detail
Chief Executive Officer's statement pages 4 to 6

Future developments

The Group retains a sound financial base following the 2013 fundraising, which it is using to continue to support its current discovery and development activity. We expect that the most advanced of our discovery assets may enter formal preclinical development later this year. We aim to see progress from our focus on the commercialisation of our preclinical and clinical assets and our platform approach to drug discovery.

Going concern basis

Information on the Group's business activities and financial position, together with the factors most likely to affect its future development, performance and position, is set out above. In addition, Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit risk and liquidity risk.

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

The Group has prepared detailed financial forecasts for the next two years.

These forecasts assume no sales and the continuation of costs associated with drug discovery and development. The forecasts show that the Group should be able to operate within the level of its current cash balances for in excess of two years from the date of these financial statements.

The Directors 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.

Approved by the Board and signed on its behalf by

Iain G. Ross
Chairman
21 March 2016

Board of Directors

Our expert team

Professor Malcolm Young
Chief Executive Officer

Malcolm, 55, is a scientist by background. He has been Director of the Complex Systems Group, Director of the Institute for Neuroscience, Provost of the Faculty of Science, Agriculture and Engineering and Pro-Vice Chancellor for Strategic Development at Newcastle University, after having been a Royal Society Research Fellow at the RIKEN Institute in Japan and at Oxford University. The main goals of his research have been to understand how biological function arises from structural aspects of complex biological systems.

Malcolm is one of 18 scientists worldwide nominated by The Sunday Times in 1999 as the "Brains behind the 21st Century". His scientific experience and expertise is now dedicated to discovering and developing new medicines at e-Therapeutics. Malcolm founded the Company and has led its development since. He was awarded Innovation Entrepreneur of the Year by Ernst and Young for the North and Midlands in June 2010. Malcolm was acting Chairman of the Company from January 2015 until January 2016. Malcolm is also a Non-Executive Director of Lisles Research Limited, Novotech Investment Limited and of Searchbolt Limited.

Mr Steven Medlicott
Finance Director

Steve, 50, joined e-Therapeutics' management team in April 2014, having previously advised the Company in its £40m fundraising in 2013. He is a Chartered Accountant.

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.

Mr Stephen Self
Development Director

Steve, 61, began his career in chemistry in 1975 with The Wellcome Foundation. He held positions in both Research and Development and Operations before being appointed as a full-time project manager in Wellcome Research in 1987. He became Head of Project Management in 1991 and was appointed Group Vice-President for Project Management in 1993.

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

Mr Sean Nicolson
Executive Director and Company Secretary

Sean, 50, has over 25 years' experience advising biotechnology and technology businesses on commercial and corporate finance transactions. Before joining e-Therapeutics in April 2015, he was previously a solicitor and equity partner in the corporate team of Bond Dickinson LLP.

Sean has worked with e-Therapeutics since its formation and advised it on its flotation and subsequent fundraisings. He has served as Company Secretary of e-Therapeutics and its subsidiary since its flotation. Sean is also a Director and Non-Executive Chairman of Armstrong Ventures plc.

Mr Iain Ross
Non-Executive Chairman

Iain, 62, has over 35 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, and has direct experience of M&A transactions in Europe, USA and Pacific Rim.

Currently he is Non-Executive Chairman of Premier Veterinary Group plc and Biomer Technology Ltd; and also a Non-Executive Director of Anatara LifeSciences Ltd, Benitec Biopharma Ltd and Novogen Ltd each of which is listed on the ASX. He is a qualified Chartered Director, and 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, Astra Zeneca and Dainippon Sumitomo before completing a merger with Intradigm Inc. Iain was appointed as Chairman of e-Therapeutics in January 2016.

Mr Brad Hoy
Non-Executive Director

Brad, 53, has over 20 years' commercial experience in the pharmaceutical and biotechnology industries gained through financial and general management roles in the UK and US.

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

Professor Trevor Jones CBE
Non-Executive Director

Trevor, 73, 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 Perceptive Bioscience Investments Limited. 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 1987-1994, 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.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 January 2016.

Biographical details of the Directors are given on pages 12 and 13. All Directors served throughout the year except as follows: Sean Nicolson was appointed on 1 April 2015; Raj Chopra resigned and Trevor Jones was appointed on 28 October 2015; Iain Ross was appointed on 6 January 2016.

Directors' remuneration
Details of Directors' remuneration and shareholdings appear in the Directors' remuneration report and the remuneration policy and statement of remuneration for 2015/16 on pages 23 to 29.

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

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

Financial instruments and financial risk management
The financial risks faced by the Group, and its policy towards these risks, are set out in Note 24 to the accounts.

Proposed dividend
The Directors do not recommend the payment of a dividend (2015: £nil).

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

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

Major shareholdings
On 15 March 2016 the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1 pence each Number	%
Invesco Asset Management	84,524,060	31.99
Woodford Asset Management	46,807,479	17.7
Aviva Investors Global Services	44,073,702	16.7
Henderson Global Investors	26,445,958	10.0
Professor Malcolm Young	20,644,958	7.8
Octopus Group	11,097,658	4.2

The Company did not receive any notifications under Disclosure and Transparency Rule 5 during the period between 31 January 2016 and 15 March 2016.

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

There are no restrictions on the transfer or voting of securities in the Company and there are no agreements known to the Company which might result in such restrictions. There are no shareholders carrying special rights with regard to the control of the Company.

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

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.

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

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

Annual general meeting
At the AGM, the following resolutions will be proposed:

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

Resolutions 2, 3 and 4: Directors
The Company's articles of association require Directors to retire and submit themselves for election at the first AGM following their appointment and for re-election at least every three years thereafter. The Directors who retire at each AGM are those who would otherwise have served for over three years without re-election by the date of the following AGM. Trevor Jones was appointed as Non-Executive Director in October 2015 and Iain Ross was appointed as Non-Executive Chairman in January 2016. Malcolm Young was last elected in July 2013, and will accordingly retire and submit himself for re-election at the AGM. The Board has approved the nomination of all Directors seeking election and re-election at the AGM. Each of the Directors has skills and experience which relate directly to the Company's strategic objectives. The Board recommends shareholders vote in favour of all the resolutions relating to the election and re-election of Directors.

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

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

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

At the previous AGM of the Company held on 11 June 2015, the Directors were given authority to allot ordinary shares in the capital of the Company up to approximately 70% of the Company's then issued ordinary share capital. The Directors consider it appropriate that this authority be renewed and seek authority to allot shares in the capital of the Company up to a maximum nominal amount of £185,118.89, representing 70% of the Company's issued ordinary share capital as at 15 March 2016. This power will last until the conclusion of the next AGM of the Company. The Directors have no present intention of exercising this authority.

Directors' report continued

Resolution 8: Directors' power to disapply pre-emption rights

This resolution, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company proposed by resolution 7.

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

1. in connection with a rights (or similar) issue, where strict application of the principle in section 561 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of local, legal or regulatory requirements in any given overseas jurisdiction; and
2. allotments of shares for cash up to a total nominal value of £52,891.11 (representing 20% of the Company's issued share capital at 15 March 2016).

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

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

Iain G. Ross
Chairman
21 March 2016

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 EU. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 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 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. 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 International Financial Reporting Standards as adopted by the European Union, 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 performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 21 March 2016 and is signed on its behalf by:

Malcolm Young
Chief Executive Officer
21 March 2016

Steven Medlicott
Finance Director

Corporate governance statement

As an AIM-listed company, e-Therapeutics does not have to comply with the UK Corporate Governance Code published by the Financial Reporting Council in 2012. 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 (QCA Code) insofar as they are appropriate to a company of e-Therapeutics' size and market capitalisation. This year's annual report again includes additional disclosure of Directors' remuneration and a description of the work of the audit committee.

Board of Directors
During the year under review, the Board comprised four Executive Directors (Malcolm Young, Steve Medlicott and Steve Self and, from 1 April 2015, Sean Nicolson) and four Non-Executive Directors (Brad Hoy, and, from 28 October 2015, Trevor Jones and from 6 January 2016, Iain Ross, and, prior to his resignation on 28 October 2015, Raj Chopra). A brief biographical summary of each Director is given on pages 12 and 13.

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 and development projects, the approval of the accounts, the effectiveness of governance practice and risk management, the appointment of senior executives and the 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.

Chairman
Iain Ross was appointed as Non-Executive Chairman on 6 January 2016. From 1 January 2015 until Iain's appointment, Malcolm Young served as interim Chairman and Brad Hoy as Senior Independent Director. The Non-Executive Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda, and has no involvement in the day-to-day business of the Company. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

Company Secretary
Sean Nicolson has been the Company Secretary since 2007. He 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 Board currently comprises the Chief Executive Officer, three further Executive Directors and three independent Non-Executive Directors. The independent Non-Executive Directors, Iain Ross, Brad Hoy and Trevor Jones, constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The independent Directors are of sufficient calibre that their views carry significant weight in the Board's decision making.

The Board considers Iain Ross, Brad Hoy and Trevor Jones to be independent in character and judgement and they:

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

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

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

The Board in 2015/16
The Board's focus at the beginning of the year was to accelerate the discovery of new drugs and to make substantial progress in the clinical trials of ETS2101 and ETS6103. More information on these matters is provided in the Chairman's and Chief Executive Officer's statements and 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 five 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. Those committee meetings are not reported below.

The number of meetings attended by each Director was as follows:

Director	Board	Audit committee	Remuneration committee
Malcolm Young	5	n/a	n/a
Steve Medlicott	5	n/a	n/a
Steve Self	4	n/a	n/a
Sean Nicolson[1]	4	n/a	n/a
Iain Ross (Non-Executive)[2]	—	—	—
Brad Hoy (Non-Executive)	5	2	2
Trevor Jones (Non-Executive)[3]	1	n/a	—
Raj Chopra (Non-Executive)[4]	4	2	2

1 Appointed on 1 April 2015.
2 Appointed on 6 January 2016.
3 Appointed on 28 October 2015.
4 Resigned on 28 October 2015.

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

Audit committee
The audit committee's primary responsibilities are to review the financial statements, to ensure that there are suitable internal control and risk management systems in place, to consider the appointment of the external Auditor and its independence and to review audit effectiveness. The audit committee consists entirely of independent Non-Executive Directors. Brad Hoy, a Chartered Management Accountant and former Chief Financial Officer of Plethora Solutions Holdings plc, chairs the audit committee. Iain Ross is the other member of the committee. With the consent of the committee chairman, meetings are attended by the Finance Director and representatives of the Company's independent Auditor. Time is set aside for discussions between the Non-Executive Directors and the independent Auditor in private. The audit committee's report on its work during the year appears on page 22.

Remuneration committee
The remuneration committee makes recommendations to the Board on strategy and policy for executive remuneration. It also sets the remuneration packages for the Executive Directors and is also responsible for the granting of options under the Company's share option schemes to Executive Directors. The chairman of the remuneration committee is Trevor Jones and the other members are Iain Ross and Brad Hoy. No Executive Director takes part in discussions regarding their own remuneration. The remuneration committee considers that inclusion of fluctuating emoluments, which include performance bonuses, is an important element of the Company's employment of Executive Directors and senior managers. The remuneration of the Non-Executive Directors is set by the Board, led by the Executive Directors. The remuneration committee's reports on its work during the year may be found on pages 23 to 29.

Corporate governance statement continued

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 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 committee and has regard to the Financial Reporting Council'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 10.

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
- monthly meetings of Executive Directors to review management information and follow up on operational issues or investigate any exceptional circumstances
- a regularly updated risk register
- clear levels of authority, delegation and management structure
- extensive use of standard operating procedures throughout the Company
- Board review and approval of significant contracts
- a Quality Management System to support the clinical trial activities the Company conducts, ensuring compliance with clinical trial legislation and guidelines
- regular "GxP" training programmes to maintain and enhance staff knowledge and expertise
- annual audits and other contractor management procedures to ensure good vendor performance
- restriction of user access to IT systems

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.

Board effectiveness
The Board considers that it has shown its commitment to leading and controlling the Company by:

- retaining specific responsibility for those matters specifically reserved for Board decision
- delegating specific responsibilities to formally constituted audit and remuneration committees
- setting business priorities and expectations for performance by the Executive Directors and approving defined limits of authority for the management team

The schedule of matters reserved for Board decision and terms of reference of the Board committees are published on the Company's website.

Performance evaluation
The Board reviews performance against business plans and the Company's strategic goals, implementing corrective action where necessary.

The remuneration committee keeps under review remuneration principles and development of the senior management team as well as the Executive Directors.

The Board receives a formal summary of matters discussed and approved by the Board's committees, so that all Directors are aware of the decisions made. The Board is also responsible for reviewing the work of each committee and considering its effectiveness. The Chairman is responsible for the annual performance assessment of the Chief Executive with any performance-related remuneration being determined by the remuneration committee. The Chief Executive reviews the performance of the Executive Directors with any performance-related remuneration again being determined by the remuneration committee.

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 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 annual general meeting, 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
- 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 twelve 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 our shareholders.

Independence of the independent Auditor
Both the audit committee and the independent Auditor have in place safeguards to avoid the Auditor's objectivity and independence being compromised. The Company's policy with regard to services provided by the independent Auditor is as follows:

- Statutory audit services – the independent Auditor, which is appointed annually by the shareholders, undertakes this work. The audit committee reviews the Auditor's performance on an ongoing basis.
- Non-audit services – the independent Auditor is not permitted to provide internal audit, risk management, litigation support, remuneration advice or information technology services. The provision of other non-audit services, including taxation services, is assessed on a case-by-case basis, depending on which professional services firm is best suited to perform the work. These safeguards, which are monitored by the audit committee, are regularly reviewed and updated to ensure they remain appropriate. The Auditor reports to the audit committee on the actions it takes to comply with the professional and regulatory requirements and best practice designed to ensure its independence, including the rotation of key members of the audit team. Deloitte LLP has formally confirmed this to the Board. The disclosure of non-audit fees paid to Deloitte LLP during the year is included in Note 7 to the consolidated financial statements.

By order of the Board

Iain G. Ross
Chairman
21 March 2016

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 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 20 and a table of risks and how the current strategy helps to mitigate those risks appears on page 10.

Membership and meetings of the audit committee
The audit committee is chaired by Brad Hoy. The other member is Iain Ross (Raj Chopra was a member of the committee until his resignation on 28 October 2015). The members of the committee are both independent. 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 2015/16. In addition to formal reviews of reports from the external Auditor, the committee discussed matters relating to financial policy, controls and reporting, as summarised in the following table.

Date	Matters discussed
23 March 2015	Review of external audit for the year ended 31 January 2015 Internal controls and risk management Treasury Policy
21 October 2015	Review of audit planning report including audit risk areas

Terms of reference
The committee's terms of reference confirm the main responsibilities of the committee.

The 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 committee reviews the accounting standards, policies and judgements behind and the clarity and fairness of, the interim and year end results statements.

The 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 committee has primary responsibility for the relationship between the Company and its external Auditor. Representatives from the external Auditor are invited to attend committee meetings and the chairman of the 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 committee by the Auditor.

The 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 2016, audit fees for the Company totalled £35,000 (2015: £34,000), compared with non-audit fees (including advice on tax) of £65,000 (2015: £9,000). The committee is satisfied with the independence, objectivity and effectiveness of the external Auditor and the committee has not felt it necessary at this stage to propose re-tendering of the audit contract. A resolution for the re-appointment of Deloitte LLP as the statutory Auditor will therefore be proposed at this year's annual general meeting.

No other formal recommendations have been made to the Board by the committee and no external reports have been commissioned on financial control processes during 2015/16.

This report was approved by the audit committee and the Board on 21 March 2016.

Brad Hoy
Chairman of the Audit Committee

On behalf of your Board, I am pleased to present our remuneration report for the year ended 31 January 2016.

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 Corporate Governance Code for small and medium sized listed companies that we consider to be appropriate for an AIM company of our size. The 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 23 to the accounts on pages 48 and 49). The committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Directors. The committee's terms of reference are available on the Company's website. The 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 2015/16 on pages 24 to 29 highlighted as being subject to audit has been audited by the Company's Auditor.

Membership and meetings of the remuneration committee
The chairman of the remuneration committee was Brad Hoy, and from January 2016, Trevor Jones. Other members are now Iain Ross and Brad Hoy. All committee members are independent Non-Executive Directors. Raj Chopra was a member of the committee prior to his resignation on 28 October 2015. Other Directors may attend by invitation of the committee. It is a fundamental principle that no individual should be able to participate in discussions about their own remuneration. All committee meetings are minuted and copies of the minutes are provided to the full Board. The committee operates within terms of reference set by the Board. The terms of reference were reviewed and a revised version was adopted by the committee and approved by the Board in March 2015. The 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 and any subsequent changes which may be needed and reviews any payments which might arise on termination of an Executive Director's contract. The committee met twice this year. The main matters of business were the review of remuneration for the Executive Directors and making decisions on awards to be made under the e-Therapeutics Performance Share Plan 2013. The committee did not undertake formal benchmarking of Directors' remuneration in 2015/16 and does not have retention agreements with any external remuneration consultants. Advice is taken from the Chief Executive Officer, the Finance Director and external advisers as needed, in relation to specific questions and projects.

Remuneration outcomes for the year to 31 January 2016
The 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 2017
- determining the amounts that may potentially be payable in the form of bonus
- determining the form of the long-term incentive arrangements for the year ending 31 January 2017 under the e-Therapeutics Performance Share Plan 2013 including the size of awards and the applicable performance targets

No bonuses have been awarded to the Executive Directors in respect of the year ended 31 January 2016.

No long-term incentive awards were made to Executive Directors under the e-Therapeutics Performance Share Plan 2013 in the year ended 31 January 2016. Awards made in previous years may vest in the year ending 31 January 2017. The vesting of awards is subject to targets based on increases in the price of the Company's shares over a three-year period, with a minimum threshold of 25%.

Key remuneration decisions for the year to 31 January 2017
In developing the remuneration policy for Executive Directors for the year to 31 January 2017, the committee considered the form and level of awards to be made under the e-Therapeutics Performance Share Plan 2013. Further details are given in the remuneration policy overleaf.

Conclusion
The Directors' remuneration policy and statement of remuneration for 2015/16 which follows this annual statement sets out the committee's approach to remuneration for the future and provides details of remuneration for the year ended 31 January 2016. This report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the committee, to assess whether remuneration packages for Directors are fair in the context of business performance.

The 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 annual general meeting provides an opportunity for face-to-face discussions on important matters for the Company and its shareholders.

Trevor M. Jones CBE
Chairman of the Remuneration Committee
21 March 2016

Remuneration policy and statement of remuneration for 2015/16

The policy of the 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 calibre required to ensure that the Company is managed successfully in the interests of shareholders. In addition, the 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 high calibre Executive Directors to deliver strategy	Paid in twelve equal monthly instalments during the year.	Reviewed annually to reflect role, responsibility, 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 committee has regard to, amongst other things, the progress of the Company's discovery and development programmes, market worth and business sector. There is no prescribed minimum or maximum increase. Annual rates are set out in the annual report on remuneration for the current year and the following year.	None
Benefits			
Provide benefits consistent with role	Currently these consist of health insurance and membership of a group life assurance scheme. The 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.	None
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 discovery and development programmes and the performance of the business as a whole. Payment of any bonus is subject to the overriding discretion of the committee.

Purpose and link to strategy	Operation	Maximum potential value	Performance metrics
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 only if performance conditions are achieved.	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 historic employee option schemes and any shares issued upon the exercise of employee share options in the previous ten years).	Participants are entitled to acquire award shares only if the increase in the Company's share price over a three-year period exceeds a threshold.
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 makes payments of between 10% and 15% 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.	None

Notes to the future policy table

Performance conditions

The performance targets for the annual bonus are determined annually by the 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 based on increases in the price of the Company's shares over a 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 for awards under the e-Therapeutics Performance Share Plan 2013.

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

The 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 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 committee also approves the award of any long-term incentives.

The 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 chairman of the committee consults with major shareholders from time to time or where any significant remuneration changes are proposed to understand their expectations with regard to Executive Directors' remuneration and reports back to the committee. The committee previously consulted with certain major shareholders in relation to the introduction of the e-Therapeutics Performance Share Plan 2013. Any other concerns raised by individual shareholders are also considered. The committee also takes into account emerging best practice and guidance from major institutional shareholders.

Remuneration policy and statement of remuneration for 2015/16 continued

Approach to recruitment remuneration
The committee's approach to recruitment remuneration is to offer a market competitive remuneration package sufficient to attract high calibre 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.

Directors' service contracts, notice periods and termination payments

Provision	Policy	Details
Notice periods in Executive Directors' service contracts	Between six and twelve months by Company or Executive Director.	Executive Directors may be required to work during the notice period.
Compensation for loss of office	Depending on the notice period, no more than six to twelve 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 2007 LTIP awards	Good leavers may exercise their options within six months of the normal vesting date. Options of other leavers including those dismissed for fraud, dishonesty or misconduct will lapse.	Good leavers' circumstances are death, illness, injury, disability, pregnancy, redundancy, transfer of the employing business outside of the Group or any other reason that the Directors determine. Performance conditions are not waived for good leavers.
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 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 committee may make such payments it considers reasonable in settlement of potential legal claims. Such payments may also include reasonable reimbursement of professional fees in connection with such agreements. The 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 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
Malcolm Young	22 November 2007
Steve Medlicott	7 April 2014
Steve Self	6 December 2010
Sean Nicolson	13 October 2014 (taking effect on 1 April 2015)
Iain Ross	6 January 2016
Brad Hoy	19 September 2008
Trevor Jones	28 October 2015

Directors' insurance and indemnity

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

Non-Executive Directors' fee policy

The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors are not entitled to a bonus, they 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 twelve 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.	None

Remuneration policy and statement of remuneration for 2015/16 continued

Information subject to audit

Directors' remuneration

Remuneration arrangements for Executive Directors are set by the Board's remuneration committee, which is described in the corporate governance statement on page 19. 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. The Chief Executive Officer assesses the individual performance of each of the other Executive Directors 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 2016 and 31 January 2015 is shown below.

	2016					2015				
	Base salary £000	**Bonus £000**	**Contributions to money purchase schemes £000**	**Benefits in kind £000**	**Total remuneration £000**	Base salary £000	Bonus £000	Contributions to money purchase schemes £000	Benefits in kind £000	Total remuneration £000
Malcolm Young[1]	**356**	**—**	**49**	**1**	**406**	345	121	52	—	518
Stephen Self[2]	**224**	**—**	**—**	**—**	**224**	219	65	—	—	284
Steve Medlicott	**153**	**—**	**—**	**1**	**154**	125	31	—	—	156
Sean Nicolson	**125**	**—**	**—**	**1**	**126**	—	—	—	—	—
Daniel Elger[3]	**—**	**—**	**—**	**—**	**—**	196	—	20	—	216
Iain Ross	**7**	**—**	**—**	**—**	**7**	—	—	—	—	—
Brad Hoy	**41**	**—**	**—**	**—**	**41**	38	—	—	—	38
Trevor Jones	**10**	**—**	**—**	**—**	**10**	—	—	—	—	—
Rajesh Chopra	**27**	**—**	**—**	**—**	**27**	34	—	—	—	34
Oliver James	**—**	**—**	**—**	**—**	**—**	43	—	—	—	43
	943	**—**	**49**	**3**	**995**	1,000	217	72	—	1,289

1 Malcolm Young received emoluments of £4,199 (2015: nil) in lieu of Company contributions to a money purchase pension scheme.
2 Stephen Self received emoluments of £20,400 (2015: £19,192) in lieu of Company contributions to a money purchase pension scheme.
3 In the prior year £163,848 of salary costs and £17,000 of contributions to a money purchase pension scheme represented compensation for loss of office.

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 Note 23 to the accounts. Options granted to and held by Directors who served during the year are summarised below:

	2016				
	Options held at beginning of the year No.	**Options granted during the year No.**	**Options exercised during the year No.**	**Options lapsed during the year No.**	**Options held at end of the year No.**
Malcolm Young	**2,857,036**	**—**	**—**	**212,838**	**2,644,198**
Stephen Self[1]	**2,872,692**	**—**	**—**	**108,108**	**2,764,584**
Steve Medlicott	**1,562,694**	**—**	**—**	**—**	**1,562,694**
Sean Nicolson	**—**	**—**	**—**	**—**	**—**
Iain Ross	**—**	**—**	**—**	**—**	**—**
Brad Hoy	**—**	**—**	**—**	**—**	**—**
Trevor Jones	**—**	**—**	**—**	**—**	**—**
Rajesh Chopra	**—**	**—**	**—**	**—**	**—**
	7,292,422	**—**	**—**	**320,946**	**6,971,476**

1 Stephen Self has an interest in a further 154,428 options (1 February 2015: 154,428 options) awarded to his wife in the course of her employment by the Group as Quality Manager.

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 Disclosure and Transparency Rule 3.1.2R) in the issued ordinary shares of the Company, were as follows:

Director	Ordinary shares of 0.1 pence each at 31 January 2016 or date of resignation
Malcolm Young	20,644,958
Stephen Self	273,577
Steve Medlicott	250,000
Sean Nicolson	88,888
Iain Ross	—
Brad Hoy	—
Trevor Jones	—
Rajesh Chopra[1]	30,909

1 Rajesh Chopra resigned on 28 October 2015. His shareholding is stated as at that date.

During the period between 31 January 2016 and 15 March 2016, the Company received no notifications under Disclosure and Transparency Rule 3.1.2R.

Information not subject to audit

Implementation of remuneration policy for the year ending 31 January 2017

The salaries and fees to be paid to Directors in the year ending 31 January 2017 are set out in the table below, together with any increase expressed as a percentage.

	Annual base salary/fees		
	31 January 2016 £000	31 January 2017 £000	Increase %
Malcolm Young[1]	**352**	361	2.5
Steve Self[1]	**204**	209	2.5
Steve Medlicott	**153**	157	2.5
Sean Nicolson[2]	**150**	154	2.5
Iain Ross[2]	**80**	80	—
Brad Hoy[3]	**41**	41	—
Trevor Jones[2]	**40**	40	—

1 Figures exclude amounts received and receivable in lieu of pension contributions.
2 Annualised figures are presented for Directors joining mid-year.
3 Pay increases were awarded to Non-Executive Directors in August 2015, with effect from 1 June 2015.

The basis for determining annual bonus payments for the year to 31 January 2017 is set out in the future policy table on page 24. The performance targets are considered commercially sensitive because of the information that it provides to the Company's competitors.

The committee intends to make awards under the e-Therapeutics Performance Share Plan 2013 during the year ending 31 January 2017. These awards will be made subject to a minimum specified increase in the Company's share price over a three-year period.

The Directors' remuneration report and this statement of the Company's remuneration policy and remuneration for 2015/16 were approved by the remuneration committee and by the Board on 21 March 2016.

Trevor M. Jones CBE
Chairman of the Remuneration Committee

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

We have audited the financial statements of e-Therapeutics plc for the year ended 31 January 2016 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company statements of changes in equity, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, and the related Notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

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

Tobias Wright FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD
United Kingdom
21 March 2016

Consolidated income statement for the year ended 31 January 2016

	Notes	2016 £000	2015 £000
Revenue		**—**	—
Cost of sales		**—**	—
Gross profit		**—**	—
Research and Development expenditure		**(9,965)**	(8,549)
Administrative expenses		**(1,590)**	(1,626)
Operating loss	6	**(11,555)**	(10,175)
Investment income	10	**271**	357
Finance costs		**—**	—
Loss before tax		**(11,284)**	(9,818)
Taxation	11	**2,464**	2,041
Loss for the year attributable to equity holders of the Company		**(8,820)**	(7,777)
Loss per share – basic and diluted	13	**(3.34)p**	(2.94)p

Consolidated statement of comprehensive income for the year ended 31 January 2016

	2016 £000	2015 £000
Loss for the financial year	**(8,820)**	(7,777)
Other comprehensive income	**—**	—
Total comprehensive income for the financial year	**(8,820)**	(7,777)

Consolidated statement of changes in equity for the year ended 31 January 2016

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2014	264	64,483	132	(20,261)	44,618
Total comprehensive income for year					
Loss for the financial year	—	—	—	(7,777)	(7,777)
Total comprehensive income for year	—	—	—	(7,777)	(7,777)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	77	—	—	77
Lapse of warrants	—	—	(132)	132	—
Equity-settled share-based payment transactions	—	—	—	106	106
Total contributions by and distribution to owners	—	77	(132)	238	183
As at 31 January 2015	**264**	**64,560**	**—**	**(27,800)**	**37,024**
As at 1 February 2015	264	64,560	—	(27,800)	37,024
Total comprehensive income for year					
Loss for the financial year	—	—	—	(8,820)	(8,820)
Total comprehensive income for year	—	—	—	(8,820)	(8,820)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	12	—	—	12
Equity-settled share-based payment transactions	—	—	—	215	215
Total contributions by and distribution to owners	—	12	—	215	227
As at 31 January 2016	**264**	**64,572**	**—**	**(36,405)**	**28,431**

Company statement of changes in equity for the year ended 31 January 2016

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2014	264	64,483	132	(17,437)	47,442
Total comprehensive income for year					
Loss for the financial year	—	—	—	(7,777)	(7,777)
Total comprehensive income for year	—	—	—	(7,777)	(7,777)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	77	—	—	77
Lapse of warrants	—	—	(132)	132	—
Equity-settled share-based payment transactions	—	—	—	106	106
Total contributions by and distribution to owners	—	77	(132)	238	183
As at 31 January 2015	**264**	**64,560**	**—**	**(24,976)**	**39,848**
As at 1 February 2015	264	64,560	—	(24,976)	39,848
Total comprehensive income for year					
Loss for the financial year	—	—	—	(8,820)	(8,820)
Total comprehensive income for year	—	—	—	(8,820)	(8,820)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	12	—	—	12
Equity-settled share-based payment transactions	—	—	—	215	215
Total contributions by and distribution to owners	—	12	—	215	227
As at 31 January 2016	**264**	**64,572**	**—**	**(33,581)**	**31,255**

Balance sheets at 31 January 2016

	Notes	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Non-current assets					
Intangible assets	14	**740**	637	**3,564**	3,461
Property, plant and equipment	15	**64**	96	**64**	96
Investments	16	**—**	—	**—**	—
		804	733	**3,628**	3,557
Current assets					
Tax receivable		**2,469**	2,032	**2,469**	2,032
Trade and other receivables	17	**1,472**	1,570	**1,472**	1,570
Fixed-term deposits	18	**18,500**	32,000	**18,500**	32,000
Cash and cash equivalents	19	**6,342**	1,822	**6,342**	1,822
		28,783	37,424	**28,783**	37,424
Total assets		**29,587**	38,157	**32,411**	40,981
Current liabilities					
Trade and other payables	20	**1,156**	1,133	**1,156**	1,133
Total liabilities		**1,156**	1,133	**1,156**	1,133
Net assets		**28,431**	37,024	**31,255**	39,848
Equity					
Share capital	21	**264**	264	**264**	264
Share premium	21	**64,572**	64,560	**64,572**	64,560
Retained earnings	21	**(36,405)**	(27,800)	**(33,581)**	(24,976)
Total equity attributable to equity holders of the Company	21	**28,431**	37,024	**31,255**	39,848

These financial statements were approved and authorised for issue by the Board of Directors on 21 March 2016 and were signed on its behalf by:

Malcolm Young
Director

Steven Medlicott
Director

Registered number: 04304473

Statements of cash flow for the year ended 31 January 2016

	Notes	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash flows from operating activities					
Loss for the year		**(8,820)**	(7,777)	**(8,820)**	(7,777)
Adjustments for:					
Depreciation and amortisation	14, 15	**73**	72	**73**	72
Investment income	10	**(271)**	(357)	**(271)**	(357)
Equity-settled share-based payment expenses	23	**215**	106	**215**	106
Taxation	11	**(2,464)**	(2,041)	**(2,464)**	(2,041)
		(11,267)	(9,997)	**(11,267)**	(9,997)
Decrease/(increase) in trade and other receivables		**40**	(1,075)	**40**	(1,075)
Increase in trade and other payables		**23**	130	**23**	130
Tax received		**2,027**	1,087	**2,027**	1,087
Net cash from operating activities		**(9,177)**	(9,855)	**(9,177)**	(9,855)
Cash flows from investing activities					
Interest received		**329**	642	**329**	642
Acquisition of property, plant and equipment	15	**(6)**	(31)	**(6)**	(31)
Acquisition of other intangible assets	14	**(138)**	(158)	**(138)**	(158)
Decrease in fixed-term deposits	18	**13,500**	4,250	**13,500**	4,250
Net cash from investing activities		**13,685**	4,703	**13,685**	4,703
Cash flows from financing activities					
Net proceeds from issue of share capital	21	**12**	77	**12**	77
Net cash from financing activities		**12**	77	**12**	77
Net increase/(decrease) in cash and cash equivalents		**4,520**	(5,075)	**4,520**	(5,075)
Cash and cash equivalents at 1 February		**1,822**	6,897	**1,822**	6,897
Cash and cash equivalents at 31 January	19	**6,342**	1,822	**6,342**	1,822

Notes (forming part of the 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 undertaking (the "Group") are set out in the strategic report and the Directors' report on pages 9 and 14 to 16.

These consolidated financial statements are presented in pounds sterling because that is the currency of the economic environment in which the Group operates. Most financial information presented has been rounded to the nearest thousand.

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

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 significant impact on accounting policies or disclosure.

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

- IFRS 15 'Revenue from Contracts with Customers', which provides a single, principles-based five-step model to be applied to all contracts with customers
- IFRS 16 'Leases' which specifies how IFRS reporters will recognise, measure, present and disclose leases
- Amendments to IFRS 7 Financial Instruments: Disclosures, which enhances disclosures about the Transfers of Financial Assets, offsetting of financial assets and financial liabilities and the initial application of IFRS 9
- IAS 16 and IAS 38 'Amendments to clarify acceptable methods of depreciation and amortisation'

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. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related Notes that form a part of these approved financial statements. The 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 periods presented in these consolidated financial statements.

Basis of consolidation

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

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

Going concern

The Directors have, at the time of approving the 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 9.

Classification of financial instruments issued by the Group

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

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

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

3. Significant accounting policies continued

Classification of financial instruments issued by the Group continued

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

Trade and other receivables

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

Fixed-term deposits

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

Cash and cash equivalents

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

Trade and other payables

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

Property, plant and equipment

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

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

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

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

Investments in subsidiaries

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

Intangible assets and goodwill

Goodwill

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

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

Capitalised Research and Development expenditure

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

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

Patents and trademarks

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

Notes (forming part of the financial statements) continued

3. Significant accounting policies continued

Impairment

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

Employee benefits

Defined contribution plans

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

Share-based payment transactions

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

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

Revenue

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

Expenses

Operating lease payments

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

Financial income and expenses

Financial income comprises interest receivable on funds invested.

Financial expenses comprise interest payable.

Interest income and interest payable are recognised in the income statement as they accrue, on a straight-line basis.

3. Significant accounting policies continued

Taxation

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

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

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

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

Earnings per share

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

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 key area requiring the use of estimates and judgements which may significantly affect the financial statements is considered to be:

- judgement as to whether the carrying value of goodwill (Company only) and patents and trademarks (Group and Company) will be recoverable with reference to estimated future income potential (see Note 14).

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 development and that all activities are carried out in the UK.

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

6. Loss for the year

Included in loss are the following:

	2016 £000	2015 £000
Depreciation of own assets	**38**	55
Amortisation of intangible assets	**35**	17
Research and Development costs	**9,965**	8,549
Operating leases – hire of other assets	**79**	56

7. Auditor's remuneration

	2016 £000	2015 £000
Amounts receivable by the Auditor and their associates in respect of:		
– audit of the Group's annual accounts	**35**	34
– audit-related assurance services	**3**	3
– taxation compliance services	**6**	6
– other services	**56**	—

Notes (forming part of the 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	
	2016	2015	**2016**	2015
Staff	**23**	23	**23**	23
Directors	**4**	3	**4**	3
	27	26	**27**	26

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Wages and salaries	**2,291**	2,387	**2,291**	2,387
Share-based payments (see Note 23)	**215**	106	**215**	106
Social security costs	**286**	291	**286**	291
Contributions to money purchase pension schemes	**221**	194	**221**	194
	3,013	2,978	**3,013**	2,978

Defined contribution arrangements

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans in the current year was £221,000 (2015: £194,000).

There were outstanding contributions of £8,000 (2015: £8,000) and no prepaid contributions (2015: £nil) at the end of the financial year.

9. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	**946**	1,217
Contributions to money purchase pension schemes	**49**	72
	995	1,289

	2016		2015	
	Directors' emoluments £000	**Contributions to money purchase schemes £000**	Directors' emoluments £000	Contributions to money purchase schemes £000
Malcolm Young[1]	**357**	**49**	466	52
Stephen Self[2]	**224**	**—**	284	—
Steve Medlicott (appointed 7 April 2014)	**154**	**—**	156	—
Sean Nicolson (appointed 1 April 2015)	**126**	**—**	—	—
Daniel Elger[3] (resigned 7 April 2014)	**—**	**—**	196	20
Iain Ross (appointed 6 January 2016)	**7**	**—**	—	—
Trevor Jones (appointed 28 October 2015)	**10**	**—**	—	—
Brad Hoy	**41**	**—**	38	—
Oliver James (retired 31 December 2014)	**—**	**—**	43	—
Rajesh Chopra (resigned 28 October 2015)	**27**	**—**	34	—
	946	**49**	1,217	72

1 Malcolm Young received emoluments of £4,199 (2015: nil) in lieu of Company contributions to a money purchase pension scheme.
2 Stephen Self received emoluments of £20,400 (2015: £19,192) in lieu of Company contributions to a money purchase pension scheme.
3 In the prior year, £163,848 of salary costs and £17,000 of contributions to a money purchase pension scheme represented compensation for loss of office.

9. Directors' remuneration continued

	Number of Directors	
	2016	2015
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 as set out below:

Name	At end of year	At beginning of year	Exercise price (pence)	Date from which exercisable	Expiry date
LTIP					
Malcolm Young	—	212,838	0.1	6 July 2015	6 January 2016
Stephen Self	—	108,108	0.1	6 July 2015	6 January 2016
Malcolm Young	200,000	200,000	0.1	26 October 2015	26 April 2016
Stephen Self	200,000	200,000	0.1	26 October 2015	26 April 2016
e-Therapeutics Performance Share Plan 2013 (PSP)					
Stephen Self[1]	527,658	527,658	0.1	30 July 2016	30 July 2023
Malcolm Young	1,254,544	1,254,544	0.1	8 July 2017	8 July 2024
Stephen Self[1]	1,347,272	1,347,272	0.1	8 July 2017	8 July 2024
Steve Medlicott	1,045,454	1,045,454	0.1	8 July 2017	8 July 2024
Malcolm Young	1,189,654	1,189,654	0.1	6 January 2018	6 January 2025
Stephen Self[1]	689,654	689,654	0.1	6 January 2018	6 January 2025
Steve Medlicott	517,240	517,240	0.1	6 January 2018	6 January 2025

1 Stephen Self has an interest in a further 154,428 PSP options awarded to his wife Mrs J Self in the course of her employment by the Group as Quality Manager.

The mid-market price of the Company's shares at 29 January 2016 (the last trading day of the period) was 24.5 pence and the range during the year was 22 pence to 43.5 pence.

All of the LTIP options above are subject to a £1 share price target. Options issued under the e-Therapeutics Performance Share Plan 2013 are subject to various share price targets. Detailed performance conditions attached to outstanding share options are described in Note 23.

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

	2016 £000	2015 £000
Bank interest receivable	**271**	357

Notes (forming part of the financial statements) continued

11. Tax

Recognised in the income statement:

	2016 £000	2015 £000
Current tax income		
Current year	**(2,469)**	(2,032)
Adjustments for prior years	**5**	(9)
Current tax income	**(2,464)**	(2,041)
Deferred tax expense		
Origination and reversal of temporary differences	**—**	—
Reduction in tax rate	**—**	—
Recognition of previously unrecognised tax losses	**—**	—
Deferred tax expense	**—**	—
Total tax income	**(2,464)**	(2,041)

Reconciliation of effective tax rate:

	2016 £000	2015 £000
Loss for the year	**(8,820)**	(7,777)
Total tax income	**(2,464)**	(2,041)
Loss excluding taxation	**(11,284)**	(9,818)
Tax at 20.17% (2015: 21.33%)	**(2,275)**	(2,094)
Expenses not deductible for tax purposes	**44**	24
Enhanced relief for Research and Development	**(1,936)**	(1,725)
Surrender of tax losses	**965**	1,072
Unrelieved tax losses	**732**	700
Other	**1**	(9)
Adjustments in respect of prior period	**5**	(9)
Total tax income	**(2,464)**	(2,041)

The tax receivable relates to Research and Development tax credits.

The Group has unrecognised deferred tax assets of £2,936,000 (2015: £2,518,000) and unused tax losses of £16,071,000 (2015: £12,424,000).

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

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and from 19% to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. The unrecognised deferred tax asset at 31 January 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

12. Loss of the Company

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its own income statement. The loss of the Company for the year was £8,820,000 (2015: £7,777,000).

13. Loss per share

The analysis of loss per share is as follows:

	2016	2015
Basic and diluted loss per share	**(3.34)p**	(2.94)p

Basic EPS is calculated by dividing the loss for the year of £8,820,000 (2015: £7,777,000) by the weighted average number of 264,419,476 shares (2015: 264,147,878) in issue during the year.

Diluted EPS is calculated in the same way as basic EPS but also with reference to reflect the dilutive effect of share options in existence at the year end over 12,118,842 (2015: 12,937,539) ordinary shares (see Note 23). 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.

14. Goodwill and intangible assets – Group and Company

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
Balance at 1 February 2014	—	856	856	2,824	856	3,680
Other acquisitions – internally developed	—	158	158	—	158	158
Balance at 31 January 2015	—	1,014	1,014	2,824	1,014	3,838
Balance at 1 February 2015	—	1,014	1,014	2,824	1,014	3,838
Other acquisitions – internally developed	—	138	138	—	138	138
Balance at 31 January 2016	**—**	**1,152**	**1,152**	**2,824**	**1,152**	**3,976**
Amortisation and impairment						
Balance at 1 February 2014	—	360	360	—	360	360
Amortisation charge for the year	—	17	17	—	17	17
Balance at 31 January 2015	—	377	377	—	377	377
Balance at 1 February 2015	—	377	377	—	377	377
Amortisation charge for the year	—	35	35	—	35	35
Balance at 31 January 2016	**—**	**412**	**412**	**—**	**412**	**412**
Net book value						
At 1 February 2014	—	496	496	2,824	496	3,320
At 1 February 2015	—	637	637	2,824	637	3,461
At 31 January 2016	**—**	**740**	**740**	**2,824**	**740**	**3,564**

Amortisation and impairment charge

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

Impairment testing

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

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

The Group carries out a review at each balance sheet date to establish the economic value of each 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 taking into account technical and commercial risks and external information on the likely market demand and penetration for the drugs for which the Group has patents. There is a risk that should these estimations require significant downward revision there would be a material adverse impact on the income statement in any one year.

Notes (forming part of the financial statements) continued

15. Property, plant and equipment

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 February 2014	117	140	257
Additions	30	—	30
Disposals	(1)	—	(1)
Balance at 31 January 2015	146	140	286
Balance at 1 February 2015	146	140	286
Additions	2	4	6
Disposals	—	—	—
Balance at 31 January 2016	**148**	**144**	**292**
Depreciation			
Balance at 1 February 2014	79	57	136
Depreciation charge for the year	31	24	55
Eliminated on disposals	(1)	—	(1)
Balance at 31 January 2015	109	81	190
Balance at 1 February 2015	109	81	190
Depreciation charge for the year	20	18	38
Eliminated on disposals	—	—	—
Balance at 31 January 2016	**129**	**99**	**228**
Net book value			
At 1 February 2014	38	83	121
At 1 February 2015	37	59	96
At 31 January 2016	**19**	**45**	**64**

16. Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership **2016**	Ownership 2015
InRotis Technologies Limited	United Kingdom	Ordinary	**100%**	100%

The value of the investment in InRotis Technologies Limited, which has not traded in the year, is £1 (2015: £1).

17. Trade and other receivables

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Other receivables	**554**	266	**554**	266
Prepayments and accrued income	**918**	1,304	**918**	1,304
	1,472	1,570	**1,472**	1,570

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

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

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

18. Fixed-term deposits

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Fixed-term deposits	**18,500**	32,000	**18,500**	32,000

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 139 days (2015: 166 days).

19. Cash and cash equivalents

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Cash and cash equivalents per balance sheets	**6,342**	1,822	**6,342**	1,822
Cash and cash equivalents per cash flow statements	**6,342**	1,822	**6,342**	1,822

20. Trade and other payables

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Current				
Trade payables	**562**	601	**562**	601
Non-trade payables and accrued expenses	**594**	532	**594**	532
	1,156	1,133	**1,156**	1,133

Notes (forming part of the financial statements) continued

21. Capital and reserves

Reconciliation of movement in capital and reserves:

Group	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2013	138	25,567	132	(15,257)	10,580
Total recognised income and expense	—	—	—	(5,039)	(5,039)
Issue of share capital	126	38,916	—	—	39,042
Equity-settled share-based payment transactions	—	—	—	35	35
Balance at 31 January 2014	264	64,483	132	(20,261)	44,618
Balance at 1 February 2014	264	64,483	132	(20,261)	44,618
Total recognised income and expense	—	—	—	(7,777)	(7,777)
Issue of share capital	—	77	—	—	77
Lapse of warrants	—	—	(132)	132	—
Equity-settled share-based payment transactions	—	—	—	106	106
Balance at 31 January 2015	264	64,560	—	(27,800)	37,024
Balance at 1 February 2015	264	64,560	—	(27,800)	37,024
Total recognised income and expense	—	—	—	(8,820)	(8,820)
Issue of share capital	—	12	—	—	12
Equity-settled share-based payment transactions	—	—	—	215	215
Balance at 31 January 2016	**264**	**64,572**	**—**	**(36,405)**	**28,431**

Company	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 February 2013	138	25,567	132	(12,433)	13,404
Total recognised income and expense	—	—	—	(5,039)	(5,039)
Issue of share capital	126	38,916	—	—	39,042
Equity-settled share-based payment transactions	—	—	—	35	35
Balance at 31 January 2014	264	64,483	132	(17,437)	47,442
Balance at 1 February 2014	264	64,483	132	(17,437)	47,442
Total recognised income and expense	—	—	—	(7,777)	(7,777)
Issue of share capital	—	77	—	—	77
Lapse of warrants	—	—	(132)	132	—
Equity-settled share-based payment transactions	—	—	—	106	106
Balance at 31 January 2015	264	64,560	—	(24,976)	39,848
Balance at 1 February 2015	264	64,560	—	(24,976)	39,848
Total recognised income and expense	—	—	—	(8,820)	(8,820)
Issue of share capital	—	12	—	—	12
Equity-settled share-based payment transactions	—	—	—	215	215
Balance at 31 January 2016	**264**	**64,572**	**—**	**(33,581)**	**31,255**

21. Capital and reserves continued

Share capital	No. of ordinary shares 2016 '000	2015 '000
In issue at 1 February	**264,363**	263,881
Issued for cash	**93**	482
In issue at 31 January – fully paid	**264,456**	264,363

	2016 £000	2015 £000
Allotted, called up and fully paid		
264,455,551 (2015: 264,362,821) ordinary shares of £0.001 each	**264**	264
	264	264
Shares classified as liabilities	**—**	—
Shares classified in shareholders' funds	**264**	264
	264	264

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

During the period, exercise of options over 92,730 ordinary shares by staff led to an increase of £93 in share capital and a credit of £12,797 to the share premium account.

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

The warrant reserve related to the following warrants:

Issue date	Exercise price £	Expiry date	No. of warrants
March 2009	0.260	16 March 2014	198,332
March 2011	0.260	4 March 2014	677,409

The fair value of warrants was calculated using a binomial model. All warrants lapsed unexercised on the expiry dates noted above.

Notes (forming part of the financial statements) continued

22. Operating lease arrangements

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

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Within one year	**30**	44	**30**	44
In the second to fifth years inclusive	**—**	30	**—**	30
After five years	**—**	—	**—**	—
	30	74	**30**	74

Operating lease payments represent rentals payable by the Group for its properties and pursuant to long-term agreements for telecommunication services.

23. Share-based payments

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

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

Grant date	Number of instruments at end of year	Number of instruments at beginning of year	Exercise price (pence)	Contractual life of options
October 2006[1]	250,460	343,190	13.9	10 years
April 2007[1]	92,730	92,730	38.6	10 years
October 2007[1]	118,020	118,020	67.0	10 years
July 2012[2]	—	613,456	0.1	3.5 years
October 2012[3]	934,174	934,174	0.1	3.5 years
July 2013[4]	770,211	770,211	0.1	10 years
July 2013[5]	490,813	490,813	0.1	10 years
July 2014 (effective grant date: October 2013)[6]	940,763	964,763	0.1	10 years
July 2014 (effective grant date: October 2013)[7]	625,375	637,375	0.1	10 years
July 2014 (effective grant date: April 2014)[6]	250,000	250,000	0.1	10 years
July 2014 (effective grant date: April 2014)[7]	250,000	250,000	0.1	10 years
July 2014 (effective grant date: June 2014)[6]	2,056,582	2,082,763	0.1	10 years
July 2014 (effective grant date: June 2014)[7]	1,660,103	1,673,193	0.1	10 years
January 2015[4]	2,053,654	2,078,481	0.1	10 years
January 2015[5]	1,625,957	1,638,370	0.1	10 years

1 Options issued prior to April 2010 are exercisable and vest immediately.
2 These options issued under the Long Term Incentive Plan had a three-year vesting period subject to a share price target of £1 (measured as the average of the closing mid-market share prices in the four weeks preceding the vesting date) being achieved at the vesting date.
3 Options issued under the Long Term Incentive Plan since 31 July 2012 are capable of vesting if a share price target of £1 (measured as in ii above) is achieved at any time in the period three to three-and-a-half years from the date of grant.
4 "Basic options" issued under the PSP have a three-year vesting period. 25% of these options will be capable of vesting if a share price target of 125% of the grant date share price is achieved. The proportion of these options which are capable of vesting increases linearly to 100% if a share price target of 200% of the grant date share price is achieved.
5 "Supplementary options" issued under the PSP have a three-year vesting period and are capable of vesting if a share price target of 250% of the grant date share price is achieved.
6 "Basic options" issued under the PSP have a three-year vesting period from the grant date. 25% of these options will be capable of vesting if a share price target of 125% of the share price on the effective grant date is achieved three years from the effective grant date. 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 effective grant date is achieved.
7 "Supplementary options" issued under the PSP have a three-year vesting period from the grant date and are capable of vesting if a share price target of 250% of the share price on the effective grant date is achieved three years from the effective grant date.

23. Share-based payments continued

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

	Weighted average exercise price 2016 (pence)	**Number of options 2016**	Weighted average exercise price 2015 (pence)	Number of options 2015
Options				
Outstanding at the beginning of the year	**1.4**	**12,937,539**	3.9	5,808,266
Forfeited during the year	**0.1**	**(725,967)**	0.1	(2,035,982)
Exercised during the year	**13.9**	**(92,730)**	13.9	(409,690)
Granted during the year	**—**	**—**	0.1	9,574,945
Outstanding at the end of the year	**1.3**	**12,118,842**	1.4	12,937,539
Exercisable at the end of the year	**32.45**	**461,267**	29.3	553,940

The weighted average share price at the date of exercise of share options exercised during the year was 42 pence (2015: 30.0 pence). The options outstanding at the year end have an exercise price in the range of 0.1 pence to 67.0 pence and a weighted average remaining contractual life of 7.6 years.

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

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

	PSP: Basic options	PSP: Supplementary options	PSP: Basic options	PSP: Supplementary options	PSP: Basic options	PSP: Supplementary options	PSP: Basic options	PSP: Supplementary options
Date of grant	July 2014	July 2014	July 2014	July 2014	July 2014	July 2014	January 2015	January 2015
Effective grant date for performance measures	October 2013	October 2013	April 2014	April 2014	June 2014	June 2014	January 2015	January 2015
Share price at date of grant	£0.2775	£0.2775	£0.2775	£0.2775	£0.2775	£0.2775	£0.27	£0.27
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Share price target	£0.404–£0.6475	£0.8072	£0.273–£0.4377	£0.5459	£0.3509–£0.5615	£0.7019	£0.3453–£0.5525	£0.6906
Expected volatility	34.1%	34.1%	32.3%	32.3%	31.9%	31.9%	31.8%	31.8%
Risk-free rate	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	0.63%	0.63%
Dividend yield	0%	0%	0%	0%	0%	0%	0%	0%
Exercise price	£0.001	£0.001	£0.001	£0.001	£0.001	£0.001	£0.001	£0.001
Number of shares	964,763	637,375	250,000	250,000	2,082,763	1,673,193	2,078,481	1,638,370
Fair value per option	6.3	1.0	13.9	4.7	9.2	2.4	8.3	1.98

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

	2016 £000	2015 £000
Group and Company equity-settled share-based payment expense	**215**	106

Notes (forming part of the financial statements) continued

24. Financial instruments

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

Capital management

The Group's policy is to maintain a strong capital base. The Group does not yet have any significant recurring revenues and finances its operations through the issue of new shares and the management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £24,842,000 of cash and fixed-term deposits as at 31 January 2016 (2015: £33,822,000).

Management of financial risk

The main risks associated with the Group's financial instruments have been identified as 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, are set out below.

Credit risk

The carrying amount of financial assets is as follows:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Trade and other receivables	**1,472**	1,570	**1,472**	1,570
Fixed-term deposits	**18,500**	32,000	**18,500**	32,000
Cash and cash equivalents	**6,342**	1,822	**6,342**	1,822
	26,314	35,392	**26,314**	35,392

Credit risk is the risk of financial loss if a customer fails to meet its contractual obligations and arises principally from the Group's other receivables. The carrying amount of other receivables in the balance sheet represents the maximum exposure to credit risk and details are given in Note 17 to the accounts. No amounts are past due in the current or prior years.

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

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

Liquidity risk

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

The Group finances its operations using cash raised through the issue of equity. The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on two-year rolling cash forecasts. The Group's fixed-term deposits (Note 18) all have initial maturities of no more than twelve months.

The Group and the Company have the following financial liabilities:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Principal amounts				
Trade and other payables – payable within one year	**1,156**	1,133	**1,156**	1,133
	1,156	1,133	**1,156**	1,133

24. Financial instruments continued

Liquidity risk continued

Financial liabilities by category:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Financial liabilities at amortised cost	**1,156**	1,133	**1,156**	1,133

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

	2016						2015					
	Carrying amount £000	**Contractual cash flows £000**	**1 year or less £000**	**1 to <2 years £000**	**2 to <5 years £000**	**5 years and over £000**	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities												
Trade and other payables	**1,156**	**1,156**	**1,156**	**—**	**—**	**—**	1,133	1,133	1,133	—	—	—

Interest rate risk

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

The trade and other payables do not bear interest.

Sensitivity analysis

A 1% increase in interest rates throughout the year and prior year, with all other variables remaining constant, would have had no impact on interest expense in either the current or prior year. A 1% increase in interest rate earned on all cash and fixed-term deposits, with all other variables remaining constant, would have increased interest income in the current year by approximately £294,000 (2015: approximately £374,000).

25. Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any plant and equipment or fixtures and fittings (2015: £nil).

Notes (forming part of the financial statements) continued

26. Related parties

Transactions with subsidiary – Company

During the year the Company advanced no money to and made no capital contribution to its subsidiary undertaking and at 31 January 2016 there was no balance outstanding between the subsidiary undertaking and the Company (2015: £nil).

Transactions with key management personnel

The key management personnel of the Group are the Directors, whose compensation is as follows:

	2016 £000	2015 £000
Directors' emoluments	**946**	1,217
Company contributions to money purchase pension funds	**49**	72
	995	1,289

Mrs J Self, who is the wife of Development Director Steve Self, is employed by the Group as Quality Manager and during the period received a salary of £50,591 (2015: £44,533) and contributions to a money purchase pension scheme of £9,956 (2015: £5,568), payable on terms equivalent to those that prevail in arm's length transactions. During the prior year the Company made cash advances to a number of employees who were affected by a payroll processing error. These advances were subject to written agreements and were repaid through deductions from net pay. Mrs Self was the recipient of one such advance, for £1,028. At the year end, the amount owed by Mrs Self to the Company (entirely arising from this advance) was £nil (2015: £628).

Transactions with Searchbolt

Chief Executive Officer Malcolm Young is a Non-Executive Director of Searchbolt Limited ("Searchbolt"). Searchbolt is a search engine business, incorporated by way of a demerger from the Group on 14 November 2007. Searchbolt holds a perpetual exclusive licence for network analysis technology of e-Therapeutics plc for the use of the technology in internet search. During the year, no costs were incurred by the Company on behalf of Searchbolt (2015: £nil). As at 31 January 2016 there was a balance of £23,311 outstanding between the Company and Searchbolt (2015: £23,311).

Transactions with Lisles Research Limited

Chief Executive Officer Malcolm Young is a Non-Executive Director of Lisles Research Limited ("Lisles"). Lisles is engaged in the development of software for use in the financial services industry. During the year, the Company incurred £1,000 in consulting services from Lisles (2015: £2,000), and £2,760 (2015: £2,760) of costs incurred by the Company on behalf of Lisles were recharged in full. As at 31 January 2016 there was a balance of £828 outstanding between the Company and Lisles (2015: £828).

27. Subsequent events

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

Notice is hereby given that the annual general meeting of e-Therapeutics plc ("Company") will be held at the offices of Bond Dickinson LLP, 4 More London Riverside, London, SE1 2AU at 12.30pm on 25 May 2016 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 8, which will be proposed as a special resolution:

1. To receive the accounts for the financial year ended 31 January 2016 together with the Directors' report and the Auditor's report for that period.

2. To elect Trevor Jones as a Director of the Company.

3. To elect Iain Ross as a Director of the Company.

4. To re-elect Malcolm Young as a Director of the Company.

5. To reappoint Deloitte LLP as the Auditor of the Company.

6. To authorise the Directors to agree the remuneration of the Auditor of the Company.

7. That the Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 ("Act") to exercise all the powers of the Company to allot or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £185,118.89, provided that:

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

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

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

8. That, subject to the passing of resolution 7 above, the Directors, pursuant to the general authority conferred on them, be empowered pursuant to section 570 of the Companies Act 2006 ("Act") to allot for cash, either pursuant to the authority so conferred or where the equity securities are held by the Company as treasury shares (within the meaning of section 724(5) of the Act), equity securities (within the meaning of section 560 of the Act) as if section 561 of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

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

   8.2 made in connection with the allotment of up to 343,190 ordinary shares of 0.1 pence each in the capital of the Company pursuant to those option agreements referred to in paragraphs 2.9 to 2.13 of Part VII of the admission document relating to the Company dated 22 November 2007 that have neither been fully exercised nor lapsed;

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

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

8.5 wholly for cash (otherwise than pursuant to paragraphs 8.1 to 8.4 above) up to an aggregate nominal value of £52,891.11,

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

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

By order of the Board

Sean Nicolson
Secretary
15 April 2016

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

Registered in England and Wales number 4304473

Notes

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

1. Only those members registered in the register of members of the Company as at 12.30pm on 23 May 2016 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purpose of determining who is entitled to attend and vote if the annual general meeting is adjourned from its scheduled time by 48 hours or less. If the annual general meeting is adjourned for longer, members who wish to attend and vote must be on the Company's register of members by 48 hours before the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at a meeting of the Company. On a poll 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 12.30pm on 23 May 2016 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.

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

7. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and they may also be inspected at the offices of Bond Dickinson LLP, 4 More London Riverside, London, SE1 2AU from 12.15pm on the day of the meeting until the conclusion of the meeting:

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

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

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

Notes

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

Tel: +44 (0) 20 7260 1000

Auditor to the Company
Deloitte LLP
Abbots House
Abbey Street
Reading
RG1 3BD

Tel: +44 (0) 118 950 8141

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Tel: +44 (0) 121 585 1131

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

Tel: +44 (0) 845 415 0000

Bankers
Bank of Scotland
PO Box No. 10
38 St Andrews Square
Edinburgh
EH2 2YR

Tel: +44 (0) 131 465 3900

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

Tel: +44 (0) 1993 88 00 00

Company Secretary
Sean Nicolson

ckd
Design & Production
www.carrkamasa.co.uk

MIX
Paper from responsible sources
FSC® C022913

e-Therapeutics

e-Therapeutics plc
Oxford Office
17 Blenheim Office Park
Long Hanborough
Oxfordshire
OX29 8LN
United Kingdom
(Registered office)

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

www.etherapeutics.co.uk

Incorporated in England and Wales
Registered number: 4304473

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