e-Therapeutics plc

The network pharmacology company

Annual report and accounts 2013

About e-Therapeutics

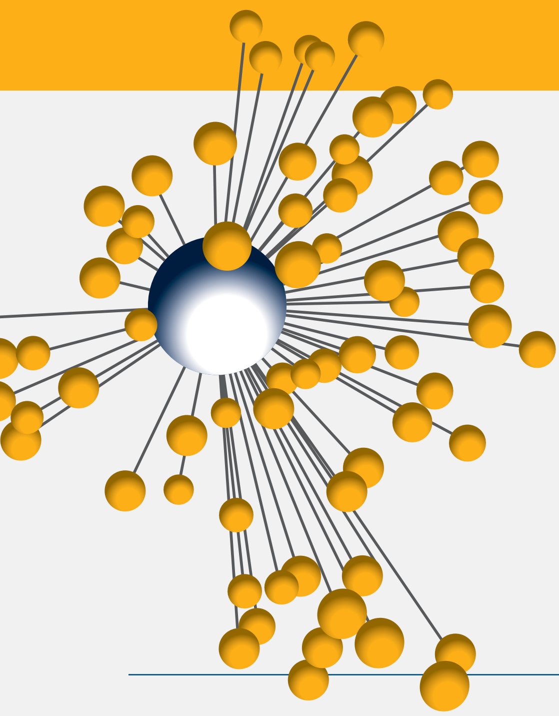
e-Therapeutics is a drug discovery and development company with a pioneering platform in network pharmacology.

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

Our approach

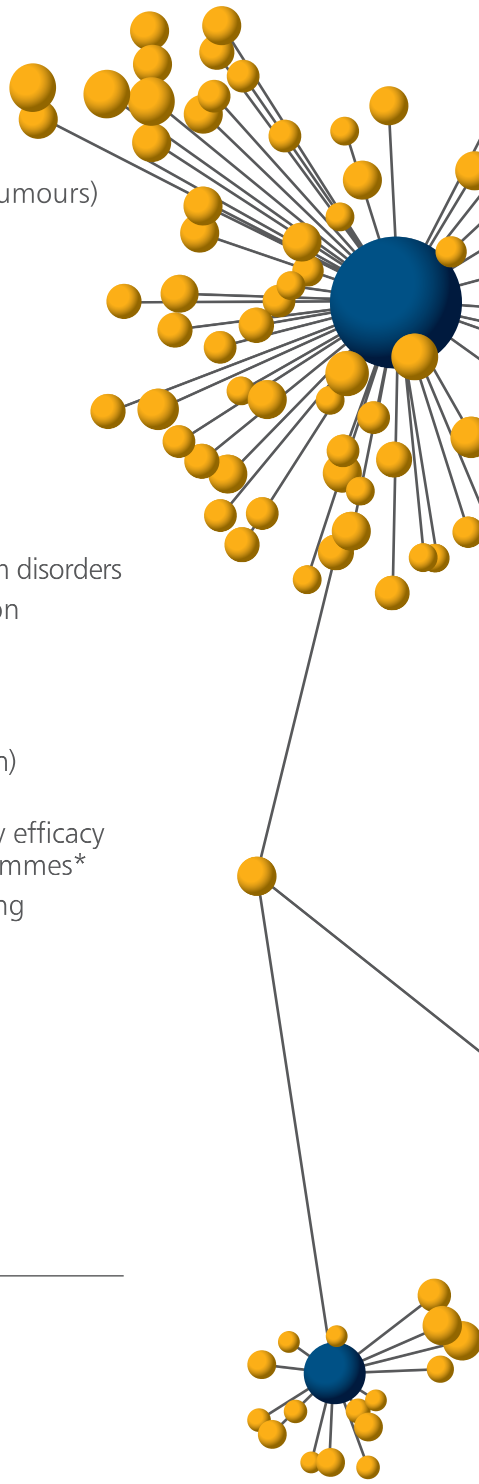
The science behind e-Therapeutics – network pharmacology

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



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

Highlights of 2012/13



Lead cancer drug ETS2101 enters clinic

- US phase I trial started in patients with brain cancer
- UK phase I trial begun in patients with solid tumours
- First findings reported from phase I programme*
- Key phase I results expected in Q4 2013 (brain cancer) and Q1 2014 (solid tumours)

Pipeline refined and advanced

- ETS6103: application filed with UK regulator for phase IIb trial in major depressive disorder*
- ETX1153a for MRSA infection: preclinical development discontinued
- ETX1153c for *C. difficile* infection: preclinical work progressing

Major focus on drug discovery

- Network Pharmacology Centre opened near Oxford
- Multiple discovery programmes advancing in oncology and central nervous system disorders
- Further strengthening of platform approach and intellectual property position
- New candidate expected to progress to development by end of 2013

Significant equity raise supports growth plans*

- Year-end cash and liquid resources of £9.8 million (31 January 2012: £13.9 million) boosted to £48 million pro-forma following equity placing in March 2013*
- Post-placing cash sufficient to fund business into calendar 2017, complete key efficacy trials of ETS2101 and broaden portfolio through new drug discovery programmes*
- Full-year net loss of £4.2 million (2012: loss of £3.2 million) reflects increasing investment in drug discovery and development programmes

* Events after the 31 January 2013 year end

Contents

Chairman's statement

Progress in drug discovery and development

Use of our innovative network pharmacology platform to discover new drugs is on track while our most significant product candidate, the cancer drug ETS2101, is making good progress in the clinic.

Summary

- Lead cancer drug ETS2101 enters trials
- Decisions and progress on other pipeline products
- Discovery work focused on cancer and central nervous system disorders
- Major fundraising supports R&D into 2017

Professor Oliver James
Non-Executive Chairman

Overview

Our business is built around a distinctive new approach to the discovery of medicines called network pharmacology. We have formulated this approach as a patented platform technology, which we are using to seek novel treatments for cancer and disorders of the nervous system. Our strategy is to take promising drug candidates from discovery through clinical trials to a point when they can be licensed on attractive terms to larger companies. We expect this to provide revenues in the form of upfront payments, progress-based milestone payments and royalties on any sales. During the year we advanced our most important candidate, the cancer drug ETS2101, into two phase I trials. We also continued to build a broad portfolio through work to discover more new drugs at our Network Pharmacology Centre near Oxford and by selectively advancing other candidates alongside ETS2101. Since the year end, we have raised significant additional capital to further our drug discovery and development plans.

Cancer drug enters trials

Our top priority in 2012 was to move our cancer drug ETS2101 into clinical trials. Accordingly, we initiated two phase I studies during the period: an investigator-led trial in brain cancer, which is taking place at the UC San Diego Moores Cancer Center in La Jolla, California, and a Company-sponsored study that is enrolling patients with a variety of solid tumours at hospitals in Newcastle and Leeds, UK. Both trials have a dose-escalating design, in which successive groups of patients receive increasing doses of ETS2101. The aim is to establish an appropriate dose for phase II development, assess safety and tolerability and identify any initial signs of anti-cancer activity.

In December we announced that the two trials had enrolled a total of twelve patients at relatively low dose levels and that no serious drug-related adverse events had been observed. We provided a further update on progress in May 2013. By then, more patients had been treated with higher doses of ETS2101. The additional patients were all in the UK because recruitment had paused for a time in the US pending approval of a protocol amendment. By mid-May, eleven patients had been treated in the UK trial. No serious adverse events had been attributed to ETS2101, although one patient had experienced severe fatigue after receiving the drug and had continued treatment at a lower dose. A patient with oesophageal cancer had experienced a partial response according to RECIST, a standard method for assessing the impact of treatments on tumour burden (see Notes below). Both the UK and US studies continue to recruit patients and we expect key data from the brain cancer trial in Q4 2013 and from the solid tumour trial in Q1 2014.

ETS2101 represents a significant commercial opportunity because it could address unmet needs in multiple high-value oncology market segments. If key data on dosing and safety from the phase I programme are supportive we intend to advance the drug rapidly into the next phase of its clinical development. We expect this to include a randomised phase II trial in brain cancer (glioma) and a phase Ib/II trial that will explore the drug's

Notes

About the RECIST criteria used to assess tumour responses

RECIST (Response Evaluation Criteria in Solid Tumours) provide a standardised way of assessing the response of solid tumours to treatment. Under the criteria, a partial response is recorded when the linear dimensions of the tumour lesions selected for measurement at the start of the study reduce by at least 30% from baseline and no new lesions appear.

activity in four to six other cancer indications. We indicated with the announcement of our share placing in February 2013 that we expect to spend around £25 million on completion of phase I trials and the efficacy trials that follow, with the intention to finish the studies in time to conclude a licensing deal or deals during 2017 if the data are positive.

Pipeline continues to evolve

We announced in May 2013 that we had filed a Clinical Trial Application (CTA) with the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) for a phase IIb trial of ETS6103 in major depressive disorder. We anticipate that we will start enrolling patients shortly. The trial will build on an earlier, small phase IIa study that produced encouraging results with ETS6103 in comparison with the approved tricyclic anti-depressant amitriptyline. It will include more patients and a longer period of treatment than we had originally planned, so we now expect to report results in the second half of 2014. We regard ETS6103 as a smaller commercial opportunity than ETS2101 but one that justifies the limited further investment needed to complete a proof-of-concept trial designed to demonstrate the product's value to potential partners.

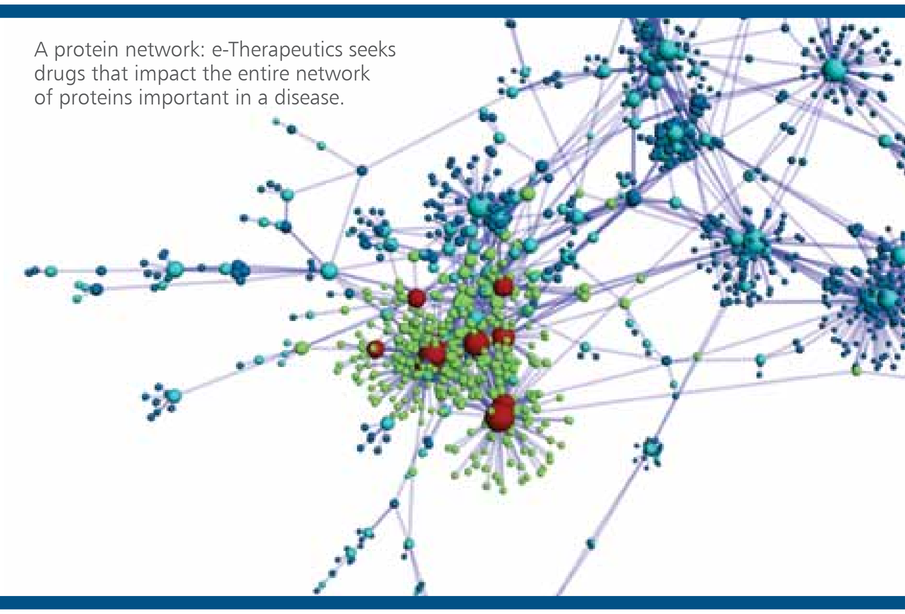
In May 2012 we announced that we would perform further preclinical work with our drug for the treatment of *C. difficile* infection, ETX1153c, before taking a decision on whether it should progress into clinical trials. This work is nearing completion and we expect to make a go/no-go decision on the programme in Q3 2013. In October 2012, we decided to cease development of our preclinical anti-MRSA drug ETX1153a because we considered other programmes likely to provide a better return on investment.

Discovery – fuelling future growth

Our new drug discovery hub near Oxford was opened in February 2012 by the UK's Prime Minister, David Cameron. Scientists there are generating a pool of new drug candidates, from which we will select the best to advance into the clinic based on technical, clinical and commercial criteria. Work is concentrated on complex diseases in which we believe our technology has particular strengths, principally cancer and nervous system disorders. We remain on track to advance a new candidate from discovery into development by the end of 2013.

Spotlight on cancer drug candidate ETS2101

- Network pharmacology can be used to discover brand new drugs or to find new uses for existing drugs in unexpected settings: the Company's lead cancer drug was originally developed as a treatment for head injury.
- ETS2101 became a cancer candidate when e-Therapeutics used network pharmacology to investigate the 'hallmarks' of cancer – fundamental properties that distinguish cancer cells from normal cells.
- One of the hallmarks is the ability of cancer cells to avoid 'programmed cell death' or apoptosis, a mechanism that normally leads to 'suicide' of damaged cells.
- Network pharmacology identified ETS2101 as a drug with potential to block the ability of cancer cells to evade apoptosis; subsequent experiments showed that ETS2101 was indeed active against cultured cells derived from a wide variety of human cancers.
- The drug is now in two phase I trials: one is enrolling patients with various tumours while the other is evaluating ETS2101 specifically in patients with brain cancers.
- Early findings from the trials have been reported (see page 2); the trials are proceeding and are expected to report key data on safety and dosing in Q4 2013 (trial in brain cancer) and Q1 2014 (trial in various tumours).
- e-Therapeutics plans to move ETS2101 rapidly into efficacy-focused trials if data continue to be supportive. Positive findings in the next phase of trials could lead to a lucrative licensing deal.



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

"We are increasing investment in R&D as we seek to make the most of the opportunities in our platform and pipeline. Our recent £40 million fundraising leaves us well placed to pursue our goals, with a cash runway that now extends to a potential partnering deal for our lead cancer drug and resources sufficient to generate a diversified portfolio of assets over the next 3-4 years."

Discovery – fuelling future growth continued

We continue to invest in improvements to our discovery platform and to gain additional intellectual property protection for our approach; we were granted further patents in the US and Europe during the period. We also remain active in exploring opportunities to collaborate with other companies on discovery programmes.

Strong balance sheet supports investment

Increasing investment in discovery and development drove an increase in our operating expenses from £4.0 million last year to £5.2 million for the year ended 31 January 2013. We had no revenues in the period (2012: nil), but recognition of R&D tax credits of £0.8 million (2012: £0.6 million) and net interest income of £0.2 million (2012: £0.2 million) reduced our net loss to £4.2 million (2012: £3.2 million).

At 31 January 2013 we had cash and short-term investments of £9.8 million (31 January 2012: £13.9 million). These resources were expanded significantly by a share placing to existing and new investors in March 2013; this raised £40.0 million (£38.8 million net of expenses) through the issue of 125 million new shares at 32 pence per share, leaving the Company with pro-forma cash and short-term investments of approximately £48 million on the close of the transaction.

The Company's strategy is to license its products to pharmaceutical companies for late-stage development and commercialisation. The Company may also enter discovery collaborations with selected partners. We anticipate continuing losses until revenues from these sources exceed investment in R&D. Following our recent placing, we expect to be able to support our discovery and development plans into calendar 2017 even in the absence of any income from partners. Over that period we plan to complete mid-stage trials of our lead cancer drug, ETS2101, and conclude a licensing deal for the product if the data are supportive. We also expect to add newly discovered candidates to our pipeline and advance a number of these through preclinical and early clinical development, giving us a broader portfolio in which risk is diversified and there are multiple sources of potential upside.

Board enhanced by new appointment

In February 2012 we appointed Dr Rajesh Chopra, a senior executive at Celgene Corporation, as a Non-Executive Director. Dr Chopra is bringing a great deal of relevant R&D and clinical experience to our Board.

Outlook

We look forward to reporting key results from our phase I trials of ETS2101 over the next year. We have clear plans in place to take this drug rapidly into efficacy trials if data continue to be supportive, and following our recent share placing we have the resources on hand to do this. In the the meantime, during the remainder of this year we expect progress announcements on other clinical and preclinical candidates and to adopt the first of a new wave of candidates from our discovery work into formal development, an important landmark following the renewal of investment in our network pharmacology platform that began in 2011.

Professor Oliver James
Chairman
24 June 2013

Board of Directors

Professor Oliver James
Non-Executive Chairman

Oliver, 69, has served as Senior Medical Advisor to the Penrose Inquiry since 2009 and is Chair of Health Education North East. He was a non-executive director of BUPA from 1999 until 2007 and of Goldsborough Health Care plc from its flotation on the main market in 1995 until it was acquired by BUPA in 1997.

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

Professor Malcolm Young
Chief Executive Officer

Malcolm, 52, is a scientist by background. He has been Director of the Complex Systems Group, Director of the Institute for Neuroscience, Provost of the Faculty of Science, Agriculture and Engineering and Pro-Vice Chancellor for Strategic Development at Newcastle University, after having been a Royal Society Research Fellow at the RIKEN Institute in Japan and at Oxford University. The main goals of his research have been to understand how biological function arises from structural aspects of complex biological systems.

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

Mr Stephen Self
Development Director

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

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

Dr Daniel Elger
Chief Financial Officer

Daniel, 43, has 19 years' experience in healthcare businesses. He began his career in medical publishing. He then spent five years at pharmaceutical marketing consultancies Blackwell Healthcare and Avenue, becoming a Programme Director in 1999 and leading accounts for GSK, Janssen, Roche, Pfizer and Merck.

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

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

Mr Brad Hoy
Non-Executive Director

Brad, 50, has over 20 years' commercial experience in the pharmaceutical and biotechnology industries gained through financial and general management roles in the UK and US.

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

Dr Rajesh Chopra
Non-Executive Director

Rajesh, 51, is a clinician and scientist by training and has since 2009 been Vice-President of Translational and Early Drug Development at Celgene Corporation. He leads a group of around 100 people working to integrate drug discovery and clinical development at Celgene sites in San Diego and San Francisco, CA, Summit, NJ, and Seville, Spain. Rajesh has extensive experience of all phases of drug development, in drug portfolio management, including acquisition of new assets, and of dealing with regulators and government agencies.

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

Directors' report

Period from 1 February 2012 to 31 January 2013

The Directors present their report and the audited financial statements for the year ended 31 January 2013.

Principal activity

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

Business review

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

Key performance indicators

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

Principal risks and uncertainties

Intellectual property

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

Research and Development risk

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

Regulatory risk

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

Technology risk

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

Commercial and economic risk

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

Financial risk

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

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

Directors

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

Director	**Ordinary shares of 0.1 pence each at 31 January 2013**	Ordinary shares of 0.1 pence each at 1 February 2012
Malcolm Young[1]	**20,640,482**	20,620,482
Stephen Self	**253,577**	253,577
Daniel Elger	**15,000**	15,000
Oliver James	**110,500**	68,500
Brad Hoy	**8,500**	—
Rajesh Chopra	**8,122**	—

[1] Malcolm Young's interest included 10,310,241 (2012: 10,310,241) shares held by his wife, Mrs D Young. Through interests in Novotech Investment Limited and Novotech Syndicate LLP, Professor Young indirectly held a further 403,148 (2012: 428,512) shares in the Company.

Directors continued

During the period between 31 January 2013 and 14 June 2013, the Company received the following notifications under Disclosure and Transparency Rule 3.1.2R:

- between 8 February and 4 April 2013, Novotech Investment Limited sold a total of 95,000 shares, such sales being outside Malcolm Young's control. As a result, Professor Young's indirect shareholding was reduced by 28,348 shares, to 374,800 shares;
- on 12 February 2013, Malcolm Young purchased 4,476 shares in the Company, bringing his direct holding to 20,644,958 shares;
- on 22 February 2013, 10,310,241 shares held by Mrs D Young (and included in Malcolm Young's direct holding above) were transferred to Malcolm Young;
- on 13 February 2013, Stephen Self purchased 20,000 shares in the Company, increasing his holding to 273,577 shares;
- on 14 February 2013, Daniel Elger purchased 15,000 shares in the Company, increasing his holding to 30,000 shares; and
- on 20 February 2013, shares were issued to the Non-Executive Directors in payment of their fees as follows:

Director	No. of shares issued 20 February 2013	Resultant total shareholding
Oliver James	**8,256**	**118,756**
Brad Hoy	**9,357**	**17,857**
Rajesh Chopra	**6,496**	**14,618**

Biographical details of the Directors are given on page 5.

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

The Company has operated a Long Term Incentive Plan (LTIP) under which Directors and other employees have received options to acquire ordinary shares in the Company subject to a fixed performance condition. A resolution to be put to the 2013 AGM proposes the establishment of a new share scheme, to be known as the e-Therapeutics Performance Share Plan 2013, which the remuneration committee believes will better align the interests of Directors and other employees with those of shareholders. Further details of the plan are set out on pages 9 to 11.

Research and Development

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

Political and charitable contributions

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

Financial instruments and financial risk management

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

Proposed dividend

The Directors do not recommend the payment of a dividend (2012: £nil).

Employees

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

Health and safety

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

Policy and practice on payment of creditors

It is the Group's policy to pay suppliers in accordance with terms and conditions agreed prior to the commencement of trading, provided that the supplier has met its contractual obligations. The Group does not follow any standard code of practice for payment of suppliers. At the end of the year, outstanding invoices for the Group and the Company represented 29 (2012: 30) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Directors' report continued

Period from 1 February 2012 to 31 January 2013

Major shareholdings

On 14 June 2013 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	**131,331,539**	**49.8**
Aviva Investors Global Services	**42,750,000**	**16.2**
Professor Malcolm Young*	**20,644,958**	**7.8**
Henderson Global Investors	**17,539,408**	**6.7**
Octopus Group	**11,097,658**	**4.2**

* Through interests in Novotech Investment Limited and Novotech Syndicate LLP, Professor Young has an indirect interest in a further 374,800 shares in the Company.

During the period between 31 January 2013 and 14 June 2013, the Company received a number of notifications under Disclosure and Transparency Rule 5, all of which have been published individually via a Regulatory Information Service and are available on the Company's website. In the case of Professor Young, the changes since 31 January 2013 are detailed on page 7. The parties with holdings in the Company exceeding 3% of its issued ordinary shares remain unchanged since the year end with the exception of Aviva, which had no shares at the year end, and Newcastle University Holdings Limited, which notified the Company that as of 1 March 2013 its holding of 6,744,000 shares no longer constituted a beneficial holding exceeding 3% of the Company's issued share capital.

Significant contracts

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

Articles of association and capital structure

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

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

Disclosure of information to Auditor

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

Independent Auditor

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

Going concern

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

Directors' and officers' liability insurance

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

Post-balance sheet events

In March 2013, the Company raised £40.0 million (£38.8 million net of related expenses) through placings of 125,000,000 new ordinary shares. More detail is provided in Note 22.

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 and 3: 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. Malcolm Young and Oliver James were last re-elected in September 2010 and will accordingly retire and submit themselves for re-election at the AGM.

Annual General Meeting continued

Resolution 4: Appointment of the Auditor

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

Resolution 5: Remuneration of the Auditor

An ordinary resolution will be proposed to authorise the Directors to determine the remuneration payable to the Auditor.

Resolution 6: 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 31 July 2012, the Directors were given authority to allot ordinary shares in the capital of the Company up to approximately 70% of the Company's then issued ordinary share capital. The Directors consider it appropriate that this authority be renewed and seek authority to allot shares in the capital of the Company up to a maximum nominal amount of £184,505.53, representing 70% of the Company's issued ordinary share capital as at 14 June 2013. This power will last until the conclusion of the next AGM of the Company in 2014. The Directors have no present intention of exercising this authority.

Resolution 7: 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 6.

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 7 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 £52,715.86 (representing 20% of the Company's issued share capital at 14 June 2013).

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 6 will provide the Company with flexibility to take advantage of business opportunites that may arise.

Resolution 8: Establishment of the e-Therapeutics Performance Share Plan 2013

An ordinary resolution will be proposed to approve the establishment of the e-Therapeutics Performance Share Plan 2013 (the "Plan"). Under the Plan, awards will be granted to Directors and other employees (who have been selected by the remuneration committee) whereby they will be entitled to acquire ordinary shares in the Company ("award shares"). Three types of awards may be granted to participants under the Plan:

- a basic award – an award under which the participant will be entitled to acquire (i) a proportion only of the award shares if minimum performance targets (specified at the time the award is granted) are met over a three-year period, and (ii) all the award shares if more stretching performance targets (specified at the time the award is granted) are met over that three-year period;
- a supplementary award – an award under which the participant will be entitled to acquire, in full, the award shares only if exceptional performance targets (specified at the time the awards are granted) are met over a three-year period; and
- a matching award – an award under which the participant will be entitled to acquire additional shares on similar terms to a basic award if, and to the extent that, the participant invests his/her annual bonus in acquiring ordinary shares or receives his/her annual bonus in ordinary shares.

Further details of the Plan are set out below:

1. Eligibility

Participants must be employees or Executive Directors of the Company (or of any of its subsidiaries). Actual participation in the Plan will be at the discretion of the remuneration committee.

Directors' report continued

Period from 1 February 2012 to 31 January 2013

Annual General Meeting continued

Resolution 8: Establishment of the e-Therapeutics Performance Share Plan 2013 continued

2. Timing of grant of awards

2.1 Awards may only be granted as follows:

2.1.1 during the period of six weeks following the announcement of the Company's results for any period;

2.1.2 in the case of an employee or Director joining the Company, within 28 days of his or her joining; or

2.1.3 exceptionally, and subject to any relevant restrictions on dealings in shares, at other times if the remuneration committee determines that exceptional circumstances exist.

2.2 No awards may be granted more than ten years after the date of approval of the Plan in general meeting.

2.3 No payment will be required for the grant of awards.

2.4 Awards will not be transferable and award shares may only be acquired by participants (or, in the event of their death, their personal representatives).

3. Plan limits

Awards cannot be granted under the Plan if, were those awards to vest in full, they would be satisfied by the issue of new shares which, when aggregated with any shares that have been, or will be, issued to satisfy other awards granted under the Plan or rights granted under any other employee share schemes established by the Company (including the e-Therapeutics Long Term Incentive Plan 2007) within the immediately preceding period of ten years, would exceed 10% of the ordinary share capital of the Company at that time.

4. Performance targets

Participants will only be entitled to acquire award shares if performance targets, specified at the time the awards are granted, are met. The targets that will be required to be met in relation to the initial grant of awards (which is intended to take place shortly after the AGM) are set out below:

4.1 Basic awards

4.1.1 Participants will be entitled to acquire their basic award shares in full if the average of the closing mid-market prices of a share (the "target average share price") during the period of 20 dealing days ending on the third anniversary of the date on which the awards are granted (the "third anniversary") exceeds the average of the closing mid-market prices of a share (the "grant average share price") during the period of 20 dealing days ending on the date on which the awards are granted by 100% or more.

4.1.2 If the target average share price exceeds the grant average share price by 25% or more, but by less than 100%, the number of shares that participants may acquire under their awards will increase from 25% (where the target average share price exceeds the grant average share price by 25%) to 100% (where the target average share price exceeds the grant average share price by 100%) on a straight line basis.

4.1.3 Participants can acquire their award shares at any time after the third anniversary and before the tenth anniversary of their grant.

4.1.4 If there is a change of control of the Company before the third anniversary, participants will be entitled to acquire their award shares in full if the price per share payable by the person acquiring control of the Company exceeds the grant average share price by 100% or more. If that price exceeds the grant average share price by 25% or more, but by less than 100%, the number of shares that participants may acquire under their awards will be calculated on a similar basis to that set out at 4.1.1 and 4.1.2 above. Participants will, however, have a shorter period in which to acquire their award shares.

4.2 Supplementary awards

4.2.1 Participants will be entitled to acquire their supplementary award shares in full if the target average share price exceeds the grant average share price by 150% or more. If the target average share price exceeds the grant average share price by less than 150%, participants will have no entitlement to acquire any supplementary award shares.

4.2.2 If there is a change of control of the Company before the third anniversary, participants will be entitled to acquire their supplementary award shares in full only if the price per share payable by the person acquiring control of the Company exceeds the grant average share price by 150% or more.

4.3 Matching awards

4.3.1 Participants may be granted matching awards if and to the extent that they apply some or all of their annual bonuses in acquiring ordinary shares.

4.3.2 Participants will be entitled to acquire matching award shares on the same basis as they can acquire basic award shares. Matching awards will (in addition to the other circumstances in which awards lapse) lapse if, and to the extent that, the number of shares that individual participants hold falls below the number of matching award shares; if participants hold less than 75% of that number, the matching awards will lapse in full.

The performance targets that will apply for future grants of awards may be different from those set out above, but will be equally challenging.

Annual General Meeting continued

Resolution 8: Establishment of the e-Therapeutics Performance Share Plan 2013 continued

5. Acquisition of award shares

Participants will be required to pay a nominal amount only to acquire their award shares (although it may be necessary, for tax purposes, to set the exercise price at a higher level in certain circumstances).

6. Termination of employment

If a participant ceases to be an employee or Director of the Company, his or her Awards will lapse unless, in the case of basic awards and matching awards (but not supplementary awards), the remuneration committee determines otherwise. Where the committee exercises its discretion in this way, participants will be entitled to retain a time-apportioned proportion of his or her award and will be entitled to acquire the (time-apportioned proportion of those) award shares at the same time, and on the same basis, as if they had not ceased to be an employee or Director.

7. Variation of capital

The remuneration committee may adjust the number of award shares in the event of a rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the Company's ordinary share capital.

8. Non-pensionable

Benefits under the Plan will not be pensionable.

9. Rights attaching to award shares

Award shares acquired by participants will rank alongside other shares of the same class then in issue. The Company will apply to the UK Listing Authority for the listing of any newly-issued shares.

10. Amendment

The remuneration committee may amend the Plan. However, the provisions governing eligibility, Plan limits, the basis for determining the rights of participants to acquire shares and the adjustments that may be made following a rights issue or other variation of capital, cannot be altered to the advantage of existing or new participants without the prior approval of the Company's shareholders in general meeting. There are exceptions for minor amendments to benefit the administration of the Plan, to take account of changes in legislation or developments in the law affecting the Plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan or for the Company or any subsidiary. In addition, no alteration may be made that would materially affect any subsisting rights of any participants without their prior consent.

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

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

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

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

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

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

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

Professor Oliver James
Chairman
24 June 2013

Corporate governance statement

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

Board of Directors

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

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

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

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

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

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

Independence of Directors

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

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

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

* During the year Brad Hoy performed no work for the Company other than his duties as a Director. Since the year end, he has assisted with the preparation of a grant application and has received additional remuneration of £4,125 as at the date of this report, this being equivalent to the terms that prevail in arm's-length transactions. The nature and scale of this work is such that it is not considered to compromise Mr Hoy's independence.

Professional development

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

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

Re-election

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

Board committees

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

Audit committee

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

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

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

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

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

Remuneration committee

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

The remuneration committee is responsible for approving:

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

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

Investor relations

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

Internal controls

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

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

By order of the Board

Professor Oliver James
Chairman
24 June 2013

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 2013, set out on pages 15 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and Auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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.

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

24 June 2013

Consolidated income statement

For the year ended 31 January 2013

	Notes	2013 £000	2012 £000
Revenue		—	—
Cost of sales		—	—
Gross profit		—	—
Research and Development expenditure		(4,093)	(2,898)
Administrative expenses		(1,154)	(1,130)
Operating loss	2	(5,247)	(4,028)
Financial income	5	223	191
Financial expenses	5	—	(26)
Loss before tax		(5,024)	(3,863)
Taxation	6	846	621
Loss for the year		(4,178)	(3,242)
Loss for the year attributable to equity holders of the Company		(4,178)	(3,242)
Loss per share – basic and diluted	8	(3.02)p	(2.47)p

Consolidated statement of comprehensive income

For the year ended 31 January 2013

	2013 £000	2012 £000
Loss for the financial year	(4,178)	(3,242)
Other comprehensive income	—	—
Total comprehensive income for the financial year	(4,178)	(3,242)

Consolidated statement of changes in equity

For the year ended 31 January 2013

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2011	66	7,654	420	(7,867)	273
Total comprehensive income for year					
Loss for the financial year	—	—	—	(3,242)	(3,242)
Total comprehensive income for year	—	—	—	(3,242)	(3,242)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Total contributions by and distribution to owners	72	17,898	(288)	11	17,693
As at 31 January 2012	**138**	**25,552**	**132**	**(11,098)**	**14,724**
As at 1 February 2012	138	25,552	132	(11,098)	14,724
Total comprehensive income for year					
Loss for the financial year	—	—	—	(4,178)	(4,178)
Total comprehensive income for year	—	—	—	(4,178)	(4,178)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Total contributions by and distribution to owners	—	15	—	19	34
As at 31 January 2013	**138**	**25,567**	**132**	**(15,257)**	**10,580**

Company statement of changes in equity

For the year ended 31 January 2013

	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total £000
As at 1 February 2011	66	7,654	420	(5,043)	3,097
Total comprehensive income for year					
Loss for the financial year	—	—	—	(3,242)	(3,242)
Total comprehensive income for year	—	—	—	(3,242)	(3,242)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Total contributions by and distribution to owners	72	17,898	(288)	11	17,693
As at 31 January 2012	**138**	**25,552**	**132**	**(8,274)**	**17,548**
As at 1 February 2012	138	25,552	132	(8,274)	17,548
Total comprehensive income for year					
Loss for the financial year	—	—	—	(4,178)	(4,178)
Total comprehensive income for year	—	—	—	(4,178)	(4,178)
Transactions with owners, recorded directly in equity					
Issue of ordinary shares	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Total contributions by and distribution to owners	—	15	—	19	34
As at 31 January 2013	**138**	**25,567**	**132**	**(12,433)**	**13,404**

Balance sheets

At 31 January 2013

		Group		Company	
	Notes	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Non-current assets					
Property, plant and equipment	9	**150**	137	**150**	137
Intangibles	10	**378**	337	**3,202**	3,161
Investments	11	**—**	—	**—**	—
		528	474	**3,352**	3,298
Current assets					
Tax receivable		**845**	577	**845**	577
Trade and other receivables	12	**320**	311	**320**	311
Fixed-term deposits	13	**5,550**	7,750	**5,550**	7,750
Cash and cash equivalents	14	**4,225**	6,156	**4,225**	6,156
		10,940	14,794	**10,940**	14,794
Total assets		**11,468**	15,268	**14,292**	18,092
Current liabilities					
Trade and other payables	15	**888**	544	**888**	544
		888	544	**888**	544
Total liabilities		**888**	544	**888**	544
Net assets		**10,580**	14,724	**13,404**	17,548
Equity					
Share capital	17	**138**	138	**138**	138
Share premium	17	**25,567**	25,552	**25,567**	25,552
Warrant reserve	17	**132**	132	**132**	132
Retained earnings	17	**(15,257)**	(11,098)	**(12,433)**	(8,274)
Total equity attributable to equity holders of the Company	17	**10,580**	14,724	**13,404**	17,548

These financial statements were approved by the Board of Directors on 24 June 2013 and were signed on its behalf by:

Professor Malcolm Young
Director

Dr Daniel Elger
Director

Registered number: 4304473

Statements of cash flow

For the year ended 31 January 2013

	Notes	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Cash flows from operating activities					
Loss for the year		**(4,178)**	(3,242)	**(4,178)**	(3,242)
Adjustments for:					
Depreciation, amortisation and impairment	9, 10	**194**	81	**194**	81
Loss on disposal of fixed assets		**1**	—	**1**	—
Financial income	5	**(223)**	(191)	**(223)**	(191)
Financial expenses	5	**—**	26	**—**	26
Equity-settled share-based payment expenses	16	**19**	11	**19**	11
Taxation		**(846)**	(621)	**(846)**	(621)
		(5,033)	(3,936)	**(5,033)**	(3,936)
Increase in trade and other receivables		**(52)**	(116)	**(52)**	(116)
Increase in trade and other payables		**344**	429	**344**	429
Tax received		**578**	386	**578**	386
Net cash from operating activities		**(4,163)**	(3,237)	**(4,163)**	(3,237)
Cash flows from investing activities					
Interest received		**266**	99	**266**	99
Acquisition of property, plant and equipment	9	**(60)**	(139)	**(60)**	(139)
Acquisition of other intangible assets	10	**(189)**	(128)	**(189)**	(128)
Decrease/(increase) in fixed-term deposits	13	**2,200**	(7,750)	**2,200**	(7,750)
Net cash from investing activities		**2,217**	(7,918)	**2,217**	(7,918)
Cash flows from financing activities					
Net proceeds from issue of share capital	17	**15**	17,682	**15**	17,682
Repayment of loan notes		**—**	(1,049)	**—**	(1,049)
Loan notes interest paid		**—**	(249)	**—**	(249)
Net cash from financing activities		**15**	16,384	**15**	16,384
Net (decrease)/increase in cash and cash equivalents		**(1,931)**	5,229	**(1,931)**	5,229
Cash and cash equivalents at 1 February		**6,156**	927	**6,156**	927
Cash and cash equivalents at 31 January	14	**4,225**	6,156	**4,225**	6,156

Notes (forming part of the financial statements)

1 Accounting policies

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

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

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

Basis of preparation

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

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

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

Standards and interpretations applied for the first time

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

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

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

Going concern

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

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

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

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

Use of estimates and judgements

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

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

Basis of consolidation

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

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

1 Accounting policies continued

Classification of financial instruments issued by the Group

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

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

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

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

Trade and other receivables

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

Fixed-term deposits

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

Cash and cash equivalents

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

Trade and other payables

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

Property, plant and equipment

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

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

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

The annual rates of depreciation charged are as follows:

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

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

No depreciation is charged on assets under construction.

Investments in subsidiaries

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

Intangible assets and goodwill

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

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

Research and Development

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

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

Other intangible assets

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

Amortisation

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

1 Accounting policies continued

Impairment

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

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

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

Calculation of recoverable amount

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

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

Reversals of impairment

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

An impairment loss in respect of goodwill is not reversed.

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

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

Employee benefits

Defined contribution plans

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

Share-based payment transactions

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

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

Revenue

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

Expenses

Operating lease payments

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

Financial income and expenses

Financial income comprises interest receivable on funds invested.

Financial expenses comprise interest payable.

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

Taxation

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

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

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

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

Notes (forming part of the financial statements) continued

1 Accounting policies continued

Earnings per share

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

Segment reporting

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

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

2 Expenses and Auditor's remuneration

Included in loss are the following:

	2013 £000	2012 £000
Depreciation of own assets	**46**	18
Research and Development costs	**4,093**	2,898
Operating leases – hire of other assets	**60**	60

Auditor's remuneration:

	2013 £000	2012 £000
Amounts receivable by the Auditor and their associates in respect of:		
– audit of the Group's annual accounts	**22**	26
– audit-related assurance services	**1**	4
– taxation compliance services	**7**	14

3 Staff numbers and costs

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

	Number of employees Group		Number of employees Company	
	2013	2012	2013	2012
Staff	**15**	8	**15**	8
Directors	**3**	3	**3**	3
	18	11	**18**	11

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Wages and salaries	**1,743**	1,611	**1,743**	1,611
Share-based payments (see Note 16)	**19**	11	**19**	11
Social security costs	**222**	206	**222**	206
Contributions to money purchase pension schemes (see Note 16)	**153**	148	**153**	148
	2,137	1,976	**2,137**	1,976

4 Directors' remuneration

	2013 £000	2012 £000
Directors' emoluments	**942**	1,250
Contributions to money purchase pension schemes	**81**	112
	1,023	1,362

4 Directors' remuneration continued

	2013		2012	
	Directors' emoluments £000	**Contributions to money purchase schemes £000**	Directors' emoluments £000	Contributions to money purchase schemes £000
Malcolm Young	**415**	**47**	549	40
Stephen Self	**215**	**17**	179	11
Daniel Elger	**223**	**17**	152	11
Oliver James	**31**	**—**	26	—
Brad Hoy	**31**	**—**	45	—
Rajesh Chopra	**27**	**—**	—	—
John Cordiner*	**—**	**—**	299	50
	942	**81**	1,250	112

* In the prior year, £30,000 of emoluments and £42,000 of contributions to money purchase pension schemes represented compensation for loss of office.

	Number of Directors	
	2013	2012
Retirement benefits are accruing to the following number of Directors under:		
– money purchase pension schemes	**3**	3
Directors who exercised share options during the year	**Nil**	Nil

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

Name	At end of year	At beginning of year	Exercise price (pence)	Date from which exercisable	Expiry date
Oliver James	118,020	118,020	67.0	Vested	November 2017
Brad Hoy	—	80,000	37.5	Vested	November 2012
Oliver James	25,000	25,000	38.5	28 April 2013	28 October 2013
Brad Hoy	25,000	25,000	38.5	28 April 2013	28 October 2013
Stephen Self	500,000	500,000	0.1	30 December 2013	30 June 2014
Stephen Self	350,000	350,000	0.1	30 December 2014	30 June 2015
Daniel Elger	400,000	400,000	0.1	12 August 2014	12 February 2015
Malcolm Young	271,552	271,552	0.1	30 November 2014	31 May 2015
Stephen Self	110,345	110,345	0.1	30 November 2014	31 May 2015
Daniel Elger	111,304	111,304	0.1	30 November 2014	31 May 2015
Malcolm Young	212,838	—	0.1	6 July 2015	6 January 2016
Stephen Self	108,108	—	0.1	6 July 2015	6 January 2016
Daniel Elger	151,387	—	0.1	6 July 2015	6 January 2016
Malcolm Young	200,000	—	0.1	26 October 2015	26 April 2016
Stephen Self	200,000	—	0.1	26 October 2015	26 April 2016
Daniel Elger	200,000	—	0.1	26 October 2015	26 April 2016

The mid-market price of the Company's shares at 31 January 2013 was 32.5 pence and the range during the year was 25.5 pence to 44 pence.

All of the options above with a 0.1 pence exercise price are subject to a £1 share price target. Detailed performance conditions attached to outstanding share options are described in Note 16.

No Director sold shares or sold or exercised warrants or share options during the year, although Malcolm Young's indirect holding of shares was reduced by 25,364 during the year because of sales by Novotech Investment Limited that were outside of his control.

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

Notes (forming part of the financial statements) continued

5 Financial income and expenses

	2013 £000	2012 £000
Financial income		
Bank interest receivable	**223**	191
Financial expenses		
Interest payable on loan notes	**—**	26

6 Taxation

Recognised in the income statement:

	2013 £000	2012 £000
Current tax income		
Current year	**(845)**	(577)
Adjustments for prior years	**(1)**	(44)
Current tax income	**(846)**	(621)
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	**(846)**	(621)

Reconciliation of effective tax rate:

	2013 £000	2012 £000
Loss for the year	**(4,178)**	(3,242)
Total tax income	**(846)**	(621)
Loss excluding taxation	**(5,024)**	(3,863)
Tax at 24.33% (2012: 26.3%)	**(1,222)**	(1,016)
Expenses not deductible for tax purposes	**7**	7
Enhanced relief for Research and Development	**(1,005)**	(594)
Surrender of tax losses	**989**	625
Unrelieved tax losses	**388**	460
Other	**(2)**	(59)
Adjustments in respect of prior period	**(1)**	(44)
Total tax income	**(846)**	(621)

The tax received relates to Research and Development tax credits.

The Group has unrecognised deferred tax assets of £1,692,830 (2012: £1,426,225) and unused tax losses of £7,416,651 (2012: £5,812,901).

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

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011 and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 January 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's unrecognised deferred tax asset accordingly.

7 Loss of the Company

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented its own income statement. The loss of the Company for the year was £4,178,000 (2012: loss of £3,242,000).

8 Loss per share

The analysis of loss per share is as follows:

	2013	2012
Basic and diluted loss per share	**(3.02)p**	(2.47)p

Basic EPS is calculated by dividing the loss for the year of £4,178,000 (2012: £3,242,000) by the weighted average number of 138,162,050 shares (2012: 131,010,249) 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 6,010,926 (2012: 4,550,119) and of warrants over 875,741 (2012: 875,741) ordinary shares (see Notes 16 and 17). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

9 Property, plant and equipment

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 February 2011	115	40	155
Additions	45	94	139
Balance at 31 January 2012	160	134	294
Balance at 1 February 2012	160	134	294
Additions	29	31	60
Disposals	(90)	(29)	(119)
Balance at 31 January 2013	**99**	**136**	**235**
Depreciation			
Balance at 1 February 2011	107	32	139
Depreciation charge for the year	10	8	18
Balance at 31 January 2012	117	40	157
Balance at 1 February 2012	117	40	157
Depreciation charge for the year	24	22	46
Eliminated on disposals	(90)	(28)	(118)
Balance at 31 January 2013	**51**	**34**	**85**
Net book value			
At 1 February 2011	8	8	16
At 1 February 2012	43	94	137
At 31 January 2013	**48**	**102**	**150**

Notes (forming part of the financial statements) continued

10 Goodwill and intangible assets – Group and Company

	Group			Company		
	Goodwill £000	Patents and trademarks £000	Total £000	Goodwill £000	Patents and trademarks £000	Total £000
Cost						
Balance at 1 February 2011	—	389	389	2,824	389	3,213
Other acquisitions – internally developed	—	128	128	—	128	128
Balance at 31 January 2012	—	517	517	2,824	517	3,341
Balance at 1 February 2012	—	517	517	2,824	517	3,341
Other acquisitions – internally developed	—	189	189	—	189	189
Balance at 31 January 2013	**—**	**706**	**706**	**2,824**	**706**	**3,530**
Amortisation and impairment						
Balance at 1 February 2011	—	117	117	—	117	117
Amortisation charge for the year	—	3	3	—	3	3
Impairment charge	—	60	60	—	60	60
Balance at 31 January 2012	—	180	180	—	180	180
Balance at 1 February 2012	—	180	180	—	180	180
Amortisation charge for the year	—	7	7	—	7	7
Impairment charge	—	141	141	—	141	141
Balance at 31 January 2013	**—**	**328**	**328**	**—**	**328**	**328**
Net book value						
At 1 February 2011	—	272	272	2,824	272	3,096
At 1 February 2012	—	337	337	2,824	337	3,161
At 31 January 2013	**—**	**378**	**378**	**2,824**	**378**	**3,202**

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

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

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

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

11 Investments in subsidiaries
The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership 2013	Ownership 2012
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 (2012: £1).

12 Trade and other receivables

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Other receivables	**125**	127	**125**	127
Prepayments and accrued income	**195**	184	**195**	184
	320	311	**320**	311

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

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

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

13 Fixed-term deposits

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Fixed-term deposits	**5,550**	7,750	**5,550**	7,750

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 117 days (2012: 183 days).

14 Cash and cash equivalents

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Cash and cash equivalents per balance sheet	**4,225**	6,156	**4,225**	6,156
Cash and cash equivalents per cash flow statements	**4,225**	6,156	**4,225**	6,156

15 Trade and other payables

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Current				
Trade payables	**273**	187	**273**	187
Non-trade payables and accrued expenses	**615**	357	**615**	357
	888	544	**888**	544

Notes (forming part of the financial statements) continued

16 Employee benefits

Defined contribution arrangements

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans in the current year was £153,312 (2012: £147,540).

There were outstanding contributions of £8,344 (2012: £5,284) and no prepaid contributions (2012: £nil) at the end of the financial year.

Share-based payments

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

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

Grant date	Number of instruments at end of year	Number of instruments at beginning of year	Exercise price (pence)	Contractual life of options
October 2006[i]	1,042,880	1,090,650	13.9	10 years
April 2007[i]	92,730	92,730	38.6	10 years
October 2007[i]	118,020	118,020	67.0	10 years
October 2007[i]	356,870	356,870	17.4	5.5 years
November 2008[i]	—	80,000	37.5	4 years
April 2010[ii]	349,500	349,500	0.1	3.5 years
April 2010[iii]	50,000	50,000	38.5	3.5 years
December 2010[ii]	500,000	500,000	0.1	3.5 years
December 2010[iv]	350,000	350,000	0.1	4.5 years
August 2011[ii]	400,000	400,000	0.1	3.5 years
November 2011[ii]	1,086,811	1,162,349	0.1	3.5 years
July 2012[ii]	722,961	—	0.1	3.5 years
October 2012[v]	941,154	—	0.1	3.5 years

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

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

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

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

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

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

	Weighted average exercise price 2013 (pence)	**Number of options 2013**	Weighted average exercise price 2012 (pence)	Number of options 2012
Options				
Outstanding at the beginning of the year	**8.4**	**4,550,119**	14.2	3,848,880
Forfeited during the year	**15.6**	**(193,249)**	13.9	(278,190)
Exercised during the year	**13.9**	**(47,770)**	13.9	(932,920)
Granted during the year	**0.1**	**1,701,826**	0.1	1,912,349
Outstanding at the end of the year	**5.8**	**6,010,926**	8.4	4,550,119
Exercisable at the end of the year	**19.9**	**1,610,500**	20.6	1,738,270

The weighted average share price at the date of exercise of share options exercised during the year was 35 pence (2012: 36.5 pence). The options outstanding at the year end have an exercise price in the range of 0.1 pence to 67 pence and a weighted average remaining contractual life of 2.53 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.

16 Employee benefits continued

Share-based payments continued

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

Date of grant	Options October 2012	Options July 2012
Share price at date of grant	£0.35	£0.37
Vesting period	3–3.5 years	3 years
Share price target	£1.00	£1.00
Expected volatility	28.5%	28.5%
Risk-free rate	0.8%	0.8%
Dividend yield	0%	0%
Exercise price	£0.001	£0.001
Number of shares	941,154	760,672
Fair value per option	£0.011	£0.012

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

	2013 £000	2012 £000
Group and Company equity-settled share-based payment expense	**19**	11

17 Capital and reserves

Reconciliation of movement in capital and reserves:

Group	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2010	65	7,573	420	(5,572)	2,486
Total recognised income and expense	—	—	—	(2,313)	(2,313)
Issue of share capital	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Balance at 31 January 2011	66	7,654	420	(7,867)	273
Balance at 1 February 2011	66	7,654	420	(7,867)	273
Total recognised income and expense	—	—	—	(3,242)	(3,242)
Issue of share capital	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Balance at 31 January 2012	138	25,552	132	(11,098)	14,724
Balance at 1 February 2012	138	25,552	132	(11,098)	14,724
Total recognised income and expense	—	—	—	(4,178)	(4,178)
Issue of share capital	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Balance at 31 January 2013	**138**	**25,567**	**132**	**(15,257)**	**10,580**

Notes (forming part of the financial statements) continued

17 Capital and reserves continued

Company	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2010	65	7,573	420	(2,748)	5,310
Total recognised income and expense	—	—	—	(2,313)	(2,313)
Issue of share capital	1	81	—	—	82
Equity-settled share-based payment transactions	—	—	—	18	18
Balance at 31 January 2011	66	7,654	420	(5,043)	3,097
Balance at 1 February 2011	66	7,654	420	(5,043)	3,097
Total recognised income and expense	—	—	—	(3,242)	(3,242)
Issue of share capital	72	17,610	—	—	17,682
Issue and exercise of warrants	—	288	(288)	—	—
Equity-settled share-based payment transactions	—	—	—	11	11
Balance at 31 January 2012	138	25,552	132	(8,274)	17,548
Balance at 1 February 2012	138	25,552	132	(8,274)	17,548
Total recognised income and expense	—	—	—	(4,178)	(4,178)
Issue of share capital	—	15	—	—	15
Equity-settled share-based payment transactions	—	—	—	19	19
Balance at 31 January 2013	**138**	**25,567**	**132**	**(12,433)**	**13,404**

	No. of ordinary shares	
Share capital	**2013 '000**	2012 '000
On issue at 1 February	**138,126**	66,008
Issued for cash	**72**	72,118
On issue at 31 January – fully paid	**138,198**	138,126

	2013 £000	2012 £000
Allotted, called up and fully paid		
138,198,359 (2012: 138,126,467) ordinary shares of £0.001 each	**138**	138
	138	138
Shares classified as liabilities	**—**	—
Shares classified in shareholders' funds	**138**	138
	138	138

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

During the period, exercise of options over 47,770 ordinary shares by staff and the issue of 24,122 ordinary shares to Non-Executive Directors in payment of their fees led to an increase of £72 in share capital and a credit of £15,252 to the share premium account.

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

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

17 Capital and reserves continued

The warrant reserve relates to the following warrants:

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

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

18 Financial instruments

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

Capital management

The Group's policy is to maintain a strong capital base. The Group does not yet have any significant recurring revenues and finances its operations through the issue of new shares and the management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £9,775,000 of cash and fixed-term deposits as at 31 January 2013 (2012: £13,906,000).

Management of financial risk

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

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

Credit risk

The carrying amount of financial assets is as follows:

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Tax receivable	**845**	577	**845**	577
Trade and other receivables	**320**	311	**320**	311
Fixed-term deposits	**5,550**	7,750	**5,550**	7,750
Cash and cash equivalents	**4,225**	6,156	**4,225**	6,156
	10,940	14,794	**10,940**	14,794

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

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

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

Notes (forming part of the financial statements) continued

18 Financial instruments continued

Liquidity risk

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

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

The Group and the Company have the following financial liabilities:

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Principal amounts				
Trade and other payables – payable within one year	**888**	544	**888**	544
	888	544	**888**	544

Interest has been calculated on an effective interest basis.

Financial liabilities by category:

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Financial liabilities at amortised cost	**888**	544	**888**	544

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

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

	2013						2012					
	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	**888**	**888**	**888**	**—**	**—**	**—**	544	544	544	—	—	—

Interest rate risk

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

The trade and other payables do not bear interest.

Sensitivity analysis

A 1% increase in interest rates throughout the year and prior year, with all other variables remaining constant, would have had no impact on interest expense in either the current or prior year. A 1% increase in interest rate earned on all cash and fixed-term deposits, with all other variables remaining constant, would have increased interest income in the current year by approximately £119,000 (2012: approximately £154,000).

19 Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any plant and equipment or fixtures and fittings (2012: £12,386).

20 Operating lease arrangements

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

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Within one year	**52**	47	**52**	47
In the second to fifth years inclusive	**27**	62	**27**	62
After five years	**—**	—	**—**	—
	79	109	**79**	109

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

21 Related parties

Identity of related parties with which the Group has transacted

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

The key management personnel of the Group are the Directors.

Transactions with key management personnel

The compensation of key management personnel is as follows:

	2013 £000	2012 £000
Directors' emoluments	**942**	1,250
Company contributions to money purchase pension funds	**81**	112
	1,023	1,362

Mrs D Young, who is the wife of Chief Executive Officer Malcolm Young, is employed by the Group as an administrator and during the period to 31 January 2013 received a salary of £15,000 (2012: £9,500), payable on terms equivalent to those that prevail in arm's-length transactions. There was no outstanding balance due to Mrs Young as at 31 January 2013 (2012: £nil). Mrs Young held 10,310,241 shares in the Company at the year end (2012: 10,310,241).

Transactions with subsidiary – Company

During the year the Company advanced no money to and made no capital contribution to its subsidiary undertaking and at 31 January 2013 the subsidiary undertaking owed the Company £nil (2012: £nil).

Transactions with Novotech

Chief Executive Officer Malcolm Young is a shareholder in, and a Non-Executive Director of, Novotech Investment Limited (NIL) and is a partner in Novotech Founders LLP (NFL, which is in turn a partner in Novotech Syndicate LLP (NSL)). As at 31 January 2013 NIL and NSL had an aggregate ownership of 1,555,236 (2012: 1,640,236) ordinary shares representing 1.13% (2012: 1.19%) of the issued share capital of the Company on that date. During the year, no costs (2012: £nil) were payable by the Company to NIL, NFL or NSL and no costs were incurred by e-Therapeutics plc on behalf of NIL, NFL or NSL (2012: £nil). As at 31 January 2013 there were no balances outstanding between the Company and NIL, NFL or NSL (2012: £nil).

Transactions with Searchbolt

Chief Executive Officer Malcolm Young is a Non-Executive Director of Searchbolt Limited ("Searchbolt"). Searchbolt is a search engine business, incorporated by way of a demerger from the Group on 14 November 2007. Searchbolt holds a perpetual exclusive licence for network analysis technology of e-Therapeutics plc for the use of the technology in internet search. During the year, £21,896 (2012: £1,289) of costs incurred by the Company on behalf of Searchbolt were recharged in full. As at 31 January 2013 there was a balance of £20,329 outstanding between the Company and Searchbolt (2012: £nil). During the year, the Company paid £9,000 (2012: £9,000) for consulting services to Dollywagon Limited ("Dollywagon"), a company that has a licence from Searchbolt for certain applications of Searchbolt's technology. Searchbolt receives half of such income from Dollywagon and therefore received indirectly £4,500 via this route from the Company during the year (2012: £4,500). As at 31 January 2013, there were no balances outstanding between the Company and Dollywagon (2012: £nil).

Transactions with Morden Pharma Consulting

Morden Pharma Consulting ("Morden") is a business owned by the Group's Development Director, Stephen Self. During the year, the Group recognised costs of £35,767 (2012: £16,875) payable to Morden, for consulting services related to drug development work provided by associates of Morden, on terms equivalent to those that prevail in arm's-length transactions. As at 31 January 2013 there were no balances outstanding between the Company and Morden (2012: £nil).

22 Subsequent events

In March 2013, the Company raised £40.0 million (£38.8 million net of related expenses) through placings of 125,000,000 new ordinary shares of 0.1 pence. Shareholder approval was provided at a general meeting on 27 February; 4,750,000 shares were duly allotted on that day, and a further 120,250,000 on 28 February, with all new shares admitted to trading on AIM by 1 March. All the new shares carry the same rights as the 138,198,359 ordinary shares in issue at the end of the year, described in Note 17. The new shares represented 90.4% of the Company's issued ordinary share capital immediately prior to the placings.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of e-Therapeutics plc (the Company) will be held at the offices of Bond Dickinson LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX at 10.30am on 25 July 2013 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 7, which will be proposed as a special resolution:

1. To receive the accounts for the financial year ended 31 January 2013 together with the Directors' report and the Auditor's report for that period.
2. To re-elect Malcolm Young as a Director of the Company.
3. To re-elect Oliver James as a Director of the Company.
4. To re-appoint KPMG Audit plc as the Auditor of the Company.
5. To authorise the Directors to agree the remuneration of the Auditor of the Company.
6. That the Directors be generally and unconditionally authorised for the purpose of section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £184,505.53, provided that:

   6.1 (except as provided in paragraph 5.2 below) this authority shall expire on the date of the next annual general meeting of the Company; and

   6.2 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.

7. That, subject to the passing of resolution 6 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:

   7.1 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 (subject to the passing of resolution 8 below) the e-Therapeutics Performance Share Plan 2013;

   7.2 made in connection with the allotment of up to 1,135,610 ordinary shares of 0.1 pence each in the capital of the Company pursuant to those option agreements referred to in paragraphs 2.9 to 2.13 of Part VII of the admission document relating to the Company dated 22 November 2007 that have neither been fully exercised nor lapsed;

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

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

   7.5 made in connection with the allotment and issue of up to 168,020 ordinary shares of 0.1 pence each in the capital of the Company pursuant to the options granted to Brad Hoy and Oliver James;

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

   7.7 wholly for cash (otherwise than pursuant to paragraphs 7.1 to 7.6 above) up to an aggregate nominal value of £52,715.86,

   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.

8. That the e-Therapeutics Performance Share Plan 2013 (the "Plan"), the rules of which are produced to the meeting and signed by the Chairman for the purposes of identification and a summary of which is set out on pages 9 to 11 of the annual report be and is hereby approved, and that the Directors of the Company be authorised to adopt the Plan, subject to such amendments thereto as may appear to the Directors to be necessary or desirable, including to secure the approval of HM Revenue & Customs, and to do all things necessary to give effect to the Plan.

By order of the Board

Sean Nicolson
Secretary
24 June 2013

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

Registered in England and Wales number 4304473

Notice of Annual General Meeting continued

Notes

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

1. Only those members registered in the register of members of the Company as at 10.30am on 23 July 2013 shall be entitled to attend and vote at the meeting convened above in respect of the number of shares registered in their names at that time. This time will still apply for the purpose of determining who is entitled to attend and vote if the Annual General Meeting is adjourned from its scheduled time by 48 hours or less. If the Annual General Meeting is adjourned for longer, members who wish to attend and vote must be on the Company's register of members by 48 hours before the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at a meeting of the Company. On a poll demanded, all of a member's voting rights may be exercised by one or more duly appointed proxies. Any such member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company's registrars. A proxy need not be a member of the Company. Appointing a proxy will not prevent a member from attending in person and voting at the meeting. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman of the meeting) and give your instructions directly to them. A proxy must vote in accordance with any instructions given by the appointing member.
3. A form of appointment of proxy is enclosed. To appoint a proxy, this form must be completed and signed, sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney of the company. If you return more than one proxy appointment, that received last by the registrar before the latest time for the receipt of proxies will take precedence.
4. The form of proxy includes a vote withheld option. Please note that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against any particular resolution.
5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with Neville Registrars Limited at the address shown on the proxy form not later than 10.30am on 23 July 2013 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.
6. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
7. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and they may also be inspected at the offices of Bond Dickinson LLP at St Ann's Wharf, 112 Quayside, Newcastle upon Tyne NE1 3DX from 9.00 am on the day of the meeting until the conclusion of the meeting:
   - 7.1 copies of Directors' service contracts with the Company;
   - 7.2 copies of the Non-Executive Directors' letters of appointment; and
   - 7.3 the proposed rules of the e-Therapeutics Performance Share Plan 2013.
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.

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