e therapeutics

Computing the future of medicine

e-therapeutics plc
Annual Report 2022

Integrating computational power and biology to discover life-transforming medicines

We have developed and validated a powerful computational approach to drug discovery, leveraging our industry-leading expertise in network biology, to fully capture and interrogate human disease complexity. Using our proprietary gene silencing technology, we are harnessing internal target gene discoveries to build an in-house pipeline of next-generation RNAi-based medicines.

Contents

To view our new site visit:
www.etherapeutics.co.uk

Operational highlights

Board and leadership changes with increase in scientific staff

The roles of Executive Chairman and CEO were split in March 2021 when Professor Trevor Jones was appointed Non-Executive Chairman, with Ali Mortazavi continuing as CEO. The management team was strengthened with the appointment of Dr Alison Gallafent as Chief Intellectual Property Officer. Several scientists also joined the Company and overall staff numbers (excluding NEDs) rose from 25 at 31 January 2021 to 35 at 31 January 2022.

Strengthened financial position, raising net funds of £21.7m

An equity fundraise of £21.7m (gross £22.5m less related costs and commissions of £0.8m) was completed in June 2021 to expand the Company's platform capabilities and build an in-house RNAi asset pipeline. This is the foundation of the Company's strategic aims, as set out on pages 16 and 17.

Maintained performance despite pandemic and return to the office

Despite the uncertainty created by the pandemic, our people have continued to perform and demonstrate their adaptability and commitment. We have attracted talented people to join our Company across departments, opened a new office in central London and launched a transition phase to hybrid working as set out in to our people section on page 24 to 25.

Proprietary RNAi technology development

We carried out a set of in vitro and in vivo experiments to characterise our newly designed GalNAc-siRNA constructs. We successfully demonstrated the highly competitive performance of our lead GalNAc-siRNA structures, which were well tolerated in non-human primates. We filed multiple patent applications and our RNAi platform is now ready to harness in-house target discoveries.

Computational platform advances and liver specialisation

We streamlined and increased automation in our platform by fully migrating to cloud deployment. We also enhanced our target identification and target deconvolution capabilities. To support internal RNAi discovery programmes, we developed AI approaches to siRNA design and generated a hepatocyte focused knowledge graph.

Successful execution on Galapagos collaboration and further validation

Several key success-based milestones were achieved in our collaboration with Galapagos NV. We successfully identified active small molecule modulators, which were experimentally validated and replicated our superior hit rate. The Company continues to explore additional collaborations.

Financial highlights

Revenue

£0.5m
(2021: £0.3m)

Increase/(decrease) in cash and short term investment bank deposits

£13.6m
(2021: £9.2m)

Year-end cash and short term investment bank deposits

£26.6m
(2021: £13m)

R&D tax credit receivable

£1.5m
(2021: £0.8m)

R&D spend

£6.1m
(2021: £2.7m)

Operating loss

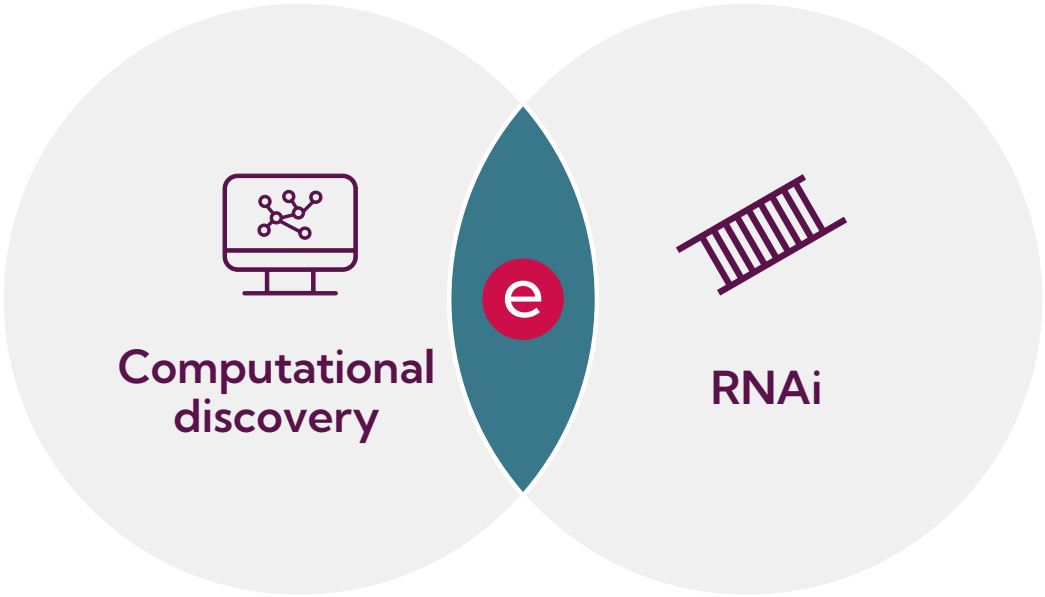
£9.6m
(2021: £4.5m)

At a glance

Multi-disciplinary experts in a differentiated space

At e-therapeutics, we combine an unparalleled ability to computationally model human biological complexity with a proprietary gene silencing technology to drive the discovery of life-transforming medicines. Our computational platform, developed over the last decade, enables us to unlock key unmet medical needs by addressing the lack of disease biology understanding. This key differentiator allows the accelerated development of next-generation, highly specific therapies with higher likelihood of success.

Uniquely positioned at the intersection of two cutting-edge technologies



Learn more on page 15

Leveraging our computational power to build a pipeline of better RNAi medicines

>70
data sources

>300M
datapoints

RNAi
proprietary platform

100–1,000x
hit rates in small molecules

Our investment case

Better and faster drug discovery

We have an unparalleled ability to understand and model complex human biology. We integrate computational power with biology to discover life-transforming medicines and we believe that our approach can address some of the critical issues which are facing the industry, across modalities and therapeutic areas:

- understanding the biological mechanisms which drive complex diseases;
- selection of better therapeutic targets in the context of a known biological hypothesis;
- accelerated identification of novel and superior small molecule candidates; and
- minimisation of risk, time and cost of developing a drug from idea to regulatory approval.

Proprietary genetic medicine platform

We have developed our own genetic medicine platform, able to specifically silence any gene in the liver. Our technology is based on the naturally occurring RNAi mechanism. This modality is commercial stage, highly potent, long acting, safe and reproducible. We have made significant progress in RNAi, which has an extremely high barrier to entry:

- proprietary RNAi platform established, with 11 patent applications filed;
- characterisation studies completed and demonstrating highly competitive performance, equivalent to leading platforms;
- generated a hepatocyte knowledge graph, which will be a key differentiator in the search of novel targets and biological insights; and
- developed tailored applications of our computational platform for the design of RNAi constructs.

Growing multi-disciplinary team

Our experienced leadership is supported by a first-class team with wide-ranging expertise across a number of fields. A key advantage of our R&D organisation is the close collaboration between team members from different disciplines, including informatics, biology, chemistry and medicine. This translates into a unified approach to meeting the challenges faced both computationally and experimentally, among other benefits. Cross-departmental interactions and project team compositions are encouraged across our divisions:

- Informatics (software and data engineering, etc.);
- Discovery biology;
- Therapeutic discovery, translational medicine and development; and
- integrated support functions.

Scope for near-term value inflection points

Computational and AI approaches to biology/chemistry is an emerging sector, as is RNAi-based medicines. There is great interest and a high-growth trajectory in both of these fields, in which we operate. There is appetite for early partnering in the life cycle of the long R&D process. Near-term value inflection points could include:

- technology-based partnerships around computational drug discovery and/or leveraging our hepatocyte data and knowledge graph;
- collaborations combining both our computational platform and proprietary RNAi technology; and
- strategic and asset-based partnerships around our upcoming in-house pipeline of RNAi-based therapies.

Chairman's statement

A year of focus

Professor Trevor Jones CBE
Independent Non-Executive

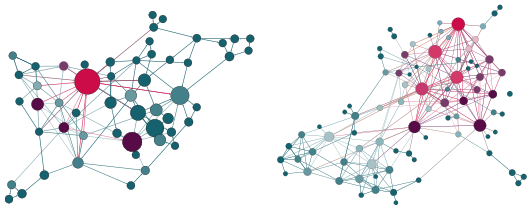
Dear Shareholder

The financial year to 31 January 2022 has been one of significant progress both scientifically and in terms of growing shareholder value, which sets us on a solid basis for future success.

As we announced during the year, e-therapeutics is a specialist in computational drug discovery, now with a focus on developing RNA interference (RNAi) therapeutics.

The core of our approach relies on the computational modelling and interrogation of biological mechanisms, moving away from the traditional "blind" screens that have been historically used by pharmaceutical/biotech companies to discover new drugs.

Our computational platform enables us to make sense of complex datasets. By placing genes in the context of the biological networks to which they belong we can identify key disease-related biological processes and pathways that can result in the identification of superior targets and the creation of unique, novel drug candidates.



Healthy Disease

Our focus

Our focus during the financial year ending 31 January 2022 has been on the development of our liver targeting RNAi platform. Our upcoming drug candidates are designed to silence disease-associated genes to treat key unmet medical needs.

RNAi medicines are next-generation therapeutics, and their design is markedly accelerated relative to traditional drug modalities as it is based on the human genetic code. Other advantages of RNAi therapeutics include:

- high specificity against their target gene, thus minimising potential off-target effects;
- long duration of action, supporting infrequent administration and reduced patient burden; and
- good safety profile.

An additional level of specificity can be achieved by coupling siRNA molecules to delivery systems for specific targeting of cell types. Our siRNA constructs are conjugated to N-Acetylgalactosamine (GalNAc) moieties which mediate highly specific delivery to hepatocytes in the liver.

I am pleased to report that we have made rapid progress in this field during the past year such that we were able to announce, in October 2021, top-line positive results from in vivo studies in non-human primates, confirming that the GalNAc-siRNA platform has been successfully benchmarked against leading competitor RNAi platforms.

These excellent results show that our proprietary delivery system and siRNA chemistries are competitive relative to peer platforms, which is a material step in the Company's ultimate goal of developing an in-house RNAi pipeline with future scope for early-stage partnering.

In addition, the Company is building the most complete hepatocyte knowledge graph integrating numerous data sources and its newly created, AI-enhanced, hepatocyte protein-protein interactome. This cell type-specific knowledge graph provides a key differentiator in the search for novel RNAi targets.

We firmly believe that our continuing success in this impactful therapeutic modality, together with our computational edge, places us in a strong competitive position.

In parallel, we have made further progress in our collaboration with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in idiopathic pulmonary fibrosis (IPF) and potentially in other fibrotic indications with high unmet need. Hit compounds were successfully identified and experimentally validated, further verifying the applicability of our platform across different areas of biology and under stringent success criteria set by leading partners.

Our financial position

These advances during this highly successful year have been made possible through the June 2021 £22.5m gross fundraise and I would like to acknowledge and thank new and existing shareholders for their continuing support.

The Board and management have advanced in implementing and maintaining robust financial controls. The Company has strengthened its financial position, enabling the next stage of growth, value creation and sufficient working capital for at least 12 months.

In the coming financial year, we will continue to drive forward with our strategic plans. We therefore anticipate a significant increase in the rate of spend whilst maintaining a prudent budget, which incorporates discretionary spend, that could be scaled back if considered appropriate.

Organisation

The new focus on RNAi therapeutics has been accompanied by some organisational changes. Ali Mortazavi's outstanding leadership as CEO has resulted in the establishment of two key discovery/development teams, with an Informatics focused division led by our CTO, Dr Jonny Wray, and a Biology focused division led by our CSO, Dr Alan Whitmore. These R&D divisions are supported by the rest of our experienced Executive Committee and its respective specialist teams in Finance, Business Development, Human Resources and Intellectual Property.

We have been fortunate to attract a number of key scientists to join our Company and are actively seeking to make additional appointments to further strengthen our teams as we prepare to populate our in-house pipeline with high-confidence candidates. Key open positions include an additional Non-Executive Director and a Chief Financial Officer.

As has been the case for all organisations during the past two years, and in line with Government requirements, the SARS-CoV-2 pandemic resulted in the need to establish new working arrangements. Fortunately, the nature of e-therapeutics, activities (in particular the central role of AI and computational biology) has meant that we have been less affected by the pandemic than has been the case for those companies whose activities depend on wet chemistry/biology laboratories.

As with any successful organisation, involving staff, at all levels, in discussions and decisions about their future and that of the organisation is paramount. Our Human Resources group led by Chief People Officer Stephanie Maley has been especially active in running a series of consultations and we have now agreed a hybrid working policy. We have opened a central London office conveniently located near transport networks, including international airports.

We continue to engage with shareholders and potential new investors, and I invite you to contact us should you wish to discuss any matters relating to our business.

Finally, in addition to congratulating all staff for their success during the year, I would like to express my thanks to Ali Mortazavi for his exceptional dedication and leadership and to thank my colleague Michael Bretherton, who, in addition to his NED role, has recently taken interim oversight of financial matters pending the appointment of a new CFO following the previously announced departure of Karl Keegan for family reasons.

It is my pleasure to be Chairman of the Company. We are excited about the potential for e-therapeutics going forward and in a strong position both scientifically and financially to achieve our objectives.

Professor Trevor Jones CBE FMedSci
Independent Non-Executive Chairman
4 May 2022

Q&A with our Chairman

How have you found the Chairman role?

Our CEO, Ali Mortazavi, and I have continued to work closely, in a similar fashion as to when he served as Executive Chairman and I held an NED role for the Company. It has been a smooth transition for me as the Board dynamics were established and we are kept closely informed about the progress of the business.

Why are you excited about the future of the Company?

Our mission of computing the future of medicine is an ambitious one. The true combination of computational power and biological data is something that has been often talked about but neither field has been mature enough to leverage and be synergistic with the other until now. The unique competitive position of e-therapeutics at the intersection of computational drug discovery and genetic medicine –two booming fields – poises us to make big strides in the discovery and development of better medicines and I am delighted to be a part of that.

What have you learnt from leading the Company through highly uncertain times?

Most people and businesses have learnt something from the pandemic. I have been positively surprised by the ability of our people to respond to change, adapt and make the best of the circumstances. Amid the pandemic, we have significantly expanded our headcount and I have been impressed by how new team members have integrated into and across departments. The nature of our business, which is not dependent on maintaining a wet lab in house, has facilitated matters and allowed us to maintain productivity, which is in itself another learning for a company of our size.

CEO's statement 2021/22

Review 2021/22

Ali Mortazavi
Chief Executive Officer

I am extremely pleased to report that 2021/22 was a transformative year for e-therapeutics. Following on from an unprecedented 2020, 2021 presented the Company with a different set of challenges which I believe we have successfully met and are now well positioned to execute our business model for many years to come.

Introduction

Our mission is to compute the future of medicine. We merge computational power with biology and chemistry, which will ultimately lead to the accelerated discovery of safer and more effective therapeutic interventions for patients. To this end, 2021 can be characterised as the year in which the enabling components were successfully put in place at e-therapeutics, ready for the implementation of our ambitious strategy.

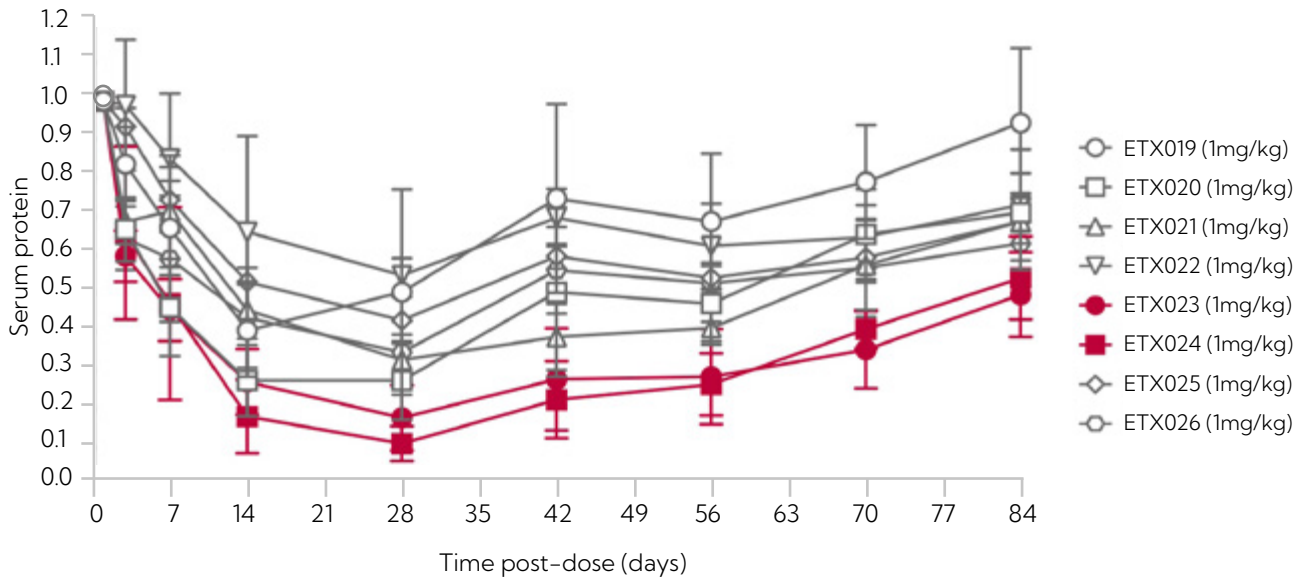
The development of a world-leading gene silencing (RNAi) platform

A key highlight of 2021/22 was the generation of in vivo data that have now established e-therapeutics as a leading company in the field of RNAi in the liver. In February, we began a series of experiments to conduct head-to-head testing of our novel GalNAc-siRNA chemistries against three gene targets in the liver, two of which are now approved drugs by the FDA. Our aim was to show at least equivalent performance in terms of safety and potency to the leading RNAi platforms. I am extremely pleased to report that of the eight different ETX chemistries that were tested, two of our construct designs consistently showed equivalent performance to the comparable best-in-class platforms in cell-based systems, rodents and non-human primates (NHPs). Importantly, we have built a strong intellectual property position in the space by filing 11 patent applications to protect our two designs. With the completion of this thorough characterisation, our GalNAc-siRNA platform is now established and ready to form the basis of our upcoming in-house pipeline.

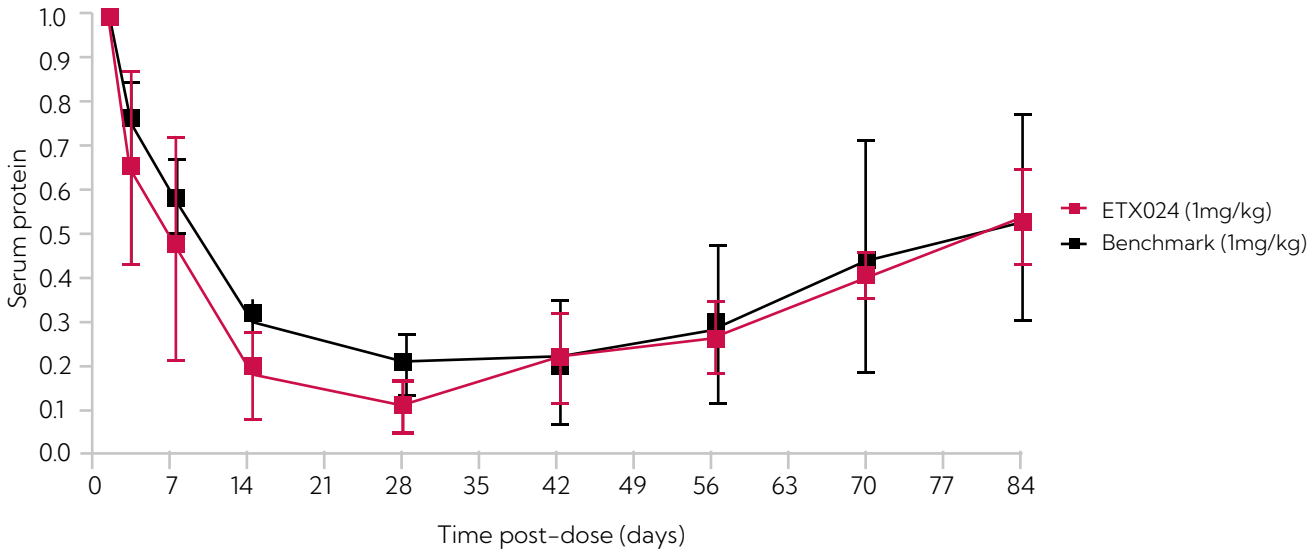
In practice, this means that once a target gene is selected, we can synthesise a lead siRNA sequence attached to our hepatocyte centric delivery system (GalNAc) within six months and at a cost of c.$500k. By way of comparison, the equivalent synthesis of a lead small molecule drug would not only lack the specificity of delivery to one cell type and the specificity to one target gene, but it would also take longer than c.4 years and cost c.$4m. These metrics are extremely attractive to a company such as e-therapeutics and allows us to achieve the fastest timelines possible in the drug development industry to initial biological readouts. Importantly, we have already set up and executed the process described above when benchmarking our chemistries against the best-in-class platforms in 2021.

We have established two different GalNAc-siRNA construct designs that have shown at least equivalent performance in terms of potency, target gene silencing and duration of action (up to three months) against the best competitor data in the same targets.

Different ETX constructs tested – Target Y



Competitive depth and duration of target knock-down



CEO's statement 2021/2022 (continued)

RNAi – a new therapeutic modality

I believe that the timing of our RNAi platform development has coincided with an industry consensus that RNAi is now a validated therapeutic modality. The field has seen four FDA approvals over the last few years (patisiran in 2018, givosiran in 2019, lumasiran in 2020 and inclisiran in 2021) and there is now a substantial body of human safety and efficacy data which we can also leverage upon.

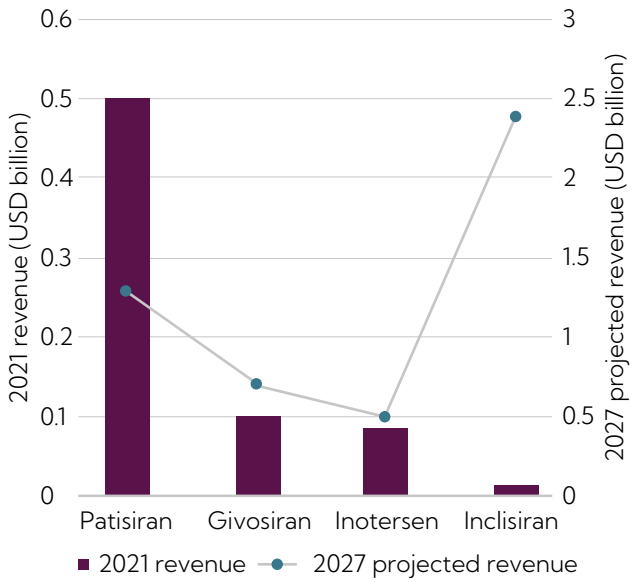
In addition, in November 2021, there was further confirmation of the value of RNAi as a new powerful drug class with the acquisition of Dicerna Pharmaceuticals by Novo Nordisk for $3.3bn. This acquisition not only shows the value that e-therapeutics has created with an at least equivalent RNAi platform as Dicerna Pharmaceuticals, but it has also removed a key competitor in a field that already had a very limited list of competitors for expertise and partnering. In short, your Company has benefited from over two decades and billions of dollars of investment in the field and is now well placed to capitalise on the opportunities which this powerful drug platform offers. To highlight the size of the opportunity open to us, the table opposite shows the sales figures of the top ten monoclonal antibodies (mAbs). Monoclonal antibodies are a more established biological drug class, which I believe serves as an indication of the growth that is open to e-therapeutics with access to a proprietary biological platform modality in the field of RNAi.

Our foundational computational biology platform

e-therapeutics has a long history and established position in the field of computational biology and, in particular, in the use of network biology to build unparalleled in silico models of cellular processes. Our computational techniques allow us to better capture human biological complexity and prevent the oversimplification of genotype-phenotype correlations that can lead to late-stage failures.

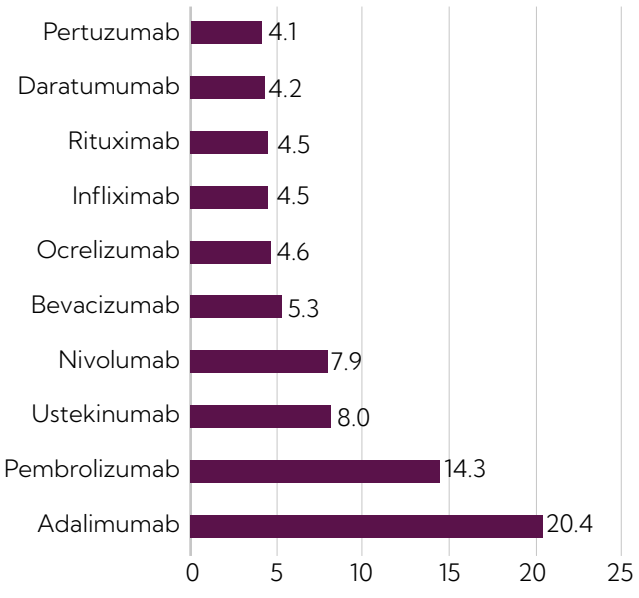
In addition to this established position, our platform is a great beneficiary of the dramatic increase in cloud computing processing power and the ability to analyse and model very large datasets, all at ever significantly lower prices. In 2021, advances in our computational platform focused on three key areas: platform and process streamlining, expansion of capabilities around target identification, and development of hepatocyte and RNAi-specific informatics. Platform streamlining was driven by migration of our computational platform from a hybrid to

2021 and projected 2027 revenue for approved siRNA therapies



Data was sourced from Global Data.

Top ten selling monoclonal antibodies (mAs) (USD billion)



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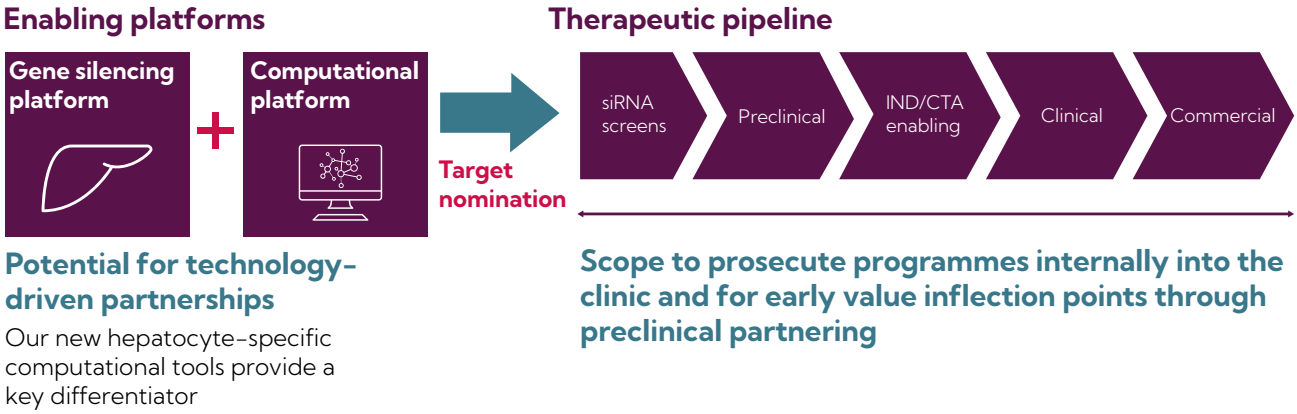
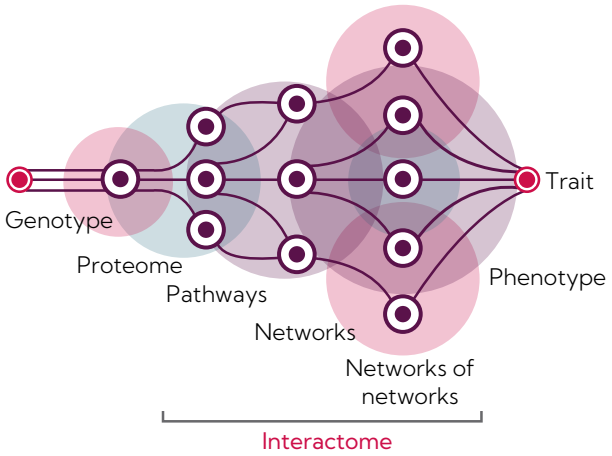


full cloud deployment, along with increased use of automation and initiation of development of a data mesh to underlie all our scientific data management. Advances in our target identification capabilities were motivated by the needs of both external collaborations and internal discovery programmes. Those advances focused on the generalisation of our in silico phenotypic screening approach and development of a suite of AI approaches to target deconvolution.



Historically, we have used small molecules in our discovery efforts and the Company will continue to leverage its expertise and capabilities in this modality for partnerships and collaborations. We will also use our small molecule datasets, including bioactivity signatures, as a way of computationally interrogating biological processes of interest and map network perturbations to identify targets for prosecution with our RNAi platform. We see collaborations and partnerships as an important source of non-dilutive revenue for the Company but perhaps of equal importance is working with partners to continue to stress test our platform and glean new insights which are directly transferrable to our upcoming in-house pipeline.

Hepatocyte knowledge graph and cell type-specific computational platform

During 2021, to support internal RNAi discovery programmes, we initiated programmes to generate proprietary hepatocyte-specific data, developed a hepatocyte focused knowledge graph and hepatocyte-specific expansions of our core network-based platform, and developed AI approaches to RNAi oligo and chemical modification design. We believe that our hepatocyte knowledge graph is already one of the largest data resources dedicated to this cell type and that it is a key differentiator in:

- enabling the identification of novel drug targets, together with the rest of our computational capabilities;
- further understanding hepatocyte-centric biological and disease mechanisms in a wide variety of indications and medical unmet needs; and
- increasing the scope for partnering opportunities in the RNAi field.

Ultimately, the beginning of the "fusion" between computation and biology will be the connection of this computational knowledge reservoir to relevant hepatocyte cell-based assays where we can test the consequences of our intervention strategies in the wet lab. This process is already underway as we invest in an ambitious proprietary data strategy to help develop our algorithms further.

Outlook

I have outlined here how, in 2021, we have joined all the necessary components to fulfil our mission of computing the future of medicine. We look forward to 2022 with great confidence and aim to demonstrate to shareholders, prospective partners and our industry as a whole that our computational edge and platform can materially change the risks, timelines and costs of the drug discovery/development process.

Ali Mortazavi
Chief Executive Officer
4 May 2022

Market overview

Our markets

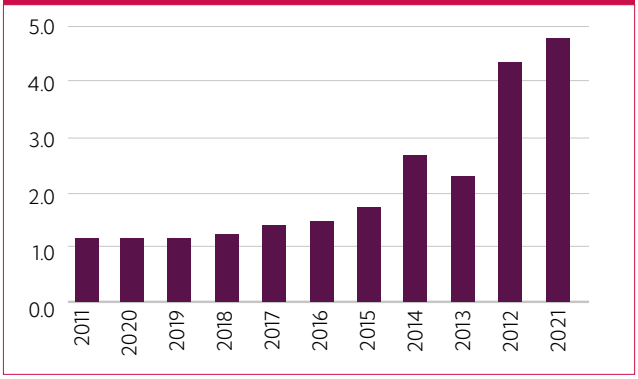
Traditional drug development is complex, lengthy, and expensive. Furthermore, the process is prone to high failure rates. According to the National Institutes of Health (NIH), for every drug that gained Food and Drug Administration (FDA) approval, more than 1,000 were developed but failed. Almost 50% of all experimental drugs fail in Phase 3 trials, likely driven by the limited understanding of human biology and the inability to link the therapeutic target to the disease. Additionally, early drug discovery is highly inefficient and has a typical hit rate of 0.1%.

Computational power

Population and system-wide studies have generated a plethora of biological data, with an exponential increase in the amount of data from in the last decade. Given the sheer volume of data and how complex and noisy they are, it has been extremely difficult for humans to derive actionable insights. In parallel, however, artificial intelligence (AI) has evolved into a powerful tool that enables machines to identify hidden statistical patterns in large scale datasets and derive business insights.
The massive increase in the availability and affordability of computational power over recent years means that the practical application of advanced AI approaches is now feasible. These approaches can now be used to interpret and extract value from biological data and make transformational contributions to the pharmaceutical industry.

Pharmaceutical companies have recognised the benefits of employing AI and are building their own in-house AI teams but have also invested in AI companies in the form of equity. Additionally, there is an increased amount of capital pouring into AI companies in the form of research partnerships with blue chip pharmaceutical companies, and late-stage VC, as well as IPOs and private investments in public equity, with total capital invested of $4.8bn in 2021 across >80 deals.

Total capital invested in AI drug discovery deals (USD billion)



Data for the graph were sourced from AlphaSense, Salveen Richter, *Americas Healthcare: Biotechnology: Byte-ology: The Convergence of Biotechnology and Technology,* Goldman Sachs Research, December 2021.

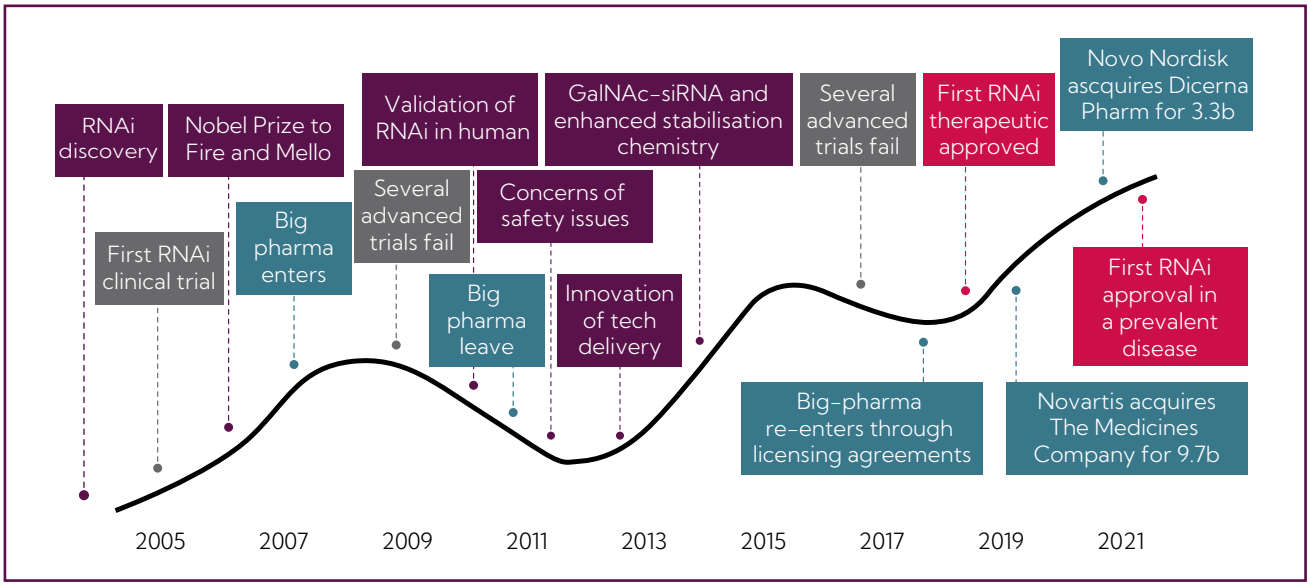
In recent years, a large number of AI companies have been formed that aim to tackle the fundamental challenge of developing new drugs, mostly based on using computational models to screen libraries of potential candidates for selection for drug development. Since its inception, e-therapeutics has built a computational platform that is continually being refined and encompasses multiple databases populated by proprietary data along with novel analytics using that data. Therefore, our technology can go beyond statistical predictions and provide a deeper understanding into biology to address human complexity by explicitly modelling the cellular processes involved in disease and then carrying out in silico perturbation analyses to discover high-confidence intervention strategy hypotheses for experimental confirmation.

RNA interference (RNAi)

RNA interference (RNAi) is a naturally occurring cellular mechanism for regulating gene expression mediated by small interfering RNAs (siRNAs). siRNAs are 19-25 base pair-long double-stranded molecules that can specifically target messenger RNA (mRNA) and prevent its translation. As a result, no disease-associated protein is produced in the cell. RNAi medicines are a novel class of therapeutic agents, with the first siRNA approval being that of patisiran in 2018. However, the journey to approval had many ups and downs. In 2008, not unlike the trajectory of other novel therapeutics, RNAi encountered difficult technical challenges with many pharmaceutical companies exiting the space despite significant investments. Innovative biotech companies aiming to address these barriers developed advances in delivery and modification technologies paving the way to recovery. Such an advance was the discovery of conjugating siRNA constructs to N-Acetylgalactosamine (GalNAc). GalNAc conjugation is considered a breakthrough delivery approach in the therapeutic oligonucleotide field, with multiple benefits, including high specificity, long duration of action, convenient and infrequent subcutaneous administration, and good safety profile. Following further improvements to the technology and with four RNAi treatments currently approved by the FDA (one not GalNAc based), the therapeutic modality has come of age. Blue chip pharmaceutical companies have heavily invested in the space as reflected by both licensing and M&A deals, such as the acquisition of The Medicines Company by Novartis for $9.7bn.

The first three FDA approvals in RNAi were for the treatment of hereditary rare diseases and have highlighted that RNAi-based medicines can achieve highly meaningful clinical outcomes in relevant patient populations, while being a well-tolerated modality. In addition, 2021 was a landmark year marking RNAi's first approval for the treatment of a highly prevalent cardiovascular condition. Leqvio® reached a milestone public health deal in September 2021. Following a positive NICE recommendation, the NHS has reached a commercial agreement with Novartis to pioneer a first-of-its-kind population health management approach to address elevated LDL-C in eligible patients with atherosclerotic cardiovascular disease across England, which is expected to treat approximately 300k patients at high risk of a second cardiovascular event. This now paves the way for the development of RNAi therapies which have the potential to dramatically improve the clinical outcomes for patients with common diseases and potentially address our biggest health problems.

Despite recent successes, the current competitive landscape of investigational RNAi therapies is highly overlapping in terms of the target genes that are being prosecuted by players in the space. In this context, our computational platform and proprietary hepatocyte knowledge graph place us in a differentiated position in the search for novel liver targets amenable to GalNAc-siRNA. This edge forms the basis for our strategy to build an in-house pipeline of better RNAi-based candidates.



How do we leverage our computational and RNAi platform technologies?

Model biological complexity and extract meaningful insights from large datasets

- We build in silico mechanistic models of human disease processes that we can interrogate
- Our proprietary computational technology enables us to derive actionable insights and derive value from complex and noisy big data
- The combination of our computational platform and proprietary hepatocyte knowledge graph uniquely positions e-therapeutics for the identification of better and novel GalNAc-siRNA targets

Reduce the time and cost associated with drug development

- Our computational engine gives us increased confidence in our programmes early on, before initiating lengthy and expensive experimental programmes, as it allows us to test millions of hypotheses in relevant in silico models of disease processes
- RNAi therapeutics require significantly less time and money investment to generate a drug candidate than small molecules, markedly accelerating the process and allowing multiple shots on goal
- The combination of our computational and RNAi platform technologies enables us to maximise the potential of our capital investment in drug discovery

Reduce the rate of failures during the drug development process

- Our greater understanding of the complex human biology we are aiming to disrupt enables the discovery of better intervention strategies, helping maximise probability of success
- RNAi is a highly specific modality for gene silencing and clinical success rates to date have been superior relative to conventional therapeutics (small molecules)

Our business model

e-therapeutics operates an adaptable, hybrid business model to maximise the impact of its enabling technologies across computation and genetic medicine. With the establishment of our proprietary RNAi platform, our business model is now able to unlock untapped opportunities by prosecuting novel target gene ideas identified in house to a later stage in development and therefore building long-term value, while also exploring strategic partnerships in earlier stages. We believe our differentiated way of understanding human disease places us in a strong position to discover better therapies for patients in need.

INPUTS

Multi-disciplinary team

Our people are our most important asset and the driver of the overall performance of the Company. We have prioritised a seamless integration of informatics with biology, chemistry and the drug development process to empower teams across the Company to deliver on ambitious objectives.

Data providers and CROs

Data providers feed our data foundation with millions of data points, which we curate and apply proprietary algorithms to. World-leading CROs provide us with cost-effective access to specialist wet labs for experimental testing of our computational predictions and RNAi programmes.

Advisors

Trusted advisors and key opinion leaders support e-therapeutics with flexible access to leading expertise and qualified advice in all areas of the business, including clinical insights in therapeutic areas of interest.

OUR PROCESS

Computational discovery

Over the past decade, we have built a powerful, experimentally validated computational platform centred around our pioneering expertise in network biology. We leverage the multiple applications of our modular computational platform, including hepatocyte-specific expansions, internally to discover novel biological insights and target gene ideas. In addition, we form partnerships with leading biopharmaceutical companies across small molecule discovery, target ID, mechanistic insights and the search for genetic support. This enables us to monetise the spare capacity of our platform and maximise the use and impact of our computational technology to transform drug discovery, both internally and externally.

In-house and strategic RNAi pipeline

We are populating an in-house pipeline of RNAi-based therapies, which can be generated on an accelerated timeline relative to other therapeutic modalities. We are now set up to prosecute novel target genes identified using our computational platform and are in the process of building a balanced in-house therapeutic portfolio of promising candidates, which we can advance through the drug development process ourselves or partner with leading organisations on at different stages.

OUR STRENGTHS

Computational platform

We have extensive experience in building and analysing complex biological network models that represent biological systems both in health and disease. We use our proprietary approaches to run perturbation analyses, explicitly considering the importance – not just the presence – of specific molecules within a network. This serves as the foundation to analyse omics data (including population genomics data, transcriptomics, proteomics, etc.) to identify novel therapeutics, targets, diagnostics and biomarkers and to segment patient populations.

RNAi gene silencing platform

The Company has successfully established a proprietary and highly potent GalNAc-siRNA platform, with at least equivalent performance to the best competitor platform. We have merged this key advancement with tailored innovations on the computational front to form the basis of an additional competitive edge for novel target identification. We have also developed AI approaches for optimal RNAi design and molecular signature analyses.

An integrated offering

The combination of mature technologies and expertise across diverse, highly specialist disciplines under one roof is a key strength of e-therapeutics and it is difficult to replicate elsewhere.

Intellectual property

e-therapeutics has filed 11 patents in key markets related to its innovative GalNAc-conjugated siRNA construct designs. The Company is in the process of filing patent applications for targets in therapeutic areas of interest. Our proprietary computational technologies are protected by trade secrets.

STAKEHOLDER VALUE

Employees

We provide a safe and rewarding work environment in which individuals can build on their current experience, develop new skills and stretch outside their comfort zone.

Partners

We form open and collaborative working relationships based on trust with our partners. We deploy the best of our technological abilities, skills and talent to ensure the success of our collaborations.

Patients

Our approach to significantly increasing the efficiency of the discovery process translates into the potential to get better therapies to patients faster. In addition, our enabling computational platform can enable discovery in areas where no progress is currently being made, ultimately aiming to serve patients who currently have no treatment options.

Shareholders

We focus on building long-term value for our shareholders. We aim to increase the probability of success of the therapeutic candidates we invest in and create near-term value inflection points by executing on our hybrid business model at the intersection of two booming fields.

Our approach

Our ultimate aim is to compute the future of medicine. Our approach is to strategically combine two cutting-edge technologies and fields to enable and accelerate the discovery of life-transforming therapies.

Arguably the key challenge facing early-stage drug discovery is the complexity of human biology. This complexity hampers the search for effective therapeutics at multiple levels, including the identification of biological processes driving disease, and the molecular basis of those processes, the identification of interventions that can significantly impact those processes, and the design and development of drugs that can specifically trigger those interventions. Our approach aims to explicitly tackle these issues and enable the rapid generation of higher conviction drug candidates.

Our computational platform is used to better understand complex human biology, define and computationally test therapeutic hypotheses, and identify possible drug targets. Our proprietary RNAi platform is then used to develop therapeutics aiming to silence those targets. While for internal programmes we are focusing on RNAi as a drug modality of choice, the computational platform we have built over the past decade continues to be disease and modality agnostic and provides scope for additional monetisation.

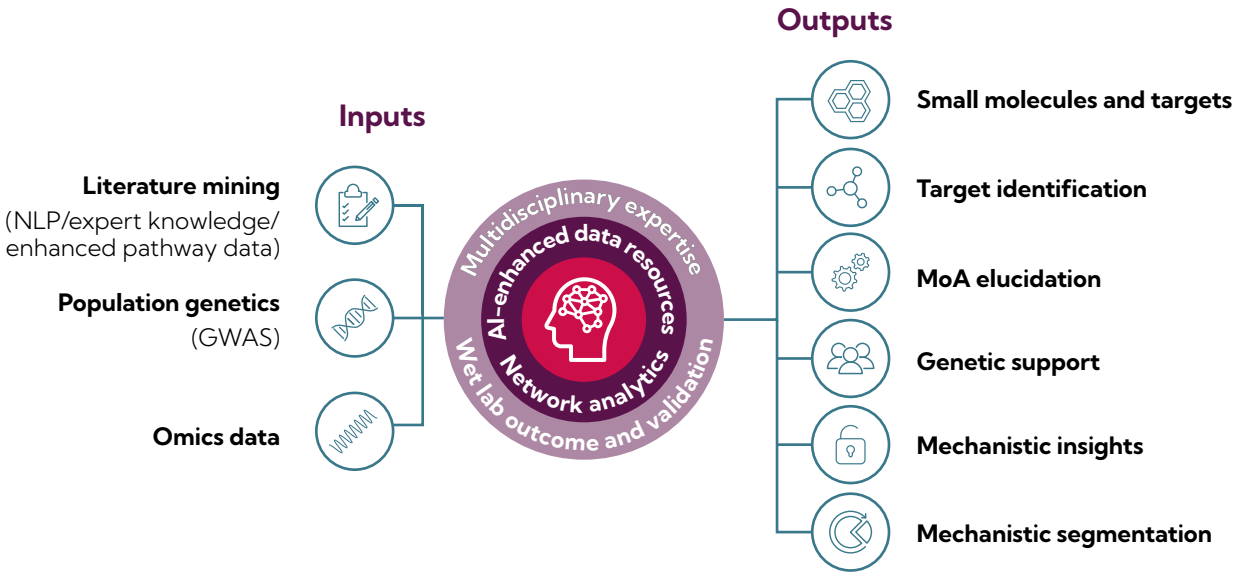
Our computational platform

The field of network biology has, over the last decade or so, provided significant evidence supporting the concept that cellular behaviour – including disease behaviour – is best understood as resulting from the interactions of multiple molecules within a complex network. Our approach to drug discovery builds on these concepts as we construct computational network-based models of the biological processes involved in disease and use those models to drive drug discovery.

Our computational platform implements the algorithms responsible for constructing these network-based models of disease processes. Advanced statistical algorithms, combined with computational optimisation, are used to process relevant "big data" datasets, and generate unparalleled network models. The use of disease-related human data, such as molecular profiling data from human tissue or population genomics data, results in networks representing the mechanistic underpinnings of human disease to a superior degree. The noise and bias inherent in these large-scale biological data are explicitly addressed using consensus analyses across both algorithms and sources of data.

Analytical approaches developed internally, which are built on pioneering network science techniques combined with novel statistical methods, are then used to drive in silico drug discovery:

- proprietary network analysis approaches to formulate and test millions of therapeutic hypotheses;



Our modular computational platform has a variety of applications to drive the generation of different outputs depending on the questions being asked of our models.

- perturbation analyses to provide an in silico mirror of compound phenotypic screening and target protein perturbation screening; and
- experimental confirmation. We have a generated wealth of experimental validation data for our platform, both internally and through partnerships, reproducibly increasing small molecule hit rates by 100–1,000 fold.

Our proprietary computational approaches are implemented in a cloud-based informatics platform, fully developed in house. The platform is built on a solid data foundation made up of multiple databases developed specifically to support our analytics. These databases are populated via proprietary data curation pipelines that integrate numerous proprietary and public sources. In addition, we make heavy use of advanced AI approaches for data augmentation, filling in the gaps present in empirically observed data. Our approach to software and data engineering ensures the continuing development of a high-quality codebase facilitating fast and reliable computational science and cross-team collaboration.

New RNAi technology: the convergence of two cutting-edge platforms

RNAi is a naturally occurring process that regulates gene expression within our cells. Our synthetic GalNAc-siRNA constructs harness this natural process to highly specifically silence the expression of disease-associated genes in hepatocytes (key liver cells). Hepatocyte targeting enables the development of therapeutic strategies in a variety of therapeutic areas, including cardiovascular, metabolic, renal and rare diseases.

During 2021, we have extensively characterised our proprietary GalNAc-siRNA constructs in in vivo studies, including in non-human primates, and have demonstrated highly competitive performance in terms of depth of gene silencing, duration of action and safety. Our highly potent and specific GalNAc-siRNA designs – comparable to market-leading platforms – enable us to rapidly generate genetic medicines designed to silence the expression of novel target genes discovered in house by leveraging our computational capabilities.

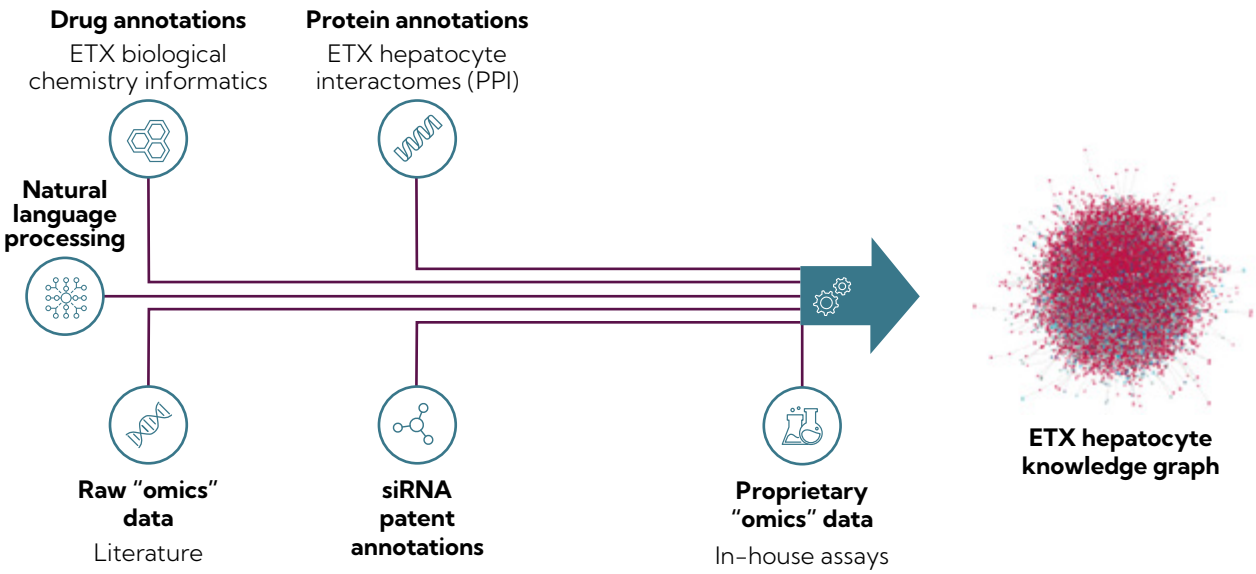
In order to integrate our computational platform with our RNAi platform, we have developed a number of hepatocyte-specific extensions to our foundational cell-type agnostic computational platform. This includes the generation of a hepatocyte-specific knowledge graph integrating data extracted from scientific literature using natural language processing (NLP) and AI, including hepatocyte protein-protein interactomes, experimental data from a wide range of data sources, and patent annotations, ahead of addition proprietary experimental data generated internally. We will apply our computational algorithms to the entire discovery and development process and have, starting with:

Target identification in hepatocytes

We use our hepatocyte knowledge graph as a starting point to investigate relevant disease biology and then construct and interrogate cell type-specific network models to derive high-confidence target hypotheses and rankings.

Systematic, AI-enhanced siRNA design

We leverage our computational power and use predictive in silico approaches at all stages of the discovery process. In particular, we have developed AI-based techniques for optimal siRNA sequence design. We will also leverage our network models when assessing the transcriptomic footprints of different siRNA constructs.



Our strategy

Our strategy centres around the merger of our computational platform and our newly developed RNAi platform for highly specific gene silencing. These two technology platforms are key unique selling points of our business and, by leveraging them both, we can better understand and harness human biological complexity with therapeutic strategies that have a higher probability of success. Ultimately, we strive to accelerate the discovery of better, life-transforming therapies for patients.

Unlike traditional drug discovery and development, we aim to ensure opportunities for near-term value inflection points to build shareholder value while we generate advanced data packages from our in-house pipeline candidates.

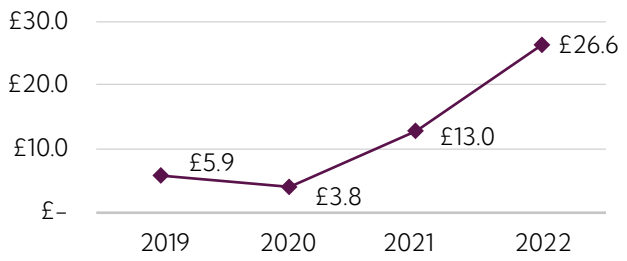
	Continued computational platform advancement	Establish a competitive RNAi platform	Develop an in-house pipeline of novel candidates	Attract and retain talent
Progress in the year	• Increased automation through the use of cloud computing • Enhanced target ID capabilities • Developed tailored hepatocyte-specific platform applications to complement cell type-specific RNAi gene silencing technology • Delivered on Galapagos collaboration in IPF, triggering multiple milestone payments	• Designed proprietary, liver targeting GalNAc-siRNA designs • Completed extensive characterisation studies in vitro, in mice and non-human primates • Demonstrated equivalent performance to leading platforms • Filed 11 patents to protect our inventions • Carried out thorough freedom to operate searches	• Developed proprietary enabling RNAi technology • Generated differentiating hepatocyte knowledge graph • Developed AI methods to accelerate and optimise RNAi design and screening • 360 assessment of a number of target and indication opportunities • Established relationships with key CRO partners	• Launched our careers website to create direct engagement with candidates • Built on successful relationship with preferred recruitment supplier to position us competitively within the industry • Attended university careers fair to link directly with prospective junior candidates

	Continued computational platform advancement	Establish a competitive RNAi platform	Develop an in-house pipeline of novel candidates	Attract and retain talent
Focus into next year	• Further streamlining of computational discovery processes • Continue cell-type specialisation and precision discovery approaches • Further validation and monetisation through additional collaborations	• Continue to optimise and accelerate AI-enhanced RNAi design, learning from proprietary experimental data • Leverage computational platform advances and network modelling • Explore innovative applications of our constructs and alternative designs for other purposes	• Execute on programme prosecution, generating data packages on multiple target genes • Publicly unveil focus therapeutic areas • Execute on in-house hepatocyte omics data strategy • Explore early partnering	• Enhance employer brand through increased promotion via social media and other channels • Launch online performance management tool to enable all staff to manage and track their development in real time
Links to strategy	• Funding the business • Protecting our IP • Competition and new technologies • Recruiting the best people • Retaining and motivating the best people • Engaging a team during remote working • Ensuring the integrity and security of our information	• Funding the business • Protecting our IP • Competition and new technologies • Recruiting the best people • Retaining and motivating the best people • Engaging a team during remote working • Developing employees and sharing knowledge • Reliance on key suppliers • Ensuring the integrity and security of our information	• Funding the business • Protecting our IP • Competition and new technologies • Recruiting the best people • Retaining and motivating the best people • Engaging a team during remote working • Developing employees and sharing knowledge • Reliance on key suppliers • Ensuring the integrity and security of our information	• Funding the business • Protecting our IP • Recruiting the best people • Retaining and motivating the best people • Engaging a team during remote working • Developing employees and sharing knowledge • Ensuring the integrity and security of our information

KPIs

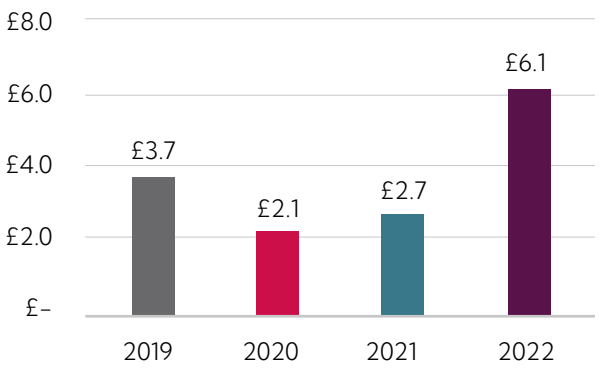
CASH AND SHORT TERM INVESTMENT BANK DEPOSITS REPORTED IN THE STATEMENT OF FINANCIAL POSITION

An equity fundraise of £21.7m was completed in June 2021 to expand the Company's platform capabilities and asset pipeline including investing in RNAi therapeutic programmes, further developing the computational platform, generating hepatocyte proprietary data and building and populating an internal pipeline of high-conviction early assets, as well as recruiting to support the scale-up. Our budgets show that the Company has sufficient cash and bank deposits to continue in operational existence for at least 12 months from the signing of these financial statements.



R&D SPEND AS REPORTED IN THE INCOME STATEMENT

The core foundation of our strategy is based upon enhancing our platform and innovating new processes and technologies to derive long-term value. Significant progress has been made on our GalNAc-siRNA platform which will enable the Company to benchmark its performance against competitor candidates. In addition, a dedicated team has been established to leverage our computational network biology discovery platform, specifically for the identification of novel target genes expressed in hepatocytes, which are amenable to GalNAc-mediated siRNA delivery. The Company is also building a most complete hepatocyte knowledge graph, integrating numerous data sources and its newly created AI-enhanced, hepatocyte protein-protein interactome. Proprietary omics data from experimental studies will be included in due course and will enhance the computer-laboratory interface. We anticipate significantly increased R&D spend in the coming financial year as we continue to drive forward with our strategic plans.



AVERAGE HEADCOUNT

32

We have continued our recruitment drive to source the best people to scale-up the Company. Accordingly, there were high levels of recruitment throughout the financial year. The headcount at 31 January 2022 was 35, compared to 25 at 31 January 2021. We anticipate an increase in the average headcount in the coming financial year as recruitment efforts continue.

PATENT APPLICATIONS FILED

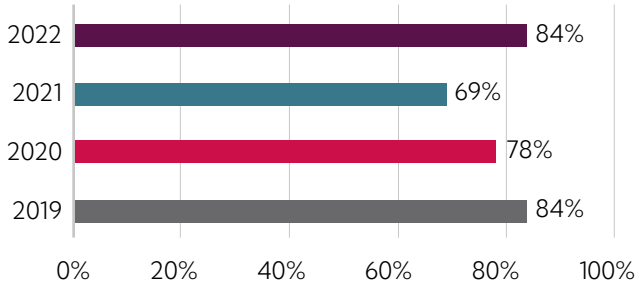
11

An important metric of R&D progress and innovation is the generation of intellectual property to protect the Company's inventions. While on the computational side we continue to rely on a trade secrets strategy for intellectual property protection, we have filed 11 patent applications relating to the development of our proprietary GalNAc-siRNA gene silencing platform. We will continue to file patent applications as we discover and develop a pipeline of therapeutic candidates based on this technology.

EMPLOYEE RETENTION

84%

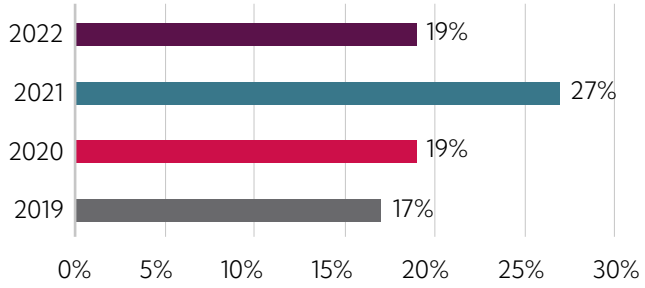
Employee retention is calculated as the number of employees with greater than one year's service at the current year end over the total headcount at the prior year end. Following a more stable year, we see this KPI report a favourable upward trend.



EMPLOYEE TURNOVER

19%

Employee turnover is calculated as the number of leavers in the year over the average employees in the year. Our employees are vital to our success and we have implemented various initiatives to retain employees during the year, which is reflected in an improved KPI score. We have bolstered our benefits offering to support physical, mental and financial health, introducing new processes and systems to ensure an efficient and transparent HR offering. We will continue enhancing our people strategy during the coming financial year.



Section 172(1) Statement

The Directors acknowledge their duty under S.172 of the Companies Act 2006 and consider that they have, both individually and together, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, they have had regard (amongst other matters) to:

RESPONSIBILITY	OUR APPROACH
The likely consequences of any decision in the long term	The Group's long-term strategic objectives, including progress made during the year and principal risks to these objectives, are shown on pages 16 and 17.
The interests of the Company's employees	Our employees are fundamental to us achieving our long-term strategic objectives, as more fully disclosed in Principle 3 of the Corporate Governance Statement on page 40 and the Our People section on pages 24 and 25.
The need to foster the Company's business relationships with suppliers, customer and others	A consideration of our relationship with wider stakeholders and their impact on our long-term strategic objectives is also disclosed in Principle 3 of the Corporate Governance Statement on page 40.
The impact of the Company's operations on the community and the environment	The Group operates honestly and transparently. We consider the impact on the environment of our day-to-day operations and how we can minimise this. Further disclosure on how we promote a corporate culture based on ethical values and behaviours is included in Principle 8 of the Corporate Governance Statement on page 42 and in the Risk Management section on page 29.
The desirability of the Company maintaining a reputation for high standards of business conduct	Our intention is to behave in a responsible manner, operating within high standards of business conduct and good corporate governance. Not only is this covered in our Corporate Governance Statement on pages 40 to 46, but is also epitomised in our risk management and business continuity framework on pages 28 to 33.
The need to act fairly as between members of the Company	Our intention is to behave responsibly towards our shareholders and treat them fairly and equally, so that they too may benefit from the successful delivery of our strategic objectives.

Stakeholder engagement

Employees

Why we engage

Our business is largely built upon the intellectual capability of our people. We value and depend upon the contribution each person adds to the overall performance of the Company. We provide interesting work with the opportunity for people to take on new challenges in terms of how they can build on current expertise and develop knowledge.

How we engage

We treat our people with honesty and respect, which is reflected throughout our corporate values. We entrust the daily management and development of people to line managers, whilst providing an overarching ethos on how to manage and reward performance. We launched our corporate values within the year and linked these to a new performance management approach, which is built upon the OKR framework. By doing so, we created links between corporate, team and individual objectives to deliver performance across all levels.

Outcomes of engagement

Throughout the year we have asked our people to complete several surveys on topics. The output of these surveys has been invaluable to gauge engagement and adapt in a time of global pandemic. We encourage all our people to contribute ideas, not just limiting this feedback to immediate line managers. We hold monthly Company-wide meetings which allow people to ask questions to anyone within the Company.

CROs

Why we engage

We do not currently have an in-house wet laboratory for experimental testing and setting one up would incur more significant expenses as opposed to contracting the work. As such we rely on working with world-leading external organisations to obtain access to experimental capabilities and technologies needed to advance our drug discovery projects. The data generated by CROs is critical for progression of our therapeutic RNAi molecules.

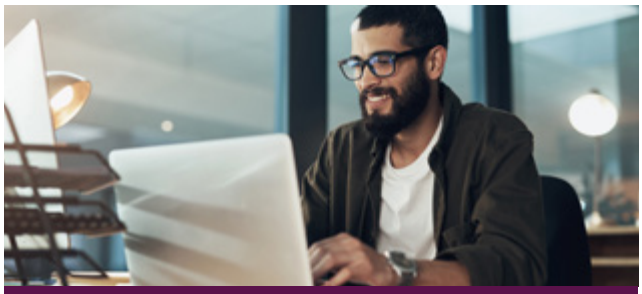
How we engage

We choose the best CRO for each project, from large multinational companies to small specialist CROs with innovative experimental systems. Our Therapeutic Discovery team has regular meetings with our CROs to ensure complete alignment between parties and to build the relationship of trust needed to ensure fruitful collaborations.

Outcomes of engagement

By accessing world-leading experimental capabilities and technologies we ensure that the generated preclinical data are of the highest quality, one that would ensure translatability into the clinical setting. Our trusted CROs also provide us with valued input and the flexibility to make quick data-driven decisions.

Stakeholder engagement



Advisors

Why we engage

As a disease agnostic company, we work with advisors within our therapeutic areas of interest to gain independent input for our drug discovery projects. Engaging with advisors allows us to further deepen our insights without the need to increase Company operational costs.

How we engage

The advisors we work with are considered key opinion leaders in their respective therapeutic areas and have a long track record of highly cited peer-reviewed publications, as well as attendance of relevant conferences. We have entered into long-term working relationships with key advisors and regularly meet to gain their input.

Outcomes of engagement

Through working with scientific clinicians as well as prescribers we have been able to obtain independent insights into the targets of interest and considerations relating to future disease landscapes as well as clinical trial considerations.

Partners

Why we engage

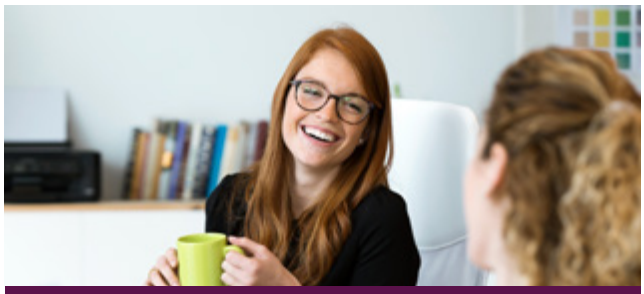
For all our partners we offer a solution to the critical challenges in drug discovery. Our expertise in generating in silico models of biological and disease processes in combination with our partners' domain expertise allows us to efficiently bring novel medicines to the market.

How we engage

We leverage our platform and expertise capabilities across a diverse range of biological processes associated with various therapeutic indications. Our highly experienced multidisciplinary teams, comprised of computational biologists, systems biologists, data scientists and software engineers, enable us to operate seamlessly with our collaborators.

Outcomes of engagement

During 2021, e-therapeutics received three separate pre-defined operation and success milestones from our collaboration partner, Galapagos NV. Using our computational platform and know-how, e-therapeutics has successfully identified hit compounds against a specific biological process of interest to Galapagos involved in idiopathic pulmonary fibrosis and potentially in other fibrotic indications. The companies are currently working on how to characterise these hits further.



Data providers

Why we engage

A solid data foundation is a key requirement for the successful application of computational approaches to the understanding of human disease and drug discovery. We generate our own proprietary data and, in addition, use external providers to allow us to augment this proprietary data.

How we engage

We have ongoing, multi-year relationships with several providers covering a wide range of biological and chemical data. These facilitate streamlined data update processes and, in addition, allow us to feed back suggestions for possible improvements in existing data. In addition, we work collaboratively to drive incorporation of novel data sources or types based on changing business requirements and ongoing development of our computational platform.

Outcomes of engagement

Proprietary integration of multiple diverse datasets from external providers generates internal data resources that drive all the analytics and processes implemented in our computational drug discovery platform. The ongoing relationships with our data providers allowed us to rapidly specify required expansion of those sources to cover our specialisation in RNAi and hepatocytes. Providers now contribute several diverse datasets incorporated into our hepatocyte knowledge graph.

Shareholders

Why we engage

As a public market-listed company, it is critically important that investors understand our long-term strategy, including the potential upside from investing in e-therapeutics, as well as the risks. This includes setting market expectations and then reporting progress against our key objectives on a regular basis.

How we engage

For institutional investors, we engage directly through meetings and by maintaining relationships with equity research analysts, to ensure there is a regular flow of information about e-therapeutics.

Outcomes of engagement

The Group's shareholders play an important role in monitoring and safeguarding the governance of the Group by ensuring their views are brought into Board discussions and considered in decision making.

Our people

We believe that engaged people are crucial to our success. This year saw the launch of our new corporate values, which reflect the ethos of the Company and form the foundation for how we work and perform. We continue to attract talented people who aspire to our culture. We have collaborated to find a new hybrid approach to work, which will harness the best of traditional office-based working and continue to offer the flexibility created during the pandemic.

Highlights in the current year:

- Successful talent acquisition increasing the Company to 35 people
- Launched corporate values and made these integral to our performance management philosophy
- Enhanced our diversity through new hires

Plans for the coming year:

- Relaunch the employee benefits package
- Introduce formal opportunities for corporate social responsibility (CSR)
- Devise additional health and wellbeing initiatives to promote the overall benefits of mental, physical and emotional wellbeing

Our culture and values

We devised and launched corporate values during the year. These form the cornerstone of the way in which we operate and build on our Company ethos. The values include being curious and passionate, encouraging and promoting diversity of thought and working with that to find collaborative compromise.

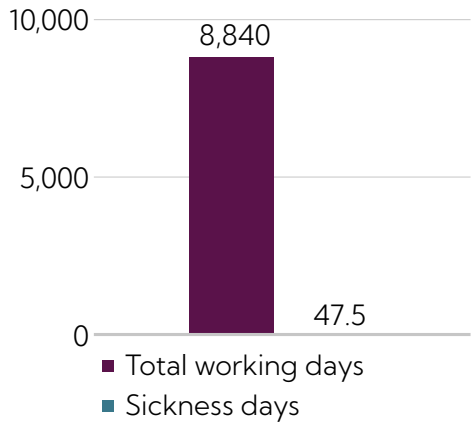
We actively encourage and empower our people to take calculated risks, yet acknowledge that mistakes can happen. It is our belief that if we are honest about mistakes, and own and learn from them, then we will build a stronger and better company. We like people to be ambitious and have a sense of humour and offer an environment where people enjoy their work and are rewarded for their performance.

We recognise the importance of investing in our people. During the year we launched our new performance management framework, based around the "objectives and key results" (OKR) approach. This approach links individual, team and Company performance, whilst also asking people to reflect on and incorporate our values across all aspects of their work.

Diversity and inclusion

We continue to attract and retain people who bring a wealth of diversity to our Company, through thought, nationality, gender and race. All our hiring managers attend selection training to highlight the issues of unconscious bias. Whilst this is primarily targeted at making selection decisions, the training also promotes our approach to being consciously aware of our own biases.

Days lost due to sickness



Only 0.5% of working days have been lost due to sickness, which is significantly lower than the typical target of 1.5-2%

Hybrid working

During the latter part of the year we consulted and launched a hybrid working transition phase. A hybrid working model has strong support across the Company. We feel it is most suited to deliver the integrated teamwork that we need for success while also benefiting from the flexibility, efficiency, and convenience of a degree of virtual working.

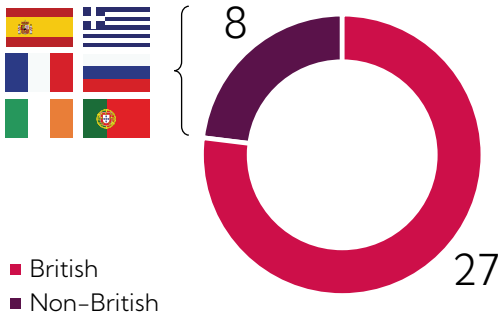
Attracting and developing talent

We continue to expand, and this year saw us enhance our employer brand as we increased headcount. The relaunch of our website enables more candidates to easily access information about us, which will enrich their experience and improve our candidate attraction through direct messaging.

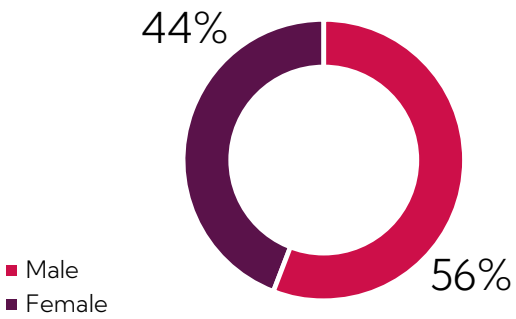
Engaging our people

We advocate an open culture where people are free to express their thoughts and ask questions. We hold regular virtual Company Forums to which everyone is invited, where key Company messages are communicated, and views and opinions are sought. We have undertaken several surveys to capture feedback from all our people to help us ensure our people are heard and changes are made.

Nationality



Gender split



Through my work at e-therapeutics I can contribute to the fast-paced biopharma industry, while being a member of a close-knit team of professionals that share a common goal. As part of my role, every day is different, and through my work I am exposed to highly strategic matters and directly involved in helping to shape the Company's pipeline. Since January I have really enjoyed meeting my colleagues in person in our London office and made good use of our office in Central London.

Stefania Mataragka
Senior Business Analyst, Competitive Intelligence

The in-house software platform we use to guide our drug discovery is our key differentiator in the industry. Since joining the Company in January 2020, I have used my experience of building large, complex products to ensure this core capability will suit the demands of our future growth in capacity and direction. This task has been equal parts technology and team building. On the people side, the team has grown and will continue to grow, so we have introduced software engineering principles and processes that strengthen teamworking, agility, efficiency, and excellence so we can expand the range of research processes that the platform can support.

Ankit Sharma
Head of Software Engineering

We have continued to build the multidisciplinary Therapeutic Discovery team, combining expertise in disease biology, drug discovery and siRNA chemistry. The RNAi benchmarking studies demonstrated the capabilities of our proprietary GalNAc-siRNA platform. Our focus is now on rapidly advancing a pipeline of exciting hepatocyte targets. The unique combination of network biology and RNAi drug discovery at e-therapeutics will enable us to rapidly bring innovative new medicines to patients and create exciting opportunities for our team to develop its expertise.

Graham Craggs
Head of Therapeutic Discovery

Financial review

Revenue
£0.5m
2021: £0.3m · 2020: £0.5m

Increase/(decrease) in cash and short term investment bank deposits
£13.6m
2021: £9.2m · 2020: £(2.1)m

Cash and short term investment bank deposits balance
£26.6m
2021: £13.0m · 2020: £3.8m

R&D tax credit receivable
£1.5m
2021: £0.8m · 2020: £0.6m

R&D spend
£6.1m
2021: £2.7m · 2020: £2.1m

Operating loss
£9.6m
2021: £4.5m · 2020: £2.9m

Loss for the year
£8.1m
2021: £3.7m · 2020: £2.3m

Average headcount
32
2021: 18 · 2020: 16

This has been a year of significant progress which has included strengthening the management team and raising net proceeds of £21.7m through an equity issue in order to fund an expansion of the Company's RNAi and computational platform capabilities and build and populate an internal pipeline of high-conviction early assets.

Revenue

Revenue of £0.5m for the year (2021: £0.3m) relates mainly to the partial recognition of upfront payments and the achievement of milestones under the collaboration agreement with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in IPF and potentially in other fibrotic indications.

Multiple in vitro and in vivo studies to test newly designed siRNA constructs were undertaken during the year with headline results announced that show at least equivalent performance and safety to industry-leading RNAi platforms. This is a material step in the Company's ultimate goal of developing an in-house RNAi pipeline with future scope for early-stage partnering and revenue generation.

Fundraise

An equity fundraise of £21.7m (gross £22.5m less related costs and commissions of £0.8m) was completed in June 2021 to expand the Company's platform capabilities and asset pipeline including investing in RNAi therapeutic programmes, further developing the computational platform, generating hepatocyte proprietary data and building and populating an internal pipeline of high-conviction early assets, as well as recruiting additional scientists and staff to support the scale-up. Overall headcount (excluding Non-Executive Directors) increased from 25 at 31 January 2021 to 35 at 31 January 2022.

R&D expenditure

R&D expenditures increased considerably to £6.1m compared to £2.7m for the prior year. Significant progress has been made in developing the Company's RNAi therapeutics platform and 11 patent applications have now been filed, including around stabilising chemical modifications enabling specific hepatocyte (liver cell) targeting. The Company has also continued to advance its computational platform, with an increased focus on network-aware novel target identification, mode of action elucidation and target deconvolution.

Administrative expenditure

Administrative expenditure for the year totalled £3.9m (2021: £2.1m) inclusive of a share-based payment employee option charge of £0.5m (2021: £0.4m). The increased cost reflects continued improvements to our underlying system infrastructure and processes to ensure that they grow with the business, enabling our increased employee base to work efficiently and ensuring the safety of our information assets. This included the opening of a modern London head office in late October 2021, although subsequent Omicron-related COVID-19 restrictions meant that the office did not become fully operational until after the recent lifting of all such restrictions in England on 24 February 2022.

Operating loss

The operating loss for the year of £9.6m is £5.1m higher than that in the prior year. This is mainly attributable to increased R&D expenditure, together with higher administration costs as the business continues to grow.

R&D tax credits and loss for the year

The consolidated income statement includes an R&D tax credit of £1.4m (2021: £0.8m) in relation to the current year, bringing down the loss for the year to £8.1m (2021: £3.7m). The R&D tax credit claim has not yet been submitted to HM Revenue and Customs, but historically the amounts received have been materially in line with our calculated tax receivable estimate included at the year end.

Cash flow

Year end cash and short term investment bank deposits amounted to £26.6m, which is £13.6m higher than at the previous year end. The increase reflects an equity fundraise inflow of £21.7m, together with R&D tax credits received of £0.8m, partially offset by an underlying net outflow cash burn of £8.8m relating mainly to operating losses exclusive of non-cash charges in relation to share-based payment employee option costs of £0.5m and depreciation, amortisation and impairment costs of £0.2m. Capital expenditures in the year include £0.8m in respect of a right to use property comprising a new London office lease which was fully funded by a corresponding finance lease liability.

Financial outlook

In the coming financial year, we will drive forward with the strategic plans formulated during the large mid-year fundraise in June 2021 which include:

- generation of experimental hepatocyte-specific proprietary data for the Company's in silico discovery engine;
- advancement of two to three RNAi therapeutic programmes through preclinical development;
- progress a first-in-human clinical study for one RNAi asset to provide additional validation;
- further development of the Company's computational platform; and
- exploration of RNAi in other cell types.

Our budget, which has been prepared to reflect the above strategic plans, shows that we have sufficient funds to continue in operational existence for at least 12 months from the signing of these financial statements. We anticipate a significant increase in our rate of spend, but our budget remains prudent and incorporates discretionary spend which could be scaled back if considered appropriate.

Michael Bretherton
Chief Financial Officer
4 May 2022

Risk management

The Group remains committed to understanding, analysing and addressing risk and identifying procedures to minimise risk impact

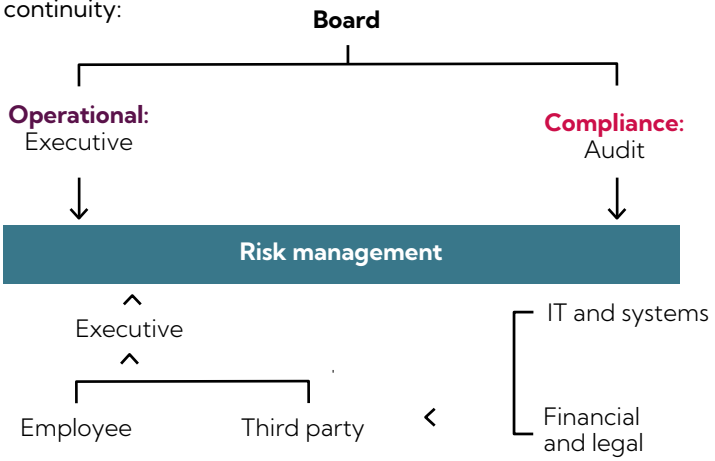
The Board is accountable for identifying procedures to minimise risk impact and implementing these at every level of the business, in an ongoing process overseen by the Audit Committee. The Executive Committee manages the day-to-day implementation of the risk management framework.

Risks continue to be monitored in an open and robust way, with specialists being engaged where it is deemed appropriate to the risk identified.

The Group's system of risk management and internal control is embedded throughout every level of the business. Our risk management framework is designed to assess our risks and ensure that mitigations are appropriate to keep the risks within the acceptable risk level policy of the Group. Our business continuity management strategy is designed to safeguard the Group's assets and the reliability of information within the business as well as the health and safety of our employees. We ensure that opportunities as well as risks are identified and that the Board has the correct information to drive shareholder value.

Our risk assessments and risk registers are used to drive our business continuity plans, underpinned by our employee policies.

The Group's approach to risk management and business continuity:



COVID-19

The financial year started with the third lockdown in England officially underway but with a COVID-19 vaccine strategy being rolled out with a view to targeting the lifting of COVID-19 restrictions by mid-2021. The final stage of such restrictions was subsequently lifted in England on 19 July 2021, allowing for a full reopening of society in England from that date. Until that time e-therapeutics effectively continued to operate as a virtual company with a remote working from home approach to ensure the safety of our employees. We had facilitated an efficient remote working environment during the previous year with enhanced IT security and infrastructure as well as employee engagement, resource management and knowledge sharing. Following the lifting of COVID-19 restrictions in July, we encouraged a return to working at our Oxford premises for around three days per week with the other two days continuing as remote working. Given our growth strategy and increasing headcount, we had for some time already been planning a move to larger premises and, in consultation with our employees, a decision was taken to secure new head office premises located in London. Those offices were opened in late October but the transition to working from London was temporarily halted in early December when COVID-19 restrictions were reintroduced due to the threat of the Omicron variant. Following a successful COVID-19 booster vaccination programme and falling Omicron infections, all COVID-19 measures were again fully lifted in England on 24 February 2022, by which time we had reopened our premises and recommenced our return to work policy. We are pleased with the support that we have had from our employees in dealing with the COVID-19 risks and with their hard work and dedication in helping to drive forward our RNAi therapeutic programmes and our computational platforms, together with progressing the development of an internal pipeline of high-conviction early assets.

ENVIRONMENTAL CHANGE

We operated as a virtual company during a large part of the year as COVID-19 restrictions caused us to invoke a working from home policy. However, our offices are now open and we encourage employees to enjoy a healthy lifestyle. This includes offering a cycle to work scheme and a flexible working policy, which permits our employees to miss the rush hour. Such initiatives have the double benefit of improving employee wellbeing and reducing their impact on the environment. This is an area that we remain conscious of and are always open to initiatives to improve our working policies to make them more environmentally friendly.

The way we conduct our research also helps us minimise our environmental footprint, through the market reduction in experimental testing enabled by our computational platform and through the use of cloud computing.

BREXIT

Our operations are largely UK based. Our people are our key resource and we will continue to support our people however we can, including support with any impact on them that Brexit may have. Our current business model does not include importing or exporting to the UK. Whilst aspects of our supply chain are EU based, we do not anticipate Brexit to significantly impact our working relationships with suppliers, or any other stakeholders.

Principal risks and uncertainties

No change in risk level since prior year

Decrease in risk level since prior year

Increase in risk level since prior year

STRATEGIC RISKS

FUNDING THE BUSINESS

Risk

The biotechnology and pharmaceutical industries are very competitive, with many major players having substantial R&D departments with greater resources and financial support. The Group aims to continue to find suitable collaboration partners and eventually generate enough revenue to sustain the business.

Without this, reliance falls on investors or potential M&A opportunities. Failure to generate additional funding from these sources if required would completely compromise the Company's ability to achieve its strategic objectives.

Key mitigations

- We raised net proceeds of £27.1m during the year through the issue of equity share capital, to scale the Company's business model – see the CEO's Statement on page 6 to 9.
- We have strengthened our business development team through recruitment, including the appointment of a Chief Intellectual Property Officer – see our board and leadership changes on page 1.
- Focus on technology enhancement and people development – see our strategic priorities on pages 16 and 17.

FEASIBILITY OF DRUG CANDIDATES

Risk

Drug candidates can fail due to a lack of efficacy or potency, unacceptable toxicology results or insurmountable challenges in medicinal chemistry. This is the main reason that the conventional pharmaceutical R&D model takes many years and billions of dollars from discovery to approved medicine. Therefore, there is a risk that we will not successfully identify any viable drug candidates.

Key mitigations

- Focus on technology enhancement and people development, not only internal asset development – see our strategic priorities on pages 16 to 17.
- Our network-driven approach is designed to de-risk traditional drug discovery approaches, through the application of our complementary NDD and GAINS technologies, enhanced by our expansion into RNAi as a therapeutic modality. Furthermore, our approach is disease agnostic – see more in our business model on pages 12 to 13 and our approach on pages 14 to 15.

PROTECTING OUR INTELLECTUAL PROPERTY (IP)

Risk

If our IP rights are not adequately secured or defended against infringement, or conversely become subject to infringement claims by others, commercial exploitation could be completely inhibited.

Key mitigations

- The operation and maintenance of our informatics platform, the key technological mechanism for value creation, requires detailed, advanced know-how and expertise which would be difficult and time consuming for competitors to replicate – see our approach on pages 14 to 15.
- We actively manage our IP, engaging with specialists to apply for and defend IP rights, and we have appointed a specialist Chief Intellectual Property Officer.

COMPETITION AND NEW TECHNOLOGIES

Risk

The scientific and technological sectors are fast growing and there is a risk that competitors develop new technologies that supersede our platform. There is a risk that we will not keep up to date with the latest developments and that our platform is not current and therefore not valuable to our customers.

Key mitigations

- Continuously work to improve our technologies and develop new internal assets in key areas of science that are valuable to our customers – see our strategic aims on pages 16 to 17.
- Since the latest fundraise, we have continued to invest in our RNAi therapeutic programmes and core computational platform technologies. computational platform, which leverages our expertise in network biology and provide genetic validation as an important de-risking checkpoint, complemented by our expansion into RNAi give us an edge over competitors – see more in the CEO's Statement on pages 6 to 9.

OPERATIONAL RISKS

RECRUITING THE BEST PEOPLE

Risk

The knowledge skill set of our employees is fundamental to the ongoing success of the Company, yet often intuitional and hard to document. Recruitment is an imperative cornerstone to our plans to scale the business following the fundraise during the year. This brings challenges of attracting the right people, both in terms of skill set and cultural fit, as well as ensuring that knowledge is shared both ways with the current team. The wrong people would jeopardise the culture that we have worked hard to create.

Key mitigations

- Recruitment processes are tailored to identify and attract the best candidates for specific roles, aiming to provide competitive rewards and incentives to our people – see our people strategy on pages 24 to 25.
- We welcomed a specialist Chief Intellectual Property Officer onto the Executive Committee during the year – see her biography on page 38.

RETAINING AND MOTIVATING THE BEST PEOPLE

Risk

The challenges of recruiting and onboarding the best people in light of our plans to grow the business following the year's fundraise can exacerbate the challenge of retaining and motivating people. Significant changes, such as the recent move to our new London premises and the increase in headcount during the year, can also impact team dynamics, increasing the risk of poor retention.

Key mitigations

- We are committed to providing a working environment to encourage people retention and undertaking industry and size specific annual benchmarking – see our people strategy on pages 24 to 25 and our Corporate Governance Statement on page 34.

ENGAGING A TEAM DURING REMOTE WORKING

Risk

We had to temporarily close our offices during a large part of the year as a result of COVID-19 restrictions and in order to reduce health risks to our employees. The risks of remote working include the risk of loss of innovation from ad hoc conversations, loss of a sense of team spirit and reduced morale.

Key mitigations

- We have provided our employees with all the equipment that they need to work from home safely and comfortably.
- We hold interactive virtual forums and have transitioned to a hybrid working model.
- We have revised our family-friendly and flexible working policies to ensure that each employee feels supported in finding a work pattern that suits them.
- We have introduced Reward Gateway, which is an employee engagement platform, to recognise and support employees' mental, physical and financial wellbeing – see more on our people strategy on pages 24 to 25.

DEVELOPING EMPLOYEES AND SHARING KNOWLEDGE

Risk

Our employees are vital to our success and it is important to enable them to continue to develop both personally and professionally. It is key to the Group that knowledge is being shared across teams and individuals so that we can build collective knowledge and work together to accelerate innovation. To not do so would significantly increase the risk of us not achieving our strategic aims.

Key mitigations

- We hold a variety of virtual catch-ups which include bi-weekly interactive "Lunch and Learn" sessions and monthly Company-wide meetings.
- We encourage cross-team collaborations built upon a foundation of standard operating practices and an online platform to encourage employees to share their findings with each other.
- We will focus on our performance management and talent management as part of our HR strategy for the coming year – see more on our people strategy on pages 24 to 25.

RELIANCE ON KEY SUPPLIERS

Risk

We work with various key suppliers which provide data for our platform technologies and testing on a variety of our internal projects. It is important that we retain strong relations with these suppliers so that we can continue working with them. However, there is a risk of failure from these key suppliers in providing us with sound research and data.

Key mitigations

- The Group has effective supply chain management and works with specialist CROs to carry out testing on our internal projects. These CROs are carefully selected based on our criteria and all research data is systematically reviewed by our senior scientists.
- We work with various suppliers in order to minimise the risk of over-reliance on any particular supplier.
- We continuously improve and innovate our own platform technologies, a which in turn improves the reliance that can be placed on the data provided.

ENSURING THE INTEGRITY AND SECURITY OF OUR INFORMATION

Risk

Cyber risk encompasses the risks of cyber crime, IT systems failure, data protection and data theft or misappropriation. Our RNAi therapeutic and network-driven discovery platforms are the foundation of our strategy and our technology is imperative to our long-term success. Any attacks could threaten the integrity of our core technology or IP and lead to a misappropriation of our data or, ultimately, our cash balance, which is fundamental to our going concern status. This is a risk exacerbated by the increasing sophistication of cyber criminals. Threats arise not only from hackers, malware or known third parties, but can unfortunately also arise from employee action or inaction, whether intentional or not, and we acknowledge this so that it can be addressed and mitigated as far as possible.

Additional risks have arisen following the increase in remote working which, in turn, increases the necessity to secure, monitor and protect an increasingly mobile and dispersed workforce, and maintain employee awareness of new cyber security threats.

Key mitigations

We have been independently audited by an accredited body and been awarded Cyber Essentials Plus certification, as part of which the Group is required to maintain:

- a business continuity management strategy and established information privacy and security policies;
- regular employee training, which we provide inhouse and via third party specialists;
- physical and software-based protection, such as firewalls, anti-malware, anti-phishing, encryption, and website risk analysis, which is reviewed as part of annual system vulnerability testing;
- regular data backups of key systems and information, which are tested regularly;
- a register of our categorised data, recording access limitation and security measures, including a review of our data processors, cloud- based storage providers and organisational data flows; and
- a log of all security incidents, which is reported to the Board. There have been no significant incidents and no cyber breaches during the year.

See our risk management framework on page 28.

RECOGNISING R&D TAX CREDITS RECEIVABLE

Risk

We have recognised an R&D tax receivable on the Balance Sheet of £1.5m (2021: £0.8m). The R&D tax credit claim has not yet been submitted to HM Revenue and Customs and, as such, there is a risk that the claim estimate may not be fully successful.

Key mitigations

- Third party tax advice and review are sought regarding the R&D tax credits that the Company is eligible to claim.
- Historically, the amounts received from HM Revenue and Customs have been materially in line with our calculated tax receivable claim estimate included at the year end and the Company expects the current year claim to be similarly successful – see Note 12 to the financial statements for more information on the tax receivable balance.

Corporate governance statement

Chairman's introduction to governance

Statement by the Non-Executive Chairman

On behalf of the Board, I have the pleasure of presenting the Corporate Governance Statement for the year ended 31 January 2022. I am responsible for leading the Board to ensure that the Company has in place the strategy, people and structure to deliver value to shareholders and other stakeholders of the Group as a whole over the medium to long term, supported by a corporate culture based on sound ethical values and behaviour, as more fully explained in the Corporate Governance Statement on the following pages.

The Directors recognise the fundamental need for good corporate governance in providing an efficient, effective and dynamic system to ensure that the Group is managed in the right way for the benefit of all shareholders over the medium to long term. As mentioned in my statement for the year ended 31 January 2021, the Board of e-therapeutics has chosen to apply the QCA Corporate Governance Code (the "QCA Code") published by The Quoted Companies Alliance. The QCA Code is a pragmatic and practical tool, which adopts a principles-based approach to corporate governance, which the Directors believe is an appropriate framework for the relatively small company that e-therapeutics is, at an early revenue-generating stage of development.

In compliance with the QCA Code I hold the position of Non-Executive Chairman and Ali Mortazavi is the Chief Executive Officer. Michael Bretherton is a Non-Executive Director but, in addition, has recently taken oversight of the financial functions pending the appointment of a new Chief Financial Officer. We continue to search for an additional Non-Executive Director to further strengthen the Board.

As individual Directors we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole, as set out in our S.172(1) Statement on page 20.

We regularly review how we govern the Group, working for the best long-term interests of our shareholders in an open, transparent and ethical manner. Further, during the year, we have ensured that these principles have been communicated to all staff.

The principal methods of communicating our application of the QCA Code are this Annual Report and through our website, at www.etherapeutics.co.uk/investors/corporate-governance. The QCA Code sets out ten principles, in three broad categories.

In this Corporate Governance Statement I have set out the Group's application of the QCA Code, including, where appropriate, cross-references to other sections of the Annual Report. Further information on how we comply with the QCA principles can be found on our website above.

The SARS-CoV-2 pandemic has provided unique challenges in delivering a robust governance management framework. I am pleased to report that the working from home policy that we agreed with staff and that was instituted in 2020 has now successfully transitioned into a hybrid working phase and is working efficiently for the safety of our people and the compliance of the Company with corporate governance principles.

Professor Trevor Jones CBE
Independent Non-Executive Chairman
4 May 2022

Standing agenda and key topics considered by the Board in 2021/22

At each meeting comprehensive Board packs are provided in advance and the following standing items are discussed:

- strategy;
- management accounts and financial KPIs;
- progress reports on major R&D projects;
- recruitment and people update;
- business development update; and
- intellectual property update.

Key topics considered by the Board in 2021

- Review, debate and challenge of the corporate strategy and plan
- Risk management and internal controls, including a robust assessment of the principal risks
- Budget to 31 January 2022
- Operating model and resource allocation
- Organisational structure review and adjustment
- Financial results announcements, presentations, reports and accounts and market updates (annual and half year)
- Investor engagement;

Board of Directors and Scientific Advisory Board

Leading with experience

Professor Trevor Jones CBE

Independent Non-Executive Chairman

R A

Appointed to board

October 2015

Skill and experience

Trevor was appointed to the Board in October 2015 as a Non-Executive Director and appointed Independent Non-Executive Chairman in March 2021. Trevor has over 40 years' distinguished experience in the pharmaceutical and biotechnology industry as well as in academia. He is a member of the boards of Techimmune LLC and Ascension Healthcare plc and a Visiting Professor at King's College London; he holds honorary degrees and Gold Medals from seven universities. Previously, Trevor held significant roles in industry including Director of Allergan Inc. from 2005 to 2015 and R&D Director of The Wellcome Foundation from 1987 to 1994, where he was responsible for the development of AZT, Zovirax, Lamictal, Malarone and other medicines. Trevor has also held a number of advisory and regulatory roles including Director General of the Association of the British Pharmaceutical Industry (ABPI); board member of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA); a member of the UK Government regulatory agency The Medicines Commission; a member of the UK Government Pharmaceutical Industry Ministerial Strategy Working Group on Pharmaceuticals; an advisor to the Cabinet Office on the Human Genome Project; a member of the Prime Minister's Task Force on the Competitiveness of the Pharmaceutical Industry (PICTF); and Chair of the Government Advisory Group on Genetics Research.

Ali Mortazavi

Chief Executive Officer

Appointed to board

February 2020

Skill and experience

Ali was appointed to the Board as Executive Chairman in February 2020 and Chief Executive Officer in October 2020, retaining his position as Chairman, and subsequently split these roles in March 2021 to continue as Chief Executive Officer. Ali has extensive experience in the biotechnology sector and financial markets. His most recent roles include CEO of Silence Therapeutics plc, from 2012 to 2018, as well as a founder shareholder of Evolution Group, a UK-based investment bank, from 2001 to 2008. Ali is an experienced investor in small companies and has held numerous declarable stakes in listed/private biotechnology and technology companies. Ali holds a BSc in Computer Science, an International Master of chess and a former professional chess player. During his chess career, Ali was actively involved in the development of chess databases and the analysis of chess positions using chess computer engines.

Michael Bretherton

Non-Executive Director and Interim Chief Financial Officer

R A

Appointed to board

February 2020

Skill and experience

Michael was appointed to the Board as a Non-Executive Director in February 2020 and subsequently took on the role as Interim Chief Financial Officer in December 2021 further to the e-therapeutics press release of 22 November 2021. Michael has many years of financial and commercial experience as a Director of numerous AIM quoted companies including DeepMatter Group plc, Tissue Regenix Group plc, Nanoco Group plc and Ceres Power Holdings plc. Michael has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for seven years in London and Abu Dhabi. Michael is currently also Chief Executive Officer of Sarossa plc, Chairman of Adams plc and Hardy plc and a Non-Executive Director of Blake Holdings Limited and ORA Limited.

KEY TO COMMITTEE MEMBERSHIP

R Remuneration Committee A Audit Committee ● Chair of Committee

Board of Directors and Scientific Advisory Board

Leading with experience

Dr Paul Burke

Chair of SAB

Commenced role

May 2020

Skill and experience

Paul is Principal of Burke Bioventures LLC, a biotechnology consultancy based in Cambridge, Massachusetts, focused on translating research breakthroughs – particularly those based on nanotechnology, targeting and RNA – into products. He provides strategic advice and scientific direction for biotechnology, pharmaceutical and drug delivery companies and interim R&D management of venture-backed start-ups. Dr Burke was formerly the Founding Head of Pfizer's global Centre of Excellence for targeted drug delivery and imaging, and Chief Technology Officer of the Oligonucleotide Therapeutics Unit. Previously he was Executive Director, RNA Therapeutics at Merck & Co., where he led delivery R&D, charged with developing enabling technologies for maximising the value from the company's $1.1bn acquisition of Sirna Therapeutics. The effort encompassed five discovery and preclinical departments and multiple external partnerships. Paul joined Merck following a decade-long tenure at Amgen, where he held positions of increasing responsibility including his most recent as Executive Director, Pharmaceutics. He received his BSc in Chemistry with Distinction and Departmental Honours from Harvey Mudd College and his PhD in Biological Chemistry from MIT. He is an Affiliate Professor of Bioengineering at the University of Washington and, for the winter 2017 term, was the Distinguished Visiting Professor at City of Hope's Beckman Research Institute.

Professor John Mattick

Member of SAB

Commenced role

September 2020

Skill and experience

John is Professor of RNA Biology at UNSW Sydney, and one of the world's foremost experts in the field. He was previously the Chief Executive of Genomics England, Executive Director of the Garvan Institute of Medical Research in Sydney, Director of the Institute for Molecular Biology at the University of Queensland, and Director of the Australian Genome Research Facility. He has published over 300 scientific articles, which have been cited over 70,000 times. His work has received editorial coverage in Nature, Science, Scientific American and The New York Times, among others. His awards include the International Union of Biochemistry and Molecular Biology Medal, the Australian Government Centenary Medal, the University of Texas MD Anderson Cancer Center Bertner Award for Distinguished Contributions to Cancer Research, and the Human Genome Organisation Chen Medal for Distinguished Achievement in Human Genetics and Genomic Research.

Dr Bill Harte

Member of SAB

Commenced role

September 2020

Skill and experience

Bill is a pharmaceutical veteran and serial entrepreneur with more than 30 years in both research and executive positions. He currently serves as the Chief Translational Officer at the Case Western Reserve University School of Medicine, advising and translating preclinical programmes into patients. Previously, Bill had executive roles at Amgen, Bristol Myers Squibb, Visum Therapeutics and E3X Therapeutics. Dr Harte's broad experience spans computational chemistry, structural biology and modelling, medicinal chemistry, product development and portfolio prioritisation as well as CEO experience. Bill has also done extensive work with top-tier VC firms.

Executive Team

Ali Mortazavi

Chief Executive Officer

Commenced role

October 2020

Skill and experience

Ali was appointed to the Board as Executive Chairman in February 2020 and Chief Executive Officer in October 2020, retaining his position as Chairman, and subsequently split these roles in March 2021 to continue as Chief Executive Officer. Ali has extensive experience in the biotechnology sector and financial markets. His most recent roles include CEO of Silence Therapeutics plc, from 2012 to 2018, as well as a founder shareholder of Evolution Group, a UK-based investment bank, from 2001 to 2008. Ali is an experienced investor in small companies and has held numerous declarable stakes in listed/private biotechnology and technology companies.

Alan Whitmore

Chief Scientific Officer

Commenced role

December 2014

Skill and experience

Alan has been instrumental in defining and developing the conceptual framework on which etherapeutics' computational platform is based. Alan moved from academia into biotech over ten years ago and he has worked in both drug delivery and drug discovery. Alan is a clinician scientist with over 30 years' experience in cell biology research and clinical medicine in a variety of roles including MRC Fellow, UCL Laboratory for Molecular Cell Biology; Visiting Fellow, The Jackson Laboratory, US; Lecturer and Medical Advisor, UCL Institute of Ophthalmology; and Hon Senior Lecturer, UCL School of Pharmacy, as well as senior clinical management positions. He gained a BSc in Biology and Computing, and a PhD in Neuroscience from the University of London, followed by postdoctoral work in Cambridge and medical studies at Oxford leading to the BMBCh in Clinical Medicine.

Executive Team (continued)

Leading with experience

Alison Gallafent

Chief Intellectual Property Officer

Commenced role

June 2021

Skill and experience

Alison is a UK Chartered Patent Attorney and European Patent Attorney, with many years of intellectual property experience in the pharmaceutical and biotech industries. Alison has previously worked as in-house Patent Counsel for a range of pharmaceutical companies, such as Merck & Co., Glaxo Wellcome and PLIVA, and more recently as Head of IP at Silence Therapeutics plc. She has also held senior Patent Attorney roles in several leading international law firms, and has successfully represented many international pharmaceutical companies in high-profile and pivotal patent cases before the European Patent Office. In recent years, Alison has developed a wealth of knowledge of the siRNA patent landscape and how to strategically operate in this IP space.

Jonny Wray

Chief Technology Officer

Commenced role

October 2011

Skill and experience

Jonny is responsible for conceptualising, defining and implementing the network-driven approach to drug discovery pioneered at e-therapeutics. Jonny has over 30 years' experience in applying computational approaches to the study of complex biological problems. His PhD (Newcastle, UK) and postdoctoral (The Neurosciences Institute at The Scripps Research Institute, US) studies were in computational neuroscience focused on how networks of the brain give rise to perception and function. After leaving academia, Jonny moved into applied bioinformatics and software engineering at a number of biotech companies in the San Francisco Bay Area. Jonny's role at e-therapeutics merges his academic and industry experience, designing and developing the informatics to drive the Company's network biology-based approach to drug discovery.

Laura Roca-Alonso

Chief Business Officer

Commenced role

April 2020

Skill and experience

Laura oversees business and corporate development, alliance management, competitive intelligence and strategic communications. She works to maximise the value of our platform technologies and the growth of the business. Laura teams up with the rest of the Executive Leadership Team to devise and drive the execution of the Company's corporate strategy. Laura has a background in genetic medicines and has previously held senior business development and strategy positions during transformational times at fast-paced biotech companies such as Gyroscope Therapeutics (acquired by Novartis) and Silence Therapeutics plc. Laura received her PhD from Imperial College London, MRes in Biomedicine from UCL and BSc (Hons) in Biotechnology from UAB.

Michael Bretherton

Acting Interim Chief Financial Officer

Commenced role

December 2021

Skill and experience

Michael was appointed to the Board as a Non-Executive Director in February 2020 and subsequently took on the role as Interim Chief Financial Officer in December 2021 further to the e-therapeutics press release of 22 November 2021. Michael has many years of financial and commercial experience as a Director of numerous AIM quoted companies including DeepMatter Group plc, Tissue Regenix Group plc, Nanoco Group plc and Ceres Power Holdings plc. Michael has a degree in Economics from Leeds University and is a member of the Institute of Chartered Accountants in England and Wales. His early career included working as an accountant and manager with PriceWaterhouse for seven years in London and Abu Dhabi. Michael is currently also Chief Executive Officer of Sarossa plc, Chairman of Adams plc and Hardy plc and a Non-Executive Director of Blake Holdings Limited and ORA Limited.

Stephanie Maley

Chief People Officer

Commenced role

December 2020

Skill and experience

Stephanie has worked in human resources for over 20 years, initially in the private banking industry, then latterly in drug discovery. Stephanie is responsible for designing the HR strategy which is aligned to and underpins the strategic direction and goals of the Company. Stephanie works closely with the rest of the Executive Team to execute these goals, as well as ensuring that our people are developed, supported and engaged.

Corporate governance statement

Deliver growth: Principles 1–4

1 Establish a strategy and business model which promote long-term value for shareholders

We bring to the biotechnology and pharmaceutical industries the power to discover new and better drugs in a more efficient and effective way – our RNAi therapeutic programmes and network-driven approach are disruptive to the conventional pharmaceutical R&D model.

See our business model and our strategic objectives on pages 12 to 13 and 16 and 17, respectively.

2 Seek to understand and meet shareholder needs and expectations

The Board is keen to promote greater awareness of the Group and a detailed report on the Group's activities during the reporting period is contained within the Chief Executive Officer's Statement on pages 6 to 9. More recent Company announcements may be found at www.etherapeutics.co.uk/investors/regulatory-announcements.

Responsibility for day-to-day shareholder liaison lies with Ali Mortazavi as Chief Executive Officer and ultimately lies with the Board.

The Company receives occasional feedback direct from investors. The Directors take all feedback very seriously and shareholders' views and concerns are carefully considered by the Board, with appropriate action being taken where necessary. None of the feedback received from investors has involved non-compliance with the QCA Code.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to our shareholders, we believe our main stakeholder groups are our employees, suppliers and customers.

Employees

Our people give us the knowledge that feeds into our network biology expertise and our core technological capabilities and that knowledge flows through our business model to directly create value for our shareholders. Accordingly, the long-term success of the Company relies upon the knowledge and dedication of our people, as reflected in our strategic objectives on pages 16 to 17 and our principal risks on pages 30 to 33. The Board therefore understands the importance of employee engagement, not only by offering a beneficial remuneration package and professional development support, but in engaging employees with the strategy of the Company. We appointed a Chief People Officer in 2020 and are continuing to develop and enhance our people strategy, more on which can be read on pages 24 to 25.

Suppliers

We engage in open discussions with key suppliers and expert advisors to review progress on internal discovery programmes, platform technology and corporate functions to ensure that we continue to remain aligned with our strategic objectives.

Customers

We approach all of our commercial collaborations with honesty and transparency. A successful working relationship is beneficial to all parties involved as successful projects can lead to further deals that would add value to both our shareholders and our customers, either through advancing an asset further through the drug discovery process or by applying our expertise and technologies, such as our RNAi therapeutic platform and our NDD or GAINs technologies, to a different area of biology or in a different way to the same area of biology.

Health and safety

We are committed to high standards of health and safety at work and understand that successful health and safety management involves integrating sound principles and practice into its day-to-day management arrangements and requires the collaborative effort of all of our employees. Our health and safety procedures are independently audited on an annual basis.

Sustainability

We care about our planet and are committed to minimising our impact on the environment. Through the use of our in silico discovery engine, we dramatically reduce the number of therapeutic hypotheses that are experimentally tested. This reduction in wet laboratory need translates into multiple resource savings, including the use of animals, energy, water and general overheads that typically contribute to a company's environmental footprint. In addition, our recent migration to cloud-based computing, including both our platform and entire back office, will help us further reduce our carbon footprint as our providers are targeting to be carbon neutral in the next two years.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the Group's internal control systems and for monitoring their effectiveness and is accountable for identifying procedures to minimise risk impact and implementing these at every level of the business in an ongoing process overseen by the Audit Committee.

See our risk management framework and principal risks on pages 28 to 33.

Maintain a dynamic management framework: Principles 5–9

5

Maintain the Board as a well functioning, balanced team led by the Chair

To enable the Board to discharge its duties, briefing papers are distributed to all Directors in advance of Board and Committee meetings. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. The Board is responsible to shareholders and sets the Group's strategy for achieving long-term success. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group. The Directors are searching for an additional Non-Executive Director to strengthen the Board and ensure it is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

Board of Directors

A restructure of the Board took place on 10 February 2020 when Ali Mortazavi was appointed as Executive Chairman and Michael Bretherton was appointed as Non-Executive Director alongside Trevor Jones (who had been appointed in October 2015) and at which time all of the other Directors stepped down. Recognising Ali Mortazavi's commitment to and impact on e-therapeutics' success, he was subsequently appointed as Chairman and Chief Executive Officer (CEO) with effect from 1 August 2020, which is a departure from the recommendations of the QCA Code. The dual aspects of his role were separated on 1 March 2021, with Ali Mortazavi continuing on as Chief Executive Officer and Trevor Jones being appointed as Non-Executive Chairman. A further change arose when it was announced on 22 November 2021 that Karl Keegan would step down from his role as CFO (non-Board) with effect from 31 December 2021 to focus on difficult family circumstances in Ireland, and that Michael would also take on the role of Interim CFO on that date pending the appointment of a replacement CFO. The Directors are also searching for an additional Non-Executive Director to strengthen the Board.

A formalised Executive Committee was established in 2020, made up of senior management and Ali Mortazavi to manage the day-to-day operational delivery of the business model and corporate strategy. A Scientific Advisory Board was also created during that year.

The biographies of the Board, Scientific Advisory Board and Executive Team, are on pages 35 to 39. Additional information on the governance structure of the Group can be seen on pages 43 to 46 within this statement.

All Directors also have access to the Company Secretary.

6

Ensure that between them the Directors have the necessary up-to-date experience and skills

The current Directors' biographical details are set out on page 35 and provide an indication of the breadth of skills and experience of the Board. Full details of the Board's skills and experience can be found on page 44.

7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvements

The CEO of the Company is measured against a clearly defined set of personal objectives agreed by the Board and monitored by the Remuneration Committee. The Board keeps under review its composition and the balance of skills and experience of Non-Executive Directors as set out on page 44.

Corporate governance statement (continued)

Maintain a dynamic management framework: Principles 5–9 (continued)

8

Promote a corporate culture that is based on ethical values and behaviours

We value individuality and self-awareness and at the heart of our organisation is a philosophy of honesty and authenticity. The Group adopts a policy of equal opportunities and diversity in the recruitment and engagement of staff, as well as during the course of their employment. We endeavour to promote the best use of our human resources on the basis of individual skills and experience, matched against those required for the work to be performed.

We recognise the importance of investing in our employees, as identified in our strategic objectives on pages 16 to 17, and provide opportunities for training and personal development and encourage the involvement of employees in the planning and direction of their own work in line with our people strategy as discussed on pages 24 to 25. We are committed to respecting the human rights of our employees, to providing them with favourable working conditions that are free from unnecessary risk and to maintaining fair and competitive terms and conditions of service at all times.

These values are applied regardless of age, race, religion, gender, sexual orientation or disability.

Whilst the Group will continue to make all appointments based on the best candidate for the role, it is acknowledged that diversity supports the strength and future success of the business and the Group remains focused on achieving the right level of diversity whether related to ethnicity, gender, creed or culture.

We understand that the inherent uncertainty around the long-term outlook of an R&D company can impact morale and we address this by being honest about the Group's prospects and emphasising that the contribution of each individual counts and is recognised. Regular meetings are held at which all employees have an opportunity to discuss any matters that they wish to raise in an open forum and receive updates on performance against our strategic aims. The Chief Executive Officer and all members of the Executive Committee are available and willing for all employees to discuss more sensitive or personal matters.

9

Maintain governance structures and processes that are fit for purpose and support good decision making

As Non-Executive Chairman, Trevor Jones is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role, setting its agenda in consultation with the other Directors and ensuring that the Directors receive accurate, timely and clear information.

He also facilitates effective communication with shareholders and facilitates the effective contribution of Non-Executive Directors. Ali Mortazavi, as Chief Executive Officer, is responsible for the operational management of the Group and the implementation of Board strategy and policy. There is a dedicated staff member who is responsible for the health and safety matters of the Group and who also acts as Data Protection Officer.

The Board is responsible to shareholders for the effective stewardship of the Group's affairs and there is a formal schedule of matters reserved for decision by the Board in place which enables the Board to provide leadership and ensure effectiveness. A copy of this schedule is available on the Corporate Governance page of our website.

Board Committees

The Board has established Audit and Remuneration Committees. Given the size of the Board, a nomination committee has not been established. New appointments of Directors are considered by the Board as a whole.

As noted in section 5 of this Corporate Governance Statement on page 41, since 31 December 2021 Michael Bretherton, who was appointed as a Non-Executive Director of the Company in February 2020, has also taken on the role of Interim CFO pending the appointment of a replacement CFO. The Directors are also searching for an additional Non-Executive Director to strengthen the Board and the composition of the Audit and Remuneration Committees.

Audit and Remuneration Committees

The Committees' terms of reference can be found on the Corporate Governance page of our website. The Audit Committee Report and the Remuneration Committee Report for the year ended 31 January 2022 are set out on page 47 and pages 48 to 55, respectively.

Build trust: Principle 10

10

Communicate how the Company is governed and performing

The Board has established an Audit Committee and a Remuneration Committee. As mentioned above, the work of each of the Board Committees undertaken during the year ended 31 January 2022 is detailed in the Audit Committee Report on page 47 and the Remuneration Committee Report on pages 48 to 55.

The results of the proxy votes received in relation to the 2021 Annual General Meeting are available at www.etherapeutics.co.uk/reports-results. No resolutions had a significant proportion (>20%) of votes cast against them at that meeting.

The Board has a healthy dialogue with all of its stakeholders, and throughout the course of the financial year the Board communicates with shareholders to seek their views, concerns and expectations.

Governance structure

As Non-Executive Chairman, Trevor Jones is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda in consultation with the other Directors. He facilitates the effective contribution of the Directors and ensures that they receive accurate, timely and clear information and that they communicate effectively with shareholders.

Below is a summary of the various Boards that are currently in place along with their key duties and responsibilities:

Executive Team

- The Executive Team assists the Board in implementing strategy and policies and managing the operational and financial performance of the Group.
- Led by Ali Mortazavi as Chief Executive Officer.

Members: See pages 37 to 39

Audit Committee

- The Audit Committee is responsible for all aspects of the financial reporting of the Group and ensuring the internal controls are adequate to sufficiently mitigate risk.
- Led by Michael Bretherton as Chair of the Audit Committee.
- Further details can be found within the Audit Committee Report on page 47.

Members: See page 47

Board

- The Board is responsible for establishing a strategy and business model which promote long-term value for shareholders in alignment with the Group's vision, mission and values.
- Oversees the adoption and delivery of the corporate governance model.
- Led by Trevor Jones as Non-Executive Chairman.

Members: See page 35

Remuneration Committee

- The Remuneration Committee is responsible for ensuring the levels of remuneration are sufficient to attract and retain the Executive Directors and senior management needed in order to support the Group's strategy and promote long-term sustainable success.
- Led by Trevor Jones as Chair of the Remuneration Committee.
- Further details can be found within the Remuneration Committee Report on page 48.

Members: See page 48

Scientific Advisory Board

- The SAB provides strategic advice and insight to help the Group continue to grow and meet its future commercial goals.
- The members of the SAB have a significant amount of industry experience including, but not limited to, genetics, computational approaches to drug discovery and deep drug development expertise, across small molecules and RNAi.
- Led by Dr Paul Burke as Chair of the SAB.

Members: See page 36

Corporate governance statement (continued)

Board and Committee skills and experience

The Board and Committees have a broad range of skills, including in-depth experience in the biotechnology and pharmaceutical sector, and an appropriate balance of financial and public market skills and experience to enable the Board to deliver the Group's strategy for the benefit of shareholders over the medium to long term. The balance of skills and experience of the Board and Committees during the year under review and up to the date of this report is summarised below:

	Biotech pharma sector	Financial	Strategic leadership	Corporate governance	Employee engagement and remuneration	Other public company (board level)
Executive Director						
Ali Mortazavi	√	√	√	√	√	√
Non-Executive Directors						
Trevor Jones	√		√	√	√	√
Michael Bretherton*	√	√	√	√	√	√
Executive Committee						
Stephanie Maley			√		√	
Laura Roca-Alonso	√		√			
Alan Whitmore			√		√	
Jonny Wray	√		√			
Alison Gallafent	√		√			

* Michael Bretherton was appointed as a Non-Executive Director on 10 February 2020 and subsequently also took on the role of Interim CFO on 31 December 2021. He will relinquish the CFO role as soon as a replacement is recruited.

Each Director takes responsibility for maintaining their own skill set, which includes roles and experience with other boards and organisations, as well as attending formal training and seminars. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the Group's strategy and to scrutinise performance. Directors may also take independent professional advice at the Group's expense where necessary in the performance of their duties.

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

The Company Secretary provides information and advice on corporate governance and individual support to Directors on any aspect of their role. The Company Secretary is also responsible for ensuring that Board procedures are followed, that the Company complies with company law and AIM Rules and that the Board receives the information it needs to fulfil its duties effectively.

e-therapeutics is a strong supporter of diversity in the boardroom and remains of the opinion that appointments to the Board should be made relative to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skill set, experience and expertise.

Independence of Directors

The Board has considered and determined that, since the date of his respective appointment, Trevor Jones is independent in character and judgement and he:

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

Michael Bretherton is not considered independent because of his potential dealing with one of the Company's major shareholders, Richard Griffiths. Richard Griffiths owns 29.85% of the ordinary share capital of e-therapeutics through a number of his controlled companies including Blake Holdings Limited, where Michael is also a Non-Executive Director. Michael is deemed independent in all other matters.

The QCA Code recommends that a board has at least two independent non-executive directors.

As noted in section 5 of this Corporate Governance Statement on page 41, since 31 December 2021 Michael Bretherton, who was appointed as a Non-Executive Director of the Company in February 2020, has also taken on the role of Interim CFO pending the appointment of a replacement CFO. The Directors are also searching for an additional Non-Executive Director to strengthen the Board.

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

Trevor Jones receives 50% of his remuneration by the issue of fully paid shares and the Board does not deem this to impugn his independence as a Non-Executive Director but considers rather that this arrangement aligns the interests of shareholders and the Non-Executive Directors in an appropriate manner. Trevor is, therefore, considered to be independent.

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

Time commitments

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential Director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment. The Board is satisfied that the Non-Executive Director and Non-Executive Chairman can, and do, devote sufficient time to the Company''s business.

Corporate governance statement (continued)

Attendance at Board and Committee meetings

During the financial year, the Board met nine times by video conference in person and twice by telephone. In addition, authority was delegated on an ad hoc basis to subcommittees to deal with statutory matters, such as the final approval of the announcements of the full year results and interim statement. Attendance at those subcommittee meetings is not reported below. The number of meetings attended by each Director who held office during the year was as follows:

	Board	Audit Committee	Remuneration Committee	Scientific Advisory Board	Executive Committee
Executive Directors					
Ali Mortazavi	6/6			1/2	13/13
Non-Executive Directors					
Trevor Jones	5/6	2/2	3/3		
Michael Bretherton*	6/6	2/2	3/3		
SAB					
Paul Burke				2/2	
John Mattick				2/2	
Bill Harte				2/2	
Executive Committee					
Alan Whitmore				2/2	13/13
Jonny Wray				2/2	13/13
Colin Stubberfield				1/2	6/13
Laura Roca-Alonso				1/2	10/13
Karl Keegan					8/13
Stephanie Maley					12/13
Alison Gallafent					7/13
Sarah Clare					2/13

* Michael Bretherton has also taken on the role of Interim CFO with effect from 31 December 2021 pending the appointment of a replacement CFO.

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

Board performance

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness.

Any performance-related remuneration is determined by the Remuneration Committee.

In conducting the formal annual evaluation, the Board undertakes an assessment of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees) and the performance of its individual Directors.

Audit Committee report

Statement by the Chair of the Audit Committee

On behalf of the Board, I am pleased to present our Audit Committee Report for the year ended 31 January 2022.

The Audit Committee is responsible for all aspects of the financial reporting of the business and has considered not only the integrity of financial reporting, but also how the challenges faced by the Group may flow through into internal control and the procedures implemented to sufficiently mitigate risk.

The Group's risk management is a permanent focus of the Audit Committee, although particular focus would be made in the context of any issues raised by the independent Auditor, a member of the Board or any employee under the whistleblowing policy.

Details of the Group's risk management, including principal risks and mitigations, are shown on pages 28 to 33. The Audit Committee is also responsible for monitoring the integrity of the consolidated financial statements of the Company and any formal announcements relating to the Company's and Group's financial performance, including a review of the Group's accounting policies and areas of significant judgement and uncertainty.

The Audit Committee manages the relationship between the Company and its external Auditor.

The independence of the Auditor is kept under review and is considered at least annually with the aid of a memorandum presented to the Audit Committee by the Auditor.

The Audit Committee reviews the fee proposals presented by the Auditor and the scope of work is monitored carefully to ensure that independence is not compromised. Audit fees for the Group for the year amounted to £58,000 (2021: £49,400) and non-audit fees amounted to £nil (2021: £nil).

The Audit Committee is satisfied with the independence, objectivity and effectiveness of the external Auditor and the Audit Committee has not felt it necessary at this stage to propose retendering of the audit contract. A resolution for the reappointment of Grant Thornton UK LLP as the statutory Auditor will therefore be proposed at this year's Annual General Meeting.

No other formal recommendations have been made to the Board by the Audit Committee and no external reports have been commissioned on financial control processes during the year ended 31 January 2022.

The Audit Committee is chaired by me, Michael Bretherton. The other member is Trevor Jones.

Whilst Trevor is considered independent, I am not because, as set out on page 45, I act as a Non-Executive Director on the board of Blake Holdings Limited, a company controlled by, and through which shares in e-therapeutics are held by, Richard Griffiths, a significant shareholder of the Company. On 31 December 2021, I also took on the role of Interim CFO, at which time Karl Keegan stepped down from that role (non-Board) to focus on difficult family circumstances. I will relinquish this role as soon as a replacement CFO is recruited.

Given that there are currently only two Non-Executive Directors on the Board, and given my relevant financial skills and experience, Trevor and I believe that it is the right course of action for me to chair this Committee and that my potential conflicts of interest do not impair my ability to do so. However, in the meantime, we will continue to search for an additional independent Non-Executive Director to strengthen the Board and the Audit Committee.

At the invitation of the Committee, representatives of the external Auditor usually attend Committee meetings.

Two meetings of the Audit Committee were held during the year ended 31 January 2022 and one further meeting after the year end. In addition to formal reviews of reports from the external Auditor, the Audit Committee discussed matters relating to financial policy, controls and reporting, as follows:

Date	Matters discussed
May 2021	Review of external audit for the year ended 31 January 2021 Internal controls and risk management
January 2022	Review of external audit planning report including audit risk areas for the year ended 31 January 2022
April 2022	Review of external audit for the year ended 31 January 2022 Internal controls and risk management

The Audit Committee acts independently to ensure the interests of shareholders are protected in relation to financial reporting, internal controls and risk management.

Michael Bretherton

Chair of the Audit Committee

4 May 2022

Remuneration Committee report

Statement by the Chair of the Remuneration Committee

As Chair of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2022.

This report does not constitute a full directors' remuneration report in accordance with the Companies Act 2006. As a company whose shares are admitted to trading on AIM, the Company is not required by the Companies Act 2006 to prepare such a report. We do, however, aim to achieve transparency in our decision making process and have regard to the principles of the QCA Code which we consider to be appropriate for an AIM-listed company of our size. This report provides details of remuneration for all Directors and gives a general statement of policy on Directors' remuneration as it is currently applied. It also provides a summary of the long-term share incentive scheme currently in place.

We started the year with Ali Mortazavi as Chairman and Chief Executive Officer (CFO). The dual aspects of his role were separated on 1 March 2021, with Ali continuing on as CEO and me, Trevor Jones, being appointed as Non-Executive Chairman. A further change arose when Michael Bretherton, who was appointed as a Non-Executive Director in February 2020, also took on the role of Interim CFO on 31 December 2021 consequent to Karl Keegan stepping down from that role to focus on difficult family circumstances in Ireland.

Michael will relinquish the CFO role as soon as a replacement is appointed and in the meantime, we will continue to search for an additional Non-Executive Director to strengthen the Board and the Remuneration Committee.

The Directors' Remuneration Policy and Statement of Remuneration which follow this Annual Statement set out the Remuneration Committee's approach to future remuneration and provide details of remuneration for the year ended 31 January 2022. This report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee and to assess whether remuneration packages for Directors are fair in the context of business performance.

The parts of the Statement of Remuneration that are subject to audit are highlighted within that statement.

The Remuneration Committee is mindful of shareholder views and interests and we believe that our Directors' Remuneration Policy continues to be aligned with the achievement of the Group's business objectives. As always, the Annual General Meeting provides an opportunity for face-to-face discussions on important matters for the Company and its shareholders and I will be available to answer any questions you may have.

The Remuneration Committee aims to attract, retain and motivate the executive management of the Group.

Professor Trevor Jones CBE

Chair of the Remuneration Committee

4 May 2022

Key responsibilities of the Remuneration Committee

The Remuneration Committee is responsible for reviewing and recommending the framework and policy for remuneration of the Executive Director. The Remuneration Committee is responsible for recommending any changes in the structure of remuneration packages for the Executive Director. It also plays an important role when an Executive Director joins and leaves the Company. It recommends to the Board the terms of employment for any appointment of an Executive Director and any subsequent changes which may be needed.

It also reviews any payments which might arise on termination of an Executive Director's contract.

The Remuneration Committee recognises the importance of our reward and performance strategy in recruiting and retaining high-quality individuals who can lead, develop and sustain business growth over the longer term, bearing in mind that, being an R&D business only starting out on its revenue-generating activities, the long-term prospects are higher risk than non-R&D companies and that the Directors need to be awarded accordingly.

Membership and meetings of the Remuneration Committee

The Remuneration Committee is chaired by me, Trevor Jones, the Independent Non-Executive Chairman. The other member is Michael Bretherton, who has disclosed to the Board potential dealings with one of the Company's major shareholders, Richard Griffiths, as set out on page 45. On 31 December 2021, Michael also took on the role of Interim CFO, at which time Karl Keegan stepped down from that role (non-Board) to focus on difficult family circumstances. Michael will relinquish this role as soon as a replacement CFO is recruited. Michael is, therefore, not deemed to be independent but, due to the small size of the Board, he is required to sit on the Remuneration Committee. We do not believe his potential conflicts of interest impact his ability to be a balanced and impartial member of the Committee.

We will continue to search for an additional independent Non-Executive Director to strengthen the Board and the Remuneration Committee.

The Company Secretary acts as secretary to the Remuneration Committee.

Other Directors may attend by invitation of the Remuneration Committee. It is a fundamental principle that no individual should be able to participate in discussions about their own remuneration. The Remuneration Committee operates within terms of reference adopted by the Committee and updated and approved by the Board in March 2022.

The Remuneration Committee met three times during the year ended 31 January 2022 and one further meeting after the year end. The main matters of business were:

- the establishment of corporate goals and performance targets for individual Executive Team members;
- the approval of performance targets for Chief Executive Officer (CEO) and;
- a review of CEO performance achievement against targets and;
- a review and approval of CEO and executive team member salary and bonus awards.

The Remuneration Committee did not undertake formal benchmarking of Directors' remuneration in the year ended 31 January 2022, although it did compare current remuneration with published surveys, and does not have retention agreements with any external remuneration consultants. Advice is taken from external advisors as needed in relation to specific questions and projects.

The policy of the Remuneration Committee is to ensure that the Executive Director is fairly rewarded for his individual contribution to the Group's overall performance and to provide a competitive remuneration package to the Executive Directors (including long-term option award incentive plans under the Company's Long-Term Incentive Plan 2020 (LTIP) and, pre-November 2020, under the Share Plan 2013 (PSP) to attract, retain and motivate individuals of the experience and competence required to ensure that the Company is managed successfully in the interests of shareholders.

In addition, the Remuneration Committee's policy is to reward performance in a way which seeks to align the interests of management with those of shareholders.

Remuneration Policy

Policy on executive remuneration

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

Purpose and link to strategy	Operation	Maximum potential value
Basic salary		
Attract and retain Executive Directors with sufficient experience and competence to deliver strategy.	Paid in 12 equal monthly instalments during the year.	Reviewed annually and as required to reflect the role, responsibility and performance of the individual and the Group and informally to take into account rates of pay for comparable roles in similar companies. There is no prescribed minimum or maximum increase. Annual rates are set out on page 55.
Benefits		
Provide benefits consistent with the role.	Currently these consist of health insurance and membership of a Group life assurance scheme.	The Remuneration Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practices or the operational needs of the Group.
Discretionary bonus		
Incentivise achievement of business objectives by providing a reward for performance against annual targets.	Paid in cash after the end of the financial year to which it relates.	Targets are based on the appropriate progression of specific projects, together with the performance of the business as a whole. Payment of any bonus is subject to the overarching direction of the Remuneration Committee.
Long-term incentives		
Alignment of interests with shareholders delivered in the form of shares.	Grant of awards under the PSP (pre-November 2020) and LTIP (November 2020 onwards). Participants are entitled to acquire award shares after a vesting period and subject to payment of an exercise price.	There is no individual limit. For performance metrics attached to outstanding rewards see page 54 and Note 9 to the financial statements.
Pension		
Attract and retain Executive Directors for the long term by providing funding for retirement.	The Executive Directors are entitled to participate in money purchase arrangements.	The Company makes payments of 10% of basic salary into any pension scheme or similar arrangement as the participating Executive Director may reasonably request. Such payments are not counted for the purpose of determining bonuses or awards under the PSP/LTIP.

Long-term incentives

Long-term incentive option awards are used to ensure that the focus of Directors remains on the long-term added value to the shareholders. No long-term incentive option awards were made to Directors in the year and details of awards granted during the previous year can be found in the Statement of Remuneration on page 54. The Remuneration Committee will consider granting further options at the appropriate time upon careful consideration of the Group's performance and long-term goals.

Remuneration policy for all employees

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

All the Company's employees are eligible to be considered for long-term incentive option awards under the Long-Term Incentive Plan 2020.

Statement of consideration of employment conditions of employees

The Remuneration Committee receives reports on an annual basis on the level of pay rises awarded across the Group and takes these into account when determining total remuneration for Executive Directors.

In addition, the Remuneration Committee receives regular reports on the structure of remuneration for senior management in the tier below the Executive Director and uses this information to ensure a consistency of approach for the most senior managers in the Company. The Remuneration Committee also approves the award of any long-term option award incentives for the most senior managers in the Company.

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

Statement of consideration of shareholder views

As Chair of the Remuneration Committee, I may consult with major shareholders from time to time, or when any significant remuneration changes are proposed, to understand their expectations with regard to Executive Directors' remuneration, and report back to the Remuneration Committee. The Remuneration Committee previously consulted with certain major shareholders in relation to the introduction of the long-term incentive option awards plan. Any other concerns raised by individual shareholders are also considered. The Remuneration Committee also takes into account emerging best practice.

Approach to recruitment remuneration

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

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

Non-Executive Directors' fee policy

The policy for the remuneration of the Non-Executive Directors is as set out below. Non-Executive Directors cannot participate in the PSP or LTIP. Non-Executive Directors are not eligible for Company pension contributions.

Purpose and link to strategy
Attract Non-Executive Directors with a broad range of experience and skills to oversee the implementation of the Company's strategy.
Operation
Non-Executive Director fees are determined by the Board within the limits set out in the articles of association and are paid in 12 equal monthly instalments during the year (subject to part-payment of fees in fully paid shares by agreement between the Company and the Director). Notice periods are three months by the Company or Non-Executive Director.
Maximum potential value
There is no prescribed minimum or maximum range increase. Annual rates are set out on page 55.

Remuneration Policy (continued)

Directors' service contracts, notice periods and termination payments

Provision	Policy
Notice periods in Executive Director's service contracts	Six months by the Company or Executive Director. The Executive Director may be required to work during the notice period.
Compensation for loss of office	Depending on the notice period, no more than 12 months' basic salary and benefits (including Company pension contributions and other non-cash benefits).
Treatment of annual bonus on termination	Bonuses which have already been declared and paid before the giving of notice may be retained by the Executive Director.
Treatment of unvested PSP or LTIP awards	Awards lapse on the termination of employment, although the Board has an absolute discretion (which may be exercised within the 30-day period following the termination of employment) to permit part of the awards to be exercised during the 90-day period thereafter.
Exercise of discretion	Intended only to be relied upon to provide flexibility in exceptional or inequitable circumstances. The Remuneration Committee's determination will take into account the particular circumstances of the Executive Director's departure and the recent performance of the Company.
All Directors	All Directors are subject to re-election every three years. No compensation is payable if they are required to stand down.

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

Michael Bretherton was appointed as a Non-Executive Director in February 2020 and also took on the role of Interim Chief Financial Officer on 31 December 2021. He will relinquish the CFO role as soon as a replacement CFO is recruited. Given these circumstances, his notice period has not been amended and continues to be three months and he remains not eligible for Company pension contributions in line with the Non-Executive Directors' fee policy.

Directors' service contracts and letters of appointment

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

Director	Date of service contract/letter of appointment
Ali Mortazavi	10 February 2020 and subsequently 11 October 2020
Trevor Jones	28 October 2015 and subsequently 23 February 2021
Michael Bretherton	10 February 2020

Directors' insurance and indemnity

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

Statement of Remuneration

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

The Remuneration Committee decides the bonuses to be awarded.

The remuneration of the Directors for the years ended 31 January 2022 and 31 January 2021 is shown below:

	2022					
	Base salary £'000	Bonus £'000	Contributions to money purchase schemes £'000	Benefits in kind £'000	Compensation for loss of office and payments in lieu of notice £'000	Total remuneration £'000
Executive Director						
Ali Mortazavi[a]	200	94	20	34	—	348
Non-Executive Directors						
Trevor Jones[c]	54	—	—	—	—	54
Michael Bretherton[b]	53	—	—	—	—	53
	307	94	20	34	—	455

	2021					
	Base salary £'000	Bonus £'000	Contributions to money purchase schemes £'000	Benefits in kind £'000	Compensation for loss of office and payments in lieu of notice £'000	Total remuneration £'000
Executive Directors						
Ali Mortazavi[a]	107	—	10	16	—	133
Ray Barlow[d]	67	—	28	—	175	270
Steve Medlicott[d]	5	—	—	—	73	78
Non-Executive Directors						
Trevor Jones	40	—	—	—	—	40
Michael Bretherton[b]	39	—	—	—	—	39
Iain Ross[e]	2	—	—	—	—	2
Christine Soden[e]	1	—	—	—	—	1
	261	—	38	16	248	563

a. Ali Mortazavi was appointed as Executive Chairman on 10 February 2020. He was appointed Chief Executive Officer with effect from 12 October 2020, retaining his position as Chairman, and his salary was increased in accordance with his new role. With effect from 1 March 2021 the roles were split, with Ali continuing as Chief Executive Officer and Trevor Jones being appointed as Non-Executive Chairman.

b. Michael Bretherton was appointed as a Non-Executive Director on 10 February 2020. Michael subsequently also took on the role of Interim CFO on 31 December 2021 consequent to Karl Keegan stepping down from this role (non-Board) to focus on difficult family circumstances. Michael's salary was increased in accordance with his expanded role but he will relinquish his CFO role as as soon as a replacement CFO is recruited.

c. Trevor Jones was appointed as Non-Executive Chairman on 1 March 2021.

d. Ray Barlow and Steve Medlicott resigned on 10 February 2020. Ray Barlow served on gardening leave until his termination date of 10 April 2021. Steve Medlicott stepped down with immediate effect.

e. Iain Ross and Christine Soden resigned on 10 February 2020. Both were awarded share options in lieu of serving their notice periods, which were six months and three months, respectively. Iain was awarded 1,350,000 options and Christine was awarded 333,333 options. These options were exercisable at 0.1p per share and vested when the Company's share price reached and remained at 6.0p for a period of 30 consecutive days and were subsequently exercised in October 2020.

Statement of Remuneration (continued)

Up on his initial appointment in February 2020, Ali Mortazavi was awarded 9,672,836 share options under the Share Plan 2013 (PSP) with an exercise price of 0.1p and a vesting period of two years

The options had a performance condition attached whereby options will only vest if the share price stays above 6.0p for 30 consecutive days. More information can be found in Note 9 to the financial statements.

Options granted to, and held by, Directors who served during the year are summarised below:

	Years ended 31 January 2022 and 2021				
	Options held at beginning of the year No.	Options granted during the year No.	Options exercised during the year No.	Options forfeited during the year No.	Options held at end of the year No.
Ali Mortazavi	9,672,836	—	—	—	9,672,836
	9,672,836	—	—	—	9,672,836

The options granted to, and held by, Directors who served during the year, represent the following awards:

	Years ended 31 January 2022 and 2021				
	At end of year	At beginning of year	Exercise price (p)	Date from which exercisable	Expiry date
Ali Mortazavi	9,672,836	9,672,836	0.1	11 February 2022	11 February 2030

The mid-market price of the Company's shares at 31 January 2022 (the last trading day of the period) was 33.50p and the range during the year was 18.63p to 42.50p.

Directors' shareholdings

The Directors of the Company who served during the year, and their interests in the issued ordinary shares of the Company, were as follows:

	Ordinary shares of 0.1p each at 31 January 2022
Ali Mortazavi	50,941,666
Trevor Jones	1,079,478
Michael Bretherton	500,000

During the period between 31 January 2022 and 21 April 2022, the Company received no notifications under the Market Abuse Regulation. Details of the most recently notified transactions in the ordinary shares of the Company by the Directors are available on the Company's website at www.etherapeutics.co.uk/investors/regulatory-announcements.

Implementation of Remuneration Policy for the year ended 31 January 2023

The annual salaries and fees payable under the Directors' service contracts and letters of appointment as at 4 May 2022 are set out in the table below, together with any increase versus those reported in the previous year's Directors' Remuneration Report expressed as a percentage:

	Annual base salary/fees		
	At 4 May 2022 £'000	At 12 May 2021 £'000	Increase/ (decrease)
Ali Mortazavi	**208**	200	4%
Trevor Jones	**55**	55	Nil%
Michael Bretherton	**120**	40	300%

The increased fees for Ali Mortazavi reflect an inflationary increase of 4% as of 1 March 2022. The increased fees for Michael Bretherton reflect his additional role as Interim Chief Financial Officer with effect from 31 December 2021 pending recruitment of a replacement.

The basis for determining annual bonus payments for the year to 31 January 2022 is set out in the Remuneration Policy on pages 50 to 53. The performance targets are considered commercially sensitive because of the information that they would provide to the Company's competitors, but are aligned with the strategic objectives set out on pages 16 to 17 of the Strategic Report.

The Remuneration Committee may make further awards under the LTIP during the year ending 31 January 2023. Any awards will be made subject to appropriate exercise prices and vesting periods.

Conclusion

This report is intended to provide shareholders with sufficient information to judge the impact of the decisions taken by the Remuneration Committee and to assess whether remuneration packages for Directors are fair in the context of business performance.

The Remuneration Committee is mindful of shareholder views, and we believe that our Directors' Remuneration Policy is aligned with the achievement of the Company's business objectives and the interests of shareholders.

The Directors' Remuneration Report, including the Remuneration Policy and Statement of Remuneration, were approved by the Remuneration Committee and by the Board on 4 May 2022.

Professor Trevor Jones CBE

Chair of the Remuneration Committee

4 May 2022

Directors' report

The Directors present their Annual Report together with the financial statements and Auditor's Report for the year ended 31 January 2022. The Corporate Governance Statement on pages 34 to 46 also forms part of this Directors' Report.

General information

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

Review of business

The Group comprises the Company (through which all operational activities are undertaken), together with two non-operating subsidiaries as detailed in Note 16 to the financial statements. The Company continues to invest in drug discovery research activities. The Strategic Report on pages 1 to 33 forms part of this Directors' Report and provides a review of the business, including the Group's trading for the year ended 31 January 2022, an indication of likely future developments, key performance indicators and risks.

Results and dividend

The Group has reported its consolidated financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The results for the period and financial position of the Company and the Group are set out in the financial statements and reviewed in the Financial Review on pages 26 to 27.

The Directors do not recommend the payment of a dividend (2021: £nil).

Directors' interests

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Remuneration Committee Report on page 54.

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

Directors' remuneration

Details of the Directors' remuneration appear in the Remuneration Committee Report on pages 50 to 55.

Directors' and officers' liability insurance

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

Political donations

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

Financial instruments – risk management

The Group's financial risk management policy is set out in Note 22 to the financial statements.

The Directors of the Company who served during the year ended 31 January 2022 and up to the date of this report were:

Directors

Director	Capacity
Ali Mortazavi	Chief Executive Officer*
Trevor Jones	Non-Executive Chairman*
Michael Bretherton	Non-Executive Director and Interim Chief Financial Officer**

* Ali Mortazavi was appointed as Executive Chairman on 10 February 2020. He was appointed Chief Executive Officer from 12 October 2020 and retained his position as Chairman. With effect from 1 March 2021, the roles were split, with Ali Mortazavi continuing in his role as Chief Executive Officer and Trevor Jones being appointed as Non-Executive Chairman. Trevor Jones has served as a Non-Executive Director since 2015.

** Michael Bretherton took on the additional job of Interim Chief Financial Officer on 31 December 2021 and will relinquish this role as soon as a replacement CFO is recruited.

Major shareholdings

As at 29 April 2022 (being the latest practicable date prior to the publication of this report) the Company had been notified of the following shareholders with 3% or more of the issued share capital of the Company:

	Ordinary shares of 0.1p each Number	% of ordinary shares of 0.1p each held at 21 April 2022
Richard Griffiths and controlled undertakings	**153,615,905**	29.85
Robert Quested	**68,320,000**	13.28
Ali Mortazavi	**50,941,666**	9.90
M&G	**34,375,000**	6.68
Trillian Ltd	**30,454,847**	5.92
David Richardson	**25,529,030**	4.96

Research and development

During the year ended 31 January 2022 the Company's expenditure on R&D was £6,109,000 (2021: £2,705,000).

Statement of engagement with suppliers, customers and others in a business relationship with the Company

The Directors are mindful of their statutory duty to act in the way they each consider, in good faith, would be most likely to promote the success of the Company for the benefits of its members as a whole, as set out in our S.172(1) Statement on page 20.

A consideration of the Company's relationship with wider stakeholders, including suppliers and customers, is disclosed in Principle 3 of the Corporate Governance Statement on page 40.

Articles of association and capital structure

The Company's share capital, traded on AIM, comprises a single class of ordinary shares of 0.1p each in nominal value, each carrying one vote and all ranking equally. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's articles of association, copies of which can be obtained from Companies House in the UK, downloaded from the Company's website at www.etherapeutics.co.uk/investors/Aim Rule 26 or by writing to the Company Secretary at 4 Kingdom Street, Paddington, London W2 6BD.

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 23 to the financial statements. There are no restrictions on the transfer or voting of securities in the Company, and there are no agreements known to the Company which might result in such restrictions.

There are no shareholdings carrying special rights with regard to the control of the Company.

As at 31 January 2022, the Company's issued share capital was £514,571 divided into 514,571,069 ordinary shares of 0.1p each in nominal value.

Re-election of Directors

The appointment of the Chief Executive Officer is terminable by either the Company or the Chief Executive Officer on six months' notice. The appointments of both of the other Directors are terminable by either the Company or the individual Director on three months' notice. Each appointment is contingent on satisfactory performance and on re-election criteria.

In accordance with the Company's articles of association, each Director must be subject to re-election at least every three years. All newly appointed Directors are also subject to election by the shareholders at the first Annual General Meeting following their appointment. Accordingly, Michael Bretherton, who had been a Non-Executive Director since 10 February 2020, and was appointed as Interim Chief Financial Officer on 31 December 2021, will offer himself for election at the forthcoming Annual General Meeting of the Company on 19 July 2022.

Disclosure of information to Auditor

Each Director who held office at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware and the Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of Grant Thornton UK LLP as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting. Grant Thornton UK LLP was first appointed as Auditor of the Company at the Annual General Meeting in June 2020 following a tender process.

Subsequent events

There were no material subsequent events requiring disclosure in the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Company's registered office at 4 Kingdom Street, Paddington, London W2 6BD at 12:30 on 19 July 2022. The notice convening the meeting is set out on pages 88 and 89 together with a summary of the business to be transacted. A copy of the notice is also available on the Company's website at www.etherapeutics.co.uk/ investors/reports-results.

Going concern

Although the Group has recognised revenue from commercial deals during the current and prior year, it is still largely reliant on its cash balance to fund ongoing operations.

At 31 January 2022, we reported cash and liquid resources of £26,649,000, inclusive of short term investment bank deposits. The Board has prepared detailed strategic plans as part of the fundraise process in June 2021, which raised total net proceeds of £21,669,000 and we have also prepared a detailed budget covering the forthcoming financial year, together with financial projections for the year thereafter. These support the view that the Group has sufficient cash to meet its operational requirements for at least 12 months from the signing of these financial statements.

By order of the Board

Ali Mortazavi

Chief Executive Officer

4 May 2022

Directors' Responsibilities Statement

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

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

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

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

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

Responsibilities statement

We confirm that, to the best of our knowledge:

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

This Directors' Responsibilities Statement was approved by the Board of Directors on 4 May 2022 and is signed on its behalf by:

Ali Mortazavi

Chief Executive Officer

4 May 2022

Independent auditor's report

to the members of e-therapeutics plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of e-therapeutics plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 January 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Consolidated and Company Statement of Financial Position, the Group and Company Statements of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's assessment for the period to May 2023, which included a base case forecast and a worst-case scenario where no revenue was included for the period, and obtaining an understanding of how these forecasts were compiled;
- testing the reliability of management's forecasting by comparing the accuracy of the actual financial performance with forecast information obtained in the prior period;
- assessing the reasonableness of the assumptions used in management's forecasts approved by the board;
- challenging the assumptions used within the forecast, such as the assumptions in respect of revenue, and considering whether they are consistent with other evidence obtained during the audit;
- performing sensitivity analysis on the key assumptions and estimates to determine the impact of reasonably possible movements; and
- assessing the adequacy of the going concern disclosures included within the strategic report and accounting policies for compliance with the requirements of International Accounting Standard (IAS) 1 'Presentation of Financial Statements'.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the parent company's business model including effects arising from Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the parent company's financial resources or ability to continue operations over the going concern period.

Independent auditor's report (continued)

to the members of e-therapeutics plc

Conclusions relating to going concern (continued)

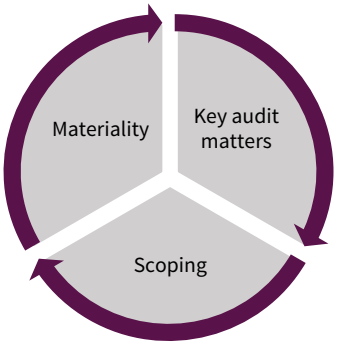
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Grant Thornton



Overview of our audit approach

Overall materiality:

- Group: £674,000, which represents approximately 7% of the Group's loss before tax.
- Parent company: £673,000, which represents approximately 7% of the parent company's loss before tax.

Key audit matters:

- The key audit matter was identified as the occurrence and accuracy of Research & Development (R&D) tax credit (income statement) and existence and accuracy of the related R&D tax receivable (balance sheet). This is a new key audit matter in the current year.
- Our auditor's report for the year ended 31 January 2021 included two key audit matters that have not been reported as key audit matters in our current period's report. These relate to the application of International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers' to the Galapagos contract and the valuation of the share options issued in the prior year with respect to the resultant IFRS 2 'Share-based Payment' cost recognised, which have not been included as key audit matters in the current period as the amounts involved are not material to the financial statements as a whole this year.

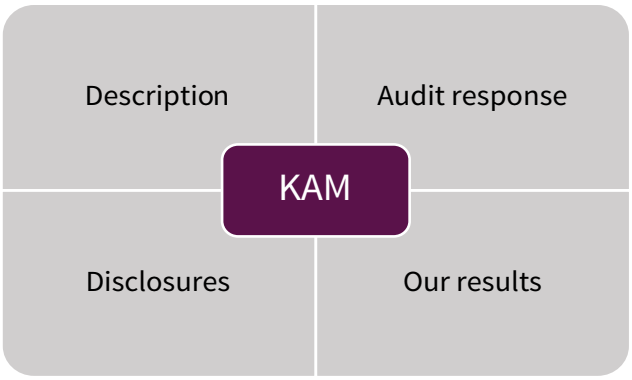
Scoping:

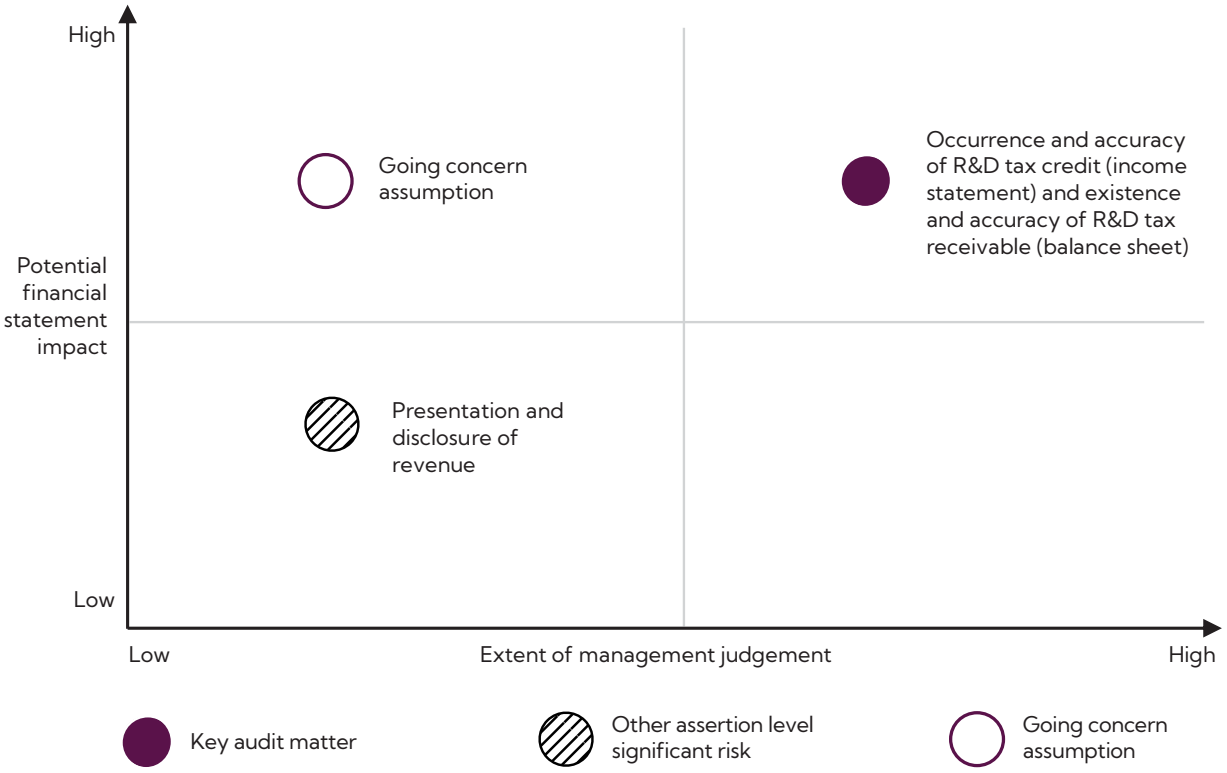
- We performed a full scope audit on the financial information of e-therapeutics plc and analytical procedures on the financial information of the non-significant components, Searchbolt Limited and InRotis Technologies Limited.

Key audit matters

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

In the graph below, we have presented the key audit matter, the other assertion level significant risk and the risk of the going concern assumption being inappropriate. We also identified a significant financial statement level risk due to management override of controls.





Independent auditor's report (continued)

to the members of e-therapeutics plc

Key Audit Matter – Group and parent company	How our scope addressed the matter – Group and parent company
Occurrence and accuracy of R&D tax credit (income statement) and existence and accuracy of R&D tax receivable (balance sheet) We identified the occurrence and accuracy of the R&D tax credit (income statement) and the existence and accuracy of the R&D tax receivable (balance sheet) as one of the most significant assessed risks of material misstatement due to error. The Group and parent company have recognised an R&D tax credit and receivable amounting to £1.5m (increased from prior year amount of £0.8m). The claim is subject to estimates and judgements and on the correct application of complex R&D tax rules, as such, there is a risk that the estimated claim may not be successful and that the amount approved by HMRC could be materiality different to the amounts recognised in the financial statements.	In responding to the key audit matter, we performed the following audit procedures: • obtaining an understanding of the relevant controls, through inquiry with management and performing a walkthrough, that management have implemented over the process for evaluating the occurrence and accuracy of the R&D tax credit and the existence and accuracy of the R&D tax receivable; • obtaining management's R&D tax credit calculation and checking the mathematical accuracy of the calculations; • testing a selection of the key inputs used in the calculations through tracing to third party evidence and other corroborating evidence which included agreeing staff salaries to payroll costs and third-party costs to corroborative invoices; • checking the reasonableness of management's allocation of staff costs based on their asserted percentage of time spent on R&D activities through examination of the timesheets and based on the job titles; • using our tax specialist to perform a high-level assessment of claim calculations and reasonableness of the claim; and • assessing the consistency of the calculation with that of the prior year and comparing the prior year's receivables to the amounts actually paid by HMRC.
Relevant disclosures in the Annual Report and Accounts 2022	**Our results**
• Strategic report – Financial review and Principal risk and uncertainties • Financial statements: Note 12, Tax • Financial statements: Note 3, Significant accounting policies – Taxation	Based on our audit procedures performed and challenge provided, we have not identified any material misstatement relating to occurrence and accuracy of R&D tax credit (income statement) and existence and accuracy of R&D tax receivables (balance sheet).

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£674,000, which represents approximately 7% of the Group's loss before tax.	£673,000, which represents approximately 7% of the parent company's loss before tax.
Significant judgements made by us in determining the materiality	In determining materiality, we made the following significant judgements: • We have consistently used loss before tax as the underlying benchmark. We selected this benchmark because the main focus of the Group currently is business development and managing cash resources. There are very few non-cash based income statemen transactions, and therefore loss before tax is considered a good indicator of cash usage. As such, loss before tax is considered a reasonable benchmark upon which to make an assessment. Materiality for the current year is higher than the level determined for the year ended 31 January 2021 (£212,000) due to an increase in the Group's loss before tax for the year ended 31 January 2022 and an increase in the masurement percentage applied from 4.7% to 7%.	In determining materiality, we made the following significant judgements: • We have consistently used loss before tax as the underlying benchmark. We selected this benchmark because the main focus of the parent company currently is business development and managing cash resources. There are very few non-cash based income statement transactions, and therefore loss before tax is considered a good indicator of cash usage. As such, loss before tax is considered a reasonable benchmark upon which to make an assessment. Materiality for the current year is higher than the level determined for the year ended 31 January 2021 (£211,000) due to an increase in the parent company's loss before tax for the year ended 31 January 2022 and an increase in the measurement percentage applied from 4.7% to 7%.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£505,500, which is 75% of financial statement materiality.	£504,750, which is 75% of financial statement materiality.

Independent auditor's report (continued)

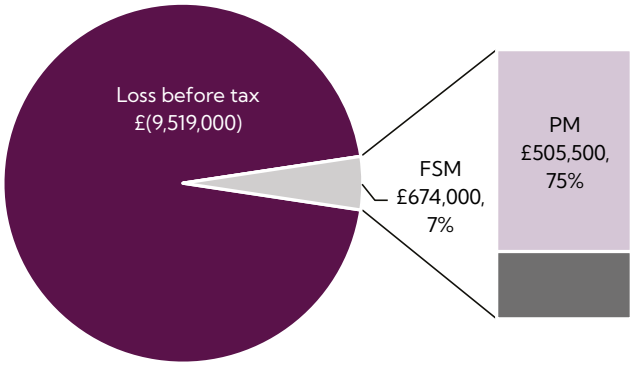
to the members of e-therapeutics plc

Our application of materiality (continued)

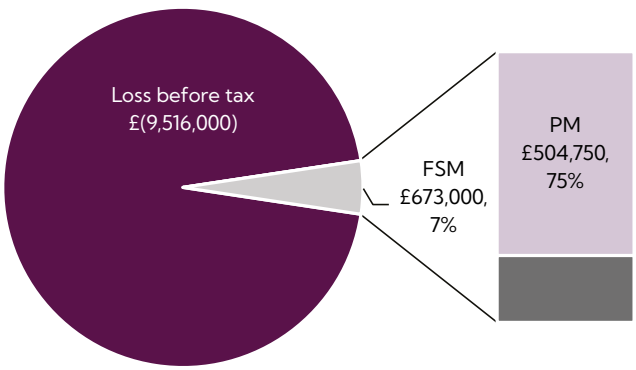
Materiality measure	Group	Parent company
Significant judgements made by us in determining the performance materiality	In determining performance materiality for the Group, we made the following significant judgements • whether there were any significant adjustments made to the financial statements in prior years; • whether there were any significant control deficiencies identified in prior years; and • whether there were any significant changes in business objectives and strategy.	In determining performance materiality for the parent company, we made the following significant judgements: • whether there were any significant adjustments made to the financial statements in prior years; • whether there were any significant control deficiencies identified in prior years; and • whether there were any significant changes in business objectives and strategy
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: • director's remuneration; and • related party transactions.	We determined a lower level of specific materiality for the following areas: • director's remuneration; and • related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£33,700 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£33,650 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statement materiality, PM: Performance materiality.

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, parent company, its components, and their environments, including Group-wide controls

- Our audit approach was a risk-based approach founded on a thorough understanding of the Group's and parent company's business, its environment and risk profile. The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level.

Identifying significant components

- We determined the scope of the Group audit based on our understanding of the Group structure, materiality and the relative contribution of revenue, expenses and net assets of each component to the Group.
- We have performed a full scope audit of the financial information using component materiality for the trading parent company, e-therapeutics plc. As the two components, Searchbolt and InRotis Technologies, constitute a negligible percentage of the Group's total assets, revenues and loss before taxation, these are not significant components within the scope of our audit.

Type of work performed on financial information of parent and other components

- Based on our assessment of the Group as above, we focused our Group audit scope primarily on the Group and parent company, e-therapeutics plc.
- We identified the occurrence and accuracy of the R&D tax credit (income statement) and the existence and accuracy of the R&D tax receivable (balance sheet) as a key audit matter and the procedures performed in respect of these have been included in the key audit matters section of our report.
- At Group level, we also tested the consolidation process and carried out analytical procedures at the remaining two components to confirm our conclusion that there were no significant risks of material misstatement to the Group financial statements arising from those remaining components.

Performance of our audit

- Our full-scope and specific-scope audit procedures provided coverage of over 99% of the Group's loss before tax, 100% of the Group's revenue and over 99% of the Group's net assets, as per the table below.
- We visited the Group's head office to perform the audit fieldwork for the full-scope audit and analytical procedures.
- No separate component auditors were used, with the Group engagement team undertaking all audit work to support the Group audit opinion.

Audit approach	No. of components	% coverage of loss before tax	% coverage of revenue	% coverage of net assets
Full-scope audit	1	Over 99%	100%	Over 99%
Analytical procedures	2	Less than 1%	0%	Less than 1%

Changes in approach from previous period

The scope of the current year audit was similar to that in the prior year other than the changes resulting from having two fewer key audit matters this year, as discussed above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and accounts 2022, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of e-therapeutics plc

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the Group and sector in which they operate through our commercial and sector experience, making enquiries of management and those charged with governance; and inspection of the parent company's and the Group's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, including UK-adopted international accounting standards; the AIM Rules for Companies; the Companies Act 2006 and the relevant taxation regulations.

- We assessed the susceptibility of the parent company's and the Group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of the presentation and disclosures of revenue and through management override of controls. Our audit procedures included:
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
  - Gaining an understanding of and testing significant identified related party transactions; and
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the parent company and the Group operates; and
  - Understanding of the legal and regulatory requirements specific to the parent company and the Group.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the estimation and judgemental areas with a risk of fraud, including potential management bias of the presentation and disclosures of revenue and through management override of controls in the preparation of the financial statements.

Use of our report

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

Paul Holland BSc BFP FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

4 May 2022

Consolidated income statement

For the year ended 31 January 2022

	Notes	2022 £'000	2021 £'000
Revenue	5	**477**	317
Cost of sales		—	—
Gross profit		**477**	317
Research and development expenditure		**(6,109)**	(2,705)
Administrative expenses		**(3,938)**	(2,097)
Operating loss		**(9,570)**	(4,485)
Interest income	10	**61**	17
Interest expense	11	**(10)**	—
Loss before tax		**(9,519)**	(4,468)
Taxation	12	**1,449**	784
Loss for the year attributable to equity holders of the Company		**(8,070)**	(3,684)
Loss per share: basic and diluted	13	**(1.65)p**	(0.99)p

Consolidated statement of comprehensive income

For the year ended 31 January 2022

	2022 £'000	2021 £'000
Loss for the financial year	**(8,070)**	(3,684)
Other comprehensive income	—	—
Total comprehensive loss for the year attributable to equity holders of the Company	**(8,070)**	(3,684)

As permitted by Section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the parent company. The Company reported a loss for the financial year ended 31 January 2022 of £8,067,000 (2021: loss of £3,682,000).

Statements of changes in equity

For the year ended 31 January 2022

Group	Share capital £'000	Share premium £'000	Retained earnings deficit £'000	Total £'000
As at 1 February 2020	269	65,176	(60,943)	4,502
Total comprehensive income for the year				
Loss for the financial year	—	—	(3,684)	(3,684)
Total comprehensive loss for the year	—	—	(3,684)	(3,684)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	152	12,492	—	12,644
Equity-settled share-based payment transactions	—	—	422	422
Total contributions by and distribution to owners	152	12,492	422	13,066
As at 31 January 2021	**421**	**77,668**	**(64,205)**	**13,884**
Total comprehensive income for the year				
Loss for the financial year	**—**	**—**	**(8,070)**	**(8,070)**
Total comprehensive loss for the year	**—**	**—**	**(8,070)**	**(8,070)**
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	**94**	**21,575**	**—**	**21,669**
Equity-settled share-based payment transactions	**—**	**—**	**490**	**490**
Total contributions by and distribution to owners	**94**	**21,575**	**490**	**22,159**
As at 31 January 2022	**515**	**99,243**	**(71,785)**	**27,973**

Company	Share capital £'000	Share premium £'000	Retained earnings deficit £'000	Total £'000
As at 1 February 2020	269	65,176	(61,195)	4,250
Total comprehensive income for the year				
Loss for the financial year	—	—	(3,682)	(3,682)
Total comprehensive loss for the year	—	—	(3,682)	(3,682)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	152	12,492	—	12,644
Equity-settled share-based payment transactions	—	—	422	422
Total contributions by and distribution to owners	152	12,492	422	13,066
As at 31 January 2021	**421**	**77,668**	**(64,455)**	**13,634**
Total comprehensive income for the year				
Loss for the financial year	**—**	**—**	**(8,067)**	**(8,067)**
Total comprehensive loss for the year	**—**	**—**	**(8,067)**	**(8,067)**
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	**94**	**21,575**	**—**	**21,669**
Equity-settled share-based payment transactions	**—**	**—**	**490**	**490**
Total contributions by and distribution to owners	**94**	**21,575**	**490**	**22,159**
As at 31 January 2022	**515**	**99,243**	**(72,032)**	**27,726**

Consolidated statement of financial position

As at 31 January 2022

	Notes	2022 £'000	(Restated) 2021 £'000	(Restated) 2020 £'000
Non-current assets				
Intangible assets	14	**102**	83	110
Property, plant and equipment	15	**805**	79	93
Investments	16	**—**	—	—
		907	162	203
Current assets				
Tax receivable	12	**1,474**	769	557
Trade and other receivables	17	**231**	57	36
Prepayments		**501**	296	149
Cash and cash equivalents	18	**11,598**	7,005	2,833
Short term investments	18	**15,051**	6,022	1,008
		28,855	14,149	4,583
Total assets		**29,762**	14,311	4,786
Current liabilities				
Trade and other payables	19	**1,103**	327	215
Deferred revenue liability	21	**—**	77	—
Lease liability	20	**391**	23	46
		1,494	427	261
Non-current liabilities				
Lease liability	20	**295**	—	23
Total liabilities		**1,789**	427	284
Net assets		**27,973**	13,884	4,502
Equity				
Share capital	23	**515**	421	269
Share premium		**99,243**	77,668	65,176
Retained earnings deficit		**(71,785)**	(64,205)	(60,943)
Total equity attributable to equity holders of the Company		**27,973**	13,884	4,502

Restatements reflect a simple reclassification of bank deposits on 95 days notice as short-term investments – see Note 18 to the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 4 May 2022 and were signed on its behalf by:

Michael Bretherton

Chief Financial Officer

Registered number: 04304473

Company statement of financial position

As at 31 January 2022

	Notes	2022 £'000	(Restated) 2021 £'000	(Restated) 2020 £'000
Non-current assets				
Intangible assets	14	**102**	83	110
Property, plant and equipment	15	**805**	79	93
Investments	16	**—**	—	—
		907	162	203
Current assets				
Tax receivable	12	**1,474**	769	557
Trade and other receivables	17	**236**	57	36
Prepayments		**501**	296	149
Cash and cash equivalents	18	**11,346**	6,754	2,832
Short term investments	18	**15,051**	6,022	1,008
		28,608	13,898	4,582
Total assets		**29,515**	14,060	4,785
Current liabilities				
Trade and other payables	19	**1,103**	326	466
Deferred revenue liability	21	**—**	77	—
Lease liability	20	**391**	23	46
		1,494	426	512
Non-current liabilities				
Lease liability	20	**295**	—	23
Total liabilities		**1,789**	426	535
Net assets		**27,726**	13,634	4,250
Equity				
Share capital	23	**515**	421	269
Share premium		**99,243**	77,668	65,176
Retained earnings deficit		**(72,032)**	(64,455)	(61,195)
Total equity attributable to equity holders of the Company		**27,726**	13,634	4,250

Restatements reflect a simple reclassification of bank deposits on 95 days notice as short-term investments – see Note 18 to the financial statements

These financial statements were approved and authorised for issue by the Board of Directors on 4 May 2022 and were signed on its behalf by:

Michael Bretherton

Chief Financial Officer

Registered number: 04304473

Statements of cash flow

For the year ended 31 January 2022

	Notes	Group 2022 £'000	Group (Restated) 2021 £'000	Company 2022 £'000	Company (Restated) 2021 £'000
Loss for the year		**(8,070)**	(3,684)	**(8,067)**	(3,682)
Adjustments for:					
Depreciation, amortisation and impairment	14,15	**218**	111	**218**	111
Equity–settled share–based payment expense	9	**490**	422	**490**	422
Interest income	10	**(61)**	(17)	**(61)**	(17)
Interest expense	11	**10**	—	**10**	—
Taxation	12	**(1,484)**	(802)	**(1,484)**	(802)
Operating cash flows before movements in working capital		**(8,897)**	(3,970)	**(8,894)**	(3,967)
Increase in trade and other receivables		**(379)**	(167)	**(384)**	(168)
Increase in trade and other payables		**699**	189	**700**	(63)
Tax received		**779**	590	**779**	590
Net cash used in operating activities		**(7,798)**	(3,358)	**(7,799)**	(3,608)
Interest received	10	**61**	17	**61**	17
Interest expense	11	**(10)**	—	**(10)**	—
Acquisition of other intangible assets	14	**(55)**	(18)	**(55)**	(18)
Acquisition of property, plant and equipment	15	**(908)**	(53)	**(908)**	(53)
Movement in short term investments	18	**(9,029)**	(5,014)	**(9,029)**	(5,014)
Net cash used in investing activities		**(9,941)**	(5,068)	**(9,941)**	(5,068)
Proceeds from issue of share capital		**21,669**	12,644	**21,669**	12,644
Proceeds from lease liability	20	**793**	—	**793**	—
Repayment of lease liability	20	**(130)**	(46)	**(130)**	(46)
Net cash from financing activities		**22,332**	12,598	**22,332**	12,598
Net increase in cash and cash equivalents		**4,593**	4,172	**4,592**	3,922
Cash and cash equivalents at 1 February		**7,005**	2,833	**6,754**	2,832
Cash and cash equivalents at 31 January		**11,598**	7,005	**11,346**	6,754

Restatements reflect a simple reclassification of bank deposits on 95 days notice as short–term investments – see Note 18 to the financial statements.

The acquisition of property, plant and equipment in the year to 31 January 2022 includes a non–cash amount of £0.79 million capitalised in respect of a right to use property for which a corresponding non–cash amount has been recognised in proceeds from lease liability.

Notes to the consolidated financial statements

1. General information

e-therapeutics plc (the "Company") is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (the "Group") are set out in the Strategic Report on pages 1 to 30 and the Directors' Report on page 56. The registered address of the Company is 4 Kingdom Street, Paddington, London W2 6BD.

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

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

2. Standards and interpretations applied for the first time

No new standards, amendments or interpretations have become effective for the first time in these financial statements that have a material impact on the amounts reported or disclosures made.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. None of these are expected to have a material impact on the Group and Company in the current or future reporting periods and on foreseeable future transactions.

3. Significant accounting policies

Basis of accounting

The Group financial statements have been prepared on a going concern basis under the historical cost basis of accounting, except where fair value measurement is required under IFRS UK – adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under IFRS. The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently to all years presented.

Going concern

Although the Group has recognised revenue from commercial deals during the current and prior year, it is still largely reliant on its cash balance to fund ongoing operations.

At 31 January 2022, we reported cash and liquid resources of £26,649,000 inclusive of short term investment bank deposits versus an underlying cash burn during the year of £8,791,000, excluding R&D tax credits received and net proceeds from the equity fundraise.

We prepared detailed strategic plans as part of the fundraise process completed in June 2021, which raised total gross proceeds of £22,500,000. We have also prepared a detailed annual budget and follow on projections which together cover a 24 month period and provide support for the view that the Group has sufficient cash to meet its operational requirements for at least 12 months from the signing of these financial statements. The budget includes a significant increase in R&D expenditure, in line with progressing our strategic aims as detailed on pages 16 to 17 of the Strategic Report. This expenditure is largely uncommitted and discretionary and would be reduced or postponed if required to manage the Group's cash resources.

The financial performance and position of the Group are discussed in more detail on pages 26 to 27 of the Strategic Report.

These financial statements have been prepared on the going concern basis since, given the points discussed above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

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

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

Foreign currencies

The individual financial statements of each Group company are presented in Sterling, being the functional currency. Transactions in foreign currencies are recognised at the rates of exchange prevailing on the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in the Income Statement.

Revenue

Rendering of services under contracts with customers

Revenue is recognised on collaborative transactions in the area of drug discovery. All contracts with customers are reviewed individually in accordance with the IFRS 15

3. Significant accounting policies (continued)

Revenue (continued)

Rendering of services under contracts with customers (continued)

five-step process for revenue recognition. Where consideration is fixed and services are deemed to be transferred over time, on the basis that customers influence the direction of the project and therefore the requirements of the performance obligations to be delivered, revenue is recognised over time based on the ratio of time spent by employees in the period to the total time expected to be spent to complete the performance obligation. All other revenue for services is recognised at the point at which the performance obligation, as defined in the contract and as aligned to a customer deliverable, has been completed. Every performance obligation has a defined transaction price. Milestone payments, all of which have a defined transaction price, will be recognised when the related performance obligation is satisfied and the Group considers that it is highly probable that there will not be a significant reversal of cumulative revenue in future periods. e-therapeutics utilises its powerful computer-based platform technologies in the delivery of its projects with collaborators. Licence income fees associated with the right to access the Group's proprietary platform throughout the project are recognised as revenue over the length of the contract in accordance with IFRS 15.B58. Customers may be invoiced wholly or partly upfront, with the balance upon completion of specific performance obligations. The Group recognises contract liabilities on the Balance Sheet for consideration received in excess of the revenue recognised.

Interest income and expenditure

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

Expenses

Defined contribution pension plans

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

Share-based payment transactions

Equity-settled share-based payments to employees are measured at fair value of the equity instruments at the grant date, excluding the effect of non-market-based vesting conditions. Details regarding the determination of the fair value are included in Note 9.

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

Taxation

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. Small and medium-sized enterprise (SME) R&D tax credits receivable are recognised within taxation in the Income Statement. Research and development expenditure credit (RDEC) is recognised within operating loss.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, using tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws that have been enacted or substantively enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The Group is committed to maintaining the highest level of ethical standards when conducting business and has a zero-tolerance approach towards the criminal facilitation of tax evasion. We have adopted appropriate policies and procedures to apply best practice to prevent the criminal facilitation of tax evasion.

Intangible assets

Goodwill

Goodwill is initially recognised and measured as set out in the "Business combinations" policy above. Goodwill is not amortised but is tested at least annually for impairment, reducing the carrying amount down to the recoverable amount if this is lower. The recoverable amount is calculated as the higher of fair value less costs to sell and value in use. Goodwill is stated at cost less accumulated impairment losses.

R&D expenditure

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

3. Significant accounting policies (continued)

Patents and trademarks

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

Derecognition

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

Property, plant and equipment

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

Right-to-use property:	Over the remaining lease term
Plant and equipment:	33% per annum
Fixtures and fittings:	15% per annum

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

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

Impairment of intangible and tangible assets

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

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

Leased assets

Right-of-use assets are measured at cost, being the initial measurement of the lease liability less any prepaid amounts and less depreciation which is calculated on a straight-line basis over the lease term. A corresponding lease liability is recognised at the present value of lease payments unpaid at the Balance Sheet date. Interest accrues on the lease liability at the rate of interest stipulated on the lease agreement. Subsequent to initial measurement, the liability will be reduced by lease payments.

The Group has elected to account for short-term leases of 12 months or less and low value leases using the practical expedients. Payments in relation to these leases are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

Investments in subsidiaries

Investments in subsidiaries are shown in the Company Balance Sheet at cost and are assessed annually for any indication of impairment. If any such indication exists the recoverable amount is estimated and the investment is written down to the impaired recoverable value.

Financial Instruments

The Group applies IFRS 9 'Financial Instruments'. Financial assets and financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets

All financial assets will be realised through the collection of contractual cash flows; hence they are subsequently measured at amortised cost using the effective interest method, less expected credit losses judged as the discounted probability weighted outcomes of default at recognition. Interest income is recognised in the Income Statement, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

All financial liabilities are measured at amortised cost using the effective interest method. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount and the consideration payable is recognised in the Income Statement. Interest expense is recognised in the Income Statement, except for short-term payables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and term deposits with an initial maturity of not more than three months.

Notes to the consolidated financial statements (continued)

4. Accounting judgements and sources of estimation uncertainty

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

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

- As detailed in Note 3, there are various revenue streams from collaborative partnerships. Management reviews these revenue streams against the IFRS 15 criteria to establish whether revenue should be recognised over time or at a point in time. Revenue recognised over time results in a difference between upfront cash receipts and revenue recognised, the balance of which is recorded on the Balance Sheet. At the year end, deferred revenue liability was £nil (2021: £77,000), as disclosed in Note 21. Revenue of £477,000 (2021: £317,000) is made up of £400,000 (2021: £163,000) recognised at a point in time and £77,000 (2021: £154,000) over time.
- The Directors have not recognised a deferred tax asset based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The potential deferred tax asset is disclosed in Note 12.

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

- The current tax receivable, of £1,474,000 (2021: £769,000), represents an R&D tax credit based on an advance claim with HMRC. The final receivable is subject to judgement and the correct application of complex R&D tax rules. The minimum receipt approved by HMRC could be £nil. Historically, final claims have been successful and materially in line with the receivable recognised in the financial statements. The Group expects the current year to be successful too. Further details of the decision to recognise the tax receivable in full can be found in the principal risks within the Strategic Report on page 33.

5. Segmental reporting

Financial information is reported to the Group's Chief Executive Officer (the Chief Operation Decision Maker) as one business segment, being that of drug discovery.

All Group activities are carried out in the UK and all of the Group's assets and liabilities are located in the UK, with the exception of immaterial activities and assets relating to one employee (2021: one) who works in a permanent establishment in the Republic of Ireland which was registered during the prior year.

Revenue recognised of £477,000 (2021: £317,000) includes £77,000 (2021: £nil) of deferred revenue at the beginning of the period.

There are no transaction prices relating to the performance obligations from existing revenue contracts that are unsatisfied or partially satisfied as at 31 January 2022.

Revenue during the current financial year was reliant upon a single external customer. Management expects to enter into further commercial collaborations in the coming financial year, diversifying revenue from external customers.

6. Auditor's remuneration

	2022 £'000	2021 £'000
Amounts receivable by the Auditor and its associates in respect of:		
– audit of the Group's annual financial statements	**58**	49
– other services	**—**	—

7. Staff numbers and costs

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

	Number of employees Group and Company	
	2022	2021
R&D staff	**21**	12
Finance and administration staff	**10**	5
Executive Directors	**1**	1
	32	18

The aggregate payroll costs of these persons were as follows:

	Group and Company	
	2022 £'000	2021 £'000
Wages and salaries	**3,637**	1,805
Share-based payments (see Note 9)	**490**	422
Social security costs	**455**	248
Contributions to money purchase pension schemes	**279**	241
Compensation for loss of office	**47**	248
	4,908	2,964

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans is £279,000 (2021: £241,000). As the reporting date, there were outstanding contributions of £33,000 (2021: £43,000).

8. Directors' remuneration

	2022 £'000	2021 £'000
Directors' emoluments	**435**	277
Contributions to money purchase pension schemes	**20**	38
Compensation for loss of office	**—**	248
	455	563

The remuneration of the highest paid Director during the year was £328,000 (2021: £242,000). Contributions to money purchase schemes in respect of the highest paid Director during the year were £20,000 (2021: £28,000).

During the year, one Director (2021: two) accrued retirement benefits under a money purchase scheme. No Director sold or exercised share options during the year. Further information on the Directors' remuneration can be found within the Remuneration Committee Report on pages 48 to 55.

9. Share-based payments

The Group uses share options to incentivise, attract and retain the best people as part of our comprehensive people strategy and to align remuneration with the medium to long-term strategic goals of the Group. All options granted before October 2020 were granted under the e-therapeutics Performance Share Plan 2013 (PSP) and all options granted from October 2020 onwards were granted under the e-therapeutics Long-Term Incentive Plan 2020 (LTIP), which was launched in the previous year.

All of the 3,250,000 share options granted during the year carry no performance conditions other than for remaining as an employee on the basis that the key aim was to ensure the continued motivation of the current employees and

Notes to the consolidated financial statements (continued)

9. Share-based payments (continued)

to attract certain new skills integral to the Group's scale-up growth ambitions, details of which are included in the Strategic Report accompanying these financial statements. Management understands the importance of attaching performance conditions to share options granted and will continue to fully consider this on a case-by-case basis depending on how the granting of options fits in with our overall people strategy.

Vesting periods reflect a period of time that management believes will motivate and retain employees whilst taking into account the stage of R&D development and business lifecycle of e-therapeutics.

The terms and conditions of all options in issue during the year are shown below:

Date of grant	Number of instruments at end of year	Number of instruments at beginning of year	Exercise price p	Vesting period	Date exercisable	Performance conditions
March 2019	1,427,778	1,600,000	2.80	3 years	Upon vesting	1
May 2019	500,000	500,000	2.08	3 years	Upon vesting	1
February 2020	9,672,836	9,672,836	0.1	2 years	Upon vesting	2
March 2020	3,700,000	5,450,000	0.1	3 years	Upon vesting	N/A
April 2020	3,000,000	3,000,000	0.1	3 years	Upon vesting	N/A
November 2020	1,700,000	1,700,000	0.1	3 years	Upon vesting	N/A
December 2020	500,000	500,000	3.0	3 years	Upon vesting	N/A
December 2020	100,000	100,000	0.1	3 years	Upon vesting	N/A
January 2021	—	100,000	3.0	3 years	Upon vesting	N/A
March 2021	300,000	—	3.0	3 years	Upon vesting	N/A
June 2021	600,000	—	10.0	3 years	Upon vesting	N/A
June 2021	500,000	—	12.0	3 years	Upon vesting	N/A
September 2021	100,000	—	20.0	3 years	Upon vesting	N/A
Total	**22,100,614**	**22,622,836**				

Note 1

Options vest on a straight-line basis between 50% and 100% if share performance is between the minimum and maximum performance targets. These targets are based on the percentage increase in share price in relation to a comparator group of peer companies.

Note 2

These options were granted to Ali Mortazavi, current CEO, upon his initial appointment as Executive Chairman in February 2020. The options include the performance condition whereby they will vest in full, at the end of the vesting period, if e-therapeutics' share price reaches and remains at 6.0p for a period of 30 consecutive days at any time during that period. This performance condition was met in the previous year.

If any of the above options remain unexercised after a period of ten years from the date of grant they will automatically expire, with the exception of 800,000 options issued in November 2020, which expire seven years after the date of grant.

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

Options	Weighted average exercise price 2022 p	Number of options 2022	Weighted average exercise price 2021 p	Number of options 2021
Outstanding at the beginning of the year	**0.4**	**22,622,836**	15.1	19,220,500
Exercised during the year	**—**	**—**	(0.1)	(1,683,333)
Forfeited during the year	**(5.2)**	**(3,772,222)**	(16.1)	(16,891,334)
Expired during the year	**—**	**—**	(17.1)	(729,166)
Granted during the year	**10.3**	**3,250,000**	0.2	22,706,169
Outstanding at the end of the year	**1.1**	**22,100,614**	0.4	22,622,836
Exercisable at the end of the year	**—**	**—**	—	—

The options outstanding at the year end have a weighted average remaining contractual life of eight years (2021: nine years).

9. Share-based payments (continued)

Where options have performance conditions attached, the fair value of those options have been valued using the Monte Carlo option pricing model. Where options have no performance conditions attached, the fair value of those options have been valued using the Black Scholes option pricing model. In both models, volatility has been estimated by reference to historical share price data over a period commensurate with the expected term of the options awarded.

The assumptions for the option grants during the current year were:

Date of grant	September 2021	June 2021	June 2021	June 2021	March 2021
Option pricing model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Share price at date of grant (p)	29.20	27.15	27.15	27.15	23.00
Minimum vesting period	3 years	3 years	3 years	3 years	3 years
Exercise price (p)	20.00	12.00	3.00	10.00	3.00
Expected volatility	79.03%	79.08%	79.08%	79.08%	76.85%
Risk-free rate	0.23%	0.16%	0.16%	0.16%	0.14%
Dividend yield	0%	0%	0%	0%	0%
Number of shares	100,000	1,750,000	200,000	900,000	300,000
Fair value per option (p)	17.50	18.88	24.40	19.86	20.27

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

	2022 £'000	2021 £'000
Group and Company equity-settled share-based payments	**490**	422

10. Interest income

	2022 £'000	2021 £'000
Bank interest receivable	**61**	17

11. Interest expense

	2022 £'000	2021 £'000
Lease interest payable	**10**	—

12. Tax

	2022 £'000	2021 £'000
SME R&D tax credit receivable for the current year	**(1,439)**	(751)
Adjustments for prior year in respect of SME R&D tax credit	**(10)**	(33)
Current tax credit	**(1,449)**	(784)
Deferred tax	—	—
Total tax credit on loss on ordinary activities	**(1,449)**	(784)

Notes to the consolidated financial statements (continued)

12. Tax (continued)

The standard rate of corporation tax applied to reported profit is 19% (2021: 19%). The credit for the year can be reconciled to the Consolidated Income Statement as follows:

	2022 £'000	2021 £'000
Loss before tax	**(9,519)**	(4,468)
Tax at the UK corporation tax rate of 19% (2020: 19%)	**(1,809)**	(849)
Expenses not deductible for tax purposes	**(4)**	—
Enhanced relief for SMEs in relation to R&D	**(619)**	(323)
Unrelieved tax losses	**920**	396
Other	**73**	25
Adjustments in respect of prior year	**(10)**	(33)
Total tax credit for the year	**(1,449)**	(784)

The total tax credit recognised with the Consolidated Income Statement is £1,484,000 (2021: £802,000), which is made up the small or medium-sized enterprise (SME) R&D tax relief of £1,449,000 (2021: £784,000) and research and development expenditure credit (RDEC) of £35,000 (2021: £18,000). The SME tax credit is shown within taxation, as reconciled above. The RDEC is included within administrative expenses in the Consolidated Income Statement on the basis that the RDEC is treated as taxable income, being an "above the line" relief.

The tax receivable on the Balance Sheet, of £1,474,000 (2021: £769,000), is made up of current year SME tax relief of £1,439,000 (2021: £751,000) and RDEC of £35,000 (2021: £18,000). Historically, R&D credits relating to both the SME scheme and the RDEC scheme have been received from HMRC as a single payment.

The Group has accumulated losses available to carry forward against future trading profits of £33,623,000 (2021: £28,835,000). No deferred tax has been recognised in respect of tax losses since it is uncertain at the Balance Sheet date as to whether future profits will be available against which the unused tax losses can be utilised. The estimated value of the deferred tax asset not recognised, measured at the main rate of 25% which will become effective from 1 April 2023 (2021: 19%), is £9,792,000 (2021: £5,499,000).

The increase in the current year tax credit is due to an increased R&D credit, as a result of higher qualifying expenditure during the year, enabled by the fundraise during the year. The current year R&D credit has not yet been approved by HMRC and, therefore, there is a risk that this claim may not be successful. Further details of this risk mitigation are disclosed in the principal risks within the Strategic Report on page 33.

13. Loss per share

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

	2022	2021
Earnings for the purposes of basic earnings per share and diluted earnings per share, being loss attributable to owners of the Company (£'000)	**(8,070)**	(3,684)
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share (number)	**488,342,124**	373,215,456
Loss per share – basic and diluted (p)	**(1.65)**	(0.99)

Diluted EPS is calculated in the same way as basic EPS but also with reference to reflect the dilutive effect of share options in existence at the year end over 22,100,614 (2021: 22,622,836) ordinary shares (see Note 9). The diluted loss per share is, however, identical to the basic loss per share, as potential dilutive shares are not treated as dilutive where they would reduce the loss per share.

14. Intangible assets

	Group			Company		
	Goodwill £'000	Patents and trademarks £'000	Total £'000	Goodwill £'000	Patents and trademarks £'000	Total £'000
Cost						
As at 1 February 2020	2,101	1,332	3,433	2,824	1,332	4,156
Additions	—	18	18	—	18	18
As at 31 January 2021	2,101	1,350	3,451	2,824	1,350	4,174
Additions	—	55	55	—	55	55
As at 31 January 2022	**2,101**	**1,405**	**3,506**	**2,824**	**1,405**	**4,229**
Amortisation and impairment						
As at 1 February 2020	2,101	1,221	3,322	2,824	1,221	4,045
Impairment losses	—	30	30	—	30	30
Amortisation charge for the year	—	16	16	—	16	16
As at 31 January 2021	2,101	1,267	3,368	2,824	1,267	4,091
Impairment losses	—	25	25	—	25	25
Amortisation charge for the year	—	11	11	—	11	11
As at 31 January 2022	**2,101**	**1,303**	**3,404**	**2,824**	**1,303**	**4,127**
Net book value						
As at 1 February 2020	—	110	110	—	110	110
As at 31 January 2021	—	83	83	—	83	83
As at 31 January 2022	**—**	**102**	**102**	**—**	**102**	**102**

Research and development costs of £6,109,000 (2021: £2,705,000) have been recognised in the Consolidated Income Statement.

Amortisation

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

The goodwill in the Company Balance Sheet arose following the hive-up of the trade and assets of InRotis Technologies Limited in 2007. That goodwill was fully impaired during 2020, reflecting the fact that the Group's business model was then founded upon a very different, and significantly advanced, technological capability versus that at the date of the hive-up in 2007.

Notes to the consolidated financial statements (continued)

15. Property, plant and equipment

Group and Company	Right-to-use property £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
As at 1 February 2020	123	162	103	388
Additions	—	53	—	53
Disposals	—	(1)	—	(1)
As at 31 January 2021	123	214	103	440
Additions	802	64	42	908
Disposals	(123)	—	—	(123)
As at 31 January 2022	**802**	**278**	**145**	**1,225**
Depreciation				
As at 1 February 2020	46	151	100	297
Depreciation charge for the year	46	18	1	65
Disposals	—	(1)	—	(1)
As at 31 January 2021	92	168	101	361
Depreciation charge for the year	148	31	3	182
Disposals	(123)	—	—	(123)
As at 31 January 2022	**117**	**199**	**104**	**420**
Net book value				
As at 1 February 2020	77	13	3	93
As at 31 January 2021	31	46	2	79
As at 31 January 2022	**685**	**79**	**41**	**805**

Disclosure relating to the corresponding lease relating to the right-of-use asset is shown in Note 20.

Depreciation charges are included within administrative expenses.

16. Investments in subsidiaries – Company

	Total £'000
Cost	
As at 1 February 2020, 31 January 2021 and 31 January 2022	2,374
Provision for impairment	
As at 1 February 2020, 31 January 2021 and 31 January 2022	2,374
Net book value	
As at 1 February 2020, 31 January 2021 and 31 January 2022	—

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

	Principal activity	Registered address	Registered number
InRotis Technologies Limited	Dormant	17 Blenheim Office Park, Long Hanborough, Oxfordshire OX29 8LN, UK	05019565
Searchbolt Limited	Non-operational	17 Blenheim Office Park, Long Hanborough, Oxfordshire OX29 8LN, UK	06323379

InRotis Technologies Limited is exempt from the requirement for an audit under Section 480 of the Companies Act 2006.

Searchbolt Limited is exempt from the requirement for an audit by virtue of Section 479A of the Companies Act 2006 and has been provided with a statutory guarantee by the Company, its immediate parent, as required by Section 479C of the Companies Act 2006.

17. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade receivables	—	—	—	—
Other receivables	**231**	57	**236**	57
	231	57	**236**	57

There is no expected credit loss provision in respect of other receivables in the current or prior year for the Group or the Company. All debts are not past due in the current or prior year. The Group and the Company's management has received no indication that any unimpaired amounts will be irrecoverable. Further details of financial assets are shown in Note 22.

18. Cash and cash equivalents and short term investments

	Group		Company	
	2022 £'000	Restated 2021 £'000	2022 £'000	Restated 2021 £'000
Cash at bank and in hand	**3,568**	3,005	**3,316**	2,754
Bank deposits on 32 days notice	**8,030**	4,000	**8,030**	4,000
Cash and cash equivalents	**11,598**	7,005	**11,346**	6,754
Short term investments (bank deposits on 95 day notice)	**15,051**	6,022	**15,051**	6,022
Total cash and cash equivalents and short term investments	**26,649**	13,027	**26,397**	12,776

The Group's primary objective is to minimise the risk of a loss of capital and to eliminate any loss of liquidity which would have a detrimental effect on the business. Short term surplus funds are deposited with reputably rated banks for maturities of not more than 95 days.

Restatements: historically bank deposits on 95 days notice were treated as cash with a maturity of three months and were included within cash and cash equivalents balances but it is now considered more appropriate that these be classified as short-term investments and accordingly the related prior year balances have also been restated to reflect this. The resultant impact is to reduce prior year cash and cash equivalents balances at 31 January 2021 and 31 January 2020 by £6.022 million and £1.008 million respectively and to increase short term investments by the same corresponding amounts.

19. Trade and other payables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current				
Trade payables	**199**	50	**199**	50
Other taxation and social security	**4**	83	**4**	83
Other payables	**40**	43	**40**	43
Accrued expenses	**860**	151	**860**	150
	1,103	327	**1,103**	326

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Further details of financial liabilities are shown in Note 22.

Notes to the consolidated financial statements (continued)

20. Lease liability

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current				
Lease liability	**391**	23	**391**	23
Non-current				
Lease liability	**295**	—	**295**	—
	686	23	**686**	23

The lease liability relates to two office properties. One lease liability renewed its terms on 30 September 2021 for the lease liability to end on 30 June 2022 and is therefore being continued as a short term lease. The second lease began in October 2021 and has a remaining term of 21 months. The corresponding right-of-use asset is disclosed in Note 15.

The Group has elected not to recognise a lease liability for short-term leases (leases with an expected term of 12 months or less) or leases for which the underlying asset value is low. Payments made under such leases are expensed on a straight-line basis. The amount recognised within administrative expenses for short-term leases was £12,000 and the minimum lease payment at the Balance Sheet date totalled £23,000 (2021: included in lease liabilities as disclosed above). The amount recognised within administrative expenses for low value leases was £1,000 (2021: £6,000) and the minimum lease payment at the Balance Sheet date was £17,000 (2021: £500).

The movement in the Group's lease liability, as reflected in the cash flow, is as follows:

	£'000
As at 1 February 2020	69
Repayments	(46)
As at 31 January 2021	23
Additions	793
Repayments	(130)
As at 31 January 2022	**686**

21. Deferred revenue liabilities

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current				
Deferred revenue liabilities	—	77	—	77
	—	77	—	77

Revenue relating to collaborative partnerships utilising the Group's proprietary computational biology platform is recognised over the expected length of the project, which does not necessarily correlate to the schedule of payments made by customer in relation to such contracts. A contract liability is recognised in relation to individual contracts when payments are received in advance and is then released into revenue over the service period.

22. Financial instruments

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

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets				
Included within other receivables (Note 17)	**231**	57	**236**	57
Cash and cash equivalents (Note 18)	**11,598**	7,005	**11,346**	6,754
Short term investments (bank deposits on 95 day notice) (Note 18)	**15,051**	6,022	**15,051**	6,022
	26,880	13,084	**26,633**	12,833
Financial liabilities				
Trade payables (Note 19)	**199**	50	**199**	50
Lease liability (Note 20)	**686**	23	**686**	23
Included within other payables (Note 19)	**40**	43	**40**	43
	925	116	**925**	116

Management believes that there is no material difference between the carrying value of financial assets or financial liabilities and their fair value. There were no net gains or losses, except interest revenue and expenditure, recognised in the Income Statement in relation to financial assets or liabilities recognised at amortised cost. Interest received on cash balances and fixed-term deposits totalled £61,000 (2021: £17,000). Interest expenditure recognised on lease liabilities totalled £10,000 (2021: £nil).

Capital management

The Group finances its operations through its revenue-generating commercial collaborations, the issue of new shares and the management of working capital. The Group's capital resources are managed to ensure it has resources available to invest in operational activities designed to generate future income. These resources were represented by £26,649,000 of cash and short term investment bank deposits as at 31 January 2022 (2021: £13,027,000).

Management of financial risk

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

Credit risk

The Group has adopted a treasury policy that aims to maintain a high level of security of deposited funds as well as optimising income generated from those funds and ensuring that the Group has adequate working capital for ongoing activities. Management considers the credit risks on liquid funds to be limited, since the counterparties are banks with high credit ratings and balances are monitored to prevent reliance on any one bank. There are no material supplier financing arrangements. A list of approved deposit counterparties with monetary limits for each is maintained and is reviewed by the Audit Committee.

The carrying amount of trade and other receivables, of £231,000 (2021: £57,000), represents the maximum exposure to credit risk from financial assets excluding cash. Management does not expect any future credit loss; hence no loss allowance has been recognised in these financial statements for the current or prior year. Management considers the Group's exposure to credit risk to be immaterial.

The Group only deals with reputable customers and customers are required to pay an upfront element, which mitigates the credit risk. Credit terms average 33 days (2021: 45 days).

Notes to the consolidated financial statements (continued)

22. Financial instruments (continued)

Liquidity risk

The Group manages its liquidity risk by monitoring short-term cash flows, both short and long term, against monthly forecast requirements and longer-term cash flows against annual budgets and rolling monthly cash forecasts and by matching the maturity profiles of financial assets and liabilities. All of the financial assets disclosed in the table above have a contractual maturity of not more than 95 days (2021: not more than 95 days). The Group has sufficient cash and short term bank deposits available to fulfil these liabilities as they fall due.

Interest rate risk

The Group has interest-bearing debt in issue applying to the lease liability at the rate implicit in the lease agreement. Interest payable on lease liability balances was £10,000 (2021: £nil), paid at 4.1%. Interest received on bank deposit balances was £61,000 (2021: £17,000), earned at interest rates of between 0% and 1% (2021: 0% and 1%). Management does not consider that a fluctuation in interest rates would have a material impact on the Group.

Foreign exchange rate risk

Financial assets and liabilities at the year end and at the prior year end that are not originally Sterling balances are immaterial. Net foreign exchange losses of £82,000 (2021: £nil) are recognised in administrative expenses.

23. Share capital

The share capital of e-therapeutics plc consists of fully paid ordinary shares with a nominal value of £0.001 each. The Company has one class of ordinary shares, which carries no right to fixed income. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

	No. of ordinary shares	
	2022	**2021**
In issue as at 1 February	**420,773**	269,125
Share issue	**93,798**	151,649
Total shares authorised and in issue as at 31 January – fully paid	**514,571**	420,774

As part of an equity fundraise initiative during the year, 93,750,000 shares were issued with an allotment date of 17 June 2021 at a price of 24.0p per share to raise gross proceeds of £22.5 million for general working capital purposes and to enable e-therapeutics' next stage of growth and value creation by expanding its platform capabilities and asset pipeline.

In addition, 47,523 shares were issued during the year as part-payment of Non-Executive Director fees.

Proceeds received in excess of the nominal value of the shares issued during the year have been included in share premium.

As at 31 January 2022, the Company had 514,571,069 (2021: 420,773,546) ordinary shares of 0.1p each in issue.

24. Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any capital items (2021: £nil).

25. Related parties

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

The remuneration of the Directors, who are the key management personnel of the Group, is disclosed in Note 8.

Key management personnel

The Executive Committee and Board of Directors are designated as key management personnel. Key management personnel remuneration includes the following expenses:

	2022 £'000	2021 £'000
Short-term employee benefits		
Salaries including bonuses	**1,980**	1,389
Social security costs	**257**	173
Health insurance	**41**	21
Compensation for loss of office and payments in lieu of notice	**47**	248
	2,325	1,831
Post-employment benefits		
Defined contribution pension plans	**113**	102
Share-based payments	**353**	407
Total remuneration	**2,791**	2,340

No key management personnel exercised share options during the year (2021: nil).

26. Subsequent events

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

Notice of Annual General Meeting

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

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Notice is hereby given that the 2022 Annual General Meeting of e-therapeutics plc (the "Company") will be held at the Company's registered office at 4 Kingdom Street, Paddington, London W2 6BD at 12:30 on 19 July 2022 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolution 6, which will be proposed as a special resolution:

Ordinary business

1. To receive the accounts for the financial year ended 31 January 2022 together with the Directors' Report and the Auditor's Report for that period.

2. To elect Michael Bretherton as a Director of the Company, who was appointed by the Board since the last Annual General Meeting, as Interim Chief Financial Officer.

3. To reappoint Grant Thornton UK LLP as the Auditor of the Company.

4. To authorise the Directors to set the remuneration of the Auditor of the Company.

Special business

To consider and, if thought fit, to pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution, and resolution 7 will be proposed as a special resolution:

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

    a) up to an aggregate nominal amount (within the meaning of Section 551(3) and (6) of the Act) of £171,523.69 (being 1/3 (33.33%) of the Company's issued share capital as at close of business on 3 May 2022), such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of such sum; and

    b) comprising equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £343,047.38 (being 2/3 (66.67%) of the Company's issued share capital as at close of business on 3 May 2022), such amount to be reduced by any allotments or grants made under (a) above, in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or, if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal, regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever, these authorities to expire on the earlier of: (i) the date falling 15 months after the date of the passing of this resolution; and (ii) the conclusion of the Annual General Meeting of the Company in 2023 (save that the Company may before such expiry, make any offer or enter into any agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the Directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

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

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

Special business (continued)

under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

b) in the case of the authorisation granted under resolution 5(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £171,523.69 (being 1/3 (33.33%) of the Company's issued share capital as at close of business on 3 May 2022) and this power shall expire on the earlier of: (i) the date falling 15 months after the date of the passing of this resolution; and (ii) the conclusion of the Annual General Meeting of the Company to be held in 2023 (save that the Company may, at any time before the expiry of such power, make any offer or enter into any agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power conferred hereby had not expired).

Recommendation

Your Board believes that the resolutions to be proposed as ordinary and special business at the 2022 Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, your Directors unanimously recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial holdings of shares in the Company.

Action to be taken

A form of proxy for use at the AGM is enclosed. You are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event so that it is received by the Company's registrar, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen B62 8HD. not later than 12:30 on 15 July 2022.

The right to attend and vote at the 2022 Annual General Meeting is determined by reference to the Company's register of members. Only a member entered in the register of members as at close of business on 15 July 2022 (or, if the 2022 Annual General Meeting is adjourned, in the register of members as at the close of business on the date which is two business days before the time of the adjourned 2022 Annual General Meeting) is entitled to attend and vote at the 2022 Annual General Meeting.

By order of the Board

Vistra (UK) Limited

Company Secretary
4 May 2022

Registered office

4 Kingdom Street
Paddington
London
W2 6BD

Explanatory notes to the resolutions

The notes on the following pages explain the resolutions to be proposed at the 2022 Annual General Meeting of e-therapeutics plc (the "Company") to be held at the Company's registered office at 4 Kingdom Street, Paddington, London W2 6BD at 12:30 on 19 July 2022.

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

Resolution 1 – Adoption of reports and accounts

For each financial year, the Directors are required to present the Directors' Report, the audited accounts and the Auditor's Report to shareholders at a general meeting. The financial statements and reports laid before the 2022 Annual General Meeting are for the financial year ended 31 January 2022, and the Company proposes a resolution on its financial statements and reports.

Resolution 2 – Election of Directors

In accordance with the Company's articles of association, any Director appointed by the Board during the year and up to the date of approval of the Annual Report and Accounts stands at the next Annual General Meeting following appointment. Accordingly, Michael Bretherton, having been appointed as Interim Chief Financial Officer with effect from 31 December 2021, will stand for election by shareholders. His biography appears on page 35 of the Annual Report and Accounts for the year ended 31 January 2022.

The Board is satisfied that Michael Bretherton will contribute effectively and demonstrate commitment to his role as Interim Chief Financial Officer. Accordingly, the Board unanimously recommends the election of Michael Bretherton.

Resolutions 3 and 4 – Reappointment of Auditor and Auditor's remuneration

Resolutions 3 and 4 propose the reappointment of Grant Thornton LLP as the Company's Auditor for the year ending 31 January 2023 and the authorisation of the Directors to agree the Auditor's remuneration. The Directors will delegate this authority to the Audit Committee.

Resolution 5 – Authority to allot shares

Your Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. This resolution, if passed, will give the Directors flexibility to act in the best interests of shareholders, when the opportunity arises, by issuing new shares. Accordingly, resolution 5 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares: (a) up to an aggregate nominal amount of £171,523.69; and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of £343,047.38.

These amounts represent approximately 33.33% and 66.67% respectively of the total issued ordinary share capital of the Company as at close of business on 3 May 2022, being the last practicable day prior to the publication of this notice. If given, these authorities will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2023.

Your Directors have no present intention of issuing shares pursuant to this authority, although they did undertake an equity share issue fundraise in June 2021 pursuant to an authority taken at the last Annual General Meeting. As at the date of this notice the Company holds no treasury shares.

Resolution 6 – Disapplication of pre-emption rights

Your Directors also require additional authority from shareholders to allot equity securities for cash and otherwise than to existing shareholders pro rata to their holdings. Resolution 6 will be proposed as a special resolution to grant such an authority. Apart from offers or invitations in proportion to the respective number of shares held, the authority will be limited to the allotment of equity securities for cash up to an aggregate nominal value of £171,523.69 (being approximately 33.33% of the Company's issued ordinary share capital as at close of business on 3 May 2022, being the last practicable day prior to the publication of this notice). If given, this authority will expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company in 2023.

Procedural and explanatory notes

The following notes explain your general rights as a shareholder of the Company and your right to vote by proxy at this meeting.

Entitlement to vote

1. The right to attend and vote at the 2022 Annual General Meeting is determined by reference to the Company's register of members. Only a member entered in the register of members as at close of business on 15 July 2022 (or, if the 2022 Annual General Meeting is adjourned, in the register of members as at the close of business on the date which is two business days before the time of the adjourned 2022 Annual General Meeting) is entitled to attend and vote at the 2022 Annual General Meeting and a member may vote in respect of the number of ordinary shares registered in the member's name at that time. Changes to the entries in the register of members after that time shall be disregarded in determining the rights of any person at the 2022 Annual General Meeting.

2. A member entitled to attend, speak and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to exercise all or any of his or her rights to attend, speak and vote at a meeting of the Company. On a poll vote, all of a member's voting rights may be exercised by one or more duly appointed proxies.

3. A form of appointment of proxy is enclosed. To appoint the chair as proxy, this form must be completed, signed and sent or delivered to Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands B62 8HD. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney of the Company. If you return more than one proxy appointment in respect of a share, that received last by the registrar before the latest time for the receipt of proxies will take precedence.

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

5. The appointment of a proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should be deposited with Neville Registrars Limited at the address shown on the proxy form not later than 12:30 on 15 July 2022 or 48 hours before the time for holding any adjourned meeting or (in the case of a poll not taken on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used or lodged.

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

7. CREST members who wish to appoint a proxy or proxies by using the CREST electronic appointment service may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST) subject to the provisions of the Company's articles of association. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. To be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instructions given to a previously appointed proxy, must be transmitted so as to be received by our agent, Neville Registrars Limited, whose CREST participant ID is 7RA11, by 12:30 on 15 July 2022. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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

Voting results

The results of the voting at the 2021 Annual General Meeting will be announced through a regulatory information service and will appear on our website, www.etherapeutics.co.uk, as soon as reasonably practicable.

Inspection of documents

9. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and they may also be inspected at the Company's London office at 4 Kingdom Street, Paddington, London W2 6AE from 12:15 on the day of the meeting until the conclusion of the meeting:

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

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

Corporate representatives

10. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the 2022 Annual General Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, though there are restrictions on more than one such representative exercising powers in relation to the same shares.

Explanatory notes to the resolutions (continued)

Nominated persons

11. Any person to whom this notice is sent as a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 2022 Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

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

12. As at close of business on 3 May 2022, being the last practicable day prior to the publication of this notice, the Company's issued share capital comprised 514,571,069 ordinary shares of 0.1p. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this notice is 514,571,069.

Members' requests under Section 527 of the Act

13. Under Section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the 2022 Annual General Meeting; or (ii) any circumstance connected with an Auditor of the Company ceasing to hold office since the last Annual General Meeting. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's Auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the 2022 Annual General Meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

Website

14. A copy of this notice, and other information required by Section 311A of the Act, can be found at www.etherapeutics.co.uk.

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

Advisors

Nominated advisor and broker

SP Angel Corporate Finance LLP
Prince Frederick House
4th Floor
35–39 Maddox Street
London
W1S 2PP

Auditor to the Company

Grant Thornton UK LLP
1st Floor, One Valpy
20 Valpy Street
Reading
RG1 1AR

Registrar

Neville Registrars Limited
Neville House
Steelpark Road
Halesowen B62 8HD

Solicitors

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Bankers

Bank of Scotland
75 George Street
Edinburgh
EH2 3EW

Company Secretary

Vistra (UK) Limited
3rd Floor
11–12 St James's Square
London
SW1Y 4LB

e-therapeutics plc
4 Kingdom Street
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London
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(Registered Office)

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Incorporated in England and Wales, company number: 04304473

etherapeutics.co.uk