THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised for the purposes of the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on investment in shares and other securities before taking any action. You should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this document. All statements in this document regarding the Company's current and future business should be viewed in light of these risk factors.

This document comprises an admission document prepared in accordance with the AIM Rules. Any offer of Ordinary Shares is being made only to investors for the purposes of and as defined in section 86 of FSMA and accordingly this document does not constitute, and the Company is not making, an offer to the public within the meaning of sections 85 and 102B of FSMA. This document is therefore not an approved prospectus for the purposes of section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and as such has not been approved by the Financial Services Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

The Directors, whose names appear on page 10 of this document, and the Company, accept responsibility, both individually and collectively, for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

Application will be made to the London Stock Exchange for all of the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 28 November 2007. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the Existing Ordinary Shares nor the New Ordinary Shares will be dealt on any other recognised investment exchange and no other such application will be made. Furthermore, neither the London Stock Exchange nor the UKLA has itself examined or approved the contents of this document.

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e-Therapeutics plc

(Registered in England and Wales under the Companies Act 1985, registered number 4304473)

ISIN GB00B2823H99

Placing of 1,985,075 new ordinary shares of 0.1p each in the Company at 67p per share
Admission to trading on AIM

Nominated Adviser	*Broker*
WH Ireland Limited	**Cornhill Asset Management Limited**

WH Ireland, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as nominated adviser to the Company in connection with matters set out in this document. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. The duties of WH Ireland pursuant to the declaration in Schedule Two of the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and to no other party. WH Ireland accepts no responsibility or liabilitiy whatsoever to any other party who relies upon that declaration. No representation or warranty, expressed or implied, is made by WH Ireland as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). WH Ireland will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing protections afforded to customers of WH Ireland nor for advising them on the contents of this document or any other matter.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Existing Ordinary Shares and the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America. The relevant clearances have not been, and will not be, obtained from the relevant securities commission of any province or territory of Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa or in any country, territory or possession where to do so may contravene local securities laws or regulations. Subject to certain exemptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States of America or offered or sold to a person within Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the United States of America. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and commencement of dealings in the Ordinary Shares on AIM	28 November 2007
CREST accounts credited (where applicable) for the New Ordinary Shares	28 November 2007
Share certificates despatched	5 December 2007

ADMISSION AND PLACING STATISTICS

Number of Existing Ordinary Shares	52,063,615
Number of Ordinary Shares being issued pursuant to the Placing	1,985,075
Placing Price	67p
Gross proceeds of the Placing	£1.33m
Number of Ordinary Shares in issue on Admission	55,710,103
Percentage of the Enlarged Share Capital on Admission represented by the Placing Shares	3.56%
Market capitalisation of the Company at the Placing Price following Admission	£37.33m

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

"2006 Act"	the Companies Act 2006, in so far as it is in force as at the date of this document
"Act"	the Companies Act 1985 (as amended), in so far as it is in force at the date of this document
"Acts"	the Act and the 2006 Act
"Admission"	the admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM in accordance with Rule 6 of the AIM Rules
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies governing the admission to and operation of AIM published by the London Stock Exchange from time to time
"AIM Rules for Nominated Advisers"	the AIM Rules for Nominated Advisers governing the eligibility, ongoing obligations and certain disciplinary matters published by the London Stock Exchange from time to time
"Articles"	the articles of association of the Company as amended from time to time
"Board" or "Directors"	the directors of the Company as at the date of this document, whose names are set out on page 10 of this document
"City Code"	the City Code on Takeovers and Mergers
"Combined Code"	the Combined Code on Corporate Governance and the code of best practice issued by the Financial Reporting Council in June 2006
"Committee"	the remuneration committee of the Board
"Company" or "e-Therapeutics"	e-Therapeutics plc, registered in England and Wales under company number 4304473
"Cornhill"	Cornhill Asset Management Limited, registered in England and Wales under company number 5267797
"CREST"	the computer based system and procedures which enable title to securities to be evidenced and transferred without written instrument and which is operated by Euroclear UK & Ireland Limited
"EIS"	the Enterprise Investment Scheme as prescribed in Part VII chapter III of the Income and Corporation Taxes Act 1988 (as amended)
"Enlarged Share Capital"	the issued ordinary share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
"Existing Ordinary Shares"	the 52,063,615 Ordinary Shares in issue as at the date of this document
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Group"	the Company and its wholly owned dormant subsidiary InRotis
"InRotis"	InRotis Technologies Limited, registered in England and Wales under company number 5019565

"London Stock Exchange"	London Stock Exchange plc
"New Ordinary Shares"	the 1,985,075 new Ordinary Shares to be issued pursuant to the Placing and the 1,661,413 Ordinary Shares to be allotted upon exercise of the warrants referred to in paragraph 2.14 of Part VII of this document, all of which will be created in accordance with the Acts and will have the rights and be subject to the restrictions contained in the Articles
"Official List"	the Official List of the UKLA
"Ordinary Shares"	ordinary shares of 0.1p each in the capital of the Company, all of which have been created in accordance with the Acts and will have the rights and be subject to the restrictions contained in the Articles
"Panel"	the Panel on Takeovers and Mergers of the UK
"Placing"	the conditional placing by Cornhill of the Placing Shares at the Placing Price, pursuant to the provisions of the Placing Agreement
"Placing Agreement"	the conditional agreement dated 22 November 2007 between (1) the Company, (2) WH Ireland, (3) Cornhill and (4) the Directors relating to the Placing, details of which are set out in paragraph 8.1 of Part VII of this document
"Placing Price"	67p per Placing Share
"Placing Shares"	the New Ordinary Shares to be issued pursuant to the Placing
"Plan"	the e-Therapeutics plc Long Term Incentive Plan 2007
"Prospectus Directive"	European Parliament and Council Directive 2003/71/EC
"Prospectus Rules"	the rules made by the Financial Services Authority pursuant to sections 73A(1) and (4) of FSMA
"R&D"	research and development
"Shareholders"	holders of Ordinary Shares from time to time
"UK"	the United Kingdom of Great Britain and Northern Ireland
"UKLA"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"US"	the United States of America
"WH Ireland"	WH Ireland Limited, registered in England and Wales under company number 2002044
"£"	UK pounds sterling, the lawful currency of the UK
"$"	US dollars, the lawful currency of the US

GLOSSARY OF TECHNICAL TERMS

The following are explanations of technical terms used in this document:

"aetiology"	the study of the causes of diseases
"analgesic"	any member of the diverse group of drugs used to relieve pain
"anti-infective"	drug compounds used to kill or inhibit the growth of organisms such as bacteria, thus limiting infection
"atherosclerosis"	a disease affecting arterial blood vessels. It is commonly referred to as a "hardening" or "furring" of the arteries
"atorvastatin"	a member of the drug class known as statins, used for lowering cholesterol levels
"beta2-adrenoceptor agonists"	drugs that are usually inhaled and are bronchodilators that open the bronchial airways in the lungs. By stimulating specific beta-2 receptors in the airways, bronchodilators allow the airway muscles to relax, causing the airways to expand and allowing more air to pass through the lungs. Inhaled beta-2 agonists are available in both short-acting and long-acting forms. Some beta-2 agonists are the subject of specific safety concerns
"bioinformatics"	the use of computers to analyse and manage biological data
"bioactivity"	the beneficial or adverse effects of a drug on living matter
"blockbuster"	a drug with peak annual sales of over $1 billion
"C.difficile"	Clostridium difficile – a type of bacterium which can cause a severe infection of the colon
"cell-line"	distinct families of cells grown in culture. Cells in the same line are typically clones. Different cell lines have different features which are useful in molecular biological applications
"CETP"	cholesteryl ester transfer protein – a plasma protein involved in the metabolism of cholesterol. Increased function of CETP has been linked to atherosclerosis
"chemogenomics"	the investigation of classes of compounds against families of functionally related proteins. Chemogenomics deals with the systematic analysis of chemical-biological interactions
"chemoproteomics"	a drug discovery technology that evaluates the global interactions of small drug-like molecules with all proteins in a proteome as a means to identify new protein targets and to elucidate protein function, biochemical pathways and protein reaction partners
"chemotherapy"	therapy using drugs to slow or reverse the spread of cancer by rapidly poisoning growing cancer cells. Side effects may include damage to healthy cells and organs
"ciprofloxacin"	the generic name for a synthetic antibiotic
"combinatorial chemistry"	used to synthesise large numbers of chemical compounds by combining sets of building blocks. Each newly synthesised compound's composition is slightly different from the previous one
"composition-of-matter patent"	a patent relating to chemical compositions and may include mixtures of compounds as well as new chemical entities
"cytotoxicity"	the quality of being toxic to cells

"double blind techniques"	a stringent way of conducting a trial on human subjects to attempt to eliminate subjective bias. Neither the individual subjects nor the researcher know to whom is administered the drug compound and who receives the placebo
"efficacy"	the ability of a drug compound to produce a desired medical effect
"enterococci"	a type of bacterium that can cause clinical infection, for example in the urinary tract and can also cause meningitis
"fibromyalgia"	a chronic syndrome characterised by diffuse or specific muscle, joint, or bone pain, fatigue and a wide range of other symptoms
"formulation patent"	a patent protecting a specific pharmacological preparation
"genomics"	the study of an organism's entire genome – i.e. the complete DNA sequence of one set of chromosomes
"gram-positive infections"	infections brought about by gram-positive bacteria. Streptococci, Staphylococci, Corynebacterium diphtheriae and Mycobacterium tuberculosis are examples of gram-positive organisms
"high throughput screening"	a method of scientific experimentation used in drug discovery. It refers to the use of certain techniques to allow a researcher to quickly conduct millions of pharmacological tests
"HMG-CoA"	the first enzyme of the metabolic pathway that produces cholesterol and various other biomolecules
"Human Protein Reference Database"	represents a centralised platform depicting interaction networks and disease association for each protein in the human proteome
"in silico"	performed on computer or via computer simulation
"in vivo"	inside the living body or performed in a living organism
"Lp2"	lipoprotein-associated phospholipase A2 – has been identified as playing a significant role in reducing inflammation. Lp2 activities are an independent risk marker for death or recurrent cardiovascular events
"mathematical impact analysis"	analysis using mathematical methods derived from information, graph and set theories, used to determine the probable impact of a set of interactions on a complex network
"melanoma"	a form of skin cancer that often arises in a mole. It is one of the rarer types of skin cancer, but causes the majority of skin cancer related deaths
"micromolar"	a concentration representing one millionth of a mole. A mole is the amount of pure substance that contains the same number of elementary entities as there are atoms in exactly 12 grams of the isotope carbon-12. This is a common measure for the concentration at which a drug has some particular effect
"MRSA"	Methicillin-resistant Staphylococcus aureus – a type of the bacterium Staphylococcus aureus that has developed antibiotic resistance to all penicillins, including methicillin. MRSA is commonly termed a superbug
"mupirocin"	an antibiotic that is used topically for the treatment of bacterial skin infections

"NCEs" or "new chemical entities"	new drug compounds
"pathogen"	a biological agent that causes disease or illness to its host
"Phase I"	the first phase of clinical trial testing in humans for a new drug compound or treatment to evaluate its safety, determine a safe dosage range and identify any common side effects. Phase I trials are normally conducted on a limited number of subjects. Subjects for Phase I trials are commonly healthy volunteers rather than patients
"Phase II"	the second phase of clinical trial testing for a new drug compound or treatment, conducted if Phase I trials have progressed satisfactorily. Phase II trials are intended to assess side effect potential and some measures of efficacy with respect to a particular indication or indications in patients with the disease or condition under study
"Phase III"	the third stage of clinical testing, conducted to determine whether a new drug compound or treatment can be granted regulatory approval for distribution and sale. Phase III trials involve a large group of people and take place after obtaining preliminary evidence of efficacy and are intended to help determine risk, benefit and appropriate labelling
"pre-clinical development"	the development of a drug compound prior to clinical development, including a series of safety tests before it is used in humans in order to be as certain as possible that there will be no serious common adverse effects
"proteins"	complex molecules that are responsible for specific and unique functions within the body. Examples of proteins include hormones, enzymes and antibodies
"proteome"	the entire complement of proteins expressed by a genome, cell, tissue or organism
"proteomics"	the large scale study of proteins, particularly their structures and functions
"protocols"	the detailed plan for conducting a clinical trial, including the trial's rationale, drug dosages, routes of administration, who may participate, etc.
"repositioned compound"	a regulated drug compound, used or developed for a particular indication, for which a new indication has been identified
"S.aureus"	Staphylococcus aureus – a bacterial species that is resistant to the antibiotic vancomycin
"S.epidermidis"	Staphylococcus epidermidis – a type of bacterium, frequently living on the skin of humans and animals. Although it is normally non-pathogenic, it can be a cause of infection in patients whose immune system is compromised. It is often immune to a wide variety of antibiotics
"statins"	a class of drugs used to lower cholesterol levels
"synthetic aproach"	in contrast to analytical approaches, which begin with real data and attempt to find meaningful structure within it, synthetic approaches begin with ideas or premises and synthesise a model of a biological system. Synthetic approaches suffer some logical difficulties and can be prone to the need to simplify biological systems

"systemic disorder"	a disorder that has the potential to affect the entire body. Examples include diabetes, hypercholesterolaemia and endocrine disorders
"topical"	medication applied to the skin
"use patent"	a patent protecting the specific use of a drug compound or treatment
"vancomycin"	a type of antibiotic
"VRE"	vancomycin-resistant Enterococcus – a group of the bacterial species of Enterococcus that is resistant to the antibiotic vancomycin and can be found in the digestive and urinary tracts of some humans
"VRSA"	vancomycin-resistant Staphylococcus aureus – a strain of Staphylococcus aureus that is resistant to the antibiotic vancomycin

DIRECTORS, SECRETARY AND ADVISERS

Directors	Professor Oliver Francis Wintour James	Non-executive Chairman
	Professor Malcolm Philip Young	Chief Executive
	John Mark Cordiner	Commercial and Finance Director
	Dr Royston Frederick Drucker	Medical Director
Registered and Head Office	Block B Holland Park Holland Drive Newcastle upon Tyne NE2 4LZ	
Company telephone number	0191 233 1317	
Website	www.etherapeutics.co.uk	
Company Secretary	Sean Torquil Nicolson	
Nominated Adviser	WH Ireland Limited Zurich House Canal Wharf Leeds LS11 5DB	
Broker	Cornhill Asset Management Limited 1 Cornhill London EC3V 3ND	
Auditors to the Company	KPMG Audit Plc Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX	
Reporting Accountants	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX	
Solicitors to the Company	Dickinson Dees LLP St. Ann's Wharf 112 Quayside Newcastle upon Tyne NE99 1SB	
Solicitors to the Nominated Adviser and Broker	Pinsent Masons 1 Park Row Leeds LS1 5AB	
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

PART I

INFORMATION ON THE GROUP AND THE PLACING

Introduction

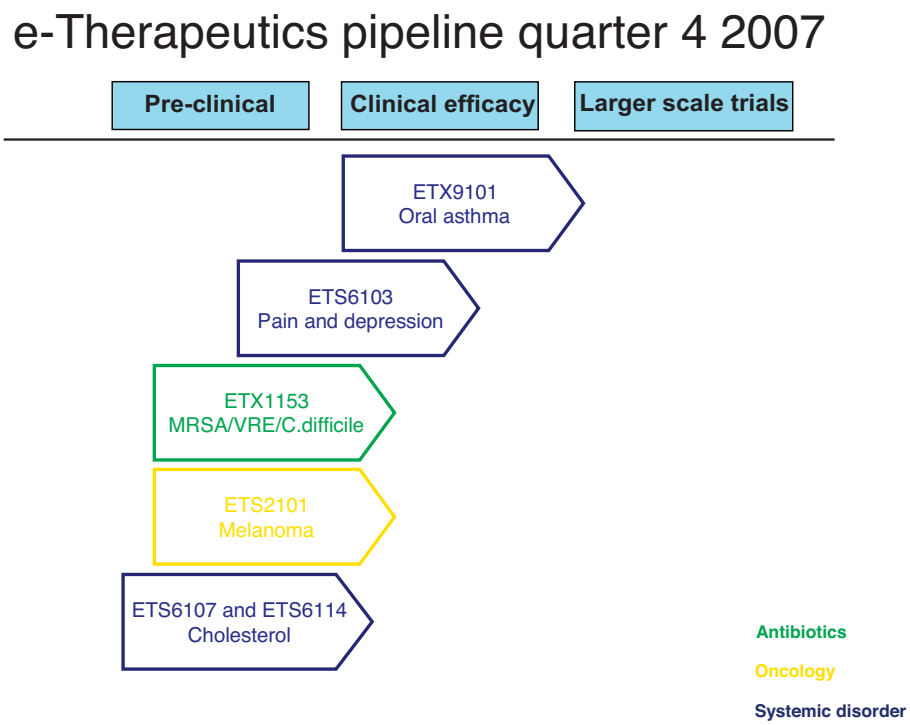
e-Therapeutics is a drug discovery company. It has a proprietary systems biology technology which it uses to discover potential new treatments for diseases for which either there are no existing treatments or current treatments are unsatisfactory. The Directors' strategy is to develop such treatments to the point of premium value and then to license them to pharmaceutical partners.

The Company's approach is to use computer technology to accomplish drug discovery as quickly, systematically and efficiently as possible. Its aim is to continue to generate, with increasing efficiency, a drug pipeline of high-quality new treatments. Its focus is on increasing the speed at which new mechanisms of disease are uncovered; the speed and accuracy with which new candidate drugs for these diseases are generated and evaluated for efficacy and safety; and on increasing the probability of success of these candidates in drug development by evaluating as many risks as possible early in development.

The Directors believe that the Company's drug discovery platform offers enormous potential for reducing the costs and enhancing the productivity of pharmaceutical discovery and development.

The Company's discovery platform can be used to discover new drug compounds (new chemical entities or "NCEs"), alternative indications for existing compounds, and combinations of compounds.

The Company's current drug development programme can be summarised as follows:



The above diagram indicates the stage of development of the current drug candidate portfolio. As with any drug in development, there can be no guarantee in relation to how long each stage will take, nor that a particular compound will proceed to the next stage.

As summarised above, over the last two years, e-Therapeutics has made significant progress in developing its products and research programmes and has recorded a number of key achievements including:

- regulatory permission for the contracting of a Phase II clinical proof of concept trial of ETX9101, an oral asthma medication;
- regulatory permission for the commencement of a Phase II clinical proof of concept trial of ETS6103, an analgesic antidepressant;

- commencement of preclinical in vivo studies on ETS2101, a small molecule therapeutic for malignant melanoma, with Cancer Research UK;
- completion of cell-line studies on ETS2101, a small molecule therapeutic for malignant melanoma, with Cancer Research UK;
- Home Office approval for the commencement of preclinical in vivo studies of ETS6107 and ETS6114, two atherosclerosis medicines targeted at HMG-CoA, CETP and Lp2;
- completion of preclinical efficacy studies on ETX1153, an antibiotic effective against MRSA, VRSA, VRE, C.difficile and S.epidermidis, which the Directors expect to enter clinical trials in 2008, subject to regulatory approval;
- first revenue, from a large pharmaceutical company, for drug evaluation;
- 10 patent applications have been made to protect the intellectual property created by the Company's research and development programmes; and
- the identification of further potential products from its drug discovery research programmes for future development.

The development of the drug discovery platform and the above achievements have required significant investment to date. Funding has been received in the form of research grants and external investment. The value created by this investment is recognised by a number of pharmaceutical companies who have entered into commercial discussions with e-Therapeutics with regard to the asthma, analgesic antidepressant and MRSA drug candidates and the Directors believe that there is commercial interest in the cholesterol candidates. However, the Directors believe that greater value can be achieved in e-Therapeutics by commercialising drug compounds after further clinical results have been obtained and they therefore wish to raise additional funds for this clinical development.

History and background

e-Therapeutics was founded on the results of research in the laboratory of Professor Malcolm Young in neuroscience and complex systems science. This research programme commenced in 1991 and received more than £10 million in external research grant support initially at Oxford and then Newcastle universities. The academic research programme produced more than 50 publications in scientific journals and literature, including five in *Science* and *Nature* and more than 10 in *Proceedings and Philosophical Transactions of the Royal Society* and has been highly cited in other scientific papers. The analytical tools developed by the research were spun out of Newcastle University into the Company in 2003.

The Company has raised equity funding to date from four institutional investors and two investment groups, with the aim of enabling it to develop its drug discovery activities to a globally competitive level. In addition, the Company received a grant from the UK Department of Trade and Industry and the Engineering and Physical Sciences Research Council, through the UK's National Core e-Science Initiative. The Company has developed its core discovery team in Newcastle and it has a bioinformatics team in Ahmedabad, India, taking advantage of the availability of very experienced bioinformaticians, some of whom were formerly involved in the development of the highly influential Human Protein Reference Database.

The scientific background of the Company reflects the fact that living cells derive their biological function from the interactions between the elements of the protein network from which they are constituted. Drug compounds normally have their effects by binding to specific proteins. However, there are millions of proteins and millions of possible drug compounds. The task of drug discovery is that of finding a specific chemical compound that binds to specific proteins in order to have a beneficial medical effect, while ensuring that the compound does not have excessive undesirable side effects by affecting other proteins.

The Company's systems represent proteins, and other key elements of a biological system, as nodes within the networks and map their varying interactions. Networks of this kind are very complex indeed and this structured complexity illustrates the manner in which biological systems operate. Computational methods developed by the Company applied to these networks have been shown to predict biological effect accurately. e-Therapeutics has developed proprietary computational systems biology tools that can predict the biological effect of interference with one or many proteins, including identifying side effects.

The insight that these tools provide into the systems-level behaviour of disease-related cells and tissues allows e-Therapeutics to identify drug targets and to predict the effects of pharmacological interventions. The sub-set of proteins that are likely to be effective targets for a disease state can be identified and the effects of interventions on one or more of these proteins predicted. In these ways, e-Therapeutics identifies targets and the likely side effects of lead compounds and assesses interactions between drugs.

Corporate strategy and business model

Drug discovery and development

The primary objective of e-Therapeutics is to develop intellectual property in the form of a portfolio of patents for drugs, drug combinations and drug targets. The Directors believe that the intellectual property produced will be commercialised through the licensing of drug candidates to pharmaceutical or larger biotechnology companies. e-Therapeutics' central strategy is to continue to use its proprietary technology and surrounding processes to discover drugs in a wide range of commercially valuable therapeutic areas and develop them to the point of premium value before licensing to suitable partners.

The pharmaceutical and biotechnology industries are currently facing specific challenges, including the significant impact of drug patents expiring and generic competition rapidly eroding the revenue of such drugs thereafter. The length of the traditional development cycle is such that the dynamics of a particular market can dramatically alter between the point of drug discovery and the achievement of regulatory approval. For these reasons, the drug candidates developed to date, and the present and future drug discovery projects undertaken by e-Therapeutics, are selected by reference to the following criteria:

- the candidate or project addresses a presently unmet or insufficiently met medical need;
- the market addressed is commercially significant and valuable;
- each compound has a unique selling point that provides competitive advantage, enabling potentially significant market share and attractive pricing;
- the costs, duration and complexity of the pre-clinical and clinical development of the therapeutic application are such that development can be realistically achieved by the Company;
- the nature and complexity of the disease or ailment are such that the Directors judge that the chances of competitive drugs being developed in the same timescale using conventional means are low; and
- the compounds are likely to be attractive licensing propositions at the appropriate stage of development.

e-Therapeutics' strategy is to lower drug development risk as far as possible at the start of the development process as follows:

- it lowers intellectual property risk by examining a wider range of mechanisms than usual by which a pharmacological effect may be brought about;
- it lowers efficacy risk through "predictive de-risking" using its systems biology and chemoproteomic resources and algorithms, so that candidates are only tested where there is very good reason to believe that the molecule will be effective in the indication; and
- it aims to lower the safety and side effect risk of NCEs by testing candidates only when there is very good reason to believe that the molecule will not deleteriously affect non-target systems and tissues.

Effective lowering of these risks will increase the probability of e-Therapeutics' drug candidates progressing through development stages to registration.

The capabilities of the Company's drug discovery platform allow flexibility and speed in drug candidate development and marketing. This is already evident in, for example, e-Therapeutics' rapidly derived atherosclerosis candidates, ETS6107 and ETS6114, which follow directly from the recent withdrawal of Pfizer's candidate cholesterol lowering drug, torcetrapib. The Company's candidates were derived to meet a market opportunity that the Directors believe will close in a relatively short time. This flexibility and speed will allow candidates to be developed quickly to meet demand when market opportunities are identified.

The core competence of e-Therapeutics lies in utilising its technology platform and surrounding processes to discover and develop drugs. The Company also designs and manages clinical trials and outsources the conduct of such trials to clinical research organisations. The Company intends to operate within these areas of competence and has no plan at this juncture to expand into the marketing or manufacturing of drugs.

Commercialisation has begun with the current portfolio of development candidates. The Directors expect the Company's drug discovery and development activities to be undertaken in future in a broader range of high-value therapeutic fields, but with a focus in cancer, anti-infectives and systemic disorders.

Revenue model

The Company expects to receive payment predominantly through up-front payments, milestone payments and royalties as a result of licensing transactions. This framework reflects the way in which biotechnology companies and pharmaceutical companies typically interact in this area. At present, licensing in the pharmaceutical industry frequently takes place at one of two points in the development cycle: either following pre-clinical results, or upon completion of Phase II studies.

The pharmaceutical industry typically values drug compounds by reference to the historical risk of failure at successive stages of development. For example, on average a drug candidate in Phase III development is considerably less likely to fail than one in Phase II. The size of up-front and milestone payments for licensing deals typically reflect this, usually being larger the later the stage of development. For this reason, the Company intends to utilise its drug development capabilities to advance compounds to these later stages of development, subject to having sufficient funds to do so.

Third party opportunities

e-Therapeutics primarily uses its discovery platform to discover its own proprietary medicines for its own development pipeline. However, the platform can also be employed to assess the probable efficacy and safety profile of any molecule for which a structure can be determined, including other companies' candidates. e-Therapeutics therefore has the ability to determine whether other biotechnology companies are over or under valued by comparison to the quality of their candidates. The Company will explore acquisitions in cases where a drug that appears to be very valuable is owned by a substantially undervalued company.

In addition, the Company has also evaluated drug compounds for other larger companies and is able to respond to increasing demand for this capability, potentially generating service revenues.

Strategy summary

e-Therapeutics' commercial and intellectual property strategy is to employ the Company's discovery platform to generate candidate compounds that offer a potentially unique selling point or advantage over other drugs in a market sector and where a strong intellectual property estate can be derived. In this context, e-Therapeutics recognises that NCEs, repositioned compounds and drug combinations are all capable of yielding a unique selling point or advantage over other drugs in a market sector and a strong intellectual property estate, but that these three categories of product have different combinations of intellectual property and technical risk.

e-Therapeutics' drug discovery platform and the drug discovery process

The task of drug discovery is that of finding a specific chemical compound that binds to a specific protein in order to have a beneficial medical effect, while ensuring that the chemical does not have undesirable side effects by affecting other proteins. Conventionally, this has mainly been done by identifying a single "target" protein, screening a large number of compounds against this target and then seeing whether the candidate compounds selected in this way have beneficial effects, sometimes in animal tests. Later tests for side effects and toxicity are undertaken.

There are several problems with this conventional approach. Drug compounds almost never bind to only a single protein and their binding to other proteins, which are not traditionally examined as closely, often gives rise to unpredicted adverse side effects or treatment failures, which may not be detected until late stage development and therefore can be very costly. Testing for side effects after testing for beneficial effects means that substantial resources can be expended before a negative result is discovered, which is also very costly. This strategy means that a single compound is assessed in respect of a limited number of therapeutic uses and so is likely to miss useful bioactivity of compounds in clinical areas that are not being examined. It is therefore an inefficient way to discover new medicines.

e-Therapeutics' approach to drug discovery is different. The Company's discovery processes start with a chemical's structure and any known affinities with proteins, then derive information on the proteins with which it is likely to interact and then perform a mathematical impact analysis across approximately 200 human cell-types and approximately 100 pathogenic types. This gives a predicted medical use, if any, together with its risk of producing undesirable side effects.

When starting with a disease state, e-Therapeutics derives a desired spectrum of interaction with proteins through mathematical impact analysis, then maps across to compounds that have the pattern of interaction that is sought and then checks whether those chemical compounds are likely to give rise to any side effects by analysis of normal human cells.

This approach is intended to overcome the fundamental problems with the traditional approach to drug discovery and it can also proceed very much more quickly. To implement this approach, e-Therapeutics has developed two very large data resources, one based on macromolecular interactions and the other on small molecule to macromolecule interactions (i.e. chemogenomics data). The tools that operate upon these data resources are based on complex systems analysis for macromolecular interactions, and on a wide range of "mapping" techniques for chemogenomics.

The strongest validation for e-Therapeutics' methodology is that it finds, using only internal data resources and analyses, drugs known in the scientific literature to have effects on a particular disease. For example, in an analysis of 97 bacterial pathogens, the e-Therapeutics system successfully identified all known antibiotic classes, including 103 known and secondary-effect antibiotics. The probability of finding this result by chance has been calculated as extremely low.

The validation described above is retrospective, since it involves using existing data or knowledge to cross-refer against the results of e-Therapeutics' analysis. Another approach is to use the discovery platform to predict some completely unknown property and then test experimentally whether the predicted property is indeed present. Two clear examples of this successful prediction of novelty are in the Company's antibiotic and melanoma projects. In the antibiotic sphere, the Company's platform generated a specific drug combination, involving two compounds, neither of which were classified as antibiotics, which the system predicted should be efficacious in killing even multiple drug resistant strains of S.aureus. This prediction was verified in the laboratory by observing killing at a minimum inhibitory concentration of less than 0.25 μg/ml. Similarly, in melanoma, the platform's selection of a particular compound as being very likely to significantly damage metastatic melanoma cells without damaging normal human cells was validated in the laboratory. In this case, the prediction was validated by selective cytotoxicity at micromolar concentrations and other desirable and accurately predicted features.

Existing drug development portfolio

e-Therapeutics' existing drug development portfolio comprises ETS2101, in malignant melanoma; ETX1153, in MRSA infection; ETX9101, an oral asthma medication; ETS6103, an analgesic antidepressant; and ETS6107 and ETS6114, atherosclerosis candidates.

Malignant melanoma drug

ETS2101 is the Company's small molecule candidate in malignant melanoma. The melanoma compound resulted from an extensive project involving complex systems analysis of stage one to four melanoma cells. Cancer Research UK, a partner in this work, tested the lead candidate against melanoma cell-lines. The compound was profoundly cytotoxic to all tested melanoma cell-lines at low micromolar concentrations. There were three significant empirical features of the results. Firstly, the results indicated cell death of these malignant cells, as opposed to only a slowing of cancer cell growth. Secondly, malignant cell death was as profound after exposure for one hour as when exposed for five days. This is a potentially important feature, since this drug is therefore potentially capable of superseding existing chemotherapy agents, which normally involve sustained high dosing over a long period, with related toxic and very unpleasant side effects. Thirdly, the concentrations at which these effects were observed were about the same as have been tested in patients (in a different application) and found to be safe and well tolerated. e-Therapeutics has filed use patents and may also file formulation patents in this indication. Pre-clinical in vivo studies are contracted to commence on this compound. Protocols for clinical trials of the drug's efficacy in patients are being prepared.

It is probable that a very similar mechanism is also found in some colorectal cancers, several lymphomas, some breast cancers and ovarian and pancreatic cancer. Plans are now underway for these additional potential uses to be tested.

Antibiotic drug

ETX1153 is the Company's small molecule candidate in dangerous resistant gram-positive infections, such as MRSA, VRSA, VRE, C.difficile and S.epidermidis. This candidate received a great deal of press coverage when it was established that it kills even the most resistant strains of MRSA. ETX1153 is a combination candidate, comprised of two repositioned compounds, that has been established in the laboratory to kill all known resistant strains of MRSA and C.difficile that have been tested, including those that are resistant to all known antibiotics, as well as S.epidermidis and the vancomycin resistant enterococci, which are also dangerous resistant bacteria. An interesting feature of the new medicine is that it has been established in the laboratory that bacterial resistance against it is very slow to develop. Resistance developed many times more slowly than against the antibiotics vancomycin, mupirocin and ciprofloxacin and indeed frequently no resistant mutants were detectable. Antibiotics to which resistance does not develop, or barely develops, are a new departure for anti-infectives and the pharmaceutical industry. The Directors believe that developing the first drug with this property may be extremely beneficial, since it might be thought irresponsible in the future to prescribe any antibiotic that does not have this property. The combination medicine is planned to be the basis of a range of products, such as a topical antibiotic for pre-operative infection prevention (made possible by the very low resistance rate), a medicine for blood-borne MRSA and one for the treatment of C.difficile in the gut. Reformulation is required for some of the above applications, after which ETX1153 is planned to enter clinical trials.

Oral asthma drug

ETX9101 is e-Therapeutics' candidate oral asthma medication. This project is focussed on delivering a once or twice per day oral asthma treatment that targets the cause of the disease more so than current drugs, decreases the likelihood of a constriction, and avoids the use of aggressive beta2-adrenoceptor agonists and steroids. Patients are reported to greatly prefer oral medication over inhaled treatments. ETX9101 is a combination therapeutic which shows the best features derived in the discovery project, of being long lasting, easiest to give in oral form, and demonstrating the best spectrum of protein affinities in the analyses. A small proof-of-concept Phase II clinical study for this candidate has commenced in India. It is expected that the results of this study will be delivered in 2008.

Analgesic antidepressant drug

ETS6103 is an analgesic antidepressant candidate. This project followed from a change in the understanding of the aetiology of depression. It is focussed on the large proportion of depressed patients who do not respond satisfactorily to existing antidepressants and on conditions where pain, which may be manifest subliminally, and depression are part of the clinical picture, such as in fibromyalgia. Almost all older accounts of the mechanisms of depression relate to changes to neurotransmitters in central brain systems that mediate a patient's mood. In these explanations, the patient's behaviour is a result of abnormal function in the central brain systems controlling mood. Treatment is similarly explained as an intervention on the neurotransmitter system in this malfunctioning central brain system controlling mood. However, more recent accounts of depression involve a wider set of systems, which can take on a number of different states. In the case, for example, that the perceptual system malfunctions and signals a pain condition to the central mood systems, mood is then depressed and a sensory malfunction-derived depressed behaviour is output. Treatment approaches follow from the greater number of permutations of possible function and malfunction in these systems. In many cases, the appropriate treatment would involve simultaneously addressing depression with an analgesic to treat malfunction (or peripherally intractable pain inputs) of the sensory elements of the system and an antidepressant to treat malfunction of the central mood systems. ETS6103 is hence designed to be efficacious in those patients for whom an intervention on central mood systems alone is unsatisfactory and in cases where depression is associated with chronic pain, such as in fibromyalgia. Regulatory permission for the commencement of a Phase II clinical proof of concept trial of ETS6103 has been granted. It is possible that this drug may be licensed prior to the Phase II trial.

Atherosclerosis drugs

ETS6107 and ETS6114 are the Company's two candidates in atherosclerosis, an area in which the Directors believe that there is unlikely to be a new drug from a competitor this decade, following the withdrawal of Pfizer's torcetrapib. In this area, Pfizer's Lipitor (atorvastatin) is the largest selling drug in the history of the pharmaceutical industry, but its patent is due to expire in 2010. In anticipation of this, Pfizer developed torcetrapib, a CETP inhibitor, to combine with Lipitor and provide additional cholesterol and cardiovascular benefits in comparison with what will be available from generic atorvastatin and the other statins. The compound successfully reached Phase III clinical trials, but then failed due to undesirable cardiovascular effects. e-Therapeutics' candidate drugs have the protein binding patterns necessary for the same efficacy as torcetrapib, but lack the interactions that the Directors believe underlay the undesirable characteristics of torcetrapib. These compound combinations are contracted to be tested in preclinical in vivo studies in Oxford. If the preclinical experiments are successful, it is planned to proceed immediately into Phase II clinical trials. There is currently commercial interest in these compounds, which is expected to increase if preclinical evidence of efficacy is established, since a lack of toxicity has already been demonstrated. It is possible that this drug may be licensed prior to the Phase II trial.

Intellectual property rights

The intellectual property of the Company consists of the drug discovery platform, the knowledge and skills of key employees and the drug compounds that are currently being developed.

The core process intellectual property of the discovery platform includes a patent application that covers the generic application of algorithms for identifying critical nodes and links in networks in the general case, as well as the specific case of drug discovery. Applications are pending in the UK, Europe, the US and India. In the UK, method and apparatus claims to the use of the discovery platform for identifying proposed drug therapies have been allowed. A proposed text for grant is expected soon from the European Patent Office.

The Company has 10 product patent applications pending in respect of its existing drug development portfolio. Further information on the patents is set out in the patent agent's report in Part IV of this document and in the risk factors in Part II of this document.

Market

The pharmaceutical industry has enjoyed a period of sustained growth with global revenues of more than $600 billion in 2006. The industry now faces a major problem in delivering further growth. The historic growth has largely been achieved by efficient commercialisation and there is limited scope for further improvement. Against this background, research and development productivity continues to decline, despite substantial increases in expenditure.

Effective commercialisation has seen price increases, particularly in the US, which constitutes an average of over 52 per cent. of the global sales of seven of the top 10 largest pharmaceutical companies. Revenue is now more concentrated on fewer products, with 114 blockbuster drugs now responsible for over $233 billion. The Directors believe that there is now little scope for achieving further growth from price increases and steeper revenue curves. The increased rate of erosion of sales by generic competition has left the largest companies precariously exposed to patent expiry.

The main foundation of future growth in the pharmaceutical industry is commercially successful products resulting from R&D. The expenditure on R&D continues to increase, with seven of the top 10 largest companies alone spending an aggregate of over $33 billion in 2006, compared to $5 billion in 1990, representing an increase to over 16 per cent. of sales in 2006, compared to 10 per cent. in 1990. Despite this increasing R&D expenditure, the average number of new drugs approved by the Food and Drug Administration ("FDA") in the US fell from an average of over 87 per year in the 1990s, to an average of 76 per year for the period 2004 to 2006. When the number of new drugs is compared to the trend in R&D expenditure, for seven out of 10 of the largest companies this represents a startling decline of more than 80 per cent. in productivity from 1990 to the period from 2004 to 2006.

Declining R&D productivity is a consequence of several factors. The risk/benefit ratio for new drugs at regulatory review has become more challenging. In addition, the Directors believe that the therapeutic opportunities that remain are more complex and that the identification of targets is still guided largely by intuition and heuristic expertise. These factors have made it increasingly difficult for the industry to address the three fundamental R&D challenges which, in the Directors' opinion, are:

- Complexity: there are millions of possible biological targets and millions of potential compounds to act on them. Given the complexity of biological systems, it has been hard to predict clinical efficacy or toxicity from the information that is typically available early in the discovery and development process.
- Speed: there is tremendous value in increasing the speed of the flow of compounds through the R&D process to maximise post-launch patent protection.
- Unpredicted failure: failure, and particularly late stage failure, is extremely expensive. These write off costs must be borne by the drugs that successfully reach the market.

The industry typically organises R&D activity as a series of phases in a drug development pipeline. The stages are:

- Identify targets: to address a given disease, the first step is to determine a target aspect of an organism's metabolism to address. This is currently done by a wide range of heuristic methods, mainly relying on the knowledge and experience of pharmaceutical experts and molecular biologists; most new drugs bind existing targets. There are several thousand widely-used drugs, but only several hundred human drug targets.
- Identify lead (potential drug) compounds: automation has reduced the cost of this stage in recent years. High throughput automated screening is used to work through large numbers (typically circa one million) of potential chemicals and find those that have some affinity with the identified targets. Typically one per cent. to two per cent. of the chemicals tried are found to have some binding affinity and a lower proportion to have some biological effect.
- New chemical entities: experimental work is carried out to determine which, if any, of the leads, or potential drugs identified are not toxic (or have limited toxicity) in mammals. The majority of candidates are found to be toxic. Any that are found to have a potential effect on the disease and appear to have acceptable toxicity may be classified as being an NCE. About 70 per cent. of candidates are rejected at the laboratory stage and, as a result, the costs per identified NCE are high.

- Clinical trials: candidate NCEs are evaluated in clinical trials on humans. These trials are complex and costly, often using double-blind techniques and significant numbers of subjects. They also often involve drug combinations, where a trial compound is used in conjunction with an existing treatment. Up to 85 per cent. of compounds that are tested in the clinic fail in clinical trials.

The industry has taken a range of approaches to fill and smooth the R&D pipeline. The approaches range through acquisition, organisational and process redesign in R&D (for example centres of excellence for drug discovery in GlaxoSmithKline), investment in technology platforms (high throughput screening, genomics, systems biology, proteomics, etc) and, most relevant for e-Therapeutics, more trade in targets and potential drugs.

In the period from 2006 to 2012, the patents of blockbuster drugs with over $107 billion of sales from the US alone are due to expire, and hence their revenues are very likely to decline due to competition from cheaper generic drugs. This clearly indicates the challenge of replenishment that the industry faces, and this, combined with the declining output from R&D expenditure, indicate that this is becoming harder and more expensive to achieve.

Over $114 billion of the $233 billion of blockbuster sales in 2006 arose from just 10 therapeutic classes. As the patents of drugs in these major classes expire, then new drugs entering will require superior efficacy, or some other significant advantage, to secure market share in the face of inexpensive generic products. Additionally, the Directors believe that the remaining areas of unmet medical need generally involve addressing greater biological complexity, which conventional R&D approaches are struggling to address, as evidenced by the R&D output statistics detailed above.

The Directors believe that these factors are translating into demand from large pharmaceutical companies for in-licensing opportunities, which may exceed the supply of good in-licensing opportunities from biotechnology companies. The size of average in-licensing deals is increasing and the distribution of them across development pipelines is reported to be moving forward to earlier stages as companies seek to pre-empt competitors. The Directors believe that e-Therapeutics is positioned to exploit this growing trade and set of market conditions.

Competition

The public sector is one major competitive domain. The recent history of the human genome project shows that the public domain can provide the major competitive threat as, for example, it did to Celera Genomics. Closer to e-Therapeutics' area of interest, Bioinformatics.Org exists as a non-profit, academic organisation that provides open source software. This organisation has not encroached into e-Therapeutics' core area of expertise, but it has a track record of providing systems biology tools. These include, for example, software suites for biochemical simulation and protocols that allow different bioinformatics applications to communicate. There is also a risk that the public data providers (for example the European Bioinformatics Institute) may broaden their focus to include tools to analyse protein interaction networks.

The Directors are also aware of several academic research groups working on the application of network theory to biological systems.

Another area of possible competition includes the in silico simulation companies. There are a number of other companies focused on biological or therapeutic simulation in some form or another. These include Predix Pharmaceuticals Inc. (three dimensional computational chemistry for G-protein coupled receptors and ion channels); PharSight Inc. (statistical analysis of clinical data and trial design); Rosetta (DNA microarray gene expression technologies – now owned by Merck). There are also several Department of Trade and Industry funded Beacon Bioinformatics projects in the UK.

A subset of potential competitors in this area is of companies exploiting in silico disease models, including Entelos Inc. Over a period of about 10 years, these companies attained a modest client base of pharmaceutical companies, mainly in specialised niche areas. These companies have alerted the pharmaceutical industry to the potential advantages of in silico approaches in drug discovery and development. e-Therapeutics uses network analysis to find targets and combinations of targets in cell-types and systems. The Directors believe that this analytical approach is a key differentiator of the Company from competitors using therapeutic simulation, which is a synthetic approach.

The most important competitive domain, however, comes from the internal R&D functions of major pharmaceutical and biotechnology companies. When marketing drug candidates, the competition is relatively broad and is defined by lead type and quality, rather than by the vendors' technology. Even when R&D productivity in the industry is so low, such enormous investments are made in these functions by very large companies that their research does discover and develop new drugs, and sometimes very successful ones.

Key strengths

The Directors believe that the key strengths of e-Therapeutics are in the following areas:

- **Market opportunity**

  The potential market for the drug compounds is global and large and there is strong demand for in-licensing by pharmaceutical companies and at earlier stages of development.

- **Strong technical team**

  e-Therapeutics has a strong technical team with experienced scientists and engineers in the key constituent areas of chemistry, complex systems science, bioinformatics, database systems and chemogenomics.

- **Speed**

  e-Therapeutics' drug discovery platform operates much more quickly than conventional approaches based on molecular biology and combinatorial chemistry. This enables the Company to rapidly explore a tractable commercial landscape, such as, for example, in finding and protecting repositioning opportunities. It also produces a fast throughput of candidates, enabling the Company to cherry-pick from a larger selection.

- **Accuracy**

  e-Therapeutics' discovery platform has been validated in multiple ways as providing an accurate means by which to evaluate efficacy and safety risks, which are the key risks in drug discovery and development.

- **Predictive de-risking**

  e-Therapeutics' strategy of evaluating as many risks as possible as early as possible is designed to decrease the probability of late stage failure. Such late stage failures are hugely costly to more conventionally oriented development companies.

- **Market exploitation**

  e-Therapeutics' speed and accuracy enable the Company to respond very rapidly to commercial opportunities as they present themselves, as, for example, in the atherosclerosis project described above.

- **Relatively low cost of discovery process**

  e-Therapeutics produces partially de-risked drug candidates in a fraction of the time and at a fraction of the cost of discovery programmes that are based mainly on heuristic experimental approaches.

- **Existing development portfolio of drug candidates with commercially attractive properties**

  e-Therapeutics has already generated a development portfolio of drugs with potentially commercially important properties in five clinical areas, which together address markets worth more than £40 billion. A number of these are commencing Phase II trials in 2007 and 2008.

Directors, senior management and employees

Directors

The Board comprises three executive and one non-executive director. It is intended that the Board will appoint an additional non-executive director as soon as practicable following Admission. A short biography of each director is set out below.

Professor Oliver James (aged 64), Non-executive Chairman

Oliver has been a non-executive director of BUPA since 1999 and was a non-executive director of Goldsborough Health Care plc from when it floated on the main market in 1995, until it was acquired by BUPA in 1997. He has also been a non-executive director of the Newcastle upon Tyne Hospitals NHS Foundation Trust since 2006.

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 national and governmental medical related boards and committees. Oliver joined the Company as a non-executive director in October 2007.

Professor Malcolm Young (aged 47), Chief Executive Officer

Malcolm joined e-Therapeutics in 2003. He led the Company through its first round of funding in 2005 and became its full-time chief executive in 2006. As chief executive, Malcolm is responsible for developing the Company's strategy and overseeing the operation of the business.

Until 2006, Malcolm was Pro-Vice Chancellor for Strategic Development at Newcastle University. Prior to that he had been the Provost of the Faculty of Science, Agriculture and Engineering; director of the Institute for Neuroscience; and director of the Complex Systems Group at Newcastle University. The research expertise of his group lay in complex systems analysis and informatics and its outputs included five publications in *Science and Nature* and 10 in *Proceedings* and *Philosophical Transactions of the Royal Society*. His research funding exceeded £11 million between 1992 and 2007 and included programme and project grants for research on complex systems from the Wellcome Trust (the world's largest medical research charity), the Biotechnology and Biological Sciences Research Council and the Engineering and Physical Sciences Research Council, through the UK's National Core e-Science Initiative. He is one of 18 scientists worldwide nominated by the Sunday Times as the "Brains behind the 21st Century".

John Cordiner (aged 41), Commercial and Finance Director

John is a chartered accountant and was formerly an investment banker and a chemist. He has over 15 years' international business experience, having worked in a variety of roles in the financial services and other industries, together with specialised consulting roles for Deloitte, PricewaterhouseCoopers and KPMG. As an investment banker with Noble & Co, he specialised in the life sciences and oil and gas sectors. John has also been involved in advising venture capital funds in technology investment, including life sciences. John joined the Company in late 2004 as commercial and finance director and is responsible for commercial strategy and all financial aspects of the Company's business.

Royston Drucker (aged 54), Medical Director

Roy qualified as a physician at Cambridge University in 1977. He is a fellow of the Faculty of Pharmaceutical Medicine, a founder and honorary member of the Association for Human Pharmacology in the Pharmaceutical Industry, a fellow of the Royal Society of Medicine, a member of the British Association of Pharmaceutical Physicians and a member of the Securities Institute.

In 1984, following an eight year clinical career, Roy joined the research and development division of Sterling-Winthrop Limited, becoming a senior manager of its department of biochemistry, with responsibilities for clinical pharmacology, drug metabolism and bioanalysis in Europe. In 1985, he joined the pharmaceutical research laboratories of The Upjohn Company and was appointed European head of clinical pharmacology. He was also appointed an honorary research fellow in clinical pharmacology at Guy's Hospital, London in 1985. He became executive director and subsequently corporate vice president of drug development at The Upjohn Company, based in the US. From 1996 until 2005, he was general manager of Technomark Consulting Services Limited, a London based specialist service company to the pharmaceutical and biotechnology sectors, with corporate finance, venture capital and management consulting arms.

Roy joined e-Therapeutics in 2005 and is currently the medical director, with responsibility for organising and overseeing clinical trials for the Company's drug candidates.

Senior management and employees

The Company currently employs 16 staff, including a team of experienced scientists and engineers in the key constituent areas of chemistry, complex systems science, bioinformatics, database systems and chemogenomics. Short biographies of the senior management are set out below.

Dr Olusola Idowu (aged 37), Programme Manager

Olusola is a mathematician and graduated with a PhD from Newcastle University. He worked in postdoctoral roles at Stanford University and NASA Ames. Olusola also worked for global business consultants Arthur Andersen, now Accenture. Olusola is the programme manager for e-Therapeutics, responsible for both technical infrastructure and all discovery projects. He joined the Company in 2004, after developing and applying complex systems science tools in the Department of Trade and Industry's eXSys Project in the School of Computing Science, Newcastle University, alongside Malcolm Young.

Dr Alison Steel (aged 41), Chemoinformatics Co-ordinator

Alison has a PhD in synthetic organic chemistry from Imperial College, London and gained postdoctoral experience in radical chemistry at the Institute for Organic Chemistry at the University of Basel, Switzerland. She has a proven track record of delivering drug discovery projects within GlaxoSmithKline, where she gained experience as both a team leader in medicinal chemistry and a lead optimisation programme leader. She joined e-Therapeutics in 2007 and is currently responsible for all aspects of chemistry and medicinal chemistry.

Dr Catherine Yates (aged 29), Research Scientist

Catherine gained her PhD in medical microbiology at the University of Edinburgh. During her post doctoral experience researching the mechanisms of antibiotic resistance, she set up a collaborative research project monitoring antibacterial resistance, with Chulalongkorn University, Bangkok. Catherine joined e-Therapeutics in 2005 and currently manages antibiotic discovery programmes.

Dr Julie Charlton (aged 41), Discovery Project Co-ordinator

Julie gained her PhD in neuropharmacology at King's College, London and gained postdoctoral experience at University College, London and Glasgow University. Her specialisms are in the absorption, distribution, metabolism, excretion and toxicity of drug compounds, pre-clinical model development for in vivo testing and in silico predictive property calculations. Julie has proven experience of working in collaboration with the pharmaceutical industry, having consulted on a number of preclinical development projects. She joined the Company in 2004 and is currently operating preclinical oncology discovery programmes.

Financial information

The summary financial records of e-Therapeutics and InRotis set out below have been extracted as disclosed from the financial information in Part V of this document. Investors should read the whole of this document and not just rely on this summarised information.

e-Therapeutics	**Year ended 1 February 2006 £000**	**Year ended 1 February 2007 £000**	**Period ended 31 July 2007 £000**
Revenue	–	–	–
Operating loss	–	–	(73)
Loss before tax	–	–	(73)

InRotis	**Year ended 31 January 2006 £000**	**Year ended 31 January 2007 £000**	**Period ended 31 July 2007 £000**
Revenue	–	–	34
Operating loss	(660)	(1,158)	(761)
Loss before tax	(643)	(1,149)	(744)

The business and assets previously held in InRotis were hived up to e-Therapeutics prior to Admission. InRotis is a dormant subsidiary as at the date of this document.

The financial year end of e-Therapeutics has been changed to 31 January.

Current trading and prospects

The Company has generated a development portfolio of drug compounds in five clinical areas; malignant melanoma, MRSA infection, asthma, analgesic antidepressant and atherosclerosis. A number of these are commencing Phase II trials in 2007 and 2008. The Directors believe that these are potentially commercially attractive compounds and are currently in discussions with pharmaceutical companies for the potential licensing of some of these drug compounds.

There has been no significant change in the financial or trading position of the Company since 31 July 2007, the date to which the Accountants' Report in Part V of this document has been prepared.

Dividend policy

It is expected that any cash generated by the Company's operations in the short to medium term will be devoted to funding the Company's planned development. The Board will continue to review the appropriateness of its dividend policy as the Company develops, subject to the availability of the Company's distributable reserves.

Reasons for Admission and use of Placing proceeds

The expected net cash proceeds of the Placing will be approximately £760,000 and, together with current cash and net working capital of £1.3 million and £289,000 from the exercise of warrants on Admission (as set out in paragraph 2.14 of Part VII of this document), will be used as follows in the 12 months following Admission:

- to fund the pre-clinical and clinical development of drug compounds, taking the lead candidates through proof of concept trials to the point where they can potentially be licensed to partners (£400,000);
- for continued development of the discovery platform and for working capital (£1.65 million); and
- to provide headroom (£300,000).

Additional funds are also expected from service revenue and R&D tax credit repayments from HM Revenue & Customs.

In addition to the raising of finance, the Directors believe that Admission will have the following benefits:

- raise the profile and enhance the credibility of the Company with potential licensing partners;
- assist the Company in the recruitment, retention and incentivisation of key personnel; and
- provide liquidity for current and future investors in the Company.

Details of the Placing and interests in Ordinary Shares

Pursuant to the Placing Agreement (which is summarised at paragraph 8.1 of Part VII of this document), Cornhill, as agent for the Company, has agreed conditionally to use its reasonable endeavours to place a total of 1,985,075 Placing Shares at the Placing Price, representing 3.56 per cent. of the Company's issued share capital following Admission, which will raise approximately £1.33 million before expenses for the Company and £760,000 after expenses.

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and distributions declared, paid or made after the date of this document. Further details of the Placing are set out in Part VII of this document.

The Placing is conditional on, *inter alia*, the Placing Agreement becoming unconditional before 8.30 am on 28 November 2007, or such later date as Cornhill, WH Ireland and the Company may agree, being in any event not later than 14 December 2007.

Monies received from placees in respect of the Placing Shares will be held in accordance with the terms of the placing letters issued to such placees by Cornhill until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 8.30 am on 28 November 2007, or such later date as the Company, WH Ireland and Cornhill may agree, being no later than 14 December 2007, monies received from placees will be returned to placees at the relevant placee's sole risk, without interest.

Following Admission, share certificates representing the Ordinary Shares to be issued pursuant to the Placing are expected to be despatched by post to placees who do not wish to receive shares in uncertificated form, by no later than 5 December 2007, at the relevant placee's sole risk. No temporary documents of title will be issued in connection with the Placing. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The CREST accounts of placees who have duly elected to receive their Ordinary Shares in uncertificated form are expected to be credited to the designated CREST account on 28 November 2007.

Further details of the Placing Agreement are set out in paragraph 8.1 of Part VII of this document.

Admission to AIM and dealings

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Existing Ordinary Shares and the New Ordinary Shares will commence on AIM on 28 November 2007.

Lock-in and orderly market agreements

The Directors and certain other Shareholders, who together will control 83.95 per cent. of the Enlarged Share Capital, have undertaken to Cornhill and WH Ireland not to dispose of any Ordinary Shares for a period of 12 months following Admission, except in certain limited circumstances. In addition, the Directors, who together will control 37.65 per cent. of the Enlarged Share Capital, have undertaken to Cornhill and WH Ireland not to dispose of any Ordinary Shares for a further 12 months, without the permission of Cornhill and WH Ireland, to ensure that an orderly market can be maintained.

Further details of the lock-in and orderly market agreements are set out in paragraph 8 of Part VII of this document.

Share incentive arrangements

The Company has previously granted share options to a number of employees, directors and service providers of the Company under existing share option arrangements. No further options will be granted under such arrangements, but options over 6.92 per cent. of the Enlarged Share Capital will be capable of exercise following Admission.

The Company has set up a new share scheme, known as The e-Therapeutics plc Long Term Incentive Plan 2007. No awards have been made under the Plan.

Details of the main features of the Plan, and the applicable performance conditions, are set out in paragraph 10 of Part VII of this document.

Corporate governance

The Board recognises the importance of sound corporate governance commensurate with the size of the Company and interests of its Shareholders. The Directors will take such measures, so far as is practicable taking into account the size and nature of the Company, to comply with the Combined Code. There is no nomination committee and the Board will handle nomination issues. The Board believes that such non-compliance is not unreasonable and does not compromise the overall principles of corporate governance which the Board strongly supports.

The Board has recently established audit and remuneration committees, each of which has formally delegated duties and responsibilities.

Audit committee

The audit committee, which comprises Oliver James, as chairman, and Malcolm Young, will meet at least twice per year and is responsible for ensuring the integrity of the financial information reported to Shareholders and the systems of internal controls. This committee provides an opportunity for reporting by the Company's auditors. The finance director will attend meetings by invitation. It is intended that the Board will appoint an additional non-executive director as soon as practicable following Admission and that person will replace Malcolm Young on the audit committee.

Remuneration committee

The remuneration committee, which comprises Oliver James, as chairman, and John Cordiner, will meet at least once per year to determine the terms of employment and total remuneration of the executive directors, including the granting of any share options and the administration of any incentive schemes. The objective of this committee is to attract, retain and motivate executives capable of delivering the Company's objectives.

The members of the remuneration committee will have no personal interest in the outcome of their decisions and seek to serve the interests of Shareholders to ensure the continuing success of the Company. It is intended that the Board will appoint an additional non-executive director as soon as practicable following Admission and that person will replace John Cordiner on the remuneration committee.

The remuneration of the non-executive directors will be determined by the executive directors and confirmed by the full Board, excluding the non-executive director concerned. Non-executive directors have letters of appointment and the principal details of the letters of appointment are set out in paragraph 7 of Part VII of this document.

Share dealing code

The Company has adopted a share dealing code for the Directors and other employees of the Company which is appropriate for a Company trading on AIM. The Directors will comply with Rule 21 of the AIM Rules, relating to directors' dealings and will take reasonable steps to ensure such compliance by the Company's "applicable employees" (as defined in the AIM Rules).

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles provide for the Directors to implement procedures that will permit the holding of Ordinary Shares under the CREST system. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that they will be so admitted and accordingly enabled for settlement through CREST as soon as practicable after Admission. Subscribers for Placing Shares who wish to receive their Ordinary Shares in uncertificated form must be a "system member" as defined in the Uncertificated Securities Regulations 2001 in relation to CREST.

Settlement of transactions in the Ordinary Shares through CREST is voluntary and Shareholders who wish to receive and retain certificates will be able to do so.

Taxation

EIS and VCT tax reliefs

The Company has received provisional assurance from HM Revenue & Customs that the Company is a "qualifying company" for the purposes of EIS and will be a "qualifying holding" for the purposes of investment by a venture capital trust ("VCT").

The Finance Act 2007 introduced a limit on the amounts companies can raise from investors who are seeking to benefit from the reliefs under EIS or available to VCTs. The limits introduced restrict such investments to £2 million in any 12 month period. Whilst the Company will endeavour to ensure that all investors are able to claim the maximum potential relief in relation to their investment, in the event that the total funds raised from investments affected by the new rules would exceed £2 million, the shares which will be issued which qualify for relief will be limited so that the restriction is not breached. In that event, each investor to whom the restriction would apply will receive a proportionate amount of their shares in the form of shares which qualify for relief. The remainder of the investment would be satisfied by the issue of shares which do not qualify for relief.

Please note that any shares issued on or after 19 July 2007 to the managers of an approved EIS fund which closed before 19 July 2007, do not count towards the £2 million total, nor does an investment made by a VCT of protected money after 6 April 2007.

Although the Company presently expects to satisfy the relevant conditions contained in the EIS and VCT legislation, neither the Company nor the Directors make any warranty or give any undertakings that relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

Investors considering taking advantage of any of the reliefs under EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

Other taxation provisions

Information on taxation in the UK with regard to holdings of Ordinary Shares is set out in paragraph 12 in Part VII of this document. Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate independent professional adviser immediately.

Further information

Your attention is drawn to the additional information set out in Parts II to VII of this document and in particular to the risk factors relating to the Company set out in Part II of this document.

PART II

RISK FACTORS

Potential investors should carefully consider all of the information contained within this document, including the following risk factors and certain specific other risk factors highlighted in the independent expert's report in Part III of this document and the patent agent's report in Part IV of this document, before making a decision to invest in the Company. If any of the following risks actually occur, the Company's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Company's shares could decline and investors could lose all or part of their investment. Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Company's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Company and is not set out in any order of priority.

Risks relating to the Company

Limited trading history

The Group has only a limited operating history and it is therefore difficult to evaluate the Group's business and future prospects. The future success of the Company will depend on the Directors' ability to implement its strategy. The commencement of the Company's material revenues is difficult to predict and there is no guarantee that the Company will generate any material revenues in the foreseeable future. Whilst the Directors are optimistic about the Company's prospects, there is no certainty that anticipated revenues or growth will be achieved. The Company may never achieve or sustain profitability.

Requirements for further funds

If the Company is unable to license any drug compounds, or generate further service revenues, or does not receive the expected R&D tax credit repayments from HM Revenue & Customs, then at the current overhead run rate, it will run out of cash in January 2009 unless it raises further funds.

There may also be a requirement for the Company to raise further funds in the future in order to fully exploit opportunities available and to fund further expansion.

Such funding requirements may be by way of the issue of further Ordinary Shares on a non pre-emptive basis. There is no commitment in place guaranteeing that any funds required in the future will be available and, if further equity finance is raised, the interests of Shareholders may be diluted.

Unpredictability of half-yearly results

The Company may in the future experience significant fluctuations in its revenues and results of operations. Half-yearly results may fluctuate as a result of a variety of factors, many of which may be outside of the Company's control, including the timing of any licensing deals for drug compounds.

Intellectual property protection

The commercial success of the Company will depend in part on its ability to protect its intellectual property and to preserve the confidentiality of its know-how. The Company may not be able to protect and preserve its intellectual property rights or to exclude competitors with similar products. An unequivocal patent situation is a pre-requisite for the successful out-licensing of any drug compound.

The Company will rely on patents to protect its drug compounds. These rights act to prevent a competitor from copying and from independently developing products that fall within the scope of the patent claims.

The Company has filed patent applications in the UK, Europe, the US and India for the core process intellectual property of the discovery platform, including an application that covers the generic application of algorithms for identifying critical nodes and links in the general case, as well as the specific case of drug discovery. There is no guarantee that the patents will be granted in any of the territories.

The Company has filed 10 patent applications in respect of its existing drug development portfolio of ETS2101, in malignant melanoma; ETX1153, in MRSA infection; ETX9101, an oral asthma medication; ETS6103, an analgesic antidepressant; and ETS6107 and ETS6114, atherosclerosis candidates. Patent applications for these drug compounds have so far only been made in the UK. There is no guarantee that any of the patents will be granted.

Further information on the likelihood or otherwise of patents being granted is set out in the patent agent's report in Part IV of this document.

No assurance can be given that third parties will not gain access to the Company's un-patented proprietary technology or disclose such technology, or that the Company can ultimately protect meaningful rights to such un-patented proprietary technology.

No assurance can be given that any pending or future patent or trade mark applications will result in granted patents or trade mark registrations, that the scope of any copyright, trade mark or patent protection will exclude competitors or provide advantages to the Company, that in the future any patent granted in favour of the Company will be held valid on being challenged or that third parties will not in the future claim rights in or ownership of the copyright, patents and other proprietary rights from time to time held by the Company.

The commercial success of the Company may also depend in part on non-infringement by the Company of intellectual property owned by third parties.

Any claims made against the Company's intellectual property rights, even if without merit, could be time-consuming and expensive to defend and could have a materially detrimental effect on the Company given its limited resources. A third party asserting infringement claims against the Company and its customers could require the Company to cease the infringing activity and/or require the Company to enter into licensing and royalty arrangements. The third party could also take legal action, which could be costly. In addition, the Company may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims will not have a material adverse effect on the Company's business, financial condition or results.

Risk that products will not successfully complete clinical trials or achieve commercial success or that licensing will be delayed

As at Admission, the Company has not licensed any of its drug compounds. There can be no assurance that any of the Company's products currently in development will be successfully developed into any commercially viable product or products, meet applicable regulatory standards or be marketed successfully and profitably. The Company has no track record of licensing drug compounds to pharmaceutical and biotechnology companies.

There is a high failure rate of potential drug compounds in development in the pharmaceutical industry. Averaged across all therapeutic areas, less than one in seven drug compounds entering Phase I clinical trials, and only one in three of those entering Phase II clinical trials, successfully reach the market.

Delays in the progression of trials due to, for example, delays in regulatory review and site start up, may delay the timing of revenues from any licensing deals.

The Directors' strategy is to enter into discussions with potential licensing partners prior to Phase II studies or while Phase II studies are being conducted so that deals can be concluded as early as possible following the completion of Phase II. However, the industry average for concluding a licensing deal, across all therapeutic areas and at all development stages, is approximately nine months.

If e-Therapeutics is unable to attract potential licensing partners at an early enough stage in a particular drug compound's development, or if licensing discussions are protracted, there is a risk that the Company will run out of funds without ever being able to license any compounds.

In addition, the success of the Company will depend on the market's acceptance of its products and there can be no guarantee that this acceptance will be forthcoming. Notwithstanding the technical merits of a product developed by the Company, there can be no guarantee that the Company's targeted customer base for the product will purchase or license its products.

Limited number of potential drug compounds in clinical development and risk that trial protocols will not be suitable for potential licensees and that the Company will not have the resources to fund any additional tests

The Company's asthma drug has entered Phase II clinical trials. The other current potential drug compounds are still in the pre-clinical stage of development. The Company is therefore currently dependent on potential drug compounds in early stages of development for its success.

The Phase II trial for the asthma drug is not a double blind placebo-controlled test. In addition, the trial only involves a relatively small population. Although the Directors believe that potential partners will be interested in licensing the drug based on the current design of the study, there can be no guarantee that this will be the case. A potential partner may require further testing to be carried out, or the value of any licensing deal may be considerably less as a result of the design of the Company's study. Any further testing required would significantly delay revenue generation from a licensing deal and the Company might not have the financial resources to fund such testing.

Reliance on third parties for conducting clinical trials

The Company will design and manage clinical trials and outsource the conduct of such trials to third party clinical research organisations. The Company's reliance on these third parties may result in delays in completing, or failure to complete, these trials if the third parties fail to perform under the terms of the Company's agreements with them. The Company may not be able to find a suitable alternative organisation in a reasonable time period, or on commercially acceptable terms.

Exposure to potential liability claims

The Company is potentially exposed to product liability risks that are inherent in the testing of therapeutic products. The Company's insurance cover and the arrangements made with third parties may not be sufficient to meet all claims against the Company or may not be available to it at an acceptable cost, if at all. Regardless of their merit or eventual outcome, liability claims may damage the Company's reputation, lead to the withdrawal of trial volunteers and result in the loss of revenues.

Product lifespan

The healthcare business sees continuous technological development. If competitors introduce new products, or if new industry and regulatory standards and practices emerge, the Company's potential products may become obsolete.

Competition

The biotechnology and biopharmaceutical industries are characterised by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products.

Most of the Company's competitors have significantly greater financial resources. Small or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies.

The Company's competitors may develop more effective or affordable products, or achieve earlier patent protection or product marketing and sales. As a result, any products developed by the Company may be rendered obsolete and non-competitive.

EIS and VCT relief

Provisional clearance has been obtained from HM Revenue & Customs that the Company's business qualifies for EIS relief and as a qualifying business for VCT relief. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief, neither the Company nor the Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Company nor the Directors give any warranties or undertakings that EIS relief or VCT relief, if granted, will not be withdrawn. Investors must take their own advice and rely on it. If the Company carries on activities beyond those disclosed to HM Revenue & Customs, then Shareholders may cease to qualify for the tax benefits.

Dependence on senior management and key personnel

The Company's business is dependent on the performance and continued service of the Company's senior management and other key personnel. The loss of the services of any of these key personnel could have a detrimental effect on the Company.

General risks

Trading market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from stock market analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Company's sector and other events and factors outside the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Investment risk and AIM

The Ordinary Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995, but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal, investors may realise less than the original amount invested.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are quoted on the Official List.

Market perception

Market perception of the Company may change for a number of reasons, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise. Some of the reasons affecting the market perception of the Company may be outside the control of the Company.

Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including such terms as "believes", "estimates", "plans", "anticipates", "targets", "aims", "continues", "expects", "intends", "may", "will", "would", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not matters of fact. They appear in a number of places throughout this document and include statements regarding the Board's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the markets in which the Company operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation: conditions in the markets, the market position of the Company, earnings, financial position, cash flows, return on capital and operating margins, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the AIM Rules or other legal or regulatory requirements, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

The risks listed above do not necessarily comprise all of those faced by the Company.

PART III

INDEPENDENT EXPERT'S REPORT

e-Therapeutics plc
Holland Park
Holland Drive
Newcastle upon Tyne NE2 4LZ

WH Ireland Limited
Zurich House
Canal Wharf
Leeds LS11 5DB

Cornhill Asset Management Limited
1 Cornhill
London EC3V 3ND

22 November 2007

Dear Sirs,

Global Pharma Consulting Limited ("GPC") is an independent pharmaceutical business consultancy that specialises in assisting healthcare company clients in forming alliances or conducting acquisitions and also performs technical and commercial evaluations of pharmaceutical and biotechnology products, product portfolios and companies. GPC has built up substantial expertise in the analysis of healthcare markets and of pharmaceutical and biotechnology companies and their technologies.

GPC has been instructed by WH Ireland Limited and Cornhill Asset Management Limited to prepare an independent expert's report on e-Therapeutics plc ("e-Therapeutics" or the "Company"), which has been funded by the Company, for inclusion in the admission document dated 22 November 2007, covering a technical and commercial assessment of e-Therapeutics' product portfolio, technology platform and an overview of the markets targeted by e-Therapeutics and competitive products in development. In preparing this report, GPC interviewed members of the e-Therapeutics management team and reviewed relevant Company documentation and scientific literature. These sources were supplemented by GPC's extensive internal and external resources, experience and understanding of the global pharmaceutical industry. It should be noted that, in this report, GPC does not comment on any patent applications taken out by the Company. Patents may play a key role in e-Therapeutics' commercialisation plans. Patent applications by the Company are fully discussed in the independent patent agent's report in Part IV of the Company's admission document.

This report has been prepared with due diligence based on information provided by e-Therapeutics regarding its products and their technical and commercial development, and on data obtained from public domain sources deemed to be reliable by GPC and when appropriate cited by reference in the text and at the end of this report. However, it should be noted that the industry areas discussed are fast moving and changes in circumstances may render some or all of such information and data incomplete, obsolete or invalid at any time in the future.

GPC is a pharmaceutical industry consultancy and is not an investment adviser. This report is limited specifically to the matters set out above and is not to be taken as giving any advice generally on the merits of an investment in the Company.

For the purposes of paragraph (a) of Schedule 2 of the AIM Rules for Companies, we are responsible for this report as Part III of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully,

Dr Michael G Wyllie

For Global Pharma Consulting

TABLE OF CONTENTS

1. Overall summary

e-Therapeutics has been focussed on research into the identification of drug candidates across a wide variety of therapeutics based on a proprietary technology platform. To add commercial value, the Company now proposes to move several of these into proof of concept clinical studies, which represent the first credible out-licensing point. On average, drug candidates out-licensed at this stage could be subject to up-front and milestone payments (assuming successful progression to the market) of £20 million to £40 million, with royalties in the range of 10-15% on net sales.

e-Therapeutics' product development and commercialisation plans have a number of merits including:

- the targeting of therapeutic areas in which there is significant commercial opportunity, particularly asthma, atherosclerosis and depression;
- the targeting of therapeutic areas, for example melanoma and antibiotic resistance, where there are few competing products or competitor activity;
- in many cases the employment of compounds that have a history of clinical use for other therapeutic indications, thus minimising the risk of development failure for safety reasons and speeding up the time to clinical proof of concept;
- the use of a validated proprietary drug identification system; and
- two compounds (asthma and depression) entering proof of concept clinical testing, with a potential for three more within the next year (antibiotic resistance, atherosclerosis and melanoma).

There are several risks, however and these are primarily:

- the breadth and depth of the IP portfolio;
- the possibility that the ongoing clinical trials may not meet the requirements for out-licensing; and
- in common with many companies of a similar age, overambitious timelines for revenue generation.

However, it remains that the e-Therapeutics' product portfolio targets diseases which for the most part there is substantial unmet market need and where there is anticipated to be substantial growth over the coming years. Overall, if successfully brought to the market on a timely basis, the Company's products could enjoy favourable competitive positions for some time and as such could represent attractive licensing opportunities over the next few years.

2. Introduction

Established in 2003 and based in Newcastle, UK, e-Therapeutics is focused primarily on the research and early stage development of products for the treatment of several major disorders and or dysfunctions. e-Therapeutics is pursuing the following main projects:

- treatment of respiratory disease, particularly asthma and chronic obstructive pulmonary disease ("COPD");
- novel treatment of depression;
- atherosclerosis;
- melanoma; and
- antibiotic resistance, particularly MRSA.

Each of the above programmes, the first two of which are presently the subject of formal clinical development activities, is reviewed in depth within the present Report. e-Therapeutics also has a number of other research programmes at an exploratory stage but these will not be considered here.

Commercially, e-Therapeutics' basic strategy is to develop its products to a point at which significant value will have been added (typically to proof of concept in a clinical setting) and then out-license them to more established companies for further development and international sales. Under such arrangements, e-Therapeutics anticipates receiving returns via a combination of some or all of: up-front payments, development milestone payments, licence fees, profits on supply agreements and royalty payments based on the net sales of its products by its licensees. Such financial components are entirely in accord with prevailing norms for healthcare industry licensing transactions.

Underpinning all of the success to date is e-Therapeutics' proprietary technology platform which is the subject to both formal and informal protection of the intellectual property relating to e-Therapeutics' software and algorithms arising therefrom.

The core process IP includes a patent application that covers the generic application of algorithms for identifying critical nodes and links in networks in the general case, as well as the specific case of drug discovery. Applications are pending in the UK, Europe, USA and India. No applications have yet been granted.

In addition, e-Therapeutics feel there is additional cover arising from the knowledge and skills of the Company's founders and employees. The algorithms employed are based on an extensive research programme into complex biological systems, conducted over 10 years. This IP is protected by confidentiality, by being embedded in Company software and procedures, and through non-compete clauses in employees' contracts. The Company considers that retention of its unique know-how is the most appropriate way of protecting its intellectual property.

The various levels of protection are described and discussed in more detail in the independent patent agent's report in Part IV of the Company's admission document.

3. Assessment of the technology platform as an integral part of drug discovery and development

The overall drug discovery and development process can take up to 11 years and cost in excess of £500 million for each drug. Many millions of pounds are spent every year on drugs which fail at various stages of the clinical development programme due to either safety concerns or having less than anticipated efficacy. In theory, these deficiencies should be spotted at the pre-clinical or drug discovery stage, but in practice only one in 13 of the drug candidates entering clinical development actually reaches the market place. Anything that could be done to reduce this attrition rate would be of considerable commercial advantage to the pharmaceutical industry.

e-Therapeutics offers the opportunity to de-risk the late stage development of drug development in two ways:-

- provision of an algorithm which predicts with much greater fidelity at an early stage potential safety and efficacy issues. All five of the therapeutic areas being focussed on are based on this approach; and
- the ability to select for clinical development re-engineered marketed products, i.e. products that have already reached the market for one indication being progressed for another indication. As such these products are covered by a large pre-existing safety database and are therefore much less likely to fail to gain regulatory approval.

The two products, one each for asthma and depression, entering phase II clinical development are predicated on this strategy.

Rationale

Living organisms consist of a complex set of intermolecular activities. The advances in modern biological research technologies allied to the speed and storage capacity of modern hardware have made it feasible to create computer models of these living systems. Most contemporary computer models have been built on the basis of what is deemed relevant based on the experience of the scientist creating the model and hence are inherently biased and do not take into account other molecules/activities about which the biologist is ignorant.

A much more rational approach is to collate all the activities for a cell/organism and organise them in a way that is meaningful for further investigation in the computer. The simplest way to represent them is in the form of a network, the other ways being too computationally intensive for most research purposes. Mathematically, a network consists of a series of nodes connected by links. These nodes and links correspond respectively to different proteins and the activities/interactions connecting them.

It is clear from the work of several groups worldwide that biological networks (equivalent to living cells) have certain features which make them robust. This means first that they are able to survive under a broad range of environmental conditions. Secondly, the general integrity of the network is maintained despite random loss of nodes and links. Pharmaceutical companies very rarely think in terms of these networks. Their experience shows that it is far easier to develop medicines that affect the target proteins (nodes) rather than the interactions between them (work links).

The underlying thesis of this work is that networks are an adequate representation of living cells or organisms and that efficient identification of these special nodes and links provides a computational way to discover which are the points either for therapeutic intervention or to avoid adverse drug reactions.

e-Therapeutics has considerable evidence that this approach is validated. Using retrospective analyses of literature data they have shown the commonality of action of all 100 plus known antibiotics. Further, more recently, they have accurately predicted the antibiotic profile of compounds synthesised *de novo*. The probability of these retrospective and prospective results being generated by chance are billions to one against.

The conviction and commitment of the Company to this approach is demonstrated by the ongoing melanoma and antibiotic resistance programmes where compounds are selected for onward progression based initially on software selection. To date good concordance has been observed in these programmes between predicted and actual biological activity in the laboratory and laboratory animals.

In an extension of the approach, the model can be used to determine commonality across a series of apparently mechanistically dissimilar but therapeutically equivalent agents. This forms the basis for the ongoing clinical programmes in asthma and analgesia anti-depression and the programme on atherosclerosis, which is undergoing final stage evaluation in laboratory animals.

At least in the context of this technology platform, GPC is led to believe that e-Therapeutics' key IP lies in the intersection of two developments. The first is the method of finding nodes and node-combinations of interest irrespective of network size. A computer scientist might suggest such techniques in this context, but would be completely unable to suggest which types of nodes should be searched for. The second development is the discovery of the importance of one particular hub class. This observation is far from obvious, but the analyses could not be clearer about their predictive capacity. It shows that network analysis is sufficient for the computational recognition of proteins of interest to the pharmaceutical industry.

The algorithm used to create the visual layouts of the networks also appears to be unique and advantageous. Biomedical researchers are naturally inclined to seek a pictorial representation of the systems that they are investigating. When being drawn, the robustness and stability of biological networks dictate that many of the links cross over each other, making it very difficult to recognise the important features of the network.

The final component of the IP is the collation of the important/critical nodes for a broad range of species, many of which are bacteria. This is a resource that other companies do not have. Very few are using network analysis, and are unaware of the class of node that matters for anti-microbial development.

A more detailed assessment of the IP relating to the technology platform and the individual products is contained within the independent patent agent's report in Part IV of the Company's admission document.

4. Individual Product/Project Opportunities

In the following sections, each of e-Therapeutics' five main therapeutic programmes is reviewed in relation both to the market opportunity presently being addressed and competing marketed and development stage products. Key issues that may affect the future commercial success of each programme are identified and discussed.

4.1 Asthma and other respiratory disease

An oral product comprising a combination of two generic marketed products.

4.1.1 Background

Asthma is generally managed by beta2-adrenoceptor agonists and steroids either as monotherapy or in combination. The only new class of anti-asthmatic medicine to be introduced in the last 20 years are the anti-leukotrienes. As there is no common pathogenic link, the prospect of a cure is remote and as such treatment is largely the provision of symptomatic relief. An agent which could be used prophylactically, or at least to avoid exacerbations, would be of considerable benefit, as would therapy avoiding the need for aggressive use of beta2-agonists and/or corticosteroids.

One of the drugs forming part of the e-Therapeutics' product, ETX9101, is an anti-inflammatory agent that has previously shown some utility in asthma, improving both pulmonary function and reducing steroid requirement. The other component has likewise been shown to have some utility in asthmatics, presumably due to its antihistamine activity.

The combination under clinical investigation addresses the underlying inflammatory response in asthmatics and as such is assumed by e-Therapeutics to have considerable clinical potential.

4.1.2 Market potential

Asthma Epidemiology

The prevalence of asthma increased markedly through the 1980s, especially in children, although evidence now points to the trend stabilising in the seven major markets.

Data from the US National Health Interview Survey ("NHIS") found that the prevalence of current asthma among individuals of all ages decreased from 7.6% in 2001 to 7.2% in 2004. The asthma attack prevalence in US children remained level from 1997 to 2000.

Table 1: Asthma prevalence and diagnosed by country and age, 2007

Prevalence (%)*	US	Japan	France	Germany	Italy	Spain	UK	Average
Children (0-14)	7.9	5.7	6.1	7.1	6	4.8	13.7	7.3
Adults (15-64)	7.2	3.6	4.6	4.4	3.6	4	7.9	5
Elderly (65+)	8.7	5.1	6.1	5.9	5.1	5.5	9.4	6.5
Average	7.9	4.8	5.6	5.8	4.9	4.8	10.3	6.3
Population 2007 (m)**	**US**	**Japan**	**France**	**Germany**	**Italy**	**Spain**	**UK**	**Total**
Children (0-14)	60.9	18.1	11.1	11.5	8.0	5.8	10.4	125.8
Adults (15-64)	202.4	83.0	39.9	54.6	38.6	27.4	40.7	486.6
Elderly (65+)	37.8	26.3	10.0	16.3	11.6	7.2	9.6	118.8
Total	301.1	127.4	61.0	82.4	58.2	40.4	60.7	731.2
Asthma population 2007 (m)	**US**	**Japan**	**France**	**Germany**	**Italy**	**Spain**	**UK**	**Total**
Children (0-14)	4.8	1.0	0.7	0.8	0.5	0.3	1.4	9.5
Adults (15-64)	14.6	3.0	1.8	2.4	1.4	1.1	3.2	27.5
Elderly (65+)	3.3	1.3	0.6	1.0	0.6	0.4	0.9	8.1
Total	22.7	5.4	3.1	4.2	2.5	1.8	5.5	45.1
Diagnosed asthma population 2007 (m)***	**US**	**Japan**	**France**	**Germany**	**Italy**	**Spain**	**UK**	**Total**
Children (0-14)	3.3	0.7	0.5	0.6	0.3	0.2	1.0	6.5
Adults (15-64)	12.2	2.5	1.5	2.0	1.2	0.9	2.7	23.1
Elderly (65+)	1.6	0.7	0.3	0.5	0.3	0.2	0.5	4.0
Total	17.2	3.9	2.3	3.1	1.8	1.3	4.1	33.6

Source: * Datamonitor *Stakeholder Insight 2005: Asthma*, DMHC2046; **US Census Bureau; ***Siersted *et al.*, 1998; Hoare *et al.*, 2003; Enright *et al.*, 1999 DATAMONITOR

Treatment and competition

- Medications to treat asthma can be classified as controllers or relievers. Controllers are medications taken daily on a long-term basis to keep asthma under clinical control chiefly through their anti-inflammatory effects. Relievers are medications used on an as-needed basis that act quickly to reverse bronchoconstriction and relieve its symptoms.
- Asthma treatment can be administered in different ways – inhaled, orally, or by injection. The major advantage of inhaled therapy is that drugs are delivered directly into the airways, producing higher local concentrations with significantly less risk of systemic side effects.
- Inhaled glucocorticosteroids are the most effective controller medications currently available.
- Rapid-acting inhaled beta2-agonists are the medications of choice for relief of bronchoconstriction and for the pre-treatment of exercise-induced bronchoconstriction, in both adults and children of all ages.
- Increased use, especially daily use, of reliever medication is a warning of deterioration of asthma control and indicates the need to reassess treatment.

There is widespread generic use in asthma treatment and off-label prescribing. The same drug classes are also used for the treatment of COPD and other respiratory symptoms (and indeed, there is a strong overlap between some forms of asthma and progressive respiratory conditions such as COPD).

Figure 1: Total sales in seven major markets, by class ($bn), 2002-2006

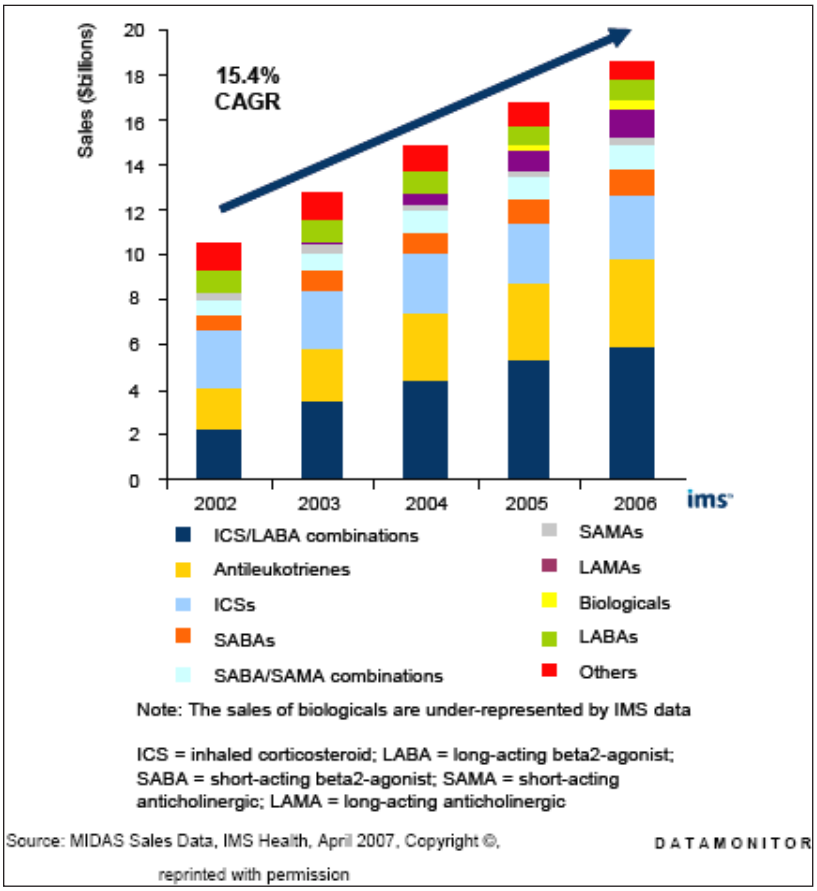


Figure 2: Asthma / COPD market by class and value in seven major markets, 2006

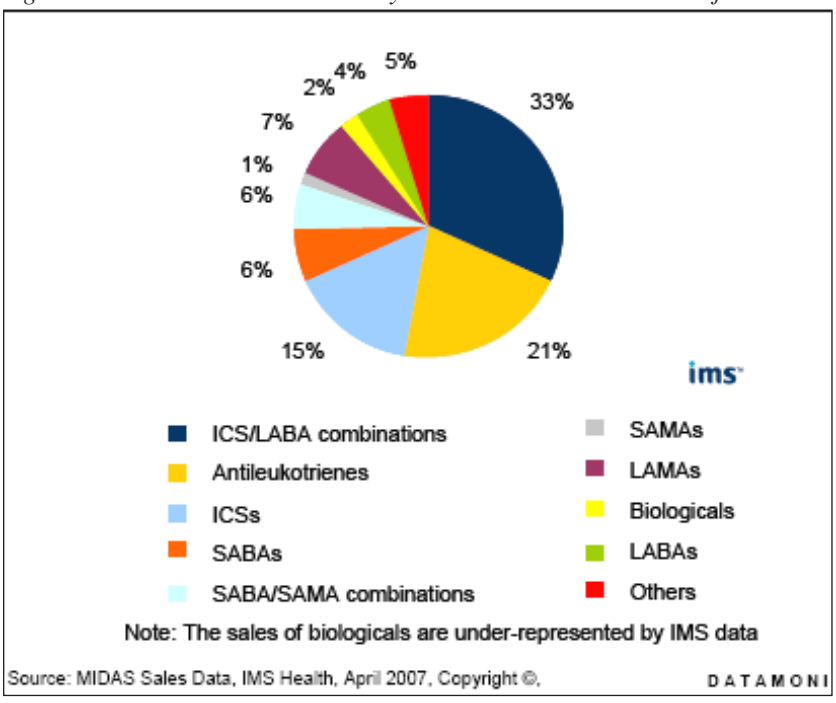


Figure 3: Top five brands by sales in seven major markets ($bn), 2006

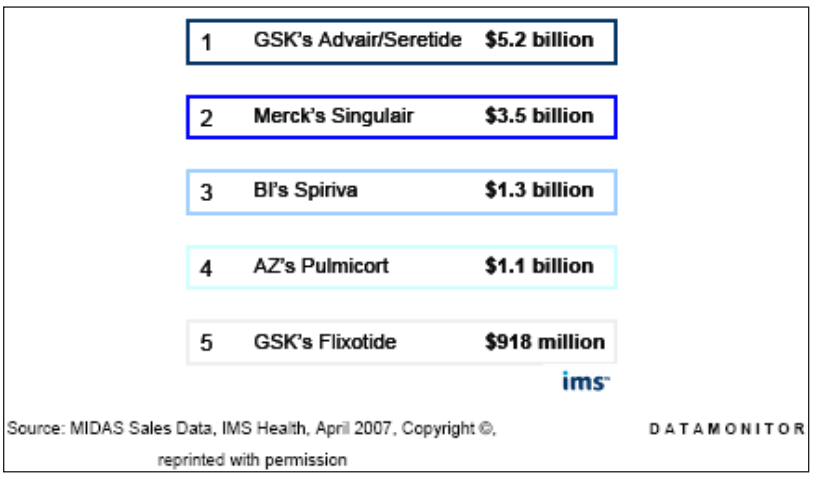
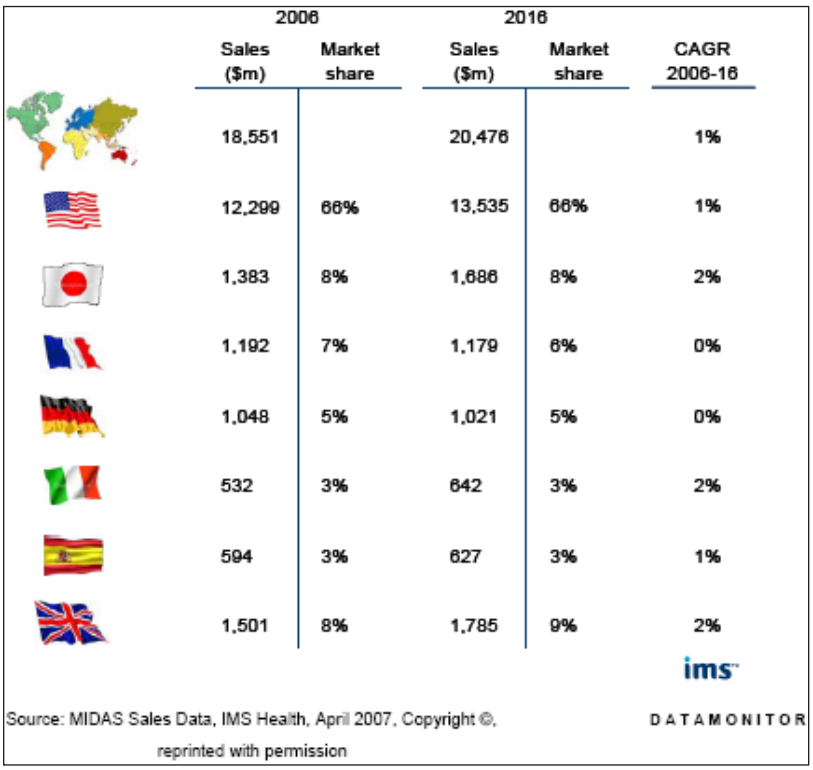


Figure 4: Respiratory market sales split by country ($m), 2006-2016



4.1.3 Current status

An open-label study is about to be initiated in one centre in India. In this study the anti-asthmatic activity of one of the preferred combinations will be evaluated. This will be in 20 patients where the combination is added to existing beta2-agonist/corticosteroid therapy and compared to 20 patients remaining on existing therapy. Endpoints will be the incidence of asthma exacerbations and changes in beta2-agonist/corticosteroid consumption.

It is anticipated that the study could be completed by end 2Q 2008. Assuming the data were positive and suitable for out-licensing this could be effected by 1Q/2Q 2009. Should a double-blind, placebo controlled study be required for out-licensing this would delay revenue generation by at least 12 months.

4.1.4 Issues and risks

Both components of the combination have previously been shown to be effective in subtypes of asthma. There is a high probability that the combination can be shown to be effective in appropriately designed clinical trials. Equally, as there are extensive clinical safety databases on both components, the combination is likely to be free of any short- or long-term safety issues. This feature is likely to be of particular attraction to an out-licensing partner.

Like any phase II study, one has to assume that the study is adequately powered to show clinically meaningful changes as a basis for out-licensing. Equally, one has to assume that the study design is adequate. Given the large commercial potential, a potential licensing partner may be prepared to accept a study which isn't double blind and placebo controlled as being definitive, however should this be the case the value of the deal would be considerably less.

e-Therapeutics has informed GPC that they have partners interested in out-licensing based on the current study design, but supportive documentation is not definitive at this point.

Valuation could be further affected by the need (at least in the US) to satisfy the combination rule, which mandates the much more extensive work required for combination development. The availability of several generics may affect price predictions and hence deal value expectations.

IP issues are covered elsewhere in this document, but will have to address the documented anti-asthmatic activity of each component of the combination; this could be done assuming unexpected clinical findings are forthcoming form the projected study.

4.1.5 Summary

There is a considerable commercial opportunity for a novel therapy for asthmas and other respiratory disease. Based on the known clinical activities of each component, there is a high probability that the combination will be clinically effective.

There is a higher degree of uncertainty that the current clinical study will provide the optimum platform for out licensing discussions.

4.2 Depression

An oral agent as front-line therapy for depression or to be used in situations where patients are refractory to other antidepressant classes.

4.2.1 Background

ETS6103 is an analgesic antidepressant drug which is being developed based on e-Therapeutics' proprietary knowledge on the aetiology of depression. All antidepressants have been developed on rectifying neurotransmitter imbalances, particularly serotonin and noradrenaline. However, based not least on the large number of patients failing conventional antidepressant therapy, it has become apparent that a much wider range of systems are involved in the aetiology of depression and in particular the interaction between mood and pain. An interaction with pain pathways producing a secondary change in mode (anti-depression) forms the basis of the e-Therapeutics' approach. The drug candidate could be effective in situations where classical antidepressants are either ineffective or when patients are refractory to such therapy or in situations, such as fibromyalgia, where there is a high associated pain component. Should this be the case, the product has the potential to become one of the broadest spectrum antidepressants.

4.2.2 Market potential

Depression Epidemiology

Major Depressive Disorder ("MDD") is the leading cause of disability in the US and established market economies worldwide. An estimated 121 million people currently suffer from depression globally.

Table 2 (below) shows the prevalence rate and population size for MDD across the seven major markets in 2007.

Table 2: Prevalence rate and population size for MDD across 7 major markets, 2007

Country	Total population[1]	Prevalence rate (%)	Estimated MDD population
US	301,139,947	6.6[2]	19,875,237
Japan	127,467,972	2.9[3]	3,696,571
France	61,083,916	6.7[4]	4,092,622
Germany	82,400,996	6.7[4]	5,520,867
Italy	58,147,733	6.7[4]	3,895,898
Spain	40,448,191	6.7[4]	2,710,029
UK	60,776,238	6.7[4]	4,072,008

Sources: 1 = www.census.gov/; 2 = Kessler *et al.* (2003); 3 = Kawakami *et al.* (2005); 4 = Ayuso-Mateos *et al.* (2001)

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12-month prevalence rate of 6.6% in the US

Following the introduction of the Diagnostic and Statistical Manual of Mental Disorder ("DSM-IV"), the National Co-morbidity Survey Replication ("NCS-R") was conducted to update information on the prevalence, correlation and clinical significance of DSM disorders from 2001 to 2002. This is widely regarded as the most robust survey to be conducted on MDD in the US. The prevalence estimates, using the World Health Organisation's ("WHO") Composite International Diagnostic Interview ("WMH-CIDI") from the NCS-R sample of 9,090 adults across 48 US states, was 6.6% for the 12 months before the interview.

The lifetime prevalence of MDD in the US was found to be 16.2% in the same survey. In a more recent study of 43,000 adults across the US, the 12-month prevalence of MDD was found to be 5.2%, broadly confirming the prevalence rate established in the NCS-R.

12-month prevalence rate of 6.7% across Europe

In a large-scale European study investigating the prevalence of depressive disorders across five European countries (the UK, Ireland, Spain, Norway and Finland), the total weighted prevalence of MDD was found to be 6.7%.

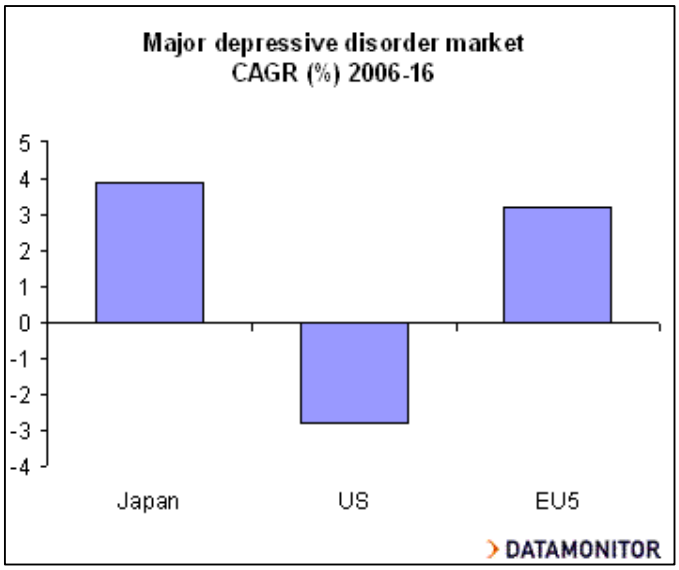
Studies suggest that the prevalence of MDD in Asian countries may be substantially lower than in Europe or North America. A community-based study of 1,663 adults using the DSM-IV and WMH-CIDI found a prevalence rate for MDD of 2.9% in Japan.

Treatment and competition:

Despite a high prevalence, depression is under-recognised and under-treated with presentation rates of 15% to 20% for mild MDD, 43% to 48% for moderate MDD and 74% to 79% for severe MDD were found from a survey conducted among 181 physicians across the seven major markets.

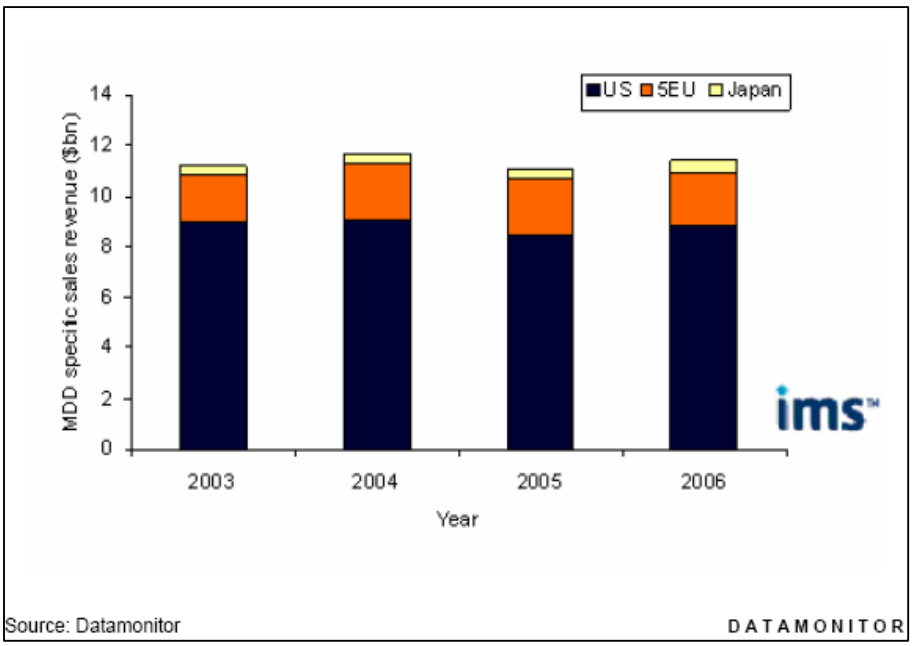
Generic drugs are continuing to make strong inroads into the MDD market, with the overall value of the US market projected to decline.

Figure 5:



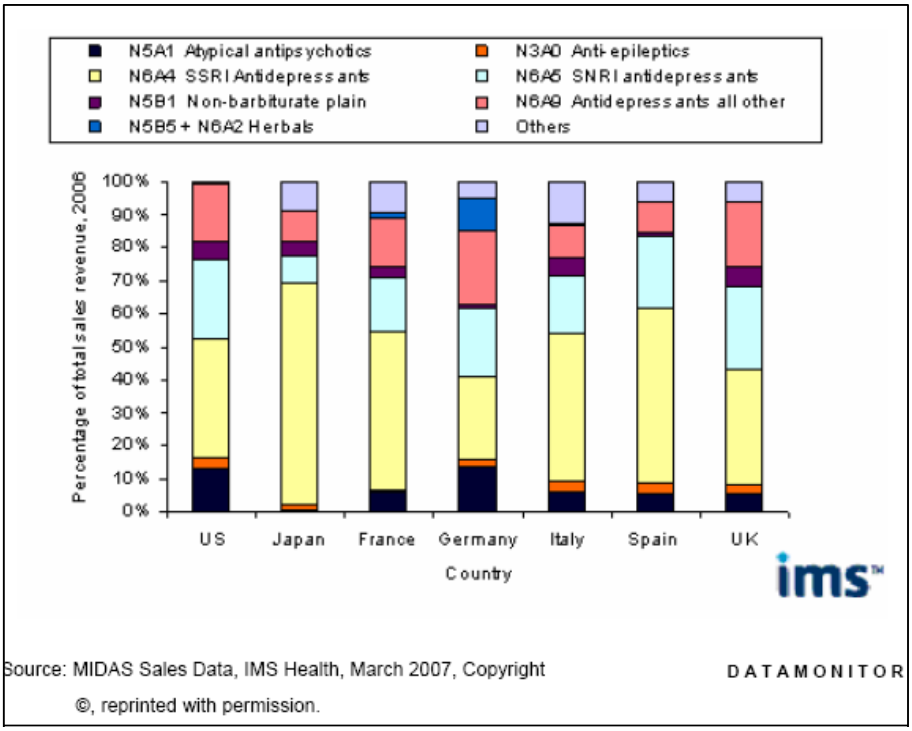
The US dominates MDD sales (around $8 billion per year) and the global MDD treatment market is essentially stagnant (see Figure 6 below).

Figure 6: MDD-specific sales and revenues across seven major markets, 2003-06



The uptake of different antidepressant drug classes varies in different markets:

Figure 7: MDD-specific sales and revenues across seven major markets by drug class,2006



4.2.3 Current status

The product is about to undergo a phase II study in India using conventional means of clinical evaluation of anti-depressant activity. The study does not involve a placebo control, although those patients (n=20) on the e-Therapeutics product will be compared to an equivalent number of patients on amityrptyline.

On the current track, this three month study should be in final report form by end 2Q 2008 and out-licensing would occur roughly one year thereafter, assuming the study design was adequate for decision making. Should an additional double-blind study be required to secure an out-licensing deal, this would delay revenue generation by a year and potentially not occur before 2010.

4.2.4 Issues and risks

The study duration of 12 to 14 weeks will be sufficient to show clinical activity and relating the data to an active comparator, amitryptyline, will be of value. However, the relatively small patient population (20 per group) and the well documented placebo response (of over 40%) may be of concern to potential out-licensing partners.

e-Therapeutics has informed GPC that they have partners interested in out-licensing based on the current study design, but supportive documentation is not definitive at this point.

The IP has been filed and the status is discussed elsewhere but will have to address literature reports of some analgesics having antidepressant activity.

4.2.5 Summary

A broad spectrum antidepressant has great commercial potential. This potential would be increased further due to the standard pharmaceutical market reaction to a novel mechanistic class.

The main issue is whether the planned clinical study is adequately powered and suitably designed to provide the platform for successful out-licensing. Successful out-licensing will be dependent on consolidation of filed IP.

4.3 Atherosclerosis

4.3.1 Background

This major commercial opportunity has been dominated by the statins, particularly atorvastatin (lipitor), the world's largest selling drug, ever. Several of the statins have had deleterious and life threatening side effects and there is a great desire to identify novel mechanistic types that can be used as mono-therapy or safely in combination with the statins. e-Therapeutics believes they can determine potential efficacy and side effects of any new class alone or in combination. This concept is undergoing pre-clinical validation in the form of ETS6107 and ETS6114.

4.3.2 Market potential

Atherosclerosis Epidemiology

The true frequency of atherosclerosis is difficult, if not impossible, to accurately determine because it is a predominantly asymptomatic condition. The process of atherosclerosis begins in childhood: lesions can be found in the aorta shortly after birth and in increasing numbers in those aged eight to 18 years. More advanced lesions begin to develop when individuals are around 25 years old. Lesion prevalence increases throughout life and the organ-specific clinical manifestations of the disease increase with age through the fifth and sixth decades of life.

Atherosclerosis is more common among men than women and is thought to be due to the protective effects of the female sex hormones. This sex effect is absent after menopause in women.

Approximately 1.5 million myocardial infarctions occur annually in the United States and more than 11 million Americans have chronic coronary artery disease. Of persons older than 50 years, 30% have some evidence of carotid artery disease, and cerebrovascular disease is responsible for over 200,000 deaths per year in the United States.

The frequency of clinical manifestations of atherosclerosis in the UK, west of Scotland in particular, is especially high. The same is true of Finland, in particular, and Scandinavia in general. Russia and many of the former states of the Soviet Union have recently experienced an exponential increase in the frequency of coronary heart disease that is likely to be the result of widespread economic hardship and social upheaval, a high prevalence of cigarette habituation, and a diet high in saturated fats. The frequency of coronary heart disease in the Far East is significantly lower than that documented in the West.

Atherosclerosis is the leading cause of death in the developed world and atherosclerosis is predicted to be the leading cause of death in the developing world within the first quarter of this century.

Atherosclerosis is responsible for more than half of the yearly mortality in the United States and more than 500,000 people die annually of myocardial infarction alone. This rate of mortality costs the country more than $100 billion a year. More than 50 million people in the United States are candidates for some form of dietary and/or drug treatment to modify their lipid profile.

Table 3: Disability and mortality burdens of heart disease & stroke in the seven major markets

	Population	Disability	Mortality	Disability	Mortality
Country	'000 (2002)	DALYs lost per 1000 population (2003 or latest available)	Number of deaths (2002)	DALYs lost per 1000 population (2003 or latest available)	Number of deaths (2002)
United States	291,038	8	514,450	4	163,768
Japan	127,478	4	92,928	4	69,075
France	59,850	3	46,132	3	37,750
Germany	82,414	6	172,717	4	79,326
Italy	57,482	4	92,928	4	69,075
Spain	40,977	4	45,018	3	34,880
UK	59,068	7	120,530	4	59,322

Treatment and competition

According to a report issued by the Agency for Healthcare Research & Quality ("AHRQ"), the costs of treating heart disease and cancer increased significantly between 2000 and 2004. AHRQ reported that treatment costs rose from $62 billion to $90 billion for heart disease.

The costs of stroke care vary greatly between countries due to different treatment practices. A 2004 estimate of the burden of stroke stated that:

CURRENTLY in North America, stroke and cerebrovascular diseases are the third leading cause of death and a leading cause of adult disability. There are more than 750,000 new cases annually, resulting in more than 250,000 new disability cases and more than 200,000 deaths per year. The National Institutes of Health ("NIH") and the American Stroke Association currently estimate that the annual cost of stroke care in the United States now exceeds $50 billion, of which $30 billion is due to direct health care costs resulting from hospitalisation, physician fees, procedure costs, and rehabilitation. In excess of $20 billion is due to lost productivity, since the majority of patients are disabled and cannot return to their normal lifestyle or to work, and may require extended care.

Market sizes of various drugs used to manage atherosclerosis and its outcomes

1. Antidyslipidemics

By the end of 2006, the value of the antidyslipidemics reached $29.3 billion across the seven major markets. This represented an increase of 7.2% on 2005 sales. The increase was driven by the continued uptake of Schering-Plough/Merck & Co.'s Zetia (ezetimibe), with sales up by 29.7%, along with strong demand for Schering-Plough/Merck & Co.'s Vytorin (simvastatin plus ezetimibe), which was launched in 2004 and more than doubled its sales revenue over the 2005 to 2006 period. Despite seeing sales fall in 2005 and 2006, Merck & Co.'s Zocor (simvastatin) and Bristol Myers Squibb's Pravachol (pravastatin) delivered sales of $3.3 billion and $0.9 billion.

Table 4: Seven major market sales of the antidyslipidemic drug classes, 2006

Class	Sales 2006 ($m)	Growth 2005-06 (%)	% of total market
Statins	22,332	0.5	76.3
Other (C10A9)	2,461	25.6	8.4
SPCs (C10C0)	2,139	91.9	7.3
Fibrates	1,713	11.3	5.9
CRF SPCs (C11A1)	334	86.9	1.1
Ion-exchange resins	290	6.1	1
Total	**29,269**	**7.3**	**100**

CRF – cross risk factor; SPC - single pill combination

Source: Datamonitor; MIDAS Sales Data, IMS Health, March 2007 DATAMONITOR

2. Antithrombotics

Table 5 presents sales of antithrombotics in the seven major markets (the US, Japan, France, Germany, Italy, Spain and the UK) by drug category, along with the growth rates for sales between 2004 and 2005 and market share in 2005.

Table 5: Sales of antithrombotics in the seven major markets by drug category, 2004-05

Drug category	Sales ($millions, in 2005)	Market share (2005, by value)	Growth (2004-05, by value)	CAGR (2002-05, by value)
Anticoagulants	4,953	37%	8%	15%
Antiplatelets	7,883	59%	8%	18%
Thrombolytics	498	4%	-1%	0%
Total	**13,334**		**7%**	**16%**

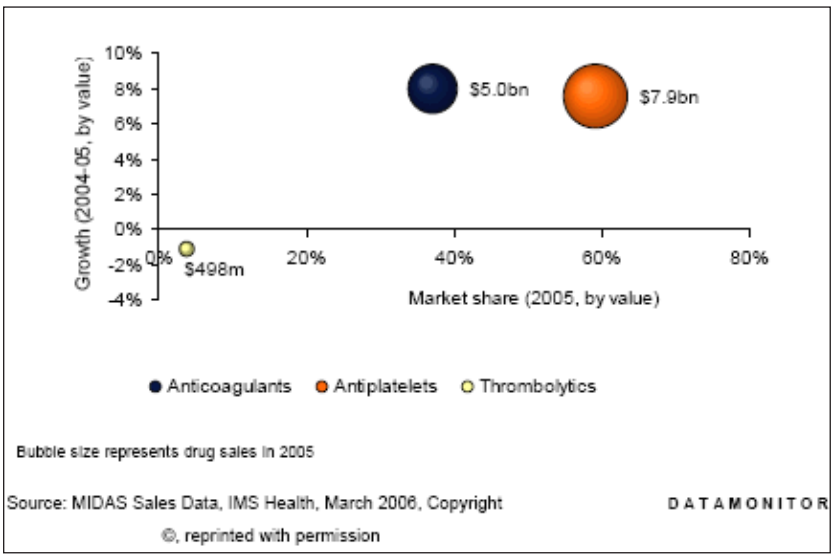
Source: MIDAS Sales Data, IMS Health, March 2006, Copyright ©, reprinted with permission DATAMONITOR

In 2005, the antithrombotics market had a value of $13.3 billion and grew between 2004 and 2005 at a rate of 7%.

- sales of anticoagulants continue to show growth, reaching $5.0 billion in 2005, representing a 37% share of the overall antithrombotics market;
- the antiplatelets class continued to lead the antithrombotics market in 2005 with sales of $7.9 billion and a 59% share of the market;
- the thrombolytics market suffered negative growth with sales of $498m in 2005 down 1% over 2004 sales.

These trends are illustrated in Figure 8, which shows growth in sales against market share for the major antithrombotic drug categories in 2005.

Figure 8: Sales of antithrombotics in the seven major markets, 2005



3. Antihypertensives

Table 6 below shows the seven major market sales for the antihypertensives market by drug class, together with the 2005-06 growth rate, and 2006 market share.

At the end of 2006, the total value of the antihypertensives market was $37.1 billion, across the seven major markets. This represented an increase of 6.9% on 2005 sales; this is indicative of a mature market whose growth is in line with the overall pharmaceutical market.

Table 6: Seven major market antihypertensive sales ($m), 2006

Drug Class	Sales 2005 ($m)	Sales 2006 ($m)	Growth 2005-06 (%)	2006 Market Share (%)
ARBs	11,062	12,593	13.8	34.0
CCBs	9,205	8,952	-2.7	24.3
ACEIs	7,105	6,666	-6.2	18.1
BBs	5,338	5,809	8.8	15.8
Diuretics and others	1,994	3,087	nm	7.8
Total	**34,704**	**37,107**	**6.9**	**100**

ARBs = angiotensin II receptor blockers; ACEIs = angiotensin converting enzyme inhibitors; BBs = beta-blockers; CCBs = calcium channel blockers; nm = not meaningful.

Source: Datamonitor; IMS MIDAS sales data, IMS Health, June 2007

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4.3.3 Current status

The company has two candidates, ETS6107 and ETS6114 at the pre-clinical evaluation stage. Should these in vivo animal studies be positive they could be advanced, but would have to pass through conventional toxicology and phase I development prior to entering proof of concept studies (2010 at the earliest). However, as GPC is led to believe that there is considerable interest, the programme could generate co-development revenue at a much earlier stage, albeit with a predicted reduced revenue stream, commensurate with out-licensing at either phase I or post-toxicology stages.

4.3.4 Issues and Risks

The main issue is whether or not the in vitro activity will translate into activity in the whole animal. An additional unknown will be the relevance of any of these in vivo findings as a predictor of efficacy in man. In addition, as the fatal side effects of the statins were only apparent in long term studies, the track to regulatory approval is unknown. All of these are likely to have an impact on any valuation assigned by pharmaceutical licensing partners for these potential drug candidates. The precise level of interest by potential partners is unknown as GPC has not seen any supportive documentation from e-Therapeutics.

4.3.5 Summary

The commercial opportunity is vast in this area and is matched by pharmaceutical industry's hunger for in-licensing candidates. However, beyond some limited in vitro work, there is little validation of the concept and the probability of either of the lead candidates reaching the market (or even an out-licensing point) must be considered to be low (less than 10%).

4.4 Melanoma

Small molecule for the treatment of malignant melanoma.

4.4.1 Background

Extensive evaluation in cell culture, conducted under the auspices of Cancer Research UK has resulted in the identification of the potential drug candidate, ETS2101. In the laboratory the candidate has been shown to be selectively toxic with good selectivity for cytotoxicity in malignant cells compared to normal cells. A further advantage is that ETS2101 is pro-apoptotic; i.e. in malignant cells it activates programmed cell death rather than just restricting abnormal cellular proliferation.

In addition, the activity of the compound at low doses and the immediacy of the effect observed, indicate that the compound could have the potential to supersede existing chemotherapeutic dosing regimens.

4.4.2 Market potential for melanoma specific therapies

Melanoma Epidemiology

- **In the US**: The incidence of melanoma has more than tripled in the white population during the last 20 years and melanoma currently is the seventh most common cancer in the United States. An estimated 62,190 Americans developed invasive cutaneous melanoma in 2006, with an estimated additional 49,710 or more cases of melanoma in situ. The current lifetime risk for developing invasive melanoma is one case per 60 Americans, a 2,000% increase since 1930. This risk rises to one case per 32 Americans if non-invasive melanoma in situ is included.
- **Internationally**: Melanoma incidence has continued to increase worldwide, with the highest incidence in Australia and New Zealand. The most recent analysis of global cancer statistics, from 2002, demonstrated a prevalence of 37.7 cases per 100,000 men and 29.4 cases per 100,000 women in Australia and New Zealand, compared with 6.4 cases per 100,000 men and 11.7 cases per 100,000 women in North America.

Mortality/Morbidity

While melanoma accounts for roughly 4% of all skin cancers, it is responsible for more than 77% of skin cancer deaths. In the United States, one person each hour dies from metastatic melanoma.

- United States: Some 7,910 deaths (estimated) occurred in 2006 (5,020 men, 2890 women). Analysis of US Surveillance, Epidemiology, and End Results ("SEER") data from 1969 to 1999 demonstrated a disproportionate burden of melanoma deaths among middle-aged and older white men. While melanoma mortality rates have fallen by 39% in women and 29% in men aged 20 to 44 years over this period, they have increased by 66% in men aged 45 to 64 years and 157% in older men (>65 years). Incidence data

generally parallel mortality data and have shown a 3-fold increase in middle-aged men and a 5-fold increase in older men over a similar period. Encouragingly, a stable-to-reduced melanoma rate has been noted in younger age groups in the United States, which may be a result of primary prevention campaigns aimed at reducing excessive sun exposure over the past 30 or more years, although the full impact of primary prevention strategies on melanoma incidence and mortality will not be apparent for several decades.

Table 7: Estimated incidence of melanoma in the seven major market 2007-15

	2007	2009	2011	2013	2015
US	56,689	57,741	58,775	59,788	60,780
Japan	770	771	771	770	768
France	7,338	7,386	7,430	7,470	7,505
Germany	10,171	10,170	10,164	10,155	10,145
Italy	6,095	6,097	6,091	6,078	6,058
Spain	3,514	3,537	3,554	3,568	3,576
UK	7,129	7,168	7,207	7,249	7,293
Total	**91,706**	**92,869**	**93,993**	**95,077**	**96,125**

Source: Globocan 2002; World Population Prospects DATAMONITOR

Worldwide: Individuals with cutaneous melanoma have higher survival rates in developed countries (91% in US SEER registries and 81% in Europe) than in developing countries (approximately 40%). Increased educational efforts in developed areas result in earlier diagnosis, treatment and the potential cure of thinner lesions. Worldwide, 160,000 new cases of melanoma were estimated to occur in 2002, with 41,000 deaths reported.

Treatment and competition

Treatment for localised melanoma normally involves local excision of the primary tumour. In the later stages of disease, adjuvant treatment is needed, which can involve immunotherapy, radiotherapy, chemotherapy or use of new treatments in clinical trials.

In terms of immunotherapy, Schering-Plough's Intron-A (interferon alfa-2b) is approved by both the Food and Drug Administration ("FDA") and the European Medicines Agency ("EMEA") for adjuvant treatment of melanoma patients who are free of disease but at a high risk of systemic recurrence. In the US, Chiron's Proleukin (aldesleukin) is also approved for the treatment of metastatic melanoma.

However, use of these drugs is not without controversy. Due to significant adverse effects, which affect one-third of all patients and include flu-like symptoms, anorexia, malaise and depression, use is restricted to the US and only to certain patients

Chemotherapy is most typically administered to Stage IV melanoma patients, where Temodar- or dacarbazine-based regimens are used most frequently. Dacarbazine is the only cytotoxic formally approved for the treatment of melanoma. Temodar is currently in pre-registration for melanoma; however, it is frequently used off-label.

Table 8: Leading systemic regimens prescribed for stage IV melanoma patients, across five EU markets

Regimen	%
Dacarbazine	34.7%
Fotemustine	15.1%
Interferon monotherapy	13.8%
Temodar	8.3%
Cisplatin/dacarbazine	8.1%
Gemzar/mitomycin	2.1%
Carmustine/dacarbazine/hydroxycarbamide	1.6%
Carboplatin/paclitaxel/Nexavar	1.6%
Cisplatin/dacarbazine/vindesine	1.5%
Cisplatin/vindesine	1.3%
Dacarbazine/fotemustine	1.0%
Aldesleukin/interferon-2b	1.0%
Dacarbazine/hydroxycarbamide	1.0%
Other	8.9%

Source: IMS Oncology Analyzer, IMS Health, June 2006, Copyright ©, reprinted with permission

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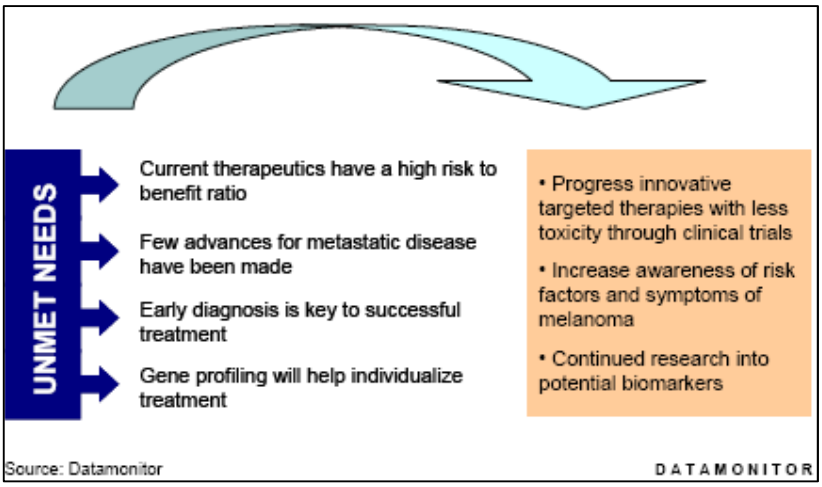
Figure 9: Summary of unmet medical needs in the melanoma market



Potential market for melanoma specific therapies

An analysis of specific therapies in late-stage development for melanoma suggest peak product sales range from $20 million to $97 million per year:

Table 9: Forecasting assumptions for pipeline melanoma products across seven major markets, 2007

Drug	Taxoprexin	Allovectin-7	Ipilimumab	Tremelimumab
Line of therapy	First-line metastatic	First-line metastatic	First/second-line Stage III/IV	First-line advanced
Delivery	Intravenous	Intratumoral	Intravenous	Intravenous
Administration	Once every three weeks	Weekly injections for six weeks	Once monthly	Once every three months
Cost	$3,000 per cycle	$5,000 per cycle	$4,000 per month	$4,000 per cycle
Length of dosing	Six cycles	Two cycles	Four months	Six cycles
Total patient population	3,845	3,845	13,457	13,457
Peak market penetration	20%	25%	30%	30%
US approval	2009	2010	2009	2009
EU approval	2009	2010	2010	2010
Japan approval	2013	2014	2013	2013

Source: Datamonitor DATAMONITOR

Drug	Genasense	GMK	Oncophage	MDX-1379
Line of therapy	First-line metastatic	Adjuvant Stage IIB/III, high risk of recurrence	Stage IV	Second-line Stage III/IV
Delivery	Intravenous	Injectable	Injectable	Injectable
Administration	One dose per cycle	14 adjuvant doses	Weekly injections	Once per cycle
Cost	$3,000 per month	$1,200 per dose	$3,500 per dose	$2,000 per cycle
Length of dosing	Six cycles	Three years	Eight doses	Eight cycles
Total patient population	3,845	13,457	3,845	13,457
Peak market penetration	10%	10%	25%	30%
US approval	2010	2011	2011	2009
EU approval	2010	2011	2011	2010
Japan approval	2015	2015	2014	2013

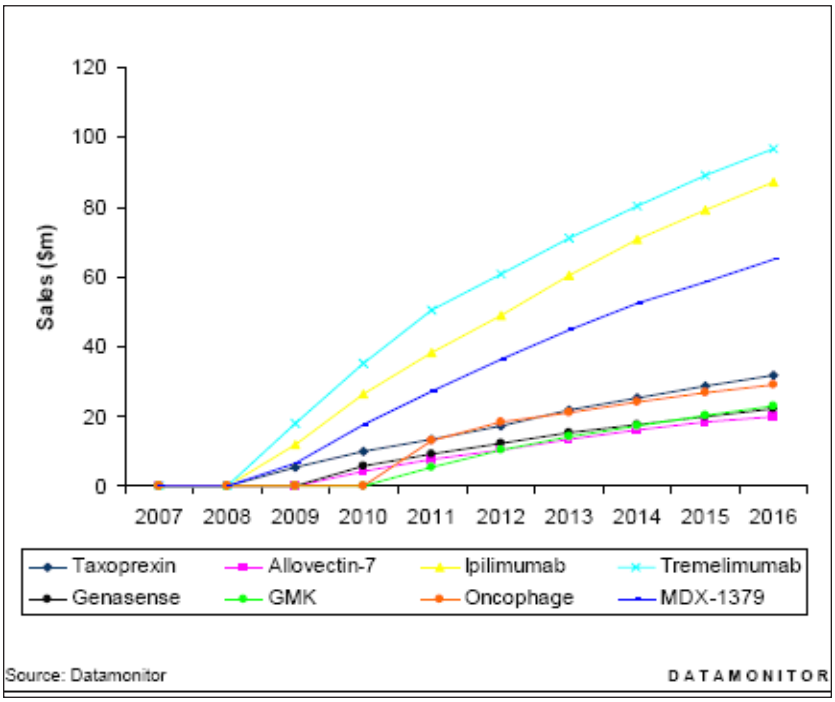
Source: Datamonitor DATAMONITOR

Table 10: Pipeline melanoma products sales forecasts, 2007-2018 ($m)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Taxoprexin	0	0	5	10	13	17	22	25	29	32
Allovectin-7	0	0	0	4	8	10	13	16	18	20
Ipilimumab	0	0	12	26	38	49	61	71	79	87
Tremelimumab	0	0	18	35	51	61	71	80	89	97
Genasense	0	0	0	6	9	12	15	17	20	22
GMK	0	0	0	0	5	10	14	17	20	23
Oncophage	0	0	0	0	13	18	21	24	27	29
MDX-1379	0	0	7	18	27	36	45	53	59	65

Source: Datamonitor DATAMONITOR

Figure 10: Pipeline melanoma products sales forecasts, 2007-2018 ($m)



4.4.3 Current status

Undergoing final evaluation in the laboratory prior to potential initiation of a fast track pre-clinical and clinical development programme. Fast track entry into phase II is likely as the lead molecule has already reached phase III for other indications.

4.4.4 Issues and risks

As the compound which GPC understands to be the lead molecule, has reached late stage development for other indications, safety in the treatment of melanoma is unlikely to be an issue.

Of more concern is whether in vitro activity in cell culture will translate to the clinic.

GPC is led to believe that new IP is about to be filed covering field of use and novel formulations. There is much existing IP covering the compound and it will shortly be generic when the composition of matter patent expires. An unequivocal patent situation will be a pre-requisite for successful out-licensing.

4.4.5 Summary

A very encouraging in vitro profile in cell lines has already been shown which could, assuming clinical translation, result in a major product for the treatment of malignant melanoma and other cancers.

Generation of new IP will be the key to successful commercialisation.

4.5 Antibiotic resistance, particularly MRSA

Combination product of known agents

4.5.1 Background

Antibiotic resistance is an increasing problem within the healthcare environment producing considerable patient morbidity and increasing mortality. The e-Therapeutics lead candidate is a combination of two established agents identified as having near optimal chemotherapeutic profile. The candidate, ETX1153, has already been the subject of considerable press coverage on the basis of the finding that in the laboratory it was shown to have bactericidal activity against all antibiotic resistant strains of MRSA and *C.difficile*.

4.5.2 Market potential

Since the greatest current unmet need and therefore market opportunity is in the treatment of antibiotic resistance and nosocomial infections, the figures and comments below relate largely to the hospital antibiotic market.

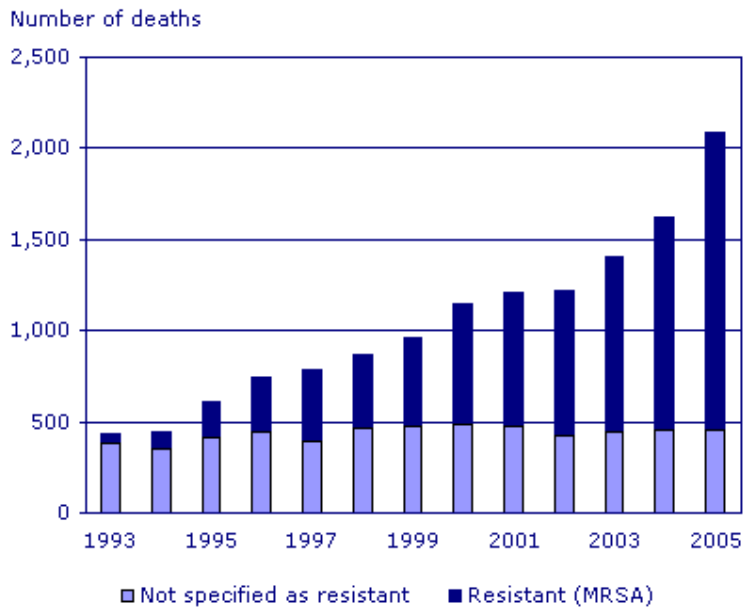
Bacterial pathogens are the most common cause of nosocomial infections. GPC estimates that antibacterials used to treat hospital-acquired infections in the US alone account for approximately $1.5 billion out of the global hospital antibacterial market of $6.7 billion in 2005.

The most common and clinically important antibiotic-resistant bacteria are:

- Methicillin-resistant *Staphylococcus aureus* (MRSA)
- Vancomycin-resistant *Staphylococcus aureus* (VRSA)
- Vancomycin-resistant enterococci (VRE)
- Penicillin-resistant *Streptococcus pneumoniae* (PRSP)
- Multidrug-resistant gram-negative bacilli (MDR-GNB)
- Multidrug-resistant *Mycobacterium tuberculosis* (MDR-TB)
- Fluoroquinolone-resistant *Pseudomonas aeruginosa* (FQRP)

MRSA may cause as many as 44% of staphylococcal infections in the UK and 50% in the US.

Figure 11: Number of death certificates mentioning Staphylococcus aureus by methicillin resistance, England and Wales, 1993-2005



The number of death certificates mentioning *Staphylococcus aureus (S. aureus)* infection increased each year from 1993 to 2005 in England and Wales. An increase in the number of death certificates specifying MRSA, from 51 in 1993 to 1,629 in 2005, accounted for almost all of this increase in deaths.

Some of the recent increase in mentions of MRSA on death certificates may be due to improved levels of reporting possibly brought about by the continued high public profile of the disease.

Age-standardised rates for deaths in England and Wales involving *S. aureus* and MRSA were highest in males. The rates for both males and females increased over the period from 1993 to 2005. The age-standardised rate for deaths involving MRSA in males increased from 20 to 25 per million population between 2004 and 2005. In females the rate for deaths involving MRSA increased from nine to 15 per million population over the same period.

Most of the deaths involving S. aureus or MRSA were in the older age groups. Mortality rates in the US in 2005 for deaths involving MRSA in the 85 and over age group were 702 and 387 deaths per million population for males and females, respectively. In the under 45 age group there were 1.1 and 0.8 deaths per million population for males and females respectively.

- In 2005, there were about 368,600 hospital stays for infections with MRSA. Hospital stays for these infections more than tripled after 2000 and increased nearly tenfold after 1995. The increase from 2004 to 2005 was 30%.
- On average, hospital stays for MRSA infections cost $14,000, compared with $7,600 for all other stays, and the length of hospitalisation was more than double – 10.0 days for MRSA infections versus 4.6 days for all other stays.
- MRSA hospitalisations were more likely to begin in the emergency department, to be transfers from another hospital, or transfers from long-term care settings. The in-hospital death rate for MRSA stays was 4.7% compared with 2.1% for non-MRSA stays.
- The highest rate of MRSA hospitalisation was among the elderly—360.8 MRSA stays per 100,000. This was more than three times higher than for any other age group: 114.7 stays for infants, 19.2 for 1 to 17 year olds, 58.1 for 18 to 44 year olds and 111.5 for 45 to 64 year olds per 100,000.
- Hospital stays for MRSA infections were highest in the south where there were 113.2 MRSA hospitalisations per 100,000 of population. In the west, there were 95.9 MRSA stays and in the midwest and north east, there were about 89 MRSA stays per 100,000.

The most common conditions associated with MRSA are skin infections (18.9% of all MRSA cases), pneumonia (9.0%), complications of medical care (about 16%), and septicaemia (7.3%).

4.5.3 Current status

ETX1153 has been shown in the laboratory to have an excellent bactericidal profile. In addition there is little evidence that bacterial resistance occurs. ETX 1153 is planned for clinical evaluation over the next six months.

4.5.4 Issues and risks

In general in vitro testing is predictive of clinical anti-bacterial activity. As such the profile of ETX1153 should be borne out in the clinic. The issue in terms of clinical development will be the selection (of the presumed) fixed dose combination; to a certain extent this can be based on in vitro modelling, although regulatory authorities may well require more extensive studies into dose selection, eventually.

As no supportive documentation was made available, GPC cannot comment on the appetite of out-licensing partners or the timescale for deal closure. However, given the relatively early stage of clinical planning, a deal within two years could be feasible.

4.5.5 Summary

This represents a good commercial opportunity. As the in vitro data generated by e-Therapeutics has historically been shown to translate to clinical profile there is an excellent possibility that ETX1153 will be bactericidal in the clinic, with a good therapeutic ratio. On this basis, this programme is considered to have a high probability of being successfully out-licensed; the issue is one of timing.

5. Risk Factors

Based on the reviews presented earlier, GPC has identified key technical risk factors relating to the development of e-Therapeutics' five main products. In terms of project and company specific risks, the following should be noted:

Failure in development: Averaged across all therapeutic areas, less than a seventh of drugs entering phase I clinical trials reach the market, as do only around a third entering phase II trials.

Although the majority of e-Therapeutics' programmes are based on active ingredients with a history of clinical use and thus may have somewhat lower development risk, it is by no means assured that even the furthest advanced (ETX9101 for asthma and the antidepressant ETS6103) will result in marketable products.

Delays in development: Any development timelines given in this report are based on information from e-Therapeutics regarding its current development plans. Delays in progression of trials and in achieving eventual out-licensing (and/or market approval) may result from a number of sources, for example, as already experienced by e-Therapeutics in India, delays in regulatory review and site start up.

Dependence on licensees: It is e-Therapeutics' strategy to accomplish the advanced development, registration and marketing of its products through out-licensing arrangements with more established biotechnology and pharmaceutical companies. The Company's strategy is also to initiate licensing discussions at an early stage. However, on average, across all therapeutic areas it takes nine to 15 months to conclude an out-licensing deal from completion of phase II. No documentation has been provided to GPC to suggest that these timelines will be reduced for out-licensing any of e-Therapeutics' products.

Underpinning successful out-licensing discussions will be "fit for purpose" clinical data. The conventional wisdom is that this should normally be from double-blind, placebo-controlled studies.

Also essential for out-licensing is robust IP. A potential issue in terms of timing of out-licensing is that for the two most advanced programmes, IP has only recently been filed (ETS6103, antidepressant and ETX9101, asthma).

Competition: Although the opportunities addressed by most of e-Therapeutics' programmes have few or no competing products in development, the commercial success will be dependent on clinical profile. By and large, as re-engineered products, there should be few safety issues arising but the full profiles (and hence commercial potential) will not be known before completion of phase III studies.

In addition to the project and company specific technical risk factors summarised above, e-Therapeutics faces risks typical of any early stage company operating in the pharmaceutical industry. These include changes to the market and competitive environment, including the emergence of competitive products or technology, dependence on collaborative partners and suppliers and the possible need for further funding from investors.

PART IV

PATENT AGENT'S REPORT

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22 November 2007

Dear Sirs

Patent Attorneys' Report

Appleyard Lees has been asked to prepare a report on the patent portfolio of e-Therapeutics plc, which holds patent applications in the name of e-Therapeutics Limited (now renamed InRotis Technologies Limited) and InRotis Technologies Limited (now renamed e-Therapeutics plc).

Appleyard Lees is a firm of Chartered Patent Attorneys established in 1852. All of the partners in the firm are U.K. Chartered Patent Attorneys and European Patent Attorneys. This report has prepared by Dick Waddington, a partner in the firm having fourteen years experience of U.K., European and International patent drafting and prosecution. The report has also been prepared by Bobby Smithson, a U.K. Chartered Patent Attorney and European Patent Attorney with five years experience of drafting and prosecuting U.K., European and International patent applications and specialising in chemical and pharmaceutical inventions.

Appleyard Lees has not been involved in the prosecution of patents in the name of e-Therapeutics Limited or InRotis Technologies Limited. The firm has been asked to provide an independent report on the patent portfolio.

This report covers a number of sections, as follows.

Section 1 gives an overview of the patent system.

Section 2 gives an explanation of the availability of patent protection for the types of invention of e-Therapeutics Limited and InRotis Technologies Limited.

Section 3 gives an explanation of the scope of the report and an overview of searches that have been conducted in relation to the patent applications in the name of e-Therapeutics Limited and the scope of those searches and also an explanation of the strategy used for the InRotis Technologies Limited applications.

Section 4 provides a summary of the protection sought in the InRotis Technologies Limited applications and the progress of those applications at various Patent Offices.

Section 5 provides a summary of the protection sought in the e-Therapeutics Limited patent applications and an assessment of the prospects for grant of the applications based on the prior art located in the searches.

For the purposes of paragraph (a) of Schedule 2 of the AIM Rules for Companies, we are responsible for this report as Part IV of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

1. The Patent System

Patents are granted to give protection in a specified state or group of states and allow the owner to prevent the manufacture, sale, use and/or importation of a patented product or the use of a patented method in that state or group of states. A patent is only granted for a limited period of time, which is typically twenty years from the filing date in most jurisdictions.

The rights obtained with granted patents are negative rights and allow the owner to prevent third parties using the invention defined in the claims of the patent by making, selling, offering for sale or importing products covered by the patent or using methods covered by the patent. The grant of a patent does not give the proprietor the right to work the invention defined in the claims of the patent, because other permissions may be required, such as regulatory approval, or the permission of other, prior, patent owners.

International agreements such as the Paris Convention or membership of the World Trade Organisation allow a patent application to be filed in a member state of the Paris Convention or the World Trade Organisation and then, within twelve months, applications filed in other states of the Paris Convention or the World Trade Organisation still gain the benefit of the filing date of the first filed application. Consequently, an application filed in the U.K. allows a twelve month period for the filing of applications in Paris Convention countries, such as the United States, other European countries and Far Eastern countries such as South Korea, Japan and China.

At the U.K. Intellectual Property Office, the European Patent Office and the US Patent Office examination is conducted of patent applications at some stage after the filing of the application. For applicants in the U.K., it is common to file an application at the U.K Intellectual Property Office to commence the twelve month priority period referred to above. Examination of the U.K. application may not be conducted immediately, because it is not necessary to do so until about twelve months into the application procedure. Instead, a European patent application and other patent applications claiming priority from the U.K. application may be filed instead. If a European or US patent application is filed at the twelve month stage, then the European Patent Office or the US Patent Office would conduct a search of prior documents to commence the assessment of whether the claims contained within the patent application are new and non-obvious over prior disclosures.

Patent applications are normally published eighteen months from the first priority date. Such a publication may be the first opportunity that interested third parties (including competitors) will have to read the details of the invention and to see the scope of the claims made. Once a patent has been granted, the proprietor, under certain circumstances, may be able to obtain damages from an infringer for damages extending retrospectively back to the date of publication of the application. In most countries, a patent can only be enforced against an alleged infringer once it has been granted. Grant typically takes a number of years to achieve.

After grant of patents, the validity can be challenged by a third party. Such a challenge can be based on prior publications, either patents or other publications that were not cited by the Patent Office during examination. Alternatively, objections can be raised based on an argument that the examiner has made an incorrect assessment of a prior document already considered during the examination process. If the validity of a patent application is successfully challenged, then the claims of the application may be limited in scope to reduce the protection obtained or may be completely invalidated.

As mentioned above, patents are granted for a limited period of time. In order to keep the patents valid for the full term (usually twenty years from filing) it is necessary to pay renewal fees. In Europe, renewal fees must be paid annually, whereas in the United States, renewal fees are paid are every three to four years.

2. Patent Protection in the Technology Areas of e-Therapeutics Limited (now renamed InRotis Technologies Limited) and InRotis Technologies Limited (now renamed e-Therapeutics plc)

Patents are available for inventions that have not previously been publicly disclosed and which are not obvious extensions of earlier disclosures. Rules on the type of invention that is patentable vary from country to country. For example, in Europe, patents are not available for a straight forward claim to computer software although there are a number of ways of protecting software related inventions. However, in the US, software patents are allowable.

In both Europe and the US patents are available for new uses of known pharmaceutical compounds, where the new use is not an obvious use in view of the prior known use(s). Such inventions are known as second medical uses or second medical indications. However, this type of patent may not be available in all territories.

It is also possible to obtain patent protection for so called "selection inventions". These are typical where a previous disclosure discloses a benefit displayed across a wide range, while the claimed invention discloses surprisingly improved results within the previously disclosed range. Such ranges can relate to physical properties such as temperature or pressure ranges in which case the selection may be a particular temperature or pressure sub-range within the previously disclosed range. Alternatively, the range may be a group of chemicals and the selection may be a single compound or subclass within the disclosed group.

Many of the inventions in the e-Therapeutics technology area relate to second medical uses of known pharmaceuticals and/or selection inventions. In order to infringe a patent directed to a second medical use of a known pharmaceutical composition, the composition must be sold, marketed for use or used for the purpose stated as the second medical use. Thus, sale or use for another purpose cannot be prevented with the patent.

The technology claimed within the InRotis Technologies Limited portfolio relates to a method that may be implemented by computer software. As mentioned above, computer software per se is not strictly patentable in Europe, however, the invention covered by the InRotis Technologies application is not directed to software as such and therefore patent protection will not be precluded in Europe on that basis.

3. Scope of the Report

This report assesses the scope of applications filed in the name of e-Therapeutics Limited and provides an indication of the likelihood of patent protection on the basis of independently obtained searches. The report also reviews the InRotis Technologies Limited portfolio and provides an assessment of protection likely to be granted on the basis of Patent Office searches carried out on the applications.

It should be borne in mind that the advice given in this report is based on our experience of the prosecution of patent applications and also in our knowledge of litigation of patents through the courts. Ultimately, a decision on the acceptability of a case for grant is the decision of a Patent Office examiner. A decision on validity of a patent once granted is a decision to be made either by a Patent Office examiner or a judge. Our advice is based on our assessment, based on our experience, of how these decisions would be made by the relevant adjudicator.

For all of the patent applications referred to in this report, we have independently verified their status to the extent possible with published records of the relevant Patent Offices, or by sight of correspondence from the relevant Patent Offices. However, we would point out that the patent applications are not yet published and therefore the documents that we have reviewed are as supplied to us by e-Therapeutics' patent agents and we have been unable to independently verify that the text provided to us is the text on file.

3.1 e-Therapeutics Limited (now InRotis Technologies Limited)

All of the applications filed in the name e-Therapeutics Limited were filed within the last twelve months. We have been advised by the prosecuting attorneys that no Patent Office searches have been carried out on the applications. This is not unusual for priority filings such as these. In order to provide a reasonable assessment of the likely validity of the claims in the patent applications, we have obtained novelty searches of prior patents and patent applications which may be relevant to the validity of e-Therapeutics Limited applications. The searches have been performed by a private firm of professional patent searchers, RWS Limited, and have been conducted through European and US patent publications. The search strategy involved computer searches of patent databases in selected categories of the patent classification together with specific key words. The patent searchers were provided with the full set of claims for each application. This sort of searching gives a reasonable overview of the patents and patent applications filed in Europe and the United States which may be of relevance. It is possible that other relevant patent applications may exist in other jurisdictions, but in view of cost and time constraints the searches did not extend beyond European and US patent documents.

On the e-Therapeutics Limited patents our views are based solely on the documents located in these searches, as well as one document provided to us by the independent technical expert, Mike Wyllie of Global Pharma Consulting Limited. The document is relevant to the "Treatment of depression" invention discussed hereunder.

3.2 InRotis Technologies Limited (now e-Therapeutics plc)

In relation to the InRotis Technologies Limited patent applications, our views are based solely on the documents found during examination of these applications. All of the applications are much further into the examination procedure, meaning that individually commissioned searches along the lines done for the e-Therapeutics Limited patent applications would be of limited benefit in our view.

4. InRotis Technologies Limited (now e-Therapeutics plc) Portfolio

Country	Title	Status	Application Number	Filing Date
U.K.	Method and Apparatus for Identifying Target Proteins for Drug Therapies	Pending	06 22273.1	29 October 2003
U.K.	Method and Apparatus fory Identifying Components of a Network Having High Importance for Network Integrity	Pending	05 08596.4	29 October 2003
EPC	Method and Apparatus for Identifying Components of a Network Having High Importance for Network Integrity	Pending	03 769681	29 October 2003
US	Method and Apparatus for Identifying Components of a Network Having High Importance for Network Integrity	Pending	US 2005-0286414	29 April 2005
India	Method and Apparatus for Identifying Components of a Network Having High Importance for Network Integrity	Pending	1755DELNP05	29 October 2003

Online databases indicate that the U.K. and EPC applications are in the name of InRotis Technologies Limited. Online databases indicate that the US application is, following usual US practice, currently in the name of the inventors. The Indian application has been checked by an independent Indian attorney and is indicated as being in the name of the original applicant, the University of Newcastle. We have been advised that steps are being taken to record a transfer of ownership to InRotis Technologies Limited.

All of the above patent applications relate to the same invention and are based on the same initial patent filing. The applications are directed to methods of analysing networks of interconnected components to identify components of a network which are of high importance for maintaining the network's integrity. The claims are phrased in general terms relating to a method of network analysis, but particular reference is made in the description to use of the network analysis method in relation to the pharmaceutical industry for analysing proteome data.

U.K.

In the U.K., we have been advised that objections have been raised to claims related to a disk carrying computer software to run the claimed method. It is the current practice of the U.K. Intellectual Property Office to object to such claims. In view of this appeals have been filed to seek to overcome the objections. In any event the current European claims (see below) are broader as currently on file and so it would seem likely that the U.K. part of the European application will be pursued instead, rather than these U.K. applications under appeal.

European Patent Convention (EPC)

In Europe the application appears to be close to grant, with only formal clarity objections outstanding. The claims are not limited to use in relation to proteins and so are relatively broad. Broader claims typically offer better protection.

US

In the US the application is still in the examination stage and the first examination report is still awaited. Prosecution of the case seems likely to follow that of the European case, although we find that US patent examiners sometimes require more specific detail of a claimed invention to allow it to grant.

India

An examination report has been issued by the Indian Patent Office. Objections have been raised to the method claims in line with Indian Patent Office practice. It seems likely that narrower protection will be obtained in India than is the case in Europe.

5. e-Therapeutics Limited (now InRotis Technologies Limited) Portfolio

Country	Status	Application No.	Filing Date	Title
U.K.	Pending	0622839.9	16 November 2006	Treatment of Multi Drug Resistant Bacterial Infections
U.K.	Pending	0622841.5	16 November 2006	Treatment of Staphylococcal Infections
U.K.	Pending	0711703.9	13 June 2007	Treatment of Multi Drug Resistant Bacterial Infections
U.K.	Pending	0711704.7	13 June 2007	Treatment of Staphylococcal Infections
U.K.	Pending	0712101.5	22 June 2007	Treatment of Depression
U.K.	Pending	0713116.2	6 July 2007	Antibacterial Combination Therapy
U.K.	Pending	0714226.8	20 July 2007	Treatment of Melanoma
U.K.	Pending	0716840.4	30 August 2007	Treatment of Atherosclerosis and Hypercholesterolemia
U.K.	Pending	0719518.3	5 October 2007	Therapy

All of the above patent applications were filed in the last 12 months and are therefore still in their priority year. This means that patent applications corresponding to these applications may be filed in various foreign territories and claim the date of filing of the U.K. application. Furthermore, during the priority year, it is possible to add further information to a patent application and retain the original filing date for the originally filed application. Specific details of the active compounds have not been given in this report, because the compounds are still confidential.

5.1 Treatment of Multi Drug Resistant Bacterial Infections (GB 0622839.9 and GB 0711703.9)

These two applications are both related to the use of certain compounds against micro-organisms resistant to antibiotics. The later of the two applications contains all of the information in the earlier application, plus a set of claims and experimental data to support the claims. As such, the latter of these two applications supersedes the first application and therefore a single search was carried out and reviewed against the claims of the latter application, GB 0711703.9.

The claims of GB 0711703.9 generally relate to the use of the selected compounds in the treatment of infections caused by or contributed to by multidrug resistant bacterial infections, a method of treating a patient with the selected compounds and the use of the selected compounds in the manufacture of an antibacterial agent. Further claims relate to the use of three particular compounds against vancomycin resistant micro-organisms, such as VISA, VRSA or VSE. The experimental evidence provided in the document also shows that it is these certain selected compounds that display these properties, whereas other chemically similar compounds (shown in Table 2 of the application) are ineffective.

The compounds in the claims of the patent application each belong to a group known to display antifungal properties and, in view of this, much of the prior art uncovered by the searches disclosed these compounds with reference to their known antifungal properties. However, as discussed above, it is possible to obtain patent protection for a new use of a known pharmaceutical indication. In the present

case, in our opinion, the disclosure of the particular compounds as antifungal agents would not preclude patent protection for the same compounds as a treatment for infections caused or contributed to micro-organisms resistant to bacteria.

Following our review of the search results, we are of the opinion that none of the documents uncovered by the search disclose or suggest the use of the selected compounds for the treatment of an infection caused by or contributed to by micro-organisms resistant to antibiotics. In particular, none of the documents reviewed disclose the particular selection of the eight preferred compounds in the claims of this application for the treatment of an infection caused by or contributed to by micro-organisms resistant to antibiotics. However, the examples of this application only exemplify the use of the preferred three compounds, not all eight disclosed in the broadest claims of the application. There may therefore be an issue as to the support of this selection of eight compounds. Furthermore, the examples only show that the three exemplified compounds are effective against vancomycin resistant micro-organisms, not infections caused by or contributed to by multi-drug resistant bacterial infections in general.

On balance, in view of the documents uncovered by the search, we are of the opinion that claims directed to the use of the eight compounds for the treatment of infections caused by or contributed to by micro-organisms resistant to antibiotics is novel and arguably inventive, and could form the basis of patentable subject matter. However, a patent examiner may object to the support for the claims in the description. If this were the case, then the claims may need to be restricted to the three exemplified compounds for the treatment of infections caused by or contributed to by vancomycin resistant micro-organisms. This potential support problem may however be alleviated if further examples are added to the application within the priority year (i.e. on or before 16 November 2007).

5.2 Treatment of Staphylococcal Infections (GB 0622841.5 and GB 0711704.7)

These two applications are both related to the treatment of *staphylococcal* infections. The latter of the two applications contains all of the information in the earlier application, plus a set of claims and experimental data to support the claims. As such, the latter of these two applications supersedes the first application and therefore a single search was carried out and reviewed against the claims of the latter application, GB 0711704.7.

The claims of GB 0711704.7 relate generally to a particular compound for the treatment of an infection caused by or contributed to by a methicillin resistant *staphylococcus* species, a method of treating a patient suffering from an infection caused by or contributed to by a methicillin resistant *staphylococcus* species by administering the compound and the use of the compound in the manufacture of an antibacterial agent against methicillin resistant *staphylococcus* species. Further claims specify that the methicillin resistant *staphylococcus* species is MRSA or MRSE.

The examples in the application show that the compound is effective against MRSA, but not against gram negative bacteria such as *Klebsiella pneumonia* and *E. coli*. Also, as shown in the application, other chemically similar compounds are not effective against MRSA.

The subject matter of this application falls within the scope of the previously discussed application (GB 0711703.9). However, both applications have the same priority date (16 November 2006) and thus, on the face of it, neither would be citable against the other.

As with the previously discussed application, the particular compound claimed in this application is a known anti fungal agent and therefore much of the prior art raised in the search discloses the compound with reference to this known property. Also, some of the prior art disclosed the use of the compound against *staphylococcus aureus* in a combination treatment with other known antibiotic actives. However, these disclosures do not disclose the use of the compound on its own against methicillin resistant *staphylococcus* species.

The present application is directed to a single compound and therefore even a generic disclosure of a family of compounds to which this compound belongs would not necessarily preclude patent protection for this particular compound as a selection from such a general disclosure.

In summary, in view of the documents reviewed, we are of the opinion that the claims are novel and arguably inventive. Also, the claims seem to be supported by the experimental data in the application. On this basis, patent protection for this invention seems likely.

5.3 Treatment of Depression (GB 0712101.5)

This application relates to the use of certain compounds for the treatment of depression caused by or contributed to by a known condition.

The active ingredients mentioned in the claims all seem to be known compounds and are chosen with reference to their known properties. The application gives no explanation as to the origin of the chosen group of chemicals and they do not seem to form a chemical group (by reference to chemical structure) or pharmacological group (by reference to pharmacological mode of action *in vivo*). Further, the application does not provide any experimental evidence to support the use of these compounds in the treatment of depression. However, we have been shown an explanation as to the choice of the specific compounds which, if added to the application, may support the choice of these compounds as a group having a shared property.

There is an argument that the claims of the present application have an inherent lack of inventive step. The active ingredients in the claims are all known and they are claimed as a treatment for depression that is caused by or contributed to by a known condition. The compounds chosen are all known to treat this known condition. It is arguable that, because the depression is caused by or contributed to by the known condition, in eliminating or reducing the condition with known compounds active against the conditions, then the cause or contributing factor of the depression is removed/reduced, thus the depression is alleviated. This is particularly the case in the absence of any experimental evidence to show that these particular compounds are effective in this manner. It should be mentioned that this application is still in the priority year and as such, as with the two previously discussed applications, experimental evidence to support the claims could still be added to strengthen the application.

Irrespective of the inherent inventive step problems discussed above, the documents reviewed provide further problems with regard to the patentability of the invention defined on the claims of this application.

A disclosure in a monograph titled “Psychiatry and The Human Condition” published in 2000 (ISBN 1857753143) discloses the use of compounds having the known property as antidepressants. This disclosure suggests the use of known compounds as antidepressants and exemplifies one of the compounds in the list of compounds in the claims of the present application. This disclosure may then remove the novelty of claims of the application and, even if the claims were amended to remove the disclosed compound from the list of actives in an attempt to restore novelty, problems with inventive step would remain.

The search uncovered further documents which are problematic for the present application. For example, one document discloses the use of a group of chemicals in the treatment of psychiatric disorders such as depression. The group of chemicals disclosed in this document is involved in the same condition as in the present application. Thus this document discloses the use of certain compounds having the same properties as those of the compounds in the claims of the present application in the treatment of depression. Some of the actives mentioned in the claims of the present application fall within the disclosure of this document and this document may therefore remove the novelty of the claims of the present application. However, even if the claims of the present application were amended to disclaim the compounds disclosed in this document, this document would still raise issues with the inventive step of the claims of the present application.

In our opinion, the claims of the present application lack support in the document (there are no examples showing the efficacy of any of the listed actives against depression). Also, the claims have an inherent problem with inventive step and may also lack novelty and inventive step over the prior art reviewed. The likelihood of obtaining patent protection for this invention, as currently set out in the application, is low in our opinion. Nevertheless, the application is still in the priority year and some of the problems with the application could be readily addressed by adding examples to show the efficacy of the claimed invention. However, even if such examples are added, the claims may still need to be amended in our opinion to establish novelty and inventive step over the disclosures of the prior art.

5.4 Antibacterial Combination Therapy (GB 0714226.8)

This application relates to a synergistic combination of two active compounds (compound one and compound two) against multidrug resistant bacterial species.

The claims relate to a composition comprising a combination of therapeutically active compound one and compound two, a therapeutically active first compound in combination with the second compound in the treatment of an infection caused by or contributed to by a multi drug resistant bacterial species, a method of treatment of an infection contributed to or caused by a multi drug resistant bacterial species which comprises administration of the first compound and the second compound and the use of the first compound in the manufacture of a combination medicament for treating an infection.

The application has further claims relating to particular first compound and specific multidrug resistant bacterial species, being MRSA, VRSA and VISA. The application contains examples to show the synergy between three of the first compounds (respectively) and the second compound against MRSA, VSE and VISA.

The first compounds are known antifungal agents and therefore many of the documents uncovered by the search disclose the preferred compounds with reference to their antifungal properties.

Some of the documents reviewed do disclose the use of a combination of the first compound and the second compound. For example, one particular document (published April 2007) discloses the use of the first compound in combination with the second compound (and exemplifies three of the preferred first compounds) as an anti-scarring agent. This is also disclosed in three further related publications. Also a further document discloses a combination of compound one, compound two with a known antibiotic.

However, none of the documents reviewed disclose a combination of compound one and compound two in the treatment of an infection caused by or contributed to by a multi-drug resistant bacterial species.

In summary, in view of the documents reviewed, we are of the opinion that claims relating to a combination therapy of compound one and compound two would lack novelty over the above mentioned disclosures. However, the prior art does not appear to disclose or teach a combination of compound one and compound two in the treatment of an infection caused by or contributed to by a multi-drug resistant bacterial species, particularly MRSA, VRSA and/or VRE. Therefore, claims directed to the combination for the purposes of treatment of an infection caused by or contributed to by a multi-drug resistant bacterial species would appear to be novel and arguably inventive over the prior art reviewed and could form the basis of patentable subject matter.

5.5 Treatment of Melanoma (GB 0713116.2)

This application relates to the use of a compound in the treatment of melanoma.

The compound disclosed in this invention is known to have analgesic and anti-anxiety properties. The application contains claims directed to the compound for the treatment of melanoma, a method of treating melanoma comprising administering the compound, a pharmaceutical composition comprising the compound and one or more therapeutic agents and the use of the compound in the manufacture of a medicament for the treatment of melanoma.

The application contains no examples to support the efficacy of the compound for the treatment of melanoma. Therefore, at present, the claims of the application may receive objections from a patent examiner that they are not supported by the description. However, as with the previously discussed applications, this application is in the priority year and therefore examples may still be added to support the claims.

The prior art reviewed disclosed several instances of the compound being used in the treatment of cancer. However, most of these disclosures do not mention melanoma. In our opinion, such disclosures would not necessarily prevent patent protection of the claims of the present application directed to melanoma treatment.

One particular document of relevance discloses melanoma and the compound of the application. Arguably, this document removes the novelty of the claims of the present application. However, it is possible that the claims of the present application could be a selection invention over this disclosure, but at present there is no data to show the efficacy of the compound in the treatment of melanoma and in order to successfully have a selection invention, a surprising efficacy of the selection should be shown.

On balance, it is our opinion that the documents reviewed would not necessarily prevent patent protection for this invention. However, unless examples to adequately support the claims are added to the application, then it is our opinion that it will be difficult to successfully obtain patent protection for this invention.

5.6 Treatment of Atherosclerosis and Hypercholesterolemia (GB 0716840.4)

This application relates to the treatment of cardiovascular diseases such as atherosclerosis and/or hypercholesterolemia.

The claims of the application relate to compounds having specific properties for the treatment of cardiovascular disease, the use of compounds having specific properties in the manufacture of a medicament for the treatment of cardiovascular disease, a method of treating cardiovascular disease comprising using compounds having specific properties in a patient, a pharmaceutical composition comprising a first compound in conjunction with a second cardiovascular agent and a pharmaceutical composition comprising a second compound in conjunction with a second cardiovascular agent. Further claims relate to the first compound and the second compound as preferred compounds having specific properties required by the claims.

The specific properties required by the compounds of the claims are known to be associated with cholesterol production and therefore linked to cardiovascular disease. Furthermore, other specific properties required by the compounds of the claims are known to reduce inflammation in the body and the action of lowering body inflammation has been linked to a reduction in cardiovascular disease. Claims relating to compounds having the specific properties may therefore have an inherent problem with inventive step, unless targeting these properties specifically can be shown to have a synergistic effect.

The application does not contain any experimental data to support the claims. However, this application is still in the priority year and, as such, further information could still be added to support the claims. Depending on the experimental data provided, the inherent problems with inventive step of claims as discussed above may be alleviated, for example, if the results were to show synergy between treating these two properties.

The search only uncovered three documents and these were only of background interest. The most relevant of the uncovered documents, discloses a combination therapy for the treatment of kidney disorders. However, this document does not disclose compounds having the specific properties of the claims of this application for the treatment of heart disease and it does not disclose the preferred compounds having the specific properties.

In our opinion, the prior art uncovered by the search does not represent a significant barrier to patent protection of this invention. However, the claims may be objected to on the basis that they are not supported by the application. The likelihood of such objections would be significantly reduced if experimental data were provided in the priority year to support the claims.

5.7 Therapy

This invention relates to the treatment of respiratory disorders, particularly asthma, using a combination therapy comprising a first compound and a second compound, selected from three large groups.

The claims of this application relate to a pharmaceutical composition comprising the first compound and a second compound (selected from three large groups), a use of the first compound in the manufacture of a combination therapy for the treatment or alleviation of a respiratory disorder and a method of treating a respiratory disorder comprising administration of the first compound with the second compound. Further claims relate to specific examples of the second compound (rather than by reference to the groups of compounds). The application does not include any examples and therefore, at present, there is no evidence to support the efficacy of the claimed combination therapy against respiratory diseases.

The first compound and the groups of second compounds are all known and display efficacy in relation to other clinical areas. Further, the application acknowledges that the first compound is known to have beneficial results on asthma symptoms. In our opinion, these acknowledged known uses of the two compounds would not necessarily prevent patent protection for the combination claimed.

As mentioned above, the first compound is known to be associated with asthma treatment and both the first compound and the groups of second compounds are known in relation to other clinical areas. In view of this, the search uncovered a very large number of documents referring to these compounds with reference to their known activities.

Some of the documents reviewed disclosed combinations of the first compound and compounds falling within the scope of the groups of second compounds and as such, claims directed to a pharmaceutical composition comprising the first compound and the groups of second compounds lack novelty over these disclosures.

The search uncovered one document that is particularly relevant to this invention in our opinion. The document discloses the use of the first compound and one of the groups of compounds claimed in the present application for the treatment of asthma. This document partially removes novelty of the broad claims mentioning this group of compounds. Furthermore, the teaching of this document may be prejudicial to the inventive step of the claims of the application. However, this disclosure does not appear to disclose the particular preferred compounds of the overlapping group and therefore, if these preferred compounds can be shown to have an improved efficacy over other members of the group, claims directed to a combination of the first compound and the specific preferred compounds in the overlapping group of the second compound may be deemed to be a selection invention and thus patentable over this disclosure.

In summary, the prior art reviewed does appear to anticipate the broad claims of the application. However, if the specific preferred compounds can be shown to have increased efficacy over other compounds of the same group, then patent protection may be possible as a selection invention over the prior art. At present the application does not contain any experimental data to support the claims or to support a selection invention as discussed above. However, as with the previous applications, the application is within the first 12 months from filing and therefore further data can be added. Also, data to support a selection invention could be submitted later than 12 months during examination of the application.

Yours faithfully

APPLEYARD LEES

PART V

SECTION A – ACCOUNTANT'S REPORT ON E-THERAPEUTICS PLC

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The Directors
e-Therapeutics plc
Holland Park
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22 November 2007

Dear Sirs

Accountant's report on the historical financial information of e-Therapeutics plc, formerly InRotis Technologies Limited (the 'Company'), for the three years and six months ended 31 July 2007

We report on the financial information set out on pages 65 to 75. This financial information has been prepared for inclusion in the AIM Admission Document of e-Therapeutics plc dated 22 November 2007 on the basis of the accounting policies set out in note 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financing Reporting Standards ("IFRS").

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 22 November 2007, a true and fair view of the state of affairs of e-Therapeutics plc as at the dates stated and of its losses, cash flows and recognised gains and losses for the periods then ended, in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework as described in note 1.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP

SECTION B – HISTORICAL FINANCIAL INFORMATION OF E-THERAPEUTICS PLC FOR THE THREE YEARS AND SIX MONTHS ENDED 31 JULY 2007

The financial information set out below of e-Therapeutics plc (the 'Company') for the three years and six months ended 31 July 2007 has been prepared by the directors of the Company on the basis set out in note 1.

Income Statement

	Note	Year ended 1 February 2005 £000	Year ended 1 February 2006 £000	Year ended 1 February 2007 £000	Unaudited Period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Administrative expenses		–	–	–	–	(73)
Operating loss	1	–	–	–	–	(73)
Loss for the period		–	–	–	–	(73)
Loss per share – basic and diluted (pence)	3	–	–	–	–	5.8

The Company had no recognised gains or losses other than those included in the income statement.

Balance Sheet

	Note	1 February 2005 £000	1 February 2006 £000	1 February 2007 £000	31 July 2007 £000
Non-current assets					
Investments	4	–	–	–	–
Intangible assets	5	–	42	47	52
Property, plant and equipment	6	–	23	27	92
		–	65	74	144
Current assets					
Trade and other receivables	7	–	872	1,963	3,542
Total assets		–	937	2,037	3,686
Equity					
Share capital	8	–	–	–	–
Share premium	8	–	937	2,037	3,759
Retained earnings	8	–	–	–	(73)
Total equity		–	937	2,037	3,686

Statement of cash flows

As there is no cash balance or cash equivalents or cash or cash equivalent movements in any of the periods a cash flow statement has not been presented in the financial information.

Notes

1 Accounting policies

e-Therapeutics plc is a company incorporated in the UK.

Basis of preparation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information and in preparing an opening IFRS balance sheet at 1 February 2004 for the purposes of the transition to Adopted IFRSs.

The financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU). The financial information has been prepared under the historical cost convention. A summary of the more important of the Company's accounting policies is set out below.

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Measurement convention

The financial information has been prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company 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; 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.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as dividends and are recorded directly in equity.

Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 3 years

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

Intangible assets – patents

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset, once the patent is obtained. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use

Capitalised patent expenditure is measured at cost less accumulated amortisation and accumulated impairment losses and is amortised on a straight line basis over a prudent estimate of the time that the Company is expected to benefit from them, which is typically 5 to 15 years.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price 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 is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the 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.

Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Revenue is recognised on delivery of goods and services.

Expenses

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income, foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

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 asset can be utilised.

2 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Year ended 1 February 2005	Year ended 1 February 2006	Year ended 1 February 2007	Unaudited Period ended 31 July 2006	Period ended 31 July 2007
Directors	1	2	3	3	3

No remuneration was payable to any of the directors in any of the periods.

All of the following directors benefited from qualifying third party indemnity provisions.

Directors' rights to subscribe for shares in or debentures of the Company and its subsidiary are indicated below:

		Number of warrants/options		Exercise price £/p
		At 2 February 2004	At 1 February 2005	
Malcolm Young	Warrants	–	–	–
	Options	–	–	–
		At 2 February 2005	At 1 February 2006	
Malcolm Young	Warrants	–	107,500	4.88
	Options	–	–	–
John Cordiner	Warrants	–	–	–
	Options	–	–	–
		At 2 February 2006	At 1 February 2007	
Malcolm Young	Warrants	107,500	94,800	4.88
	Options	–	–	–
John Cordiner	Warrants	–	12,700	4.88
	Options	–	24,900	–
Royston Drucker	Warrants	–	–	–
	Options	–	33,200	3.91
		At 2 February 2007	At 31 July 2007	
Malcolm Young	Warrants	94,800	–	4.88
	Options	–	–	–
John Cordiner	Warrants	12,700	12,700	4.88
	Options	24,900	24,900	–
Royston Drucker	Warrants	–	–	–
	Options	33,200	33,200	3.91

In the period ended 1 February 2007, Malcolm Young gifted 12,700 warrants to John Cordiner. These warrants have been surrendered and new share options granted (see note 13).

In the period ended 31 July 2007, Malcolm Young sold 48,375 warrants and exercised 46,425 warrants. The company tax charge of £85,912 from these transactions has been paid through InRotis Technologies Limited, and is included within the inter company debt.

On 14 September 2007, the Company rebased the share options as a result of the bonus issue and share consolidation referred to in note 13.

3 Loss per share

The calculation of earnings per share is based on the loss for the period and on the weighted average number of ordinary shares in issue and ranking for dividend in the period.

	Year ended 1 February 2005	Year ended 1 February 2006	Year ended 1 February 2007	Unaudited Period ended 31 July 2006	Period ended 31 July 2007
Loss for the period (£000)	–	–	–	–	(73)
Weighted average number of ordinary shares	100	12,500	15,300	13,000	1,257,000
Loss per share (pence)	–	–	–	–	5.8

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.

4 Investments

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership at 1 February 2005, 2006, 2007 and 31 July 2007
InRotis Technologies Limited (formerly known as e-Therapeutics Limited)	England	Ordinary Shares	100%

The Company owns 1 ordinary share of £1 in the above subsidiary.

The Company's share of post-acquisition total recognised profit or loss in the above subsidiary was:

	Year ended 1 February 2005 £000	Year ended 1 February 2006 £000	Year ended 1 February 2007 £000	Period ended 31 July 2007 £000
Loss for the period	(59)	(643)	(1,149)	(744)

Summary aggregated financial information on 100 per cent. owned subsidiary:

	1 February 2005 £000	1 February 2006 £000	1 February 2007 £000	31 July 2007 £000
Assets	51	230	348	1,438
Liabilities	(110)	(918)	(2,060)	(3,886)

5 Intangible assets

	Patents and trade marks £000
Cost	
Balance at 2 February 2004 and 1 February 2005	–
Balance at 2 February 2005	–
Other acquisitions	42
Balance at 1 February 2006	42
Balance at 2 February 2006	42
Other acquisitions	5
Balance at 1 February 2007	47
Balance at 2 February 2007	47
Other acquisitions	5
Balance at 31 July 2007	52
Amortisation	
Balance at 2 February 2004 and 1 February 2005	–
Balance 2 February 2005 and 1 February 2006	–
Balance 2 February 2006 and 1 February 2007	–
Balance 2 February 2007 and 31 July 2007	–
Net book value	
At 1 February 2005	–
At 1 February 2006	42
At 1 February 2007	47
At 31 July 2007	52

Amortisation charges are included in administrative expenses in the income statement.

Amortisation has not been charged on the patents as the assets have not yet been brought into use.

6 Property, plant and equipment

	Plant and machinery £000
Cost	
Balance at 2 February 2004 and 1 February 2005	–
Balance at 2 February 2005	–
Other acquisitions	23
Balance at 1 February 2006	23
Balance at 2 February 2006	23
Other acquisitions	4
Balance at 1 February 2007	27
Balance at 2 February 2007	27
Other acquisitions	65
Balance at 31 July 2007	92
Depreciation	
Balance at 2 February 2004 and 1 February 2005	–
Balance 2 February 2005 and 1 February 2006	–
Balance 2 February 2006 and 1 February 2007	–
Balance 2 February 2007 and 31 July 2007	–
Net book value	
At 1 February 2005	–
At 1 February 2006	23
At 1 February 2007	27
At 31 July 2007	92

Depreciation has not been charged on plant and machinery during the period as the assets have not yet been brought into use.

7 Trade and other receivables

	1 February 2005 £000	1 February 2006 £000	1 February 2007 £000	31 July 2007 £000
Other receivables due from related parties	–	872	1,963	3,542

All of the above amounts included within trade and other receivables are expected to be recovered in more than 12 months.

8 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 2 February 2004 and 1 February 2005	–	–	–	–
Balance at 2 February 2005	–	–	–	–
Issue of ordinary shares	–	937	–	937
Balance at 1 February 2006	–	937	–	937
Balance at 2 February 2006	–	937	–	937
Issue of ordinary shares	–	1,100	–	1,100
Balance at 1 February 2007	–	2,037	–	2,037
Balance at 2 February 2007	–	2,037	–	2,037
Total recognised income and expense	–	–	(73)	(73)
Issue of ordinary shares	–	1,722	–	1,722
Balance at 31 July 2007	–	3,759	(73)	3,686

	1 February 2005		1 February 2006		1 February 2007		31 July 2007	
	Number	£000	Number	£000	Number	£000	Number	£000
Authorised								
Ordinary shares of £1	1,000,000	1,000	–	–	–	–	–	–
Ordinary shares of 1 pence	–	–	100,000,000	1,000	100,000,000	1,000	–	–
Ordinary shares of 0.01 pence	–	–	–	–	–	–	10,000,000,000	1,000
	1,000,000	1,000	100,000,000	1,000	100,000,000	1,000	10,000,000,000	1,000

	1 February 2005 £	1 February 2006 £	1 February 2007 £	31 July 2007 £
Allotted, called up and fully paid				
Ordinary shares of £1	100	–	–	–
Ordinary shares of 1 pence	–	125	153	–
Ordinary shares of 0.01 pence	–	–	–	175
	100	125	153	175
Shares classified as liabilities	–	–	–	–
Shares classified in shareholders' funds	100	125	153	175
	100	125	153	175

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.

On 8 April 2005, the Company subdivided and converted each of the issued and unissued ordinary shares of £1 each into 100 ordinary shares of 1p each and sub-divided and converted each of the issued and unissued preferred ordinary shares of £1 each into 100 ordinary shares of 1p each.

On 5 April 2007, the Company converted each of the 100,000,000 ordinary shares of 1p each into 100 ordinary shares of 0.01p each.

During the year ended 1 February 2006, the Company issued 2,500 1p ordinary shares for a consideration of £936,952. This balance forms part of the year end inter-group debt.

During the period ended 1 February 2007, the Company issued 2,816 1p ordinary shares for a consideration of £1,100,000. This balance forms part of the year end inter-group debt.

During the period ended 31 July 2007, the Company issued 220,000 0.01p ordinary shares for a consideration of £1,722,284. This balance forms part of the year end inter-group debt.

9 Financial instruments

Exposure to credit and interest risks arises in the normal course of the Company's business.

Financial assets and liabilities

The Company's main financial asset comprises of an inter-company loan to InRotis Technologies Limited. Other financial assets include trade receivables arising from the business activities.

Fair values

The fair value of the Company's financial assets and liabilities is not materially different from their carrying values.

10 Capital commitments

The Company had no capital commitments at 1 February 2005, 2006, 2007 and 31 July 2007.

11 Contingencies

There were no contingent liabilities at 1 February 2005, 2006, 2007 and 31 July 2007.

12 Related parties

Identity of related parties

The Company has a related party relationship with its directors. Transactions with directors are set out in note 2.

Transactions with key management personnel

There were no transactions with key management in the three years ended 1 February 2007 or the period ended 31 July 2007.

On 2 February 2007, InRotis Technologies Limited ("InRotis"), Novotech Investment Limited ("Novotech") and Professor Malcolm Young entered into a secondment agreement whereby Professor Young was seconded from Novotech to InRotis for a period commencing on 2 February 2007 up to the earlier of the termination of the agreement or such date as InRotis specifies to be the end of the agreement. InRotis may terminate the agreement early in certain circumstances. Professor Young may terminate the agreement if he gives nine months' notice to Novotech. InRotis agrees to pay Novotech an amount equal to the remuneration costs incurred by Novotech under an earlier secondment agreement between Novotech, Newcastle University ("University") and Professor Young dated 1 November 2006 (whereby Professor Young was seconded by the University to Novotech). The current payment made by InRotis to Novotech is £42,730 plus VAT per quarter. No balance was outstanding at 31 July 2007.

13 Post balance sheet events

On 17 August 2007, 48,375 ordinary shares of 0.01p each were allotted to Credit Suisse Client Nominees (UK) Limited.

On 14 September 2007, the Company applied £50,264.20 standing to the credit of its share premium account in paying up new ordinary shares of 0.01p, which shares were allotted by way of a bonus issue to the members of the Company on that date in the proportion of 280 new ordinary shares of 0.01p each for each ordinary share of 0.01p each held.

On 14 September 2007 the Company consolidated and converted each of the 10,000,000,000 ordinary shares of 0.01p each into 1,000,000,000 ordinary shares of 0.1p each and reduced the authorised share capital of the Company from £1,000,000 to £74,660 by the cancellation of 925,340,000 unissued shares of 0.1p each.

13 Post balance sheet events (continued)

On 21 September 2007, InRotis Technologies Limited was re-registered as a public limited company and changed its name to e-Therapeutics plc.

On 21 October 2007, the Company allotted additional shares to the following people:

Name	Number of Ordinary Shares	Price per Ordinary Share
A R Collinson	23,198	£0.386
A Macpherson	23,198	£0.386
N Aylwin	23,198	£0.386
A Wallace	23,198	£0.386
T Melville-Ross	5,458	£0.386
Octopus Investments Limited	10,919	£0.386
Novotech Investment Limited	1,510,740	£0.386

The hive up of the trade and assets of InRotis Technologies Limited to e-Therapeutics plc took place on 14 November 2007.

On 22 October 2007, court approval was obtained to reduce the share premium account by £1,500,000.

On 14 November 2007, e-Therapeutics demerged by way of scheme of arrangement an unconnected search engine business into the newly incorporated entity, OGS Search Limited. The transfer included all goodwill, debts, contracts, moveable assets, computer systems and commercial information as was contained in the search engine business at the date of transfer.

A short term working capital loan facility of £85,000 has been provided by e-Therapeutics plc to OGS Search Limited. The loan, including interest of 3 per cent. per annum above base rate, is repayable in full on 31 May 2008.

On 21 November 2007, the Company entered into an agreement with John Cordiner under which he agreed to surrender warrants to subscribe for 356,870 Ordinary Shares at £0.174 per share. The Company granted options to John Cordiner to subscribe for a total of 356,870 Ordinary Shares at £0.174 per share. The options can (in the absence of any takeover, scheme of arrangement or other similar event affecting the Company) be exercised at any time before 10 March 2010.

14 Explanation of transition to IFRSs

These are the Company's first financial statements prepared in accordance with IFRSs, for the period ending 31 July 2007.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the years ended 1 February 2005, 2006, 2007 and the period ended 31 July 2007.

Summary of impact on the balance sheet as at transition on 1 February 2004

There were no reconciling adjustments.

Summary of impact on the income statement

There was no impact on the income statement for the years ended 1 February 2005, 1 February 2006, 1 February 2007 and the period ended 31 July 2007.

Summary of impact on balance sheets

There was no impact on the balance sheet as at 1 February 2005, 1 February 2006, 1 February 2007 and 31 July 2007.

SECTION C – ACCOUNTANT'S REPORT ON INROTIS TECHNOLOGIES LIMITED

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

The Directors
e-Therapeutics plc
Holland Park
Holland Drive
Newcastle-upon-Tyne
NE2 4LZ

22 November 2007

Dear Sirs

Accountant's report on the historical financial information of InRotis Technologies Limited (formerly e-Therapeutics Limited) for the three years and six months ended 31 July 2007

We report on the financial information set out on pages 78 to 95. This financial information has been prepared for inclusion in the AIM Admission Document dated 22 November 2007 of e-Therapeutics plc on the basis of the accounting policies set out in note 1. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of InRotis Technologies Limited are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards (IFRS).

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 22 November 2007, a true and fair view of the state of affairs of InRotis Technologies Limited as at the dates stated and of its losses, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 and in accordance with the applicable financial reporting framework as

described in note 1.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP

SECTION D – HISTORICAL FINANCIAL INFORMATION OF INROTIS TECHNOLOGIES LIMITED FOR THE THREE YEARS AND SIX MONTHS ENDED 31 JULY 2007

The financial information set out below of InRotis Technologies Limited ('InRotis') for the three years and six months ended 31 July 2007 has been prepared by the directors of InRotis on the basis set out in note 1.

Income Statement

	Note	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Revenue		–	–	–	–	34
Cost of sales		–	–	–	–	(23)
Gross profit		–	–	–	–	11
Other operating income	3	–	2	–	–	–
Administrative expenses		(23)	(550)	(993)	(381)	(661)
Other operating expenses	4	(34)	(112)	(165)	(112)	(111)
Operating loss		(57)	(660)	(1,158)	(493)	(761)
Financial income	8	1	17	10	5	17
Financial expenses	8	(3)	–	(1)	–	–
Net financing costs		(2)	17	9	5	17
Loss before tax		(59)	(643)	(1,149)	(488)	(744)
Taxation	9	–	–	–	–	–
Loss for the period		(59)	(643)	(1,149)	(488)	(744)
Loss per share – basic and diluted (£'000)	10	(59)	(643)	(1,149)	(488)	(744)

InRotis Technologies Limited had no recognised gains or losses other than those included in the income statement.

Statement of changes in equity

	Share capital £000	Retained earnings £000	Total £000
Balance at 1 February 2004	–	–	–
Loss for period	–	(59)	(59)
Total recognised income and expense	–	(59)	(59)
Share-based payments	–	–	–
Balance at 31 January 2005 and 1 February 2005	–	(59)	(59)
Loss for period	–	(643)	(643)
Total recognised income and expense	–	(702)	(702)
Share-based payments	–	14	14
Balance at 31 January 2006 and 1 February 2006	–	(688)	(688)
Loss for period	–	(1,149)	(1,149)
Total recognised income and expense	–	(1,837)	(1,837)
Share-based payments	–	125	125
Balance at 31 January 2007 and 1 February 2007	–	(1,712)	(1,712)
Loss for period	–	(744)	(744)
Total recognised income and expense	–	(2,456)	(2,456)
Share-based payments	–	8	8
Balance at 31 July 2007	–	(2,448)	(2,448)

Balance Sheet

	Note	31 January 2005 £000	31 January 2006 £000	31 January 2007 £000	31 July 2007 £000
Non-current assets					
Property, plant and equipment	11	3	36	50	40
Intangible assets	12	–	–	5	5
		3	36	55	45
Current assets					
Trade and other receivables	13	2	40	143	88
Cash and cash equivalents	14	46	154	150	1,305
		48	194	293	1,393
Total assets		51	230	348	1,438
Current liabilities					
Trade and other payables	15	(18)	(46)	(98)	(580)
		(18)	(46)	(98)	(580)
Non-current liabilities					
Other interest-bearing loans and borrowings	16	(92)	(872)	(1,962)	(3,306)
Total liabilities		(110)	(918)	(2,060)	(3,886)
Net liabilities		(59)	(688)	(1,712)	(2,448)
Equity					
Share capital	17	–	–	–	–
Retained earnings	17	(59)	(688)	(1,712)	(2,448)
Total deficit attributable to equity holders of the company		(59)	(688)	(1,712)	(2,448)

Cash Flow Statement

	Note	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Cash flows from operating activities						
Loss for the year		(59)	(643)	(1,149)	(488)	(736)
Adjustments for:						
Depreciation, amortisation and impairment	4, 11	1	20	28	15	14
Financial income		(1)	(17)	(10)	(5)	(17)
Financial expense		3	–	1	–	–
Share based payments		–	14	125	7	8
Operating profit before changes in working capital and provisions		(56)	(626)	(1,005)	(471)	(739)
(Increase)/decrease in trade and other receivables		(2)	(39)	(103)	(31)	55
Increase in trade and other payables		18	29	52	16	482
Net cash from operating activities		(40)	(636)	(1,056)	(486)	(202)
Cash flows from investing activities						
Proceeds from sale of intangible assets		–	44	–	–	5
Interest received		1	17	10	5	17
Acquisition of property, plant and equipment	11	(4)	(53)	(42)	(35)	(4)
Acquisition of other intangible assets	12	–	(44)	(5)	–	(5)
Net cash from investing activities		(3)	(36)	(37)	(30)	13
Cash flows from financing activities						
Proceeds from new loan	16	92	780	1,090	500	1,344
Interest paid		(3)	–	(1)	–	–
Net cash from financing activities		89	780	1,089	500	1,344
Net increase/(decrease) in cash and cash equivalents		46	108	(4)	(16)	1,155
Cash and cash equivalents at start of period		–	46	154	154	150
Cash and cash equivalents at end of period	14	46	154	150	138	1,305

Notes

1 Accounting policies

InRotis Technologies Limited is a company incorporated in the UK.

Basis of preparation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information and in preparing an opening IFRS balance sheet at 1 February 2004 for the purposes of the transition to Adopted IFRSs.

The financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU). The financial information has been prepared under the historical cost convention. A summary of the more important company accounting policies is set out below.

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Measurement convention

The financial information has been prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Classification of financial instruments issued by InRotis

Following the adoption of IAS 32, financial instruments issued by InRotis are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon InRotis 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; and

(b) where the instrument will or may be settled in InRotis' 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 InRotis 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.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as dividends and are recorded directly in equity.

Property, plant and equipment

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

Leases in which InRotis assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 3 years

Intangible assets and goodwill

All unincorporated business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on the acquisition of businesses. In respect of business acquisitions that have occurred since 1 February 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles 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. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Company elected not to restate business combinations that took place prior to 1 February 2004. In respect of acquisitions prior to 1 February 2004, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised.

Negative goodwill arising on an acquisition is recognised in profit or loss.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the InRotis' cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Impairment excluding stocks and deferred tax assets

The carrying amounts of InRotis' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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.

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use were tested for impairment as at 31 July 2007, the date of transition to Adopted IFRSs, even through no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of other assets is the greater of their net selling price 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 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 estimates used to determine the 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.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share-based payment transactions

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.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. Revenue is recognised on delivery of goods and services.

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.

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested, dividend income, foreign exchange gains and losses that are recognised in the income statement.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the period 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 period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous period.

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 asset can be utilised.

2 Segmental disclosures

All revenue is from the United Kingdom and was all derived from drug discovery and development of proprietary complex systems analysis technology.

3 Other operating income

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Other income	–	2	–	–	–

4 Other operating expenses

Included in other operating expenses are the following:

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Depreciation	1	20	28	15	14

5 Staff numbers and costs

The average number of persons employed by InRotis Technologies Limited (including directors) during the year, analysed by category, was as follows:

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Directors	3	3	3	3	3
Technicians	–	3	12	10	12
	3	6	15	13	15

5 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Wages and salaries	–	311	499	223	259
Social security costs	–	35	56	28	112
Other pension costs	–	18	50	18	22
Option and warrant based payments	–	14	125	7	8
	–	378	730	276	401

6 Directors' emoluments

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Directors' emoluments	–	196	212	118	114
Amounts receivable under securities	–	7	65	4	18
InRotis Technologies Limited contributions to money purchase pension plans	–	10	10	5	6
	–	213	287	127	138

The directors did not receive any remuneration in the period ended 31 January 2005.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Emoluments	–	76	102	51	51
InRotis Technologies Limited contributions to money purchase pension plans	–	10	10	6	6
	–	86	112	57	57

6 Directors' emoluments (continued)

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited Period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Retirement benefits are accruing to the following number of directors under:					
Money purchase schemes	–	1	1	1	1

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

Directors' rights to subscribe for shares in or debentures of e-Therapeutics plc are indicated below:

		Number of warrants/options		Exercise price £
		At 1 February 2004	At 31 January 2005	
Malcolm Young	Warrants	–	–	–
	Options	–	–	–
		At 1 February 2005	At 31 January 2006	
Malcolm Young	Warrants	–	107,500	4.88
	Options	–	–	–
John Cordiner	Warrants	–	–	–
	Options	–	–	–
		At 1 February 2006	At 31 January 2007	
Malcolm Young	Warrants	107,500	94,800	4.88
	Options	–	–	–
John Cordiner	Warrants	–	12,700	4.88
	Options	–	24,900	–
Royston Drucker	Warrants	–	–	–
	Options	–	33,200	3.91
		At 1 February 2007	At 31 July 2007	
Malcolm Young	Warrants	94,800	–	4.88
	Options	–	–	–
John Cordiner	Warrants	12,700	12,700	4.88
	Options	24,900	24,900	–
Royston Drucker	Warrants	–	–	–
	Options	33,200	33,200	3.91

In the period ended 31 January 2007, Malcolm Young gifted 12,700 warrants to John Cordiner. These warrants have been surrendered and new options granted.

In the period ended 31 July 2007, Malcolm Young sold 48,375 warrants and exercised 46,425 warrants. The company tax charge of £85,912 from these transactions has been paid through InRotis Technologies Limited, and is included within the inter company debt.

On 14 September 2007, the Company rebased the share options as a result of the bonus issue and share consolidation referred to in note 13 of the Accountants Report on e-Therapeutics plc, as set out on page 74.

7 Share-based payments

The company has an equity-settled share-based payment scheme, whereby options over shares in e-Therapeutics plc can be granted. A charge is shown in the income statement of £13,543 at 31 January 2006, £124,807 at 31 January 2007 and £8,118 at 31 July 2007, as detailed in note 5 above.

Options over ordinary shares are granted at par value and are exercisable and vest immediately.

Options lapse upon leaving employment or if not exercised within 10 years from the date of grant.

Warrants over ordinary shares have been granted at a value of £4.88 per ordinary share.

7 Share-based payments (continued)

The fair value of warrants granted has been valued using the Black Scholes option pricing model. Warrants lapse upon two years following the date of the grant. The fair value of options has been valued using the Binomial option pricing model. Options lapse upon ten years following the date of grant. Volatility has been estimated by reference to similar companies whose shares are traded on a recognised stock exchange.

The assumptions for each option and warrant grant were as follows:

	Warrants	Options	Options
Date of grant	April 2005	October 2006	April 2007
Share price at date of grant	£3.91	£3.90	£10.85
Vesting period (years)	immediately	immediately	immediately
Expected volatility	14.5%	14.5%	14.9%
Risk free rate	4.7%	4.7%	5.2%
Dividend yield	0%	0%	0%
Warrants over ordinary shares			
Exercise price	£4.88	£3.90	£10.85
Shares under warrant	120,200	111,600	3,300
Fair value per option	£0.14	£0.97	£2.46

The following options and warrants have been granted over ordinary shares.

	Year ended 31 January 2005	Year ended 31 January 2006	Year ended 31 January 2007	Unaudited period ended 31 July 2006	Period ended 31 July 2007
Options					
Outstanding at beginning of year/period	–	–	–	–	111,600
Granted	–	–	111,600	–	3,300
Exercised	–	–	–	–	–
Outstanding at end of year/period	–	–	111,600		114,900

	Year ended 31 January 2005	Year ended 31 January 2006	Year ended 31 January 2007	Unaudited period ended 31 July 2006	Period ended 31 July 2007
Warrants					
Outstanding at beginning of year/period	–	–	96,750	96,750	215,000
Granted	–	96,750	118,250	53,750	–
Exercised	–	–	–	–	(94,800)
Outstanding at end of year/period	–	96,750	215,000	150,500	120,200

8 Financial income and expense

	Year ended 31 January 2005	Year ended 31 January 2006	Year ended 31 January 2007	Unaudited period ended 31 July 2006	Period ended 31 July 2007
Financial Income					
Interest income on financial assets not at fair value through profit or loss	1	17	10	5	17
Financial Expenses					
Interest expense on financial liabilities at amortised costs	(3)	–	(1)	–	–

9 Taxation

Recognised in the income statement

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Current tax expense					
Current year	–	–	–	–	–
Total tax in income statement	–	–	–	–	–

Reconciliation of effective tax rate

	Year ended 31 January 2005 £000	Year ended 31 January 2006 £000	Year ended 31 January 2007 £000	Unaudited period ended 31 July 2006 £000	Period ended 31 July 2007 £000
Loss for the period	(59)	(643)	(1,149)	(488)	(744)
Tax using the UK corporation tax rate of 30%	(18)	(193)	(345)	(146)	(223)
Tax losses not utilised in the period	18	193	345	146	223
Total tax expense (including tax on discontinued operations)	–	–	–	–	–

10 Loss per share

The calculation of earnings per share is based on the loss for the period and on the weighted average number of ordinary shares in issue and ranking for dividend in the period.

	Year ended 31 January 2005	Year ended 31 January 2006	Year ended 31 January 2007	Unaudited period ended 31 July 2006	Period ended 31 July 2007
Loss for the period £000	(59)	(643)	(1,149)	(488)	(744)
Weighted average number of ordinary shares	1	1	1	1	1
Loss per share (£'000)	(59)	(643)	(1,149)	(488)	(744)

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.

11 Property, plant and equipment

	Plant and equipment £000
Cost	
Balance at 1 February 2004	–
Other acquisitions	4
Balance at 31 January 2005 and 1 February 2005	4
Other acquisitions	53
Balance at 31 January 2006 and 1 February 2006	57
Other acquisitions	42
Balance at 31 January 2007 and 1 February 2007	99
Other acquisitions	4
Balance at 31 July 2007	103
Depreciation and impairment	
Balance at 1 February 2004	–
Depreciation charge for the year	1
Balance at 31 January 2005 and 1 February 2005	1
Depreciation charge for the year	20
Balance at 31 January 2006 and 1 February 2006	21
Depreciation charge for the year	28
Balance at 31 January 2007 and 1 February 2007	49
Depreciation charge for the period	14
Balance at 31 July 2007	63
Net book value	
At 31 January 2005	3
At 31 January 2006	36
At 31 January 2007	50
At 31 July 2007	40

12 Intangible assets

	Patents and trade-marks £000
Cost	
Balance at 1 February 2004	–
Other acquisitions	–
Balance at 31 January 2005 and 1 February 2005	–
Other acquisitions	44
Disposal	(44)
Balance at 31 January 2006 and 1 February 2006	–
Other acquisitions	5
Balance at 31 January 2007 and 1 February 2007	5
Other acquisitions	5
Disposal	(5)
Balance at 31 July 2007	5
Amortisation and impairment	
Balance at 31 January 2005 and 1 February 2005	–
Balance at 31 January 2006 and 1 February 2006	–
Balance at 31 January 2007 and 1 February 2007	–
Balance at 31 July 2007	–
Net book value	
At 31 January 2005	–
At 31 January 2006	–
At 31 January 2007	5
At 31 July 2007	5

Amortisation has not been charged on the patents as the assets have not yet been brought into use.

13 Trade and other receivables

	31 January 2005 £000	31 January 2006 £000	31 January 2007 £000	31 July 2007 £000
Other trade receivables and prepayments	2	40	143	88

14 Cash and cash equivalents / bank overdrafts

	31 January 2005 £000	31 January 2006 £000	31 January 2007 £000	31 July 2007 £000
Cash and cash equivalents per balance sheet	46	154	150	1,305

15 Trade and other payables

	31 January 2005 £000	31 January 2006 £000	31 January 2007 £000	31 July 2007 £000
Other trade payables	6	30	31	109
Non-trade payables and accrued expenses	12	16	67	471
	18	46	98	580

16 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of InRotis Technologies Limited's interest-bearing loans and borrowings.

	31 January 2005 £000	31 January 2006 £000	31 January 2007 £000	31 July 2007 £000
Loan from parent	92	872	1,962	3,306

Terms and debt repayment schedule

There are formal repayment terms for the loan and no interest is charged.

17 Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Retained earnings £000	Total parent equity £000
Balance at 1 February 2004	–	–	–
Total recognised income and expense	–	(59)	(59)
Balance at 31 January 2005	–	(59)	(59)
Balance at 1 February 2005	–	(59)	(59)
Total recognised income and expense	–	(629)	(629)
Balance at 31 January 2006	–	(688)	(688)
Balance at 1 February 2006	–	(688)	(688)
Total recognised income and expense	–	(1,024)	(1,024)
Balance at 31 January 2007	–	(1,712)	(1,712)
Balance at 1 February 2007	–	(1,712)	(1,712)
Total recognised income and expense	–	(736)	(736)
Balance at 31 July 2007	–	(2,448)	(2,448)

Share capital

	31 January 2005 £	31 January 2006 £	31 January 2007 £	31 July 2007 £
Authorised				
Ordinary shares of £1 each	100	100	100	100
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	1	1	1
Shares classified in shareholders' funds	1	1	1	1

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 InRotis Technologies Limited.

18 Financial instruments

Exposure to credit and interest risks arises in the normal course of InRotis Technologies Limited's business.

The entire surplus cash of InRotis Technologies Limited is invested as cash placed on deposit.

InRotis Technologies Limited's treasury policy has its principal objective of the achievement of the maximum interest rate on cash balances whilst maintaining an acceptable level of risk.

Financial assets and liabilities

InRotis Technologies Limited's main financial asset comprises cash and cash equivalents. Other financial assets include trade receivables arising from the business' activities.

InRotis Technologies Limited's main financial liabilities comprise of an inter-company loan with its parent company e-Therapeutics plc. Other financial liabilities include trade payables arising from the business' activities.

Fair values

The fair value of InRotis Technologies Limited's financial assets and liabilities is not materially different from their carrying values.

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the cash and cash equivalents all mature within one year in all the periods. The interest rates are per the Bank of England base rate at the period end.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Year ended 31 January 2007 £000	Period ended 31 July 2007 £000
More than five years	47	47
	47	47

There were no lease commitments for the periods ending 31 January 2005 and 31 January 2006.

The following were recognised as expenses in the income statement in respect of operating leases:

31 January 2005	£1,000	31 January 2007	£22,000
31 January 2006	£8,000	31 July 2007	£23,000

20 Capital commitments

InRotis Technologies Limited had no capital commitments at 31 January 2005, 2006, 2007 or at 31 July 2007.

21 Contingencies

There were no contingent liabilities at 31 January 2005, 2006, 2007 or at 31 July 2007.

22 Related parties

Identity of related parties

InRotis Technologies Limited has a related party relationship with its parent company e-Therapeutics plc and its directors.

Transactions with key management personnel

The directors are the key management personnel of InRotis Technologies Limited. Details of directors' emoluments, pension benefits and other non-cash benefits can be found in note 6.

Other related party transactions

	Payables outstanding			
	As at 31 January 2005 £000	As at 31 January 2006 £000	As at 31 January 2007 £000	As at 31 July 2007 £000
Parent company	92	872	1,962	3,316

23 Ultimate parent company

The Company is a subsidiary undertaking of e-Therapeutics plc which is the ultimate parent company in England and Wales. The ultimate controlling party is e-Therapeutics plc.

24 Post balance sheet events

On 21 September 2007, e-Therapeutics Limited changed its name to InRotis Technologies Limited.

The hive up of the trade and assets of InRotis Technologies Limited to e-Therapeutics plc took place on 14 November 2007.

25 Adoption to IFRSs

These are InRotis Technologies Limited's first financial statements prepared in accordance with IFRSs, for the period ending 31 July 2007.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 January 2005, 2006, 2007 and the period ended 31 July 2007 and in the preparation of an opening IFRS balance sheet at 1 February 2004 (InRotis Technologies Limited's date of transition).

Summary of impact on the balance sheet as at transition on 1 February 2004

There were no reconciling adjustments.

Summary of impact on the income statements

There was no impact on the income statement for the years ended 31 January 2005, 2006, 2007 and the period ended 31 July 2007.

Summary of impact on balance sheets

There was no impact on the balance sheets as at 31 January 2005, 2006, 2007 and as at 31 July 2007.

PART VI

UNAUDITED PRO-FORMA STATEMENT OF THE CONSOLIDATED NET ASSETS OF THE GROUP

The unaudited pro-forma statement of consolidated net assets of e-Therapeutics plc and its subsidiary InRotis Technologies Limited (together "the Group") set out below has been prepared to illustrate the effect on the consolidated net assets of the Group had the Placing and Admission taken place on 31 July 2007. The unaudited pro-forma statement of consolidated net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore may not give a true picture of the actual financial position of the Group following the Placing and Admission.

The pro-forma statement of net assets is based on the audited balance sheet of e-Therapeutics plc and of InRotis Technologies Limited as at 31 July 2007, adjusted for items disclosed in note 2 below.

	Unadjusted e-Therapeutics plc net assets at 31 July 2007 £000	Unadjusted InRotis Technologies Limited net assets at 31 July 2007 £000	Consolidation adjustment £000	Unaudited consolidated net assets at 31 July 2007 £000	Adjustments £000	Pro-forma £000
	–	–	–	Note 1	Note 2	
Non-current assets						
Intangible assets	52	5	–	57	–	57
Property, plant and equipment	92	40	–	132	(81)	51
	144	45	–	189	(81)	108
Current assets						
Trade and other receivables	3,542	88	(3,306)	324	–	324
Cash and cash equivalents	–	1,305	–	1,305	760	2,065
	3,542	1,393	(3,306)	1,629	760	2,389
Total assets	3,686	1,438	(3,306)	1,818	679	2,497
Current liabilities						
Trade and other payables	–	(580)	–	(580)	–	(580)
Non-current liabilities						
Other interest-bearing loans and borrowings	–	(3,306)	3,306	–	–	–
Total liabilities	–	(3,886)	3,306	(580)	–	(580)
Net assets/(liabilities)	3,686	(2,448)	–	1,238	679	1,917

Notes:

1. The net assets information has been extracted without material adjustment from the consolidated audited balance sheet of e-Therapeutics plc and of InRotis Technologies Limited as at 31 July 2007, as set out in Part V of this document. The audited balance sheets have then been consolidated.

2. The adjustments made in the pro-forma statement of net assets reflect the following items:

   - the gross proceeds from the Placing of £1.33 million less estimated expenses of £570,000; and
   - on 14 November 2007, e-Therapeutics demerged by way of scheme of arrangement an unconnected search engine business into the newly incorporated entity, OGS Search Limited ("OGS"), which is not part of the Group. Assets with a net book value of £80,636 have been transferred to OGS in return for shares.

PART VII

ADDITIONAL INFORMATION

1. THE COMPANY

1.1 The Company was incorporated and registered in England and Wales under the Act on 15 October 2001 with registered number 4304473 as a private limited company with the name CrossCo (643) Limited. On 13 November 2001, the name of the Company was changed to e-Therapeutics Systems Limited. On 18 March 2003, the Company's name was changed to InRotis Technologies Limited. On 21 September 2007, the Company was re-registered as a public company and its name was changed to e-Therapeutics plc.

1.2 The principal legislation under which the Company operates is the Act and the 2006 Act and the regulations made thereunder.

1.3 The registered office of the Company and its principal place of business is at Block B, Holland Park, Holland Drive, Newcastle upon Tyne NE2 4LZ. The telephone number of the registered office is 0191 233 1317.

1.4 The liability of the members of the Company is limited.

1.5 InRotis Technologies Limited is the wholly owned subsidiary of the Company and was incorporated and registered in England and Wales under the Act on 19 January 2004 with registered number 5019565 as a private limited company with the name CrossCo (766) Limited. On 16 February 2004, the name of the Company was changed to e-Therapeutics Limited and on 21 September 2007 its name was changed to InRotis Technologies Limited.

2. SHARE CAPITAL

2.1 At the date of its incorporation, the Company had an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which one ordinary share of £1 was in issue.

2.2 On 4 February 2003, pursuant to resolutions passed by the shareholders of the Company, the share capital was increased to £1,000,000 by the creation of 759,900 new ordinary shares of £1 each, to rank *pari passu* in all respects with the existing ordinary shares of the Company and 240,000 preferred ordinary shares of £1 each.

2.3 On 8 April 2005, the Company subdivided and converted each of the issued and unissued ordinary shares of £1 each into 100 ordinary shares of 1p each and sub-divided and converted each of the issued and unissued preferred ordinary shares of £1 each into 100 ordinary shares of 1p each.

2.4 On 5 April 2007, the Company converted each of the 100,000,000 ordinary shares of 1p each into 100 ordinary shares of 0.01p each.

2.5 On 14 September 2007, pursuant to ordinary and special resolutions passed by the shareholders of the Company:

2.5.1 the Directors were authorised to apply a maximum of £50,264.20 standing to the credit of the Company's share premium account in paying up new ordinary shares of 0.01p each in the capital of the Company, such shares to be allotted by way of a bonus issue in the proportion of 280 new ordinary shares for each ordinary share held by the members of the Company as shown in the register of members at the close of business on 13 September 2007;

2.5.2 the authorised share capital of 10,000,000,000 ordinary shares of 0.01p was consolidated and converted into 1,000,000,000 ordinary shares of 0.1p each;

2.5.3 the authorised share capital of the Company was reduced from £1,000,000 to £74,660 by the cancellation of 925,340,000 unissued ordinary shares of 0.1p each;

2.5.4 the Directors were generally and unconditionally authorised to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £74,480 for the period from the passing of the resolution and expiring on 31 December 2008, but the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of that offer or agreement as if the authority had not expired; and

2.5.5 the Directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to section 94(3A) of the Act) in connection with any rights issue, open offer or other pre-emptive offer to holders of equity securities in proportion to their respective holdings, as if the pre-emption provisions in section 89(1) of the Act did not apply to such allotments, up to an aggregate nominal amount of £56,880 for the period from the passing of the resolution and expiring on 31 December 2008.

2.6 With effect immediately on Admission, and pursuant to the authority given by the resolutions referred to in paragraph 2.5 above, 1,985,075 new ordinary shares will be allotted at the Placing Price pursuant to the Placing.

2.7 The Company's authorised and issued share capital at the date of this document, and as it is expected to be immediately following Admission, is set out below:

	At the date of this Document		**At the date of Admission**	
	Amount	**Number of Ordinary Shares**	**Amount**	**Number of Ordinary Shares**
Authorised	£74,660	74,660,000	£74,660	74,660,000
Issued and fully paid	£52,063.62	52,063,615	£55,710.10	55,710,103

2.8 As at the date of this document, options to subscribe for an aggregate of 5,398,713 Ordinary Shares are outstanding as follows:

Option type	**Number of Ordinary Shares under option**
EMI options	2,995,460;
Unapproved share options	741,840;
Warrants	1,661,413.

Further information regarding notice to exercise the warrants is set out in paragraph 2.14 of this Part VII.

2.9 Under the EMI option arrangements, the following options have been granted at an exercise price of £0.139 per share:

Option holder	**Maximum number of Ordinary Shares**
R Drucker	932,920;
O Idowu	466,460;
J Cordiner	699,690;
L Barkes	47,770;
J A Charlton	185,460;
W McElderry	106,780;
S Carter	92,730;
R Wang	92,730;
C Wipat	92,730; and
C Yates	185,460.

2.10 Under an EMI option agreement, the following options have been granted at an exercise price of £0.386 per share:

Option holder	**Maximum number of Ordinary Shares**
Mr Christopher Dawes	92,730.

2.11 Under an unapproved option agreement, options over 118,020 Ordinary Shares will be granted on Admission at an exercise price of the Placing Price:

Option holder	**Maximum number of Ordinary Shares**
O James	118,020.

2.12 Under the unapproved option arrangements, the following options have been granted at an exercise price of £0.139 per share:

Option holder	Maximum number of Ordinary Shares	Expiry Date
D Chakraborty	106,780	31 October 2017;
H Reddy	92,730	31 October 2017;
S Dashyam	92,730	31 October 2017; and
S A Zaman	92,730	31 October 2017.

2.13 Under an unapproved option agreement, the following options have been granted at an exercise price of £0.174 per share:

Option holder	Maximum number of Ordinary Shares	Expiry Date
J Cordiner	356,870	10 March 2010

2.14 As at the date of this document, warrants to subscribe for an aggregate of 1,661,413 Ordinary Shares at an exercise price of £0.174 per share are outstanding as follows:

Warrant holder	Maximum number of Ordinary Shares	Expiry Date
Credit Suisse Client Nominees (UK) Limited	755,188	10 March 2008;
Credit Suisse Client Nominees (UK) Limited	604,150	20 September 2008; and
Credit Suisse Client Nominees (UK) Limited	302,075	5 December 2008.

RAB Special Situations (Master) Fund Limited is the beneficial owner of the warrants referred to above and a notice of exercise in respect of all 1,661,413 warrants has been served conditional upon Admission taking place by 14 December 2007.

2.15 With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.

2.16 On completion of the Placing, the issued share capital of the Company shall be increased by 3.69 per cent. resulting in an immediate dilution of 3.56 per cent.

3. MEMORANDUM AND ARTICLES OF ASSOCIATION

3.1 Memorandum of Association

The objects of the Company are set out in full in clause 4 of its memorandum of association and include the carrying on of business as a general commercial company.

3.2 Articles of Association

The Company's articles of association, a copy of which is available for inspection at the registered office of the Company, were adopted on 14 September 2007 and contain, among others, provisions to the following effect:

3.2.1 Voting rights

(a) Votes attaching to members

Subject to any special rights or restrictions as to voting attached by, or in accordance with, the Articles to any class of shares, on a show of hands every member who is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote and on a poll every member who is present in person or by corporate representative or by proxy shall have one vote for every share of which he is the holder.

(b) No voting rights where calls outstanding

No member shall, unless the Directors otherwise determine, be entitled to vote if any call or other sum presently payable by him to the Company in respect of the shares remains unpaid.

3.2.2 Transfer of Shares

Form of transfer

Transfers of shares held in certificated form may be in any usual or common form or in any other form which the Directors may approve and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect of such shares.

Subject to the Uncertificated Securities Regulations, the registration of transfers may be suspended at such times and for such periods as the Directors may determine and either generally or in respect of any class of shares. The register shall not be closed for more than 30 days in any year.

The Directors may in their absolute discretion and without assigning any reason therefore refuse to register any transfer of shares:

(i) in certificated form (not being fully paid shares) provided that the exercise of such discretion does not prevent dealings in the shares from taking place on an open and proper basis; and

(ii) (whether fully paid or not and whether in certificated or uncertificated form) in favour of more than four persons jointly.

The Directors may decline to recognise any instrument of transfer of a share unless the instrument of transfer is in respect of only one class of share and is lodged accompanied by the relevant share certificates and such other evidence as the Directors may reasonably require.

The Directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or exempted from the requirement) under the Uncertificated Securities Regulations to register the transfer.

3.2.3 Pre-emption

There are no pre-emption rights on transfer attaching to the Ordinary Shares.

3.2.4 Return of capital on a winding up

The liquidator may, with a sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide among the members in specie or kind the whole or any part of the assets of the Company and may, for that purpose, value any assets as he deems fair and determine how the division should be carried out as between the members or different classes of members. The liquidator may also vest the whole as part of the assets in trust for the benefit of the members, but no member shall be compelled to accept any assets upon which there is a liability.

3.2.5 Dividends and other distributions

(a) Final dividends

The Company may by an ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

(b) Interim and fixed dividends

If and so far as, in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividend on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

(c) The retention of dividends

The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(d) Unclaimed dividend

Any dividend unclaimed after a period of 12 years from the date the dividend became due for payment should be forfeited and shall revert to the Company. Any payment of a dividend into a separate account by the Directors shall not constitute the Company a trustee in respect thereof.

(e) Distribution in specie

The Company may upon the recommendation of the Directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the Directors shall give effect to such resolution.

3.2.6 Redemption

There are no redemption rights attaching to Ordinary Shares.

3.2.7 Capitalisation of profits and reserves

The Directors may, with the sanction of any ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account by appropriating such sum to the holders of Ordinary Shares in proportion to their holdings of Ordinary Shares on the register at the close of business on the date of the resolution and applying such sum on their behalf in paying up in full unissued shares.

3.2.8 Variation of rights

The special rights attached to any class of shares may (subject to the provisions of the Act unless otherwise provided by those rights) be varied or abrogated either with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class but not otherwise. The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits and assets of the Company in some or all respects pari passu with them, but in no respect in priority to them. Special rights attached to the Ordinary Shares shall be deemed not to be varied by the creation or issue of any further shares ranking in priority to them.

3.2.9 Alteration of share capital

(a) Increase in share capital

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe. All new shares shall be subject to the provisions of the Act and the Articles.

(b) Consolidation and sub division

The Company may by ordinary resolution:

(i) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(ii) subject to the provisions of the Act, sub divide shares into shares of smaller amounts.

(c) Cancellation

The Company may, by ordinary resolution, cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person under and diminish the amount of its share capital by the amount of the shares so cancelled.

(d) Reduction

Subject to the provisions of the Act, the Company may, by special resolution, reduce its share capital, any capital redemption reserve and any share premium account or undistributable reserve in any way.

(e) Purchase of own shares

Subject to the provisions of the Act, the Company may purchase any of its own shares.

3.2.10 Forfeiture and lien

(a) Notice on failure to pay a call

If a member fails to pay in full any call or instalment of a call on the due date for payment the Directors may at any time after the failure serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued thereon and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

(b) Lien on partly-paid shares

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all monies (whether presently payable or not) called or payable at a fixed time in respect of such share.

(c) Sale of shares subject to lien

The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, 14 days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default.

3.2.11 Directors

(a) Number of directors

Unless otherwise determined by ordinary resolution, the number of directors should not be fewer than two, but shall not be subject to any maximum.

(b) Directors' fees

The aggregate fees which the Directors shall be entitled to receive for their services in the office of Director shall be determined from time to time by ordinary resolution of the Company, such remuneration shall be divisible among the Directors as they may agree or, failing agreement, equally.

(c) Other remuneration of Directors

Any Director who holds any executive office or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors or any committee of the Directors may determine.

(d) Directors' expenses

The Directors may be paid all expenses properly incurred by them in attending meetings of the Directors or committees of Directors or general meetings or separate meetings of the holders of any class of shares or debentures or otherwise in connection with the discharge of their duties.

(e) Directors' pensions and other benefits

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director or former Director and for any member of his family or dependant, and may contribute to any fund and pay premiums for the provision or purchase of any such benefit.

(f) Retirement by rotation

Subject to the provisions of the Act, at each annual general meeting one third of the Directors for the time being (or, if their number is not three or a multiple of three, the

number nearest to one third) shall retire from office by rotation provided that, if there is only one Director who is subject to retirement by rotation, he shall retire.

(g) Restrictions on voting

A Director shall not vote (save as provided in the Articles) in respect of any contract or arrangement or any other proposal in which he (or persons connected with him) has an interest, which to his knowledge, is a material interest, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(h) Subject to the provisions of the Act, a Director shall (in the absence of some other material interest) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning:

(i) the giving of any security, guarantee or indemnity in respect of:

(ii) money lent or obligations incurred by him or by any other person at the request or for the benefit of the Company or any of its subsidiary undertakings;

(iii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iv) where the Company or any of its subsidiary undertakings is offering securities in which offer he is or may be entitled to participate as a holder of securities, or in the underwriting or sub underwriting of which he is to participate;

(v) any proposal concerning another company which he and any persons connected with him do not to his knowledge hold an interest representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;

(vi) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not reward him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(vii) any proposal concerning insurance which the Company proposes to purchase or maintain for the benefit of directors or for the benefit of the person including directors.

3.2.12 Borrowing Powers

Subject to the Articles and to the provisions of the Act, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed (as defined in the Articles) by the Company and its subsidiaries and for the time being owing to the persons other than the Company and its subsidiaries shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the adjusted capital and reserves (being the aggregate of the amount paid up on the issued share capital of the Company and the total of the capital and revenue reserves of the Group as defined in article 30.3.1).

3.2.13 Untraceable members

If cheques or warrants in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions, the Directors may cause the Company to cease sending such cheques or warrants by post to the member or person concerned.

The Company shall be entitled to sell subject to various notice requirements at the best price reasonably obtainable any share of a member if for a period of 12 years no communication has been received by the Company from the member and no cheque or warrant sent by the Company has been cashed and no fewer than three dividends have been paid and no such dividend has been claimed, and the Company has at the expiration of the 12 year period given notice of its intention to sell the share in both a national newspaper and a local newspaper circulated in the area to which the cheques or warrants were sent.

3.2.14 General meetings

An annual general meeting should be held once in every year at such time (within the period of not more than 15 months after holding the last preceding annual general meeting) and place as may be determined by the Directors. The Directors may call general meetings whenever they think fit, and on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene a general meeting for a date not later than 28 days after the date of the notice convening the meeting.

An annual general meeting shall be called by at least 21 clear days' notice. All other general meetings should be called by at least 14 clear days' notice (except as provided for by the Act). A general meeting can be duly called for by shorter notice if it is so agreed by all members entitled to vote in the case of an annual general meeting, or in the case of any other meeting by a majority in number of members entitled to vote together holding not less than 95 per cent. of shares giving that right.

Subject to the provisions of the Articles, notice to a general meeting shall be given to all the members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, vote instead of him and that a proxy need not be a member of the Company.

3.2.15 Save as disclosed in this document, neither the memorandum of association of the Company nor the Articles:

(a) contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company; or

(b) contain any provisions governing the ownership threshold above which shareholder ownership must be disclosed; or

(c) impose any condition governing changes in the capital that is more stringent than is required by law.

4. SIGNIFICANT SHAREHOLDERS

4.1 The Company is aware that the following persons, in addition to the interests of the Directors mentioned in paragraph 5 below, have at the date of this document an interest in, or who will be immediately following Admission interested, directly or indirectly, in 3 per cent. or more of the issued share capital of the Company:

	At the date of this document		Immediately following Admission	
Name	**Number of Ordinary Shares**	**% of issued share capital**	**Number of Ordinary Shares**	**% of issued share capital**
Credit Suisse Client Nominees (UK) Limited (nominee for RAB Special Situations (Master) Fund Limited)	15,746,537	30.24	17,407,950*	31.25
Newcastle University Holdings Limited	6,744,000	12.95	6,744,000	12.11
Novotech Investment Limited	1,640,236	3.15	1,640,236	2.94
Vidacos Nominees Limited	2,785,485	5.35	2,785,485	5.00

* The number of Ordinary Shares immediately following Admission includes the Ordinary Shares to be allotted on exercise of the warrants, as set out below.

At the date of this document RAB Special Situations (Master) Fund Limited ("RAB") also has warrants to subscribe for 1,661,413 Ordinary Shares, registered in the name of Credit Suisse Client Nominees (UK) Limited, as set out in paragraph 2.15 of this Part VII. RAB has served notice of exercise of its warrants conditional upon Admission taking place by 30 November 2007. Upon Admission, 1,661,413 Ordinary Shares will be allotted to RAB in completion of such exercise. This will increase RAB's percentage shareholding from 30.24 per cent. at the date of this document to 31.25 per cent. immediately following Admission. Under Rule 9 of the City Code, except with the consent of the Panel, this increase in RAB's shareholding between 30 per cent. and 50 per cent. would require a mandatory offer by RAB for all of the Ordinary Shares. A waiver from the requirement for a general offer under this rule has been sought from the Panel on the basis that holders of Ordinary Shares carrying more than 50 per cent. of the voting rights have confirmed in writing that they would not accept such an offer. It is expected that the Panel will grant such a waiver prior to Admission.

4.2 The shareholders listed in this paragraph 4 do not have different voting rights to other holders of Ordinary Shares.

4.3 Save as disclosed in this paragraph 4 and paragraph 5 below, and in so far as the Company has the information, the Company is not aware of any person or persons who either alone or, if connected, jointly following Admission, will (directly or indirectly) exercise or could exercise control over the Company.

4.4 The Directors are not aware of any arrangements in place or under negotiation which may, at a subsequent date, result in a change of control of the Company.

5. DIRECTORS' INTERESTS

5.1 The interests (all of which are beneficial) of the Directors and persons connected (within the meaning of section 252 of the 2006 Act) with them (all of which are beneficial save where otherwise stated) in the share capital of the Company as at 21 November 2007 (being the latest practicable business day prior to the date of this document) and as they will be immediately following Admission, such interests being those which could, with reasonable diligence, be ascertained by that Director, whether or not held through another party, are as follows:

	Ordinary Shares currently held		**Ordinary Shares to be held immediately following Admission**	
	Number	**%**	**Number**	**%**
Professor Malcolm Philip Young	20,620,482	39.61	20,620,482	37.01
Dr Royston Frederick Drucker	–	–	–	–
John Mark Cordiner	354,060	0.68	354,060	0.64
Professor Oliver James	–	–	–	–

5.2 As directors of Novotech Investment Limited, Professor Malcolm Young and John Cordiner have an interest in the 1,640,236 Ordinary Shares held by Novotech Investment Limited, representing 3.15 per cent. of the existing ordinary shares. Immediately following Admision Novotech's shareholding will represent 2.94 per cent.

5.3 Save for the options and warrants as disclosed in paragraphs 2.9, 2.10, 2.11, and 2.13 and as disclosed in paragraphs 5.1 and 5.2 above, none of the Directors (or any person connected with them within the meaning of section 346 of the Act) has any interest in the share capital of the Company.

6. ADDITIONAL INFORMATION ON THE DIRECTORS

6.1 The names and functions of the Directors are as follows:

Name	**Function**
Professor Oliver James	Non-Executive Chairman;
Professor Malcolm Young	Chief Executive;
Dr Royston Drucker	Medical Director; and
John Cordiner	Commercial and Finance Director.

6.2 The Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

Name	Current directorships/ partnerships	Past directorships/ partnerships
Professor Oliver James	British United Provident Association Limited (BUPA)	Goldsborough Health Care plc
Professor Malcolm Young	InRotis Technologies Limited Novotech Investment Limited OGS Search Limited	None
Dr Royston Drucker	InRotis Technologies Limited Medical Device Development Limited Technomark Investment Management Limited Oxford Pharma Limited Technomark Consulting Services Limited Walcom Group LD	Complementary Healthcare and Research Trust Limited
John Cordiner	InRotis Technologies Limited Novotech Investment Limited OGS Search Limited Reivers of Tarset Limited Torridon Resources Limited	Radarworld Limited Visimate Limited

6.3 Reivers of Tarset Limited, of which J Cordiner was a non-executive director, went into administration on 11 September 2006. That company had a total deficiency of trade liabilities over assets of £373,218.

6.4 Save as stated in paragraph 6.2 and 6.3 above, none of the Directors has:

6.4.1 any unspent convictions in relation to indictable offences; or

6.4.2 been declared bankrupt or made any individual voluntary arrangement; or

6.4.3 been a director of a company at the time of or within the 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors; or

6.4.4 been a partner or in a partnership at the time of or within the 12 months preceding the partnership being subject to a compulsory liquidation, administration or partnership voluntary arrangement; or

6.4.5 had any asset subject to receivership or been a partner of any partnership at the time of or within the 12 months preceding any asset of such partnership being subject to a receivership; or

6.4.6 been subject to any public criticism by statutory or regulatory authorities (including recognised professional bodies), nor disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

7. DIRECTORS' REMUNERATION

The executive Directors (being Professor M Young, Dr R Drucker and J Cordiner) have entered into service contracts with the Company on the following terms and conditions:

7.1 On 22 November 2007, Professor Young entered into a service agreement with the Company that takes effect upon Admission. The service agreement is terminable upon either party giving the other party 12 months' written notice, although with effect from 1 January 2009, either party may terminate the agreement upon six months' notice. Professor Young is entitled to an annual salary of £70,000 (subject to review), that increases to £205,000 if he resigns his employment with Newcastle University following the termination or expiration of a secondment agreement between the Company and Novotech Investment Limited. In addition, he is entitled to non-contributory pension contributions equal to 10 per cent. of his salary and 30 working days' holiday each year. The agreement contains certain non-compete and non-solicitation restrictions following the termination of employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.

7.2 On 22 November 2007, Dr R Drucker entered into a service agreement with the Company that takes effect upon Admission. The service agreement is terminable upon either party giving the other party six months' written notice. Dr Drucker is entitled to an annual salary of £101,500 (subject to review) and he is entitled to non-contributory pension contributions of £12,125 and 30 working days' holiday each year. The agreement contains certain non-compete and non-solicitation restrictions following the termination of employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.

7.3 On 22 November 2007, J Cordiner entered into a service agreement with the Company that takes effect upon Admission. The service agreement is terminable upon either party giving the other party 12 months' written notice. J Cordiner is entitled to an annual salary of £80,000 (subject to review) and he is entitled to non-contributory pension contributions equal to 10 per cent. of his salary and 30 working days' holiday each year. The agreement contains certain non-compete and non-solicitation restrictions following the termination of employment. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.

7.4 On 22 November 2007, Professor Oliver James entered into a letter of appointment with the Company that takes effect upon Admission. The letter of appointment is intended to remain in place for a period of two years from the date of Admission, but the appointment is terminable upon either party giving the other party three months' written notice. The appointment is subject to approval by the Company's shareholders at the first annual general meeting of the Company following appointment. Professor James is expected to commit the necessary time, attention and skill to enable him to fulfil his duties as a non-executive Director of the Company. Professor James receives a fee of £15,000 per annum. The appointment contains a confidentiality provision that requires him not to disclose or make use of any confidential information. This restriction continues after he ceases to be a non-executive Director of the Company.

7.5 Professor Young and J Cordiner have agreed to defer, until Admission, their entitlement to a non-contributory pension contribution equal to 10 per cent. of salary. As at 30 September 2007, the following contributions have accrued:

Director	**Total amount accrued to 30 September 2007**
Professor M Young	£18,666.71
J Cordiner	£13,684.66

7.6 On 22 November October 2007, each of the Directors entered into a deed of indemnity with the Company, whereby the Company agreed to indemnify each Director against any liabilities (in relation to any negligence, default, breach of duty or breach of trust by the Director) that arise in the course of his duties as a Director of the Company. The Company will not indemnify the Director for any liability incurred by the Director to the Company or associated company; or any liability of the Director to pay fines in relation to criminal proceedings or sums imposed for non-compliance of any requirement of a regulatory authority; or any liability incurred by the Director in defending criminal proceedings in which he is convicted, civil proceedings brought by the Company or associated company in which judgement is given against the Director and in connection with any application under section 144(3) or (4) or section 727 of the Act or sections 661 (3) or (4) or section 1157 of the 2006 Act. The Company agrees to provide funds to the Director to defend certain criminal or civil proceedings, but the Director agrees that such funds will be repayable by him if he is convicted, has a judgement given against him or if the court refuses to grant him relief on an application.

7.7 Save as set out in this paragraph 7, on Admission there will be no existing or proposed service agreements between the Directors and any company in the Group. Furthermore, save as set out at paragraphs 2.10, 2.12 and 2.14 above, and the share incentive arrangements described in paragraph 10 below, there are no commissions or profit-sharing arrangements with any of the Directors.

7.8 The Directors' aggregate remuneration payable by the Company (including benefits in kind but excluding any potential future bonuses payable) to the Directors in respect of the current financial year ending 31 January 2008 under the arrangements in force or proposed at the date of this document is expected to amount to approximately £455,000. This includes payments due from the Company to Novotech Investment Limited under the terms of a secondment agreement for the services of Malcolm Young, further details of which are set out in pargraph 8.36 of this Part VII.

7.9 Save as set out in paragraph 7.5 above, there is no arrangement under which any Director has waived, or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

8. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be, material:

8.1 On 22 November 2007, (1) the Company, (2) the Directors, (3) Cornhill and (4) WH Ireland entered into the Placing Agreement. The Placing Agreement contains the following terms.

8.1.1 The Company appointed WH Ireland as nominated adviser to the Company.

8.1.2 The Company appointed Cornhill as its agent to act as broker to the Company and to procure subscribers at the Placing Price for the Placing Shares. Cornhill agreed to use reasonable endeavours to procure such subscribers.

8.1.3 Cornhill and WH Ireland's obligations are conditional upon the warranty certificate being duly executed by the Company, the delivery of all requisite documentation to the London Stock Exchange, Cornhill, WH Ireland and their respective solicitors by 5.00 p.m. on the date of Admission and the Company submitting the requisite forms to Her Majesty's Revenue & Customs (HMRC).

8.1.4 The Company and the Directors agree to use reasonable endeavours to procure the satisfaction of the conditions. Cornhill and WHI agree to provide reasonable assistance to procure the satisfaction of the conditions.

8.1.5 Subject to Admission, the Company agreed to pay to Cornhill a fee equivalent to 5 per cent. of the aggregate value of the Placing Shares at the Placing Price.

8.1.6 The Company agreed to pay all VAT on Cornhill's and WH Ireland's fees and commission where applicable, all fees payable to the London Stock Exchange, all costs involved in the printing and distribution of the placing documents and any stamp duty or stamp duty reserve tax incurred by either WH Ireland or Cornhill.

8.1.7 The Company agreed to pay Cornhill and WH Ireland's expenses to include legal fees of up to £30,000, excluding VAT and the fees of any reporting accountant.

8.1.8 The Company agreed to engage Cornhill as broker post Admission for an annual fee of £15,000 plus VAT.

8.1.9 The Company and the executive Directors agreed to give jointly and severally certain warranties and the non-executive Directors agreed to give severally certain warranties and undertakings in relation, amongst other things, to the accuracy of the information contained in this document, the tax position of the Group, the financial position of the Group and to other matters in relation to the Group and its business. In addition, Cornhill and WH Ireland have the benefit of certain indemnities provided by the Company relating to certain losses, damages, costs, claims or demands incurred attributable to or connected with the Placing.

8.1.10 The liability of the Company under the warranties is unlimited. The liability of the executive Directors and the non-executive Director under the agreement is subject to certain limitations.

8.1.11 Cornhill and WH Ireland may terminate the Placing Agreement at any time prior to the Admission in certain circumstances, including a breach of any warranty or undertaking contained in the Placing Agreement, the finding of any statement in the Placing Documents to be inaccurate or misleading and upon the occurrence of certain other events.

8.1.12 The Company has agreed to discuss and provide copies of, amongst other things, all financial announcements and information until the publication of certain accounting documents relating to the Company's financial year ending 31 January 2009.

8.1.13 Until the date of the publication of the annual report and accounts of the Company for the financial year ending 31 January 2009, the Company agreed not to make any material amendments to the service contracts of the Directors and not to appoint further directors without the consent of Cornhill or WH Ireland. The Company undertook to do all acts and things necessary and desirable to enforce or preserve the rights of the Company under the relevant service agreements until the publication of certain documents relating to Company's financial year ending 31 January 2009.

8.2 On 23 August 2007, (1) the Company and (2) Cornhill entered into an agreement whereby Cornhill agreed to act as corporate broker to the Company. In consideration of the services under the agreement, Cornhill will receive:

8.2.1 5 per cent. of the aggregate value of all Placing Shares at the Placing Price placed pursuant to Admission plus VAT;

8.2.2 warrants to subscribe for 60,000 Ordinary Shares at the Placing Price exercisable at any time for a period of three years following the date of completion of Admission at the Placing Price; and

8.2.3 an annual retainer of £15,000 plus VAT payable in advance in equal quarterly instalments.

The agreement may be terminated by either party giving at least 90 days' notice, but such notice cannot be given until at least 12 months have elapsed since the date of the Admission; or in the event that Admission does not take place by 31 December 2007, by either party giving at least 14 days' notice. The agreement contains provisions whereby Cornhill can end the agreement immediately. The agreement contains indemnities by the Company in favour of Cornhill. Cornhill agree to keep confidential any confidential information obtained from the Company.

8.3 On 28 August 2007, (1) the Company and (2) WH Ireland entered into an agreement whereby WHI agreed to act as financial adviser to the Company in respect of Admission. The Company will pay to WH Ireland in relation to its role as financial adviser £10,000 plus VAT per calendar month from the date of the agreement to the date of Admission or termination of the agreement and a fee of £150,000 on Admission, less amounts already paid in relation to its role as financial adviser.

WH Ireland's appointment as financial adviser will commence on the date of the agreement and terminate on Admission. If Admission has not taken by place by 31 December 2007, then either party may terminate the agreement for the services of financial adviser on 14 days' written notice. The agreement contains indemnities by the Company in favour of WH Ireland. WH Ireland agree to keep confidential and not to disclose any material non-public information obtained from the Company.

8.4 On 20 November 2007, (1) the Company and (2) WH Ireland entered into a nominated adviser agreement whereby WH Ireland agreed to act as nominated adviser to the Company under the AIM Rules. The Company will pay to WH Ireland in respect of its role as nominated adviser an annual advisory fee of £30,000 plus VAT, payable for a minimum of 12 months, quarterly in advance. WH Ireland's appointment as nominated adviser will commence on Admission and will be for a period of not less than 12 months, and thereafter may be terminated by either party giving not less than three months' written notice. The agreement contains indemnities by the Company in favour of WH Ireland. WH Ireland is entitled to resign at any time if there is a material breach by the Company or the Directors of the terms of the agreement or of the AIM Rules and such breach has not been remedied within seven days of its occurrence. WH Ireland agrees to keep confidential and not to disclose any material non-public information obtained from the Company.

8.5 On 14 September 2007, (1) the Company and (2) WH Ireland entered into agreement whereby WHI agreed to prepare a pre-flotation research note. The Company agreed to pay WH Ireland a fee of £10,000 plus VAT. Either party may terminate the agreement with one month's written notice and if the agreement is terminated WHI is still entitled to the fee. The agreement contains indemnities by the Company in favour of WH Ireland. WH Ireland agrees to keep confidential and not to disclose any material non-public information obtained from the Company.

8.6 On 14 September 2007, (1) the Company and (2) Dickinson Dees LLP ("DD") entered into an agreement whereby DD provides legal services in respect of Admission for a total fee £125,000, plus VAT and disbursements, payable in full on completion of the Admission subject to the following:

8.6.1 If the Company chooses not to settle DD's fees in full on Admission, the following sums would be payable at the following times:

(a) £60,000 plus disbursements and VAT upon Admission; and

(b) a further:

(i) £75,000 plus disbursements and VAT if paid on or before 30 April 2008; or

(ii) £90,000 plus disbursements and VAT if paid after 30 April 2008 (with a long stop date for payment of 31 October 2008).

8.6.2 Either party may terminate the agreement at any time by written notice.

8.7 On 27 September 2007, (1) the Company and (2) Dickinson Dees LLP ("DD") entered into an agreement whereby DD provides legal services in respect of the demerger of the search engine business for an estimated fee of £25,000, plus VAT and disbursements. The Company will also be liable for the barrister's fee (estimated to be between £10,000 and £15,000 plus VAT). Either party may terminate the agreement at any time by written notice.

8.8 On 12 September 2007, (1) the Company, (2) WH Ireland, (3) Cornhill and (4) Global Pharma Consulting Limited ("GPC") entered into an agreement whereby GPC provides the services of preparing the independent expert's report included at Part III of this document, for a total fee of £25,000 plus VAT. The agreement contains indemnities by the Company in favour of GPC and GPC will not be liable to the parties for any loss of profit or any indirect or consequential loss arising out of the agreement. GPC agrees not to disclose any confidential information obtained pursuant to the services provided under the agreement.

8.9 On 8 August 2007, (1) the Company, (2) WH Ireland and (3) KPMG LLP ("KPMG") entered into an agreement whereby KPMG provides reporting accountant services in respect of Admission for an estimated total fee £70,000, plus VAT and disbursements. Either party may terminate the agreement by giving 30 days' prior written notice. The agreement is capable of assignment with the written consent of the other party.

8.10 On 10 September 2007, (1) InRotis and (2) KPMG LLP ("KPMG") entered into an agreement whereby KPMG provides tax advisory services in respect of Admission for an estimated fee of £1,500 plus VAT per clearance under the EIS/VCT regulations. Either party may terminate the agreement by giving 30 days' prior written notice. The agreement is capable of assignment with the written consent of the other party.

8.11 On 7 September 2007, (1) InRotis, (2) WH Ireland, (3) Cornhill and (4) Appleyard Lees entered into an agreement whereby Appleyard Lees provides the independent patent agent's report included at Part IV of this document, for an estimated total fee of £25,000 plus VAT.

8.12 On 21 September 2007, (1) the Company and (2) Equity Development Limited ("Equity") entered into an agreement whereby Equity agreed to provide independent research, distribution and feedback in relation to the Company's business and prospects to investors, and, to prepare a pre-flotation research note, for an estimated total fee of £37,000 plus VAT. The agreement remains in place until the publication of the research note, and, if Admission occurs on or before 31 December 2007, the agreement can be terminated on an annual basis, by either party giving not less that 30 days' notice. The total liability of Equity will not exceed the total fee paid under the agreement. The agreement is capable of assignment with the written consent of the other party.

8.13 On 22 November 2006, (1) InRotis and (2) Abchurch Communications Limited ("Abchurch") entered into an agreement whereby Abchurch provides an integrated financial and corporate communications programme in preparation for Admission. The programme is divided into four phases. The maximum project fee for phases 1 to 3 is £49,000 fee plus VAT. For phase 4 the cost per calendar month is £3,000 plus VAT. Either party may terminate by giving three months' written notice. The agreement is capable of assignment with the written consent of the other party and is binding on the Subsidiary's successors and assignees.

8.14 In 2007, (1) the Company and (2) Medius Associates entered into an agreement whereby Medius Associates agree to undertake a market analysis taking into account competing technologies for an estimated total fee of £30,000 plus VAT and expenses. Medius will also receive a success fee (plus VAT) for each deal completed under the services of the agreement, as follows:

8.14.1 up to the first £3 million, 3 per cent. of consideration paid;

8.14.2 between £3 million and £6 million, 2 per cent. of considerations paid;

8.14.3 between £6 million and £10 million, 1 per cent. of the consideration paid;

8.14.4 beyond £10 million and up to a ceiling of £30 million, 0.5 per cent. of the consideration paid.

8.15 On 1 August 2007, (1) the Company and (2) Baker Tilly Tax and Advisory LLP ("Baker Tilly") entered into an agreement whereby Baker Tilly provides tax advisory services to the Company in respect of a possible reconstruction under section 110 of the Insolvency Act 1996 or section 425 of the Act and in respect of seeking HMRC clearances for any such reconstruction. Baker Tilly's fee will be based on hourly rates plus any VAT and expenses.

8.16 On 22 September 2007, (1) the Company and (2) Neville Registrars Limited entered into an agreement for the provision of registrar services in respect of Admission.

8.17 On 7 February 2007, (1) InRotis and (2) Clintrac International Private Limited ("Clintrac") entered into an agreement for the provision of resources and facilities for conducting proof of concept clinical trials in human subjects in India. The agreement expires on 31 December 2007 and either party can terminate the agreement for breaching any term of the agreement by giving one month's notice.

8.17.1 The total consideration payable is as follows:

(a) £500,000 for engaging the services of Clintrac in four or more studies. InRotis will pay the consideration in 11 equal monthly instalments of £45,454 commencing in March 2007.

(b) in the event that InRotis does not engage the services of Clintrac for four or more studies, the consideration payable will be as follows:

(i) if one study is undertaken the consideration payable will be £100,000;

(ii) if two studies are undertaken the consideration payable will be £200,000; and

(iii) if three studies are undertaken the consideration payable will be £300,000.

8.17.2 InRotis indemnifies Clintrac and its affiliates and employees, directors, officers and agents participating in the clinical studies and the institutions where the studies are conducted from and against any losses resulting or arising from any claims related to the agreement (except to the extent such losses are from the negligence, wilful misconduct or illegal act of an indemnified party).

8.17.3 Clintrac indemnifies InRotis and its affiliates and employees, directors, officers and agents participating in the clinical studies and the institutions where the studies are conducted from and against any losses resulting or arising from any claims related to the agreement (except to the extent such losses are from the negligence, wilful misconduct or illegal act of an indemnified party).

8.17.4 Both parties agree that neither party shall have liability for any special, incidental, indirect or consequential damages, the loss of opportunity or goodwill, loss of use or loss of revenue or profit in connection with any of the services performed by Clintrac under this agreement.

8.17.5 Clintrac undertakes on its behalf and on behalf of its employees, representatives and associates agrees:

(a) to maintain strict confidentiality and prevent disclosure of any confidential information during the term of the agreement and for a period of 10 years thereafter;

(b) all proprietary rights shall remain with InRotis; and

(c) in the event of Clintrac identifying any information during the conduct of the clinical trials which is patentable in any form, it shall notify InRotis and co-operate in obtaining patent or other protection rights.

8.17.6 Clintrac has agreed to be responsible under the agreement for the provision of insurance in relation to the trials.

8.18 On 21 November 2005, (1) InRotis and (2) Inpharmatica Limited ("Inpharmatica") entered into an agreement for the provision of services and consultancy in respect of addressing the drug discovery needs of the Subsidiary using Inpharmatica's Chemitca™ technologies. The total fee is £41,000 plus VAT and out of pocket expenses. The agreement expires on 21 November 2007 and either party may terminate the agreement by giving eight weeks' written notice of its intention to terminate.

8.18.1 InRotis shall indemnify Inpharmatica and its agents, sub-contractors, staff, employees, associates, successors and assignees from any liability arising from the Company's use of the results of Inpharmatica's consultancy services in breach of any third party intellectual property rights or other proprietary rights, subsisting or related to any material provided to Inpharmatica by the Company.

8.18.2 Neither party shall be liable for special, indirect or consequential loss or damage arising from the agreement.

8.18.3 Each party undertakes:

(a) to treat as strictly confidential all confidential information which is disclosed to it by the other party and not to divulge the same to any third party nor make use of any such confidential information except in furtherance of the agreement;

(b) that the obligations of confidence apply for the term of the agreement and for 10 years thereafter;

(c) all intellectual property subsisting in the results of the services undertaken by Inpharmatica for InRotis, to the extent they relate to the purpose of those services, shall be the exclusive property of the Subsidiary; and

(d) all intellectual property subsisting in any improvements, developments or extensions to the methods, processes and technology used by Inpharmatica in providing the services to InRotis shall be the exclusive property of the Subsidiary.

8.18.4 The agreement is capable of assignment and provides for change of control, with the written consent of the other party.

8.19 In January 2006, the Company engaged Veeda Clinical Research Pvt. Limited (Veeda) to provide consultants who collate information from a variety of sources and compile databases that are then utilised by the Company.

8.19.1 The Company agreed to pay Veeda:

(a) an average rate of £3.50 per hour per person for a minimum of 26 working days per calendar month or such other rate as the Company may agree from time to time;

(b) a service charge at the rate of 20 per cent. of the aggregate costs of the consultants, subject to a minimum of £400 per calendar month; and

(c) a contribution of £100 per person per month in respect of rent. The rate will be increased by 10 per cent. every year starting from January 2008. The contribution per person per month will be decided mutually if the number of people exceeds 10 at any given point of time.

8.19.2 The payments under the agreement can be increased from time to time with the mutual consent of both parties.

8.19.3 Veeda agree to procure that all work created and every invention, improvement or discovery made during the provision of services by Veeda shall be disclosed to the Company immediately and all intellectual property rights created at any time in the provision of the services shall be assigned to the Company free from all encumbrances.

8.19.4 In the event that the Company terminates the agreement by the giving of three months' notice to Veeda, the Company will pay to Veeda an amount equal to three times the value of the last monthly invoice raised before the date of termination. This payment is over and above the three months' notice period payment.

8.20 On 8 April 2005, (1) Newcastle University Ventures Limited, (2) Newcastle University, (3) Newcastle University Holdings Limited and (4) the Company entered into an assignment of intellectual property whereby the Company was assigned with full title guarantee patent number 0225109.8 "Method of and Apparatus for Indentifying Components of a Network Having High Importance for Network Integrity" from Newcastle University and its associated companies. In consideration of the assignment, the Company granted to Newcastle University a royalty free, perpetual, irrevocable non exclusive licence and defined know-how related to the patent for the purposes of research and teaching.

8.21 On 8 April 2005, (1) the Company, (2) RAB Special Situations LP ("RAB LP"), (3) Newcastle University Holdings Limited and (4) Malcolm Young, Peter Andras and Mark A O'Neill ("Management Shareholders") entered into an investment agreement. Under the agreement RAB LP subscribed for 5,120 ordinary shares of 1p each in the capital of the Company (as at date of the agreement) at a total subscription price of £2,000,000 and received warrants to subscribe for ordinary shares in the capital of the Company. The agreement imposes obligations on the way the business of the Company is conducted, requires certain information about the Company to be made available to RAB LP and imposes certain obligations and restrictive covenants on each of the Management Shareholders. The Company and the Management Shareholders gave certain warranties jointly and severally to RAB LP. The time period for claims under the warranties expired on 8 April 2007. The investment agreement terminates automatically upon admission to a recognised stock exchange (which includes AIM). RAB subsequently transferred its shareholding and warrants and assigned the First Agreement to RAB Special Situations (Master) Fund Limited ("RAB MF"). RAB MF's shares and warrants are held by its nominee Credit Suisse Client Nominees (UK) Limited.

8.22 On 5 April 2007, (1) the Company, (2) RAB Special Situations (Master) Fund Limited ("RAB MF"), (3) The North East Co-Investment Fund Limited Partnership ("COIF"), (4) Novotech Investment Limited ("Novotech"), (5) Malcolm Young, (6) John Cordiner, (7) Peter Andras, (8) Mark A O'Neill, (9) Newcastle University Holdings Limited, (10) NStar Limited, (11) Katalyst Ventures Limited and (12) a number of individuals ("Katalyst Investors") entered into an investment agreement.

8.22.1 The Katalyst Investors subscribed a total of £842,752.05 for 77,673 ordinary shares of 0.01p each in the capital of the Company.

8.22.2 COIF subscribed a total of £250,000 for 23,041 ordinary shares of 0.01p each in the capital of the Company and Novotech subscribed a total of £166,667 for 15,361 ordinary shares of 0.01p each in the capital of the Company.

8.22.3 The Company had the right to require Novotech to subscribe a total of £583,333 for up to a further 1,510,740 ordinary shares at £10.85 per ordinary share of 0.01p each by service of a notice on Novotech on or before 31 December 2007. This right was subsequently exercised on 21 October 2007.

8.22.4 The Company and Malcolm Young, John Cordiner and Mark A O'Neill ("Warrantors") gave warranties to the investors on a joint and several basis, for which the liability of the Company is capped at £1,034,419. The period for claims under the warranties expires on the earlier of 5 April 2009 or the date of admission of the Company's share capital to trading on a recognised stock exchange (which includes AIM). The Warrantors have no liability under the warranties unless the aggregated liability for all claims exceeds £150,000 and no liability under a single loss may be claimed unless that claim exceeds £15,000.

8.22.5 The agreement imposes obligations on the Company to make certain information available to the investors and imposes certain obligations and restrictions on each of the members of the management.

8.22.6 The agreement automatically terminates upon admission to a recognised stock exchange.

8.23 On 8 May 2006, (1) Cousins Properties Limited ("Landlord") and (2) InRotis entered into a lease ("Lease") for the ground and lower ground floor of Block B, Holland Park, Holland Drive, Newcastle upon Tyne, NE2 4LZ. The Lease was granted for a term of six years from 8 May 2006 with InRotis having the right to terminate the Lease on 7 May 2009 (subject to giving not less than six months' prior written notice and paying a penalty equal to four months' rent). The initial annual rent (currently payable) is £46,542, payable quarterly in advance, subject to upward only review on 8 May 2009 on a normal commercial basis. InRotis pays a service charge to the Landlord to cover the cost of repair of common

parts and the structure of the building and other services, and also pays a fair contribution towards the cost of insuring the building. The Lease contains various covenants and obligations which are usual in the circumstances including a prohibition on use other than as offices, a prohibition on alterations other than non-structural alterations with prior Landlord consent, an obligation to keep the property in good and substantial repair and condition, and a prohibition on dispositions (whether by way of assignment of subletting) other than of the whole and with prior Landlord consent.

8.24 On 14 November 2007, InRotis and the Company entered into a licence to assign with the Landlord permitting the assignment of the Lease from InRotis to the Company. The Licence contains a guarantee from InRotis to the Landlord, guaranteeing that the Company will observe and perform its obligations under the Lease.

8.25 On 14 November 2007, (1) InRotis and (2) the Company entered into a deed of assignment of the Lease. No consideration was payable to InRotis for the assignment. The deed of assignment contains a covenant by the Company to observe and perform InRotis' obligations under the Lease with an indemnity in favour of InRotis in respect of any breach of that obligation.

8.26 On 14 November 2007, pursuant to an order of the High Court of Justice dated 22 October 2007 (1) the Company and (2) OGS Search Limited ("OGS") entered into a business transfer agreement ("Business Transfer Agreement") to transfer the Company's search engine business to OGS. No consideration was payable under the agreement. The transfer included all goodwill, debts, contracts, movable assets, computer systems and commercial information as was contained in the search engine business at the date of transfer. The agreement also provided for the transfer, under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"), of one of the Company's employees. The Company agreed to pay all overheads relating to the business prior to the date of transfer and gave a warranty confirming that there was no encumbrance over or affecting the assets of the search engine business. The Company gave various indemnities relating to the search engine business in respect of the period prior to the transfer and has the benefit of similar warranties from OGS in respect of the period after the transfer.

8.27 On 14 November 2007, pursuant to the Business Transfer Agreement, the Company granted to OGS an exclusive, perpetual royalty free licence of intellectual property to exploit the Company's technology in relation to search engines. OGS was granted the right to grant sub-licences and to assign the licence. The Company undertook not to grant a similar licence to other parties.

8.28 On 14 November 2007, pursuant to the Business Transfer Agreement, the Company assigned to OGS the software created by the Company relating exclusively to the Company's search engine technology.

8.29 On 14 November 2007, (1) the Company and (2) OGS entered into a loan agreement whereby the Company agreed to loan OGS the sum of £85,000 to be repaid in full by 31 May 2008. Interest on the loan is payable at 3 per cent. per annum above the base rate of Bank of Scotland and is compounded on a monthly basis. Interest is payable on 31 May 2008. If any sum due under the loan agreement remains unpaid 14 days after its due date, or if OGS become unable to pay its debts as they fall due or any step is taken against OGS under any administration, bankruptcy or insolvency laws, then the whole amount of the outstanding loan and all accrued interest shall be immediately due and payable.

8.30 On 4 November 2007, (1) the Company and (2) OGS entered into a services agreement whereby the Company agreed to provide the expertise and consultancy services of certain employees of the Company. OGS agreed to pay for the services of the Company's employees at an agreed daily rate plus expenses. OGS cannot request the services of the specified Company employees for in excess of 20 per cent. of their normal working time. The services agreement is terminable on one month's notice of either party expiring on or after the first anniversary of the agreement. The Company gave certain warranties in respect of the supply of services by its employees to OGS and intellectual property created by the Company's employees whilst working for OGS is assigned to OGS.

8.31 On 22 November 2007, each of the Directors entered into an agreement with WH Ireland, Cornhill and the Company containing certain restrictions on the disposal by that Director of the Ordinary Shares held by him during the period of 36 months following Admission. These agreements provide that (save in certain specified circumstances), the Directors may not dispose of any such Ordinary Shares within the first 12 months following Admission and, between the first and second anniversaries of Admission, may only dispose of any such Ordinary Shares with the prior written consent of WH Ireland and Cornhill (such consent not to be unreasonably withheld or delayed). Any disposal of Ordinary Shares by the relevant shareholder prior to the third anniversary of Admission must be effected through WH Ireland or Cornhill.

8.32 A lock-in agreement between (1) Newcastle University Holdings Limited, (2) WH Ireland, (3) Cornhill and (4) the Company dated 22 November 2007 which provides that (save in certain specified circumstances), the relevant shareholder may not dispose of any of the Ordinary Shares held by it within the first 12 months following Admission.

8.33 A lock-in agreement between (1) Novotech Investment Limited, (2) WH Ireland, (3) Cornhill and (4) the Company dated 22 November 2007 which provides that (save in certain specified circumstances) the relevant shareholder may not dispose of any of the Ordinary Shares held by it within the first 12 months following Admission.

8.34 An orderly market agreement between (1) RAB Special Situations (Master) Fund Limited ("RAB"), (2) WH Ireland, (3) Cornhill and (4) the Company dated 22 November 2007 which provides that (save in certain specified circumstances, including where the prior written consent of WH Ireland and Cornhill to a disposal has been obtained), RAB may not dispose of any of the Ordinary Shares held by it (including any shares it receives upon the exercise of any warrant or option) within the first 12 months following Admission.

8.35 Lock-in agreements between each of the employees of the Company who holds Ordinary Shares (other than the Directors), WH Ireland, Cornhill and the Company in each case dated 22 November 2007 which provide that (save in certain specified circumstances), the relevant shareholder may not dispose of any of the Ordinary Shares held by him within the first 12 months following Admission.

8.36 On 1 February 2007, (1) InRotis, (2) Novotech Investment Limited ("Novotech") and (3) Professor Malcolm Young entered into a secondment agreement whereby Professor Young was seconded from Novotech to InRotis for a period commencing on 1 February 2007 up to the earlier of the termination of the agreement or such date as InRotis specifies to be the end of the agreement. InRotis may terminate the agreement early in certain circumstances. Malcolm Young may terminate the agreement if he gives nine months' notice to Novotech. InRotis agrees to pay Novotech an amount equal to the remuneration costs incurred by Novotech under an earlier secondment agreement between (1) Novotech, (2) Newcastle University ("University") and (3) Professor Young dated 1 November 2006 (whereby Professor Young was seconded by the University to Novotech). The current payment made by InRotis to Novotech is £42,730 plus VAT per quarter. Under the secondment agreement all inventions or IP made or developed by Malcolm Young during the period of his secondment to InRotis in respect of the business of InRotis, remain the property of InRotis. The agreement also contains standard restrictive covenants in relation to confidentiality and non-competition.

8.37 On 21 November 2007, the Company granted options to Dipanjan Chakraborty, Hanumanthu Reddy, Srinivas Dashyam and Syed Arshi Zaman to subscribe for a total of 384,970 Ordinary Shares at £0.139 per share. The options can (in the absence of any takeover, scheme of arrangements or other similar event affecting the Company) be exercised at any time before 31 October 2017. The options will lapse in the event that the individual ceases to work for a substantial part of his time on business of the Group (whether as an employee, on a self-employed basis or as an employee of a third party provider of services).

8.38 On 21 November 2007, the Company entered into an agreement with John Cordiner under which he agreed to surrender warrants to subscribe for 356,870 Ordinary Shares at £0.174 per share. The Company granted options to John Cordiner to subscribe for a total of 356,870 Ordinary Shares at £0.174 per share. The options can (in the absence of any takeover, scheme of arrangements or other similar event affecting the Company) be exercised at any time before 10 March 2010.

8.39 On 14 November 2007, InRotis and the Company entered into a business transfer agreement whereby InRotis agreed to transfer all its assets and business to the Company and the Company agreed to assume all liabilities (including future liabilities) of InRotis. The Company paid to InRotis the net book value of InRotis' net assets at the date of the transfer. The Company agreed to discharge all InRotis' liabilities on the date of the transfer and to indemnify InRotis in that regard.

9. WARRANTS

9.1 On 8 April 2005, the Company created warrants to subscribe for up to 2,150 ordinary shares of 1p each in its capital under the terms of a warrant instrument. Under the warrant instrument, the warrant holders have two years from the date of issue to exercise the warrants before they lapse. The warrants are transferable. Following the various reorganisations of the Company's share capital, an aggregate of 1,661,413 warrants are outstanding at the date of this document and they are exercisable at a price of £0.174 per Ordinary Share. For as long as any subscription rights remain exercisable under the warrant instrument, the Company agreed to:

9.1.1 not make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid up shares;

9.1.2 not issue securities by way of capitalisation of profits or reserves except fully paid up ordinary shares issued to the holders of its Ordinary Shares;

9.1.3 not modify the rights attaching to the Ordinary Shares;

9.1.4 not reduce by payment to its Shareholders its share capital or any share premium account or capital redemption reserve fund (except with sanction of an extraordinary resolution of the warrant holders);

9.1.5 keep sufficient authorised but unissued share capital to satisfy all subscription rights remaining exercisable under the warrant instrument; and

9.1.6 on any offer or invitation to acquire the whole of the issued share capital of the Company, give the warrant holders notice and 30 days to exercise their subscription rights.

9.2 On 22 November 2007, the Company created warrants to be allotted upon Admission for Cornhill to subscribe for up to 60,000 Ordinary Shares at the Placing Price under the terms of a warrant instrument. Under the warrant instrument, the warrant holders have three years from 28 November 2007 to exercise the warrants before they lapse. The warrants are transferable. For as long as any subscription rights remain exercisable under the warrant instrument, the Company agreed to keep sufficient authorised but unissued share capital to satisfy all subscription rights remaining exercisable under the warrant instrument.

10. SUMMARY OF THE E-THERAPEUTICS PLC LONG TERM INCENTIVE PLAN 2007

10.1 Overview

Under the Plan, awards to acquire Ordinary Shares will be made to employees and executive directors selected by the Committee.

Awards will be made either by the Company or by the trustees of any employee trust that may, in the future, be established by the Company.

Awards will not normally vest until after the third anniversary of the date on which they are made, and then only if and insofar as conditions, specified by the Committee at the time they are made and relating to the performance of the Company over a minimum three-year period, have been met.

10.2 Eligibility

Participants must be employees or executive directors of any member of the Group.

Actual participation in the Plan will be at the discretion of the Committee

10.3 Timing of awards

Awards may only be made as follows:

- during the period of six weeks following the announcement of the Company's results for any period;
- in the case of an employee or executive director joining the Group, within three months of his or her joining; or
- exceptionally, and subject to relevant restrictions on dealings in shares, at other times if the Committee determines that exceptional circumstances exist.

No awards may be made more than 10 years after the date of Admission. No payment will be required for the grant of awards.

Awards will not be transferable and may only be exercised by participants or their personal representatives.

10.4 Individual limits

The maximum number of Ordinary Shares in respect of which an award may be made to any participant will be limited so that, in any financial year, the value, determined by reference to the average closing mid-market price of the Ordinary Shares the subject of the award on each dealing day falling in the four-week period ending with the dealing day immediately preceding the day on which it is proposed to make the award, does not exceed 100 per cent. of the participant's basic salary for that financial year.

10.5 Plan limits

Awards cannot be made under the Plan if, and to the extent that, were those awards to vest in full, they would be satisfied by the issue of new Ordinary Shares which, when aggregated with any Ordinary Shares that have been, or will be, issued to satisfy awards made under the Plan or rights granted under any other employee share schemes that may subsequently be established by the Company within the immediately preceding period of 10 years, would exceed 10 per cent. of the ordinary share capital of the Company at that time. Any new Ordinary Shares that are issued, or are required to be issued, in order to satisfy the exercise of options granted before Admission will, however, be excluded from calculating this limit.

If awards are to be satisfied by a transfer of Ordinary Shares that are already in issue, the limit set out above do not apply. However, insofar as it is necessary to ensure compliance with the guidelines issued, from time to time, by the Association of British Insurers, the limit set out above will apply also to awards satisfied by the transfer of treasury shares.

10.6 Vesting of awards

Awards will vest if performance conditions, determined by the Committee at the time they are made, are satisfied. Performance conditions will relate to the performance of the Company over a fixed performance period of not less than:

- three years beginning not earlier than the date of grant of the awards; or
- three financial years beginning not earlier than the financial year in which the awards are made.

As a minimum, awards will not vest unless the average of the closing middle-market price of an Ordinary Share on each day falling in the four-week period ending with the third aniversary of their grant exceeds the Placing Price by not less than 50 per cent. Once performance conditions have been set in relation to any particular grant of awards, they may be varied by the Committee only if it reasonably considers that it is necessary to vary them in order to ensure that the effectiveness of those awards, as continuing incentives, is not undermined. Any part of awards that have not vested at the end of their performance period will lapse. There will be no retesting of performance conditions.

If a participant ceases to be an employee or director of the Group, any part of his or her award that has not vested will normally be forfeited. If the reason why he or she ceases to be such an employee or director relates to his or her death, injury, disability, ill-health, pregnancy or redundancy, or the sale of the business or company that employs him or her, the Committee may allow either:

- a time-apportioned proportion of his or her award to be retained subject to vesting, if at all, at the end of the performance period; or
- a proportion (determined having regard to the extent to which both the performance period has then elapsed and the performance conditions are likely to be satisfied) of his or her award immediately to vest.

If the participant leaves for any other reason, his or her award will lapse unless the Committee otherwise determines.

In the event of a takeover of the Company, or other merger, reconstruction, amalgamation, demerger or voluntary winding up of the Company, the Committee may allow a proportion (determined having regard to the extent to which both the performance period has then elapsed and the performance conditions were then likely to be satisfied) of his or her award immediately to vest.

Participants will have a short period to acquire Ordinary Shares following the vesting of awards. It will, for technical reasons, be necessary, in the case of awards made by the Company, for participants to pay to the Company 0.1 pence per Ordinary Share (ie its nominal value) when acquiring Ordinary Shares.

10.7 Dividends on award shares

Participants will have no entitlement to receive dividends in respect of Ordinary Shares the subject of their awards unless and until they acquire Ordinary Shares following the vesting of awards. In that case, participants will be entitled to dividends which have a record date falling after the date on which they give notice to acquire the Ordinary Shares.

10.8 Variation of capital

The Committee may adjust the number of Ordinary Shares the subject of awards in the event of a rights or capitalisation issue, sub-division, consolidation, reduction or other variation of the Company's ordinary share capital, or the implementation by the Company of a demerger or payment of a special dividend which would otherwise materially affect the value of awards.

10.9 Non-pensionable

Benefits under the Plan will not be pensionable.

10.10 Rights attaching to Ordinary Shares

Ordinary Shares allotted or transferred under the Plan will rank alongside other shares of the same class then in issue. The Company will apply to the London Stock Exchange for the admission of any newly-issued Ordinary Shares to AIM.

10.11 Amendment

The Committee may amend the Plan. However, the provisions governing eligibility, individual and Plan limits, the basis for determining the rights of participants to acquire Ordinary 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 any member of the Group. In addition, no alteration may be made that would materially affect any subsisting rights of any participants without their prior consent.

11. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry that, taking into account the net proceeds of the Placing, the working capital available to the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

12. TAXATION

The following comments are intended as a general guide to certain aspects of current UK tax legislation and current practice of HM Revenue & Customs ("HMRC") as they apply to holders of Ordinary Shares. The comments do not apply to certain Shareholders, such as dealers in securities. The following statements are not exhaustive and all persons are strongly advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares.

12.1 Dividends

Under current UK tax legislation the Company will not be required to withhold UK tax from any dividends paid by the Company.

An individual Shareholder resident (for tax purposes) in the UK who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the dividend which he may set off against his total income tax liability. Basic rate and starting rate taxpayers will normally have no further liability to tax on the dividend. Higher rate taxpayers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 32.5 per cent. against which liability the tax credit can be offset. The effective rate of tax to a higher rate taxpayer is therefore 25 per cent. of the net dividend received.

Subject to certain limited exceptions, a corporate Shareholder resident (for tax purposes) in the UK will not be liable to UK corporation tax on any dividend received from the Company. Such corporate Shareholders will not be able to reclaim repayment of the tax credit attaching to any dividend.

UK pension funds will not be able to reclaim the tax credit attaching to any dividend paid by the Company.

The right of a Shareholder who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit from HMRC will depend on the prevailing terms of any double taxation convention between the UK and the country in which the Shareholder is resident. Such a Shareholder should consult his own tax adviser concerning his tax liability on dividends received, whether he is entitled to claim any part of the tax credit, and if so, the procedure for doing so.

12.2 Capital gains

Any Shareholder who is resident or ordinarily resident in the UK in the relevant year of assessment, or if not resident, carries on a trade, profession or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable, may depending on the Shareholder's individual circumstances, be subject to UK tax on capital gains in respect of a disposal of the Ordinary Shares. Individuals, personal representatives and trustees may be entitled to taper relief, which may serve to reduce the chargeable gain.

An individual Shareholder who has, on or after 17 March 1998, ceased to be resident and ordinarily resident in the UK (for tax purposes) for a period of less than five years and who disposes of the Ordinary Shares during that period, may also be liable on his return to the UK to any capital gain realised (subject to any available exemption or relief).

Companies resident (for tax purposes) in the UK are not entitled to taper relief, but are entitled to indexation allowance, which may reduce the chargeable gains. For a company holding 10 per cent., or more, of the Company's ordinary share capital, a gain on the sale of the shares may be exempt from tax on chargeable gains provided all relevant conditions are met.

In the Pre-Budget Report of 9 October 2007, HM Treasury announced that the captal gains tax regime would be reformed for disposals by individuals, personal representatives and trustees, of assets which are subject to capital gains tax and which occur after 6 April 2008.

The proposed reforms include the abolition of taper relief and the introduction of a single capital gains tax rate of 18 per cent. However, the legislation will be enacted in the Finance Act 2008 and draft legislation or any consequential changes have yet to be published. Investors should therefore take their own professional advice in relation to determining the capital gains tax which would arise at the time of a disposal of any of their shares.

12.3 Inheritance tax ("IHT") relief

Subject to the Company meeting all of the relevant qualifying conditions, unquoted ordinary shares in a qualifying company such as the Company ordinarily qualify for 100 per cent. IHT business property relief provided they have been held for two years prior to the event giving rise to IHT. Shares traded on AIM are regarded as unquoted for these purposes and are therefore in principle eligible for IHT business property relief.

12.4 Stamp duty and stamp duty reserve tax

Stamp duty and stamp duty reserve tax ("SDRT") treatment in respect of the transfers of Ordinary Shares will be as follows:

12.4.1 The conveyance or transfer of Ordinary Shares outside the CREST system will generally be liable to ad valorem stamp duty on the instrument of transfer at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5.00) of the amount or value of the consideration given. An unconditional agreement to transfer shares will generally be subject to SDRT at 0.5 per cent. of the amount or value of the agreed consideration. If within six years of the date of the agreement any stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made or any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferees.

12.4.2 Investors may elect to hold their Ordinary Shares in uncertificated form through CREST. No stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST for conversion into uncertificated form, unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate set out in subparagraph (a) above.

12.4.3 A transfer of Ordinary Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT from the purchase of the Ordinary Shares on relevant transactions settled within the CREST system.

12.4.4 Where Ordinary Shares are issued or transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at the rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances the value of the Ordinary Shares or, in the case of an issue to such persons, the issued price of the Ordinary Shares.

12.4.5 The above statements are intended as a general guide to the current position. It is directed to UK residents beneficially entitled to their Ordinary Shares held as investments. Special rules apply to certain categories of person, including intermediaries and persons connected with depository arrangements ands clearance services. Certain categories of person are not primarily liable for the tax, but may be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

12.5 The Company has received provisional assurance from HM Revenue & Customs that the Company is a "qualifying company" for the purposes of the Enterprise Investment Scheme ("EIS") and will be a "qualifying holding" for the purposes of investment by a Venture Capital Trust ("VCT").

Although the Company presently expects to satisfy the relevant conditions contained in the EIS and VCT legislation, neither the company nor the Directors warrant or give any undertakings that relief will be available in respect of any investment in the Placing Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

Investors considering taking advantage of any of the reliefs under EIS or available to VCTs should seek their own professional advice in order that they may fully understand how the rules apply in their individual circumstances.

Shares which qualify under EIS or VCT can attract a number of capital gains tax ("CGT") reliefs. These include a CGT exemption where income tax relief has been claimed; loss relief on unquoted shares; deferral relief and extended taper relief. HM Treasury have announced in the Pre-Budget Report of 9 October 2007 that for disposals on or after 6 April 2008 there will be no taper relief available. All other CGT reliefs available to EIS and VCT investments continue to apply.

12.6 The above comments are intended as a general guide to the position under the current law and practice in the UK and may not apply to certain classes of shareholders. Any person who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK should consult his own professional adviser.

13. LITIGATION

There are no legal or arbitration proceedings active, pending or threatened against or being brought by the Company or any member of the Group which are having or may have a significant effect on the Company's or any member of the Group's financial position.

14. GENERAL

14.1 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's activities.

14.2 No person (excluding professional advisers, or otherwise disclosed in this document,) has:

14.2.1 received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or

14.2.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company as of the date hereof any of the following:

(a) fees totalling £10,000 or more; or

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

14.3 The Company's current accounting reference date is 31 January.

14.4 There are no patents or other intellectual property rights, licences or processes which are of fundamental importance to the Company, other than the intellectual property referred to in the report of Appleyard Lees in Part IV of this document.

14.5 Save as set out in this document, as far as the Directors are aware there are no environmental issues that may affect the issuer's utilisation of its tangible fixed assets.

14.6 There are no arrangements in force for the waiver of future dividends in respect of the Ordinary Shares.

14.7 There are no specified dates on which entitlement to dividends or interest thereon on the Ordinary Shares arises.

14.8 Save as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 31 July 2007, being the date to which the latest financial statements were drawn up and the Directors are not aware of any exceptional factors which have influenced the Company's activities.

14.9 The total costs, charges and expenses (including commissions) payable in connection with the Placing and Admission are estimated to amount to approximately £570,000 (excluding VAT) and are payable by the Company.

14.10 The Company, whose registered office is set out on page 10 of this document, and the Directors, whose names are set out on page 10 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

14.11 KPMG LLP has given and not withdrawn its written consent to the inclusion in this document of its report set out in Parts V and VI and has authorised the contents of its reports for the purposes of Schedule Two of the AIM Rules and has given and not withdrawn its consent to the references to it and to its name in the form and context in which they are included.

14.12 Global Pharma Consulting Limited has given and not withdrawn its written consent to the inclusion in this document of its report set out in Part III and has authorised the contents of its reports for the purposes of Schedule Two of the AIM Rules and has given and not withdrawn its consent to the references to it and to its name in the form and context in which they are included.

14.13 Appleyard Lees has given and not withdrawn its written consent to the inclusion in this document of its report set out in Part IV and has authorised the contents of its reports for the purposes of Schedule Two of the AIM Rules and has given and not withdrawn its consent to the references to it and to its name in the form and context in which they are included.

14.14 WH Ireland has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it is included.

14.15 Cornhill has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it is included.

14.16 Definitive share certificates will not be despatched to those placees who have elected to receive Ordinary Shares in uncertificated form if, and only if, that person is a "system member" (as defined in the Uncertificated Securities Regulations 1995) in relation to CREST. For those placees who elect to receive Ordinary Shares to be issued pursuant to the Placing in certificated form, share certificates are expected to be despatched to such placees by post at their risk within seven days of Admission. Temporary documents of title will not be issued in connection with the Placing.

14.17 Monies received pursuant to the Placing will be held in accordance with the terms of the placing letters issued by Cornhill until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 14 December 2007, monies will be returned to Placees at their risk without interest.

14.18 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act. A copy of the audited accounts of the Company for the year ended 1 February 2007 has been delivered to the Registrar of Companies in England and Wales. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 of the Act.

14.19 Of the Placing Price, £0.001 represents the nominal value and £0.669 represents the premium.

14.20 The Ordinary Shares have been allocated the International Securities Identification Number GB00B2823H99, which will be enabled at Admission.

15. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE ORDINARY SHARES

15.1 Mandatory bid

The City Code applies to the Company. Except with the consent of the Panel, when:

(a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

(b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, such person (and in certain circumstances the other principal members of any group acting in concert with him) shall make an offer, under Rule 9 of the City Code, in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him for any interest in shares of the company during the twelve months prior to the announcement of the offer.

15.2 Squeeze-out

Under the 2006 Act, if an offeror were to make a takeover offer and acquire 90 per cent. of the Ordinary Shares the subject of the offer within four months of making its offer, it could then compulsorily acquire the remaining Ordinary Shares. It would do so by sending a notice to Shareholders who had not accepted the offer notifying them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for such Shareholders and pay the consideration to them. The consideration offered to the Shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the Code.

15.3 Sell-out

The 2006 Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror, together with certain types of person acting in concert with him, held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares in issue, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

15.4 Takeover bids

There have been no take-over bids by third parties in respect of the Company's equity, which have occurred during the last financial year or the current financial year.

16. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document will be available free of charge to the public at the registered office of the Company or available to view on the Company's website at the address www.etherapeutics.co.uk. Copies will also be available at the registered office of the Company during normal business hours on any business day (Saturdays and public holidays excepted) from the date of this document until at least one month after the date of Admission.

17. WEBSITE

The Company maintains a website at the address www.etherapeutics.co.uk. In accordance with AIM Rule 26, the website contains certain information for the benefit of investors. There is no charge to access the website. Any information contained on such website is an inactive textual reference and is not incorporated into this document by reference.

Dated 22 November 2007

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