



Accelerating the path to better therapies

Annual Report 2021





We Construct
in-silico Models of Biological Functions



We Identify
Novel Targets and Mechanisms



We Design
Novel Small Molecules and RNAi Therapeutics

Strategic Report

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Highlights

Fundraises during the year are enabling the Group's next stage of growth and value creation

Financial

Revenue

£0.3m

(2020: £0.5m)

Year end cash

£13.0m

(2020: £3.8m)

Increase/(decrease) in cash in the year

£9.2m

(2020: £(2.1)m)

R&D spend

£2.7m

(2020: £2.1m)

Operating loss

£4.5m

(2020: £2.9m)

R&D tax credit receivable

£0.8m

(2020: £0.6m)

Operational



Management restructure and subsequent appointment of Ali Mortazavi as CEO

Ali Mortazavi joined us as Executive Chairman towards the start of the year with Iain Ross stepping down as Non-Executive Chairman, Ray Barlow stepping down as Chief Executive Officer and Steve Medicott stepping down as Chief Financial Officer. Reflecting his commitment to e-therapeutics, with effect from 12 October 2020, Ali Mortazavi was appointed as Chief Executive Officer. Post year end, Trevor Jones, who has been an independent Non-Executive Director since 2015, has been appointed as Non-Executive Chairman and Karl Keegan was appointed Chief Financial Officer in March.



Expansion into RNA Interference ("RNAi")

In May 2020, the Company announced expansion into RNAi as a therapeutic modality having designed a novel GalNAc small interfering RNA (siRNA) that will leverage our expertise in network biology and, since the year end, filed a patent application and commenced experiments to characterise the platform. The Company expects to offer this proprietary platform to potential partners in 2021-22.



Collaboration with Galapagos NV ("Galapagos") announced

In June 2020, the Company announced a collaboration with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in idiopathic pulmonary fibrosis ("IPF"). Significant progression has been made on this collaboration during the year and post period, this collaboration has achieved two success-based milestones. The Company remains in business development discussions for both network-driven and functional genomics technologies with multiple potential partners.



Scientific Advisory Board ("SAB") launched

During the year, a SAB was created. Headed by Dr Paul Burke, with members Dr Bill Harte and Professor John Mattick, who all have considerable industry experience and will provide strategic advice and insight on transforming the drug discovery process.



COVID-19 project

In response to the COVID-19 pandemic, the Company initiated a project to identify approved and known drugs, both alone and as synergistic combinations, that could rapidly be repositioned for the treatment of COVID-19.

Compounds identified through the Company's network-driven discovery platform have been tested by Wuxi App Tec in cell-based assays and show potent anti-inflammatory and antiviral activity. This activity is expected to be generically applicable, raising the prospect of utility against both existing and new emergent strains of coronavirus.



The Company strengthened its financial position raising total gross funds of £13.2m

Completed equity fundraises of £1.6m and £11.6m in February and July 2020 respectively to scale the Group's business model with focus on further developing the Group's informatics platform capabilities, building and populating an internal pipeline of high-conviction early assets and expanding the team to support the scale-up. This is the foundation of the Group's strategic aims, as shown on pages 12 and 13

Chairman's Statement

Dear Shareholder,

During the financial year ended 31 January 2021, we have seen good momentum in growing shareholder value, leveraging the funds raised to deliver scientific progress and building upon current and prospective partnerships and collaborations. The Company has ended the period in a secure financial position which will enable it to make significant progress in the year ahead and beyond.



In my first statement as Chairman, I am pleased to report that the Company is now well positioned for future success. Over the last 12 months e-therapeutics has made significant progress across the business and raised significant funding to support its strategy for value creation. The proceeds have facilitated a number of initiatives, with a particular focus on expanding the Company's computational platform capabilities, internal asset pipeline prospects and success in securing partnerships and collaborations.

In light of the recent uncertainty arising from the COVID-19 pandemic, we have been quick to adapt to the changing circumstances and there has been minimal impact on our business. Indeed for our Company, the situation has opened up new opportunities. The speed at which the Company has reacted to changing circumstances and the support it has offered its employees is a credit to the leadership of CEO, Ali Mortazavi and the Executive Leadership Team.

Executing on a focused strategy

e-therapeutics' ambition is to transform the drug discovery process. We are leveraging our computational platform and network biology expertise to accelerate the identification and development of effective therapies, in particular through the synergy between our computational approaches and our recently added proprietary RNAi technology platform.

Our goal is to establish e-therapeutics as the leading platform in computational biology:

1. To win commercial deals and achieve industrial validation of our informatics platform
2. Establish a validated RNAi platform
3. Develop high-conviction internal assets
4. Develop the Company to a sufficient scale through platform development and recruitment
5. Provide guidance, development and feedback to people to enable them to fulfil their role

The period has seen significant delivery against this strategy with the following notable achievements:

- The Company announced a collaboration with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in Idiopathic Pulmonary Fibrosis (IPF) and potentially other fibrotic indications. In addition, the Company has existing partnerships with Novo Nordisk and this partnership on Type-2 diabetes has been extended with the potential to progress to a larger discovery project. The Company expansion into RNA interference (RNAi) and the establishment of a proprietary siRNA platform with siRNA as the drug modality of choice for our internal pipeline was a key achievement during 2020.

- Significant progress has been made on our GAINAc siRNA platform and we have recently filed a patent application relating to specific hepatocyte targeting for liver gene silencing which will provide a competitive advantage in developing our RNAi therapeutic pipeline.
- In addition to its partnerships/ collaborations, the Company intends to extract and retain further value from its platform by building an in-house pipeline of assets to provide out-licensing opportunities, through a data-driven and flexible partnering strategy at the right value inflection points. The Company has developed a proprietary disease-agnostic platform to produce valuable disease biology insights and potential drug targets and candidates.
- In December 2020, the Company announced it had deployed its network biology platform to identify clinical stage compounds that either singly or in combination could be repurposed rapidly to treat COVID-19 and it has generated very encouraging results.
- Innovations continue to be made to our core platform technologies including increased automation and in the area of target identification. Significant headway has been made in recruiting further skilled people to the team.
- In order to support and develop our people, the appointment of our Chief People Officer has resulted in new initiatives, regular interactive learning and cross-team collaboration sessions as well as the implementation of a new HR framework.

Strengthened financial position

During the period under review, the Board and management have continued to implement robust financial control. A particular achievement during the period was the Board's commitment to strengthen the financial position of the Company by securing new investors and raising funds to enable the Company's next stage of growth and value creation.

I am delighted that in the most recent fund raise we welcomed new institutional shareholders and retail shareholders, through a specific Retail Offer via PrimaryBid. As a result the overall size and shape of our shareholder base has significantly changed. I should like to thank all our new and existing shareholders for their continued support.

The funds raised in the period gives the Company sufficient working capital for at least 12 months and with an element of discretionary spend.

Board and Executive Team

In February 2020, we announced a restructuring of the Board and Executive Team resulting in the appointment of Ali Mortazavi as Executive Chairman. In addition, Michael Bretherton was appointed Non-Executive Director. Subsequently in October 2020, Ali Mortazavi was also appointed Chief Executive of the Company in addition to his role as Chairman.

Post period in March 2021, a further reorganisation of the Board resulted in my appointment to the role of Independent Non- Executive Chairman with Ali Mortazavi continuing in his role as Chief Executive Officer.

The Company continued to build its Executive competencies with the appointments of Laura Roca-Alonso as Chief Business officer, Stephanie Maley as Chief People Officer and, post period, the appointment of Karl Keegan as Chief Financial Officer.

I should like to thank our dedicated staff for their very significant contribution to the Company and for their continued diligence, agility and commitment throughout this difficult time.

In my opinion, the Board restructuring has denoted a turning point in the leadership and direction of e-therapeutics and we are now in a strong position under the leadership of Ali Mortazavi to execute on our strategy. I warmly welcome all the new appointments to our company. I am delighted to have been appointed as Chairman and I now look forward to completing the search for an additional Non- Executive Director to strengthen the Board further and to support the Company's future success.

Professor Trevor Jones CBE

Independent Non-Executive Chairman
12 May 2021

Chief Executive Officer's Statement

Prior to investing and becoming the CEO, I conducted detailed due diligence into the full range of computational approaches in drug discovery. I was struck by the Company's "biology first" approach and the interest its network biology capabilities were receiving from large biopharmaceutical companies



I am pleased to report my first set of full year results for e-therapeutics as CEO. We have begun to build momentum as we move forward with our strategy, accelerated by our substantial new investment completed last year.

Despite some of the most challenging conditions that we have all seen in our lifetimes, this year has been a pivotal and successful year for e-therapeutics. The COVID-19 pandemic has affected every individual in very different and sometimes tragic ways but, out of necessity, it has also opened up opportunities for businesses such as ours.

e-therapeutics' expertise in network biology and drug development, coupled with our nascent RNAi platform, gives us a synergistic competitive advantage through effective drug discovery target identification and a validated development path. This expertise underpins many of the operational highlights for the Company this year. Our collaboration agreement with Galapagos in IPF, with potential in other fibrotic conditions and our type-2 diabetes agreement with Novo Nordisk are validation of our platform, highlighting the ability of our network approach and expertise to go beyond pure *in silico* predictions and identify potentially clinically viable interventions with supporting laboratory data.

The significant progress made on our GalNac siRNA platform will enable us to benchmark it against those of competitor RNAi companies. In parallel, we have also established a dedicated group to leverage our computational network biology discovery platform specifically at target genes in hepatocytes, which are amenable to GalNac delivery. We believe that the combination of these elements will enable us to offer an attractive business development proposition to potential collaborators.

e-therapeutics' computational platform is capable of discovering novel drug targets and active small molecules and of uncovering new biological mechanisms and genetic insights. In our COVID-19 project

launched this year, we have deployed that capability to investigate known compounds in a novel context and have uncovered new mechanisms that mitigate infection-induced hyperinflammation as well as discovering a potent anti-viral strategy.

The most significant challenge for the Company was having sufficient capital to allow us to realise opportunities and I am very pleased that we were able to secure the financing to execute on our strategy and business model.

Strategy

e-therapeutics' ambition is to transform the drug discovery process, leveraging its computational network biology platform (drug discovery) to find novel targets to address mechanisms underpinning complex disease. The business model incorporates out-licensing of targets and compounds in addition to the development of an in house pipeline of RNAi therapeutics.

Drug Discovery - Computational Network Driven Biology Platform

The Company was, and is, one of the few purely "biology first" computational companies that I have come across, in contrast to competitors who are primarily focused on computational approaches to small molecule chemistry. This approach starts with a biological question such as "which processes in COVID-19 disease might it make most sense to address?" One answer could be "hyperinflammation". From a knowledge of just some of the proteins involved we are able to use our proprietary platform and data resources to construct bespoke network models that capture the full complexity of this process and predict missing information. These models are analysed using our cutting-edge network analytics which leverage network science, network statistics and ML/AI approaches to derive new drug targets, biological mechanisms and active small molecules, as well as providing genetic support for target choices.

Establishing world leading hepatocyte expertise, generating novel hepatocyte-expressed targets and a focus on expanding our collaborations

The platform is disease agnostic and the Company has completed multiple in-house and partnered projects in diverse disease areas such as fibrosis, type-2 diabetes, CNS and oncology indications, to name but a few. I believe that e-therapeutics is addressing the most critical unmet need in drug discovery/development – the modelling and interpretation of complex human biology. Biological functions are controlled by networks of genes and proteins and we construct *in silico* models of these functions to interpret human biology/disease states. We believe that the Company has the most complete datasets, predictive AI/ML algorithms and the most experienced computational biologists, informaticians and data scientists in the field of network biology and these assets provide an important barrier to entry for competitors.

Informatics and drug development

Historically, the Company has operated a hybrid partnership/collaboration model and the use of small molecules as a drug modality for its internal pipeline. However, the time, costs and time to value inflection in small molecule drug development makes this difficult for a small company to prosecute.

By way of example, even after our in-house computational methods have generated a biological hypothesis, target, active chemical matter and an indication to pursue, it typically takes 3-4 years and c.US\$3-5m to create a lead compound to take into IND enabling studies. In addition, a further 2 years would most likely be needed to generate human phase 1 data where potential partnership discussions could begin. Clearly, these timelines and costs in addition to the additional centralised overheads are hugely capital intensive and at most, we would only be able to prosecute one high conviction candidate.

As such, small molecule drug development now forms part of the Company's partnership/ collaboration strategy and we will endeavour to structure transactions where we have some upside economics/ opt-ins with biopharmaceutical collaborators who use e-therapeutics' network driven computational biology platform but who wish to develop small molecules in the clinic independently and at their own cost.

RNAi Platform the new drug modality of choice for our internal pipeline

One of the key achievements of the year has been to establish RNAi as the drug modality of choice for our internal pipeline. Importantly, this is not a choice that many companies can easily make and we have deep in-house expertise in this field which we believe gives us a competitive advantage. It is fair to say that without this expertise, it would have taken a significantly longer time to file IP and develop the multiple RNA chemistries which we have developed this year.

Liver Presents Large Commercial Opportunities for RNA Therapies

Focused delivery of siRNAs to the liver has striking advantages over small molecules in terms of timelines, costs and value inflection points: in contrast to the 3-4 years and c.US\$3-5m to create a lead small molecule compound an siRNA attached to a GalNAc delivery system can be synthesised in 4-5 months and for a cost of c.US\$200-300K. In addition, as one of the most sought-after drug modalities, there have been multiple collaboration transactions pre-IND filing as opposed to at a later stage (Phase 1-2) with small molecules.

We have recently filed a patent application related to the chemistry of novel GalNAc conjugated siRNAs. In addition, a number of siRNA constructs have been designed with potentially beneficial safety and potency profiles and additional patent applications are expected to be filed shortly. We believe that the new patent applications, combined with our extensive know-how, will provide a significant competitive advantage in further developing our RNAi therapeutic pipeline. The new constructs will include features to minimise potential microRNA off-target effects, thermally destabilising regions of the siRNA for reduced toxicity and important position-specific stabilisation chemistries to improve potency. Multiple *in vitro* and *in vivo* experiments are underway to test these constructs with contract research organisations in Germany and China. We expect to offer our proprietary platform to potential business development partners in 2021-2022 and anticipate that these constructs will demonstrate at least equivalence to competitors' platforms.

Chief Executive Officer's Statement (continued)

Liver Focused Informatics Team

The advantages of RNAi as a drug modality extend beyond the delivery platform. In Q3 2020, we established a liver-focused scientific group which is actively engaged in curating, generating and mining hepatocyte-specific data and knowledge resources specifically designed to complement our computational platform. This focus on one cell type is an important driver for novel targets and mechanisms and we believe will improve the performance of our network models and algorithms. Efforts in this area include proprietary data resources in hepatocyte biology such as our hepatocyte-specific interactome, which is an important and recently completed map of hepatocyte network biology, a complete genome-wide siRNA signature database for human hepatocytes and a comprehensive hepatocyte-centric knowledge resource leveraging natural language processing (NLP), our in-house proprietary data, knowledge graphs and AI-driven inference approaches. By deploying our cutting-edge informatics platform alongside our novel RNAi technology platform, we believe that we can harness the many therapeutic opportunities in the liver which have yet to be identified.

The hepatocyte team comprises highly skilled scientists and physicians whose objective is to identify novel hepatocyte-expressed targets for complex indications such as cardiovascular and metabolic diseases. This team will conduct validation of those targets in appropriate phenotypic assay systems and animal models and assess genetic support for the therapeutic targets using our functional genomics capability. We are in a unique position of using our "Hepatocyte Atlas" and computational modeling of biology to feed a drug platform which can have multiple shots on goal due to the costs and timelines outlined.

Partnerships and Collaborations

In Q2 2020, we announced a collaboration agreement with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in IPF and potentially in other fibrotic indications with high unmet need. The project has successfully achieved two pre-defined milestones to date. In this period we also extended our collaboration with Novo Nordisk in type 2 diabetes until March 2021, after which there is a six month option period to progress the collaboration to a larger discovery project.

COVID-19 Project

Our project to find compounds for the treatment of COVID-19 using our platform generated very encouraging results. In Q2 2020, small molecule compounds predicted by our platform were tested in validated SARS-CoV-2 in vitro assays at WuXi AppTech. These compounds showed potent anti-inflammatory and anti-viral activity and confirmed our *in silico* predictions. We identified a clear mechanism, target and clinical stage compounds. This activity also extended to other alpha and beta coronaviruses and we expect this to be generically applicable, raising the prospect of utility against both existing coronaviruses that cause serious disease such as SARS and MERS and against new emergent strains of coronavirus. This data set is a strong validation of our platform and the network biology approach to drug discovery.

Capital and People

The success of the two fundraises in the year have enabled us to make significant hires in all aspects of our business and headcount since I joined in February 2020 has risen from 16 to 25. I would like to thank the dedicated team, the Board and our shareholders for their hard work and support during the year. I believe that we have a unique blend of individual skillsets in the Company and look forward with great confidence to the coming year and beyond.

Outlook

The last twelve months have been very encouraging as we have continued to develop our strategy and consistently demonstrated our scientific capabilities and further validation of our platforms. Importantly, with further investment to continue to develop our capabilities we now enter the next year ready to deliver on our exciting plans and with multiple opportunities.

The Company will look to maximise the value of its computational network driven biology platform through creating deal structures and positioning e-therapeutics as a global leader in network biology. Our ambition is to secure multiple research collaborations each year.

The Company will also look to commence RNAi platform partnerships/deals - an area currently commanding significant and attractive deals - and we anticipate business development opportunities in the second half of 2021.

Our priorities for the coming year are to:

- Expand computational platform collaborations
- Establish world leading hepatocyte expertise
- Identify novel hepatocyte-expressed targets
- Commence RNAi in vivo studies and platform partnerships

The Company aims to maximise the value of its internal platform capabilities through two core channels - entering into platform collaborations with strategic partners and through the generation of in-house datasets to support development candidates. In addition to its partnerships, the Company intends to extract and retain further value from its platform by building an in-house pipeline of assets to provide out-licensing opportunities, through a data-driven and flexible partnering strategy at the right value inflection points.

Ali Mortazavi

Chief Executive Officer
12 May 2021



Our Business Model

e-therapeutics has a powerful data-driven approach to drug discovery. We model biology to better address disease complexity.

What is network biology?

We often take our health for granted. The cells and tissues in our bodies work steadily and reliably in the face of constant challenge. This stability comes about because the underlying molecules (such as proteins and nucleic acids) are organised to function in complex, robust networks, giving rise to reliable and predictable behaviour (a phenotype). Even when we develop a disease, the underlying networks remain robust and difficult to change.

Modelling and analysis of these networks provides a novel approach to drug discovery that explicitly considers the true complexity of biology. By representing, as closely as possible, the biological systems we are seeking to perturb we increase the likelihood of identifying and developing effective therapies.

Our platform

Our data-driven approach addresses some of the key challenges of the industry, such as extracting value from big data and incorporating the full complexity of disease in drug discovery. Our proprietary *in silico* platform serves as a powerful laboratory, which enables us to computationally test millions of potential therapeutic interventions.

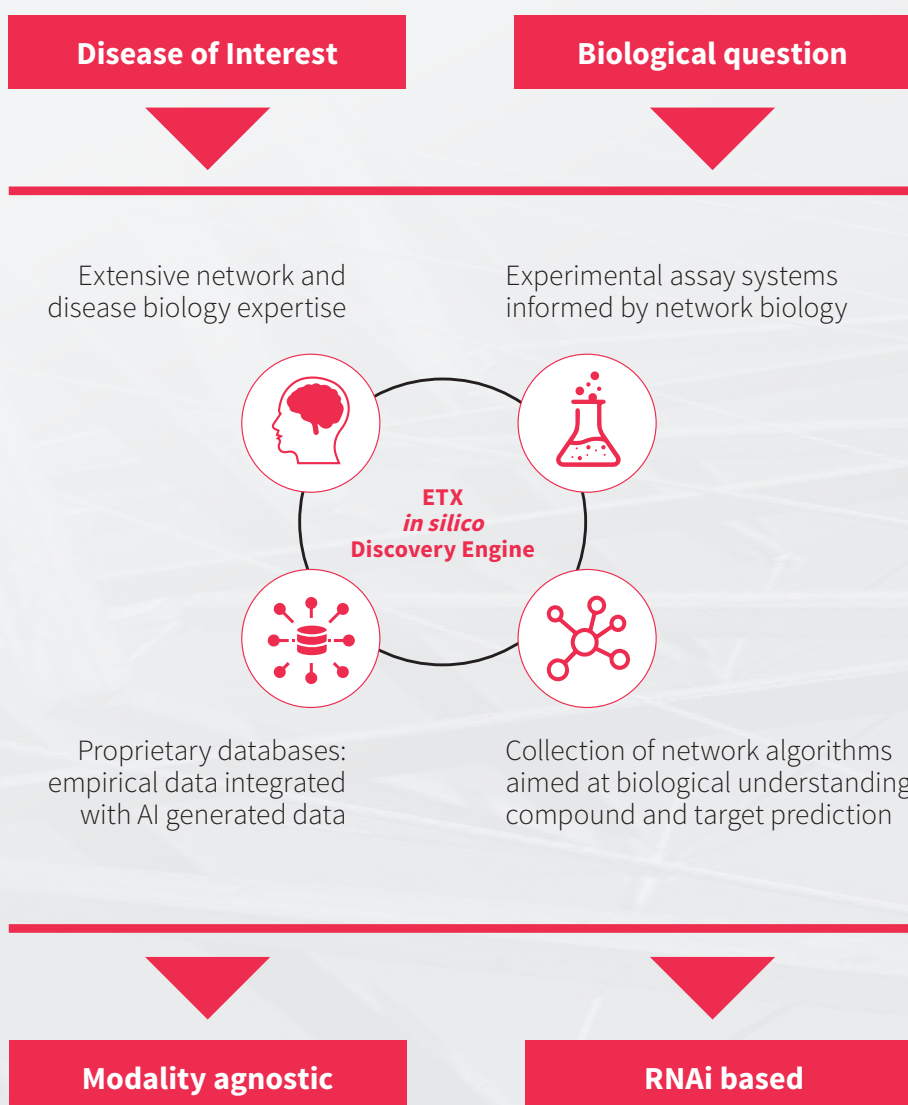
Our NDD (network-driven drug discovery) technology performs computational phenotypic screens to quickly identify more efficacious drugs, with insights into their mechanism of action. Deploying assays that replicate human disease biology more closely in early screening greatly improves translatability and helps avoid extremely costly late-stage failures.

Our GAINs (genome-associated interactions networks) technology interprets genomic data in the context of the biological networks in which the genes function. This allows us to extract value from complex, noisy datasets and identify key disease-related biological processes and pathways that can support a target identification or an NDD project.

Our RNAi platform, currently in development, will complement our powerful and unique computational toolset. RNAi constructs are highly specific and can be designed to modulate any gene, enabling us to rapidly harness novel targets identified computationally.



How we create value



Outputs from our computational platform include:

- Novel biological hypotheses
- Assays to assess those hypotheses
- Active compounds
- Mechanism of action (MOA) of active compounds
- Novel target identification and validation
- Human genetic validation

Our Approach

Product offering -

NDD - Small molecule discovery



Biology of interest



Data/Knowledge collation



Network construction & analysis



Compound mapping & triage



Phenotypic screens

Hit to lead campaign



Hit identification & selection



Target deconvolution

Target identification



Biology of interest



Data/Knowledge collation



Network construction & analysis



Key proteins/target nomination



Phenotypic screens/target validation



Genetic support for target



e GAINs - Functional genomics



Indication & phenotype of interest



Genomic dataset collation (GWAS/meta analyses)



Network construction & analysis



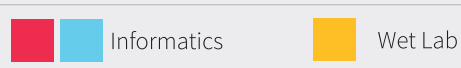
Key risk-associated processes



Key proteins/target nomination



Phenotypic screens/target validation



e ETX in silico Discovery Engine

Our platform is a combination of large-scale, proprietary databases and a suite of powerful computational tools that employ network analysis, data mining, machine learning, AI and optimisation. The novelty of our biology-centred approach, underpinned by integration of multiple disparate data sets, enables the characterisation of currently intractable or undruggable disease processes and the identification of the best 'network-aware' intervention strategies.

We have the capability to address some of the key challenges of our industry, including **extracting value from big data**, **addressing complex disease** and other areas of unmet need and **improving translatability** in R&D.

Our Strategy

Our strategy is designed to increase growth and improve our long-term financial performance. An overview of the strategic and operational milestones reached in 2020/21 and our future priorities are provided in the following table:

1

Secure commercial deals and achieve industrial validation of our informatics platform

Advancements in the year

- Collaboration with Galapagos announced, to identify new therapeutic approaches to modulate a specific mechanism involved in IPF
- Appointment of Chief Business Officer and expansion of business development team planned

Plans for the coming year

- Implement strategic plans developed during the year
- Progress current collaborations to key milestones, validating the performance of our *in silico* Discovery Engine

Link to KPIs

- Number of significant new commercial deals signed during the year

Link to principal risks

- 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

2

Establish a competitive RNAi platform

Advancements in the year

- Announcement of our expansion into RNAi as a therapeutic modality
- Design, with patent filed, of novel GalNAc-conjugated siRNAs (short interfacing RNA)
- New team established to identify novel hepatocyte-expressed therapeutic targets

Plans for the coming year

- Completion of characterisation experiments
- We expect to offer our proprietary RNAi platform to potential business development partners in the coming financial year

Link to KPIs

- R&D spend
- Number of significant new commercial deals signed during the year

Link to principal risks

- 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

3

Develop high-conviction internal assets

Advancements in the year

- Experiments commenced to validate siRNA constructs
- Completed human hepatocyte-specific protein interactome

Plans for the coming year

- Identify indications of interest
- Design RNAi constructs to down-regulate novel target genes

Link to KPIs

- R&D spend

Link to principal risks

- Funding the business
- Feasibility of drug candidates
- 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

4

Develop the Group to a sufficient scale through platform development and recruitment

Advancements in the year

- Innovations continue to be made to our core platform technologies including increased automation and in the area of target identification
- Significant headway has been made to recruit skilled people, increasing from 15 FTEs at the date of the July fundraise to 25 FTEs at the year end

Plans for the coming year

- Further evolve *in silico* Discovery Engine to support scale up and accelerate both partnered and in-house projects
- Continue to recruit skilled people in line with the plans for scaling our business model

Link to KPIs

- R&D spend
- Employee turnover
- Employee retention
- Average headcount

Link to principal risks

- 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

5

Provide guidance, development and feedback to people to enable them to fulfil their role

Advancements in the year

- Appointment of Chief People Officer
- Introduction of regular interactive “Lunch and Learn” sessions and monthly Group-wide meetings to encourage cross-team collaborations
- Implementation of new HR system

Plans for the coming year

- Develop performance management and talent management as part of our HR strategy

Link to KPIs

- R&D spend
- Employee turnover
- Employee retention
- Average headcount

Link to principal risks

- Funding the business
- 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

Our People



Stephanie Maley
Chief People Officer

“ Developing an employee proposition which engages and retains our people, whilst also ensuring their wellbeing, has been a key priority. The global pandemic and people expansion plans could have had a negative impact on our culture, however, by paying attention to onboarding and employee voice we have retained our positive ethos. ”

Highlights in the current year:

- Enhanced our family leave policies, benefits and pay
- Implemented Reward Gateway to engage our people and provide additional benefits
- Launched our new HR information system, BambooHR

Plans for the coming year:

- Create additional employee engagement initiatives
- Continue to attract and retain the best people
- Introduce online performance management framework

Our culture

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 people 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 people, as identified in our strategic objectives on pages 12 and 13, and provide opportunities for training and personal development and encourage our people to be involved in the planning and direction of their own work in line with our people strategy.

Wellbeing

The wellbeing of our employees is important to us. During the year, we have introduced Reward Gateway, an employee engagement platform to recognise and support employees' mental, physical and financial wellbeing. We want to encourage people to get out and stay fit where it has been legal and safe to do so. We participated in a charitable event for the Helen & Douglas House called 'The Race from North Pole'. This challenged our people to walk, cycle, scoot, hop, skip or run as many miles as possible

during December to raise money to help terminally ill children and fund emergency lifeline care over Christmas.

Health & Safety

First and foremost, we want to ensure that our people are healthy and safe. This is why we invoked a Group-wide working from home policy on 9th March, weeks before the government mandated lockdown, and we have continued to work from home since then. We will only resume office-based working when we believe it is safe to do so.

Flexible Working

In order to support our people working from home, we have provided all the equipment needed to work safely and comfortably. Remote working has brought its challenges, but through personal engagement and communication, we have worked to ensure everyone has had the flexibility to manage their own work life balance during the pandemic. We have bolstered our remote working policies and held various successful virtual social events to reiterate the value each and every person brings to the team.

Attracting & developing talent

Remote working has also allowed us to broaden our search for the best candidates in our recruitment drive following the fundraises. Whilst previously we have focussed on hiring people who can easily

access our Oxford office, instead we have been able to consider people who are outside not only Oxford, but also the UK. This has generated an increased interest in our roles and we have been able to hire a number of high calibre candidates who would previously not have been attracted due to their geography.

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, views and opinions sought. We have undertaken surveys to capture feedback from all our people in order to help us gauge and identify ways in which we can further support them. We have revised our family-friendly and flexible working policies to ensure that each employee is supported in finding a work pattern that suits them. Our policies and HR processes have been supported by the recent introduction of a new HR system.

Stephanie Maley
Chief People Officer

Our people are vital to our success and the current financial year has brought unique challenges in ensuring we provide the right environment to allow each and every person to continue being able to do their best work. The advancement of our HR strategy during the year has been underpinned by the appointment of our Chief People Officer.

“ We have worked closely together on both internal projects and projects with our external partners, covering several therapeutic areas, including neurodegenerative diseases, fibrosis and our recent COVID19 project. We have combined our expertise in biology and computational biology and have successfully found novel approaches to target disease processes and to gain insights into biological mechanisms. We enjoy working together and as part of a cross-functional team of talented people who work passionately toward a shared goal. ”



Inês de Santiago
Principal
Computational
Biologist



Marie Weston
Principal Disease
Biologist

“ The opportunity that e-therapeutics has provided exceeds the expectation of any newly graduated student. Research is at the heart of the company's operations and is the reason my job keeps me interested. There is a great culture within the company with a key factor being trust, it has eased the pressure of starting a new role fresh out of university. The freedom given to you surrounding work allows you to explore solutions that would not be found if you were just completing regimented tasks. ”



Jonah Lloyd
Scientific Software
Engineer



**Callum Bowdrey-
Roberts**
Information
Governance &
Digital Operations
Manager

“ Throughout the coronavirus pandemic we have continued to support our employees working remotely by strengthening our range and use of technology. We have established a concierge-style onboarding experience to ensure that new employees have the right tools and information from day one, we have also held 1:1 on-demand training sessions to increase the adoption of our collaboration tools. During the year we ran a 4-week awareness campaign to coincide with our introduction of Reward Gateway, helping to raise the importance of mental and physical wellbeing for our staff; and following staff feedback we have implemented the Icebreaker app to encourage staff to regularly take 15 minutes to network with a randomly paired colleague, build relationships and reduce isolation. ”

Financial Review

Revenue

£0.3m

(2020: £0.5m)
(2019: £0.0m)

Cash Balance

£13.0m

(2020: £3.8m)
(2019: £5.9m)

R&D Spend

£2.7m

(2020: £2.1m)
(2019: £3.7m)

Cashflow movement

£9.2m

(2020: £(2.1)m)
(2019: £(1.2)m)

Operating Loss

£4.5m

(2020: £2.9m)
(2019: £5.1m)

R&D Credit Receivable

£0.8m

(2020: £0.6m)
(2019: £1.1m)

Loss for the year

£3.7m

(2020: £2.3m)
(2019: £4.0m)

Average Headcount

18

(2020: 16)
(2019: 18)

Our people and processes have responded well to a financial year that has brought a lot of change to e-therapeutics – with a new management team and gross fundraises totalling £13.2m in the year enabling us to focus on streamlining and scaling our business model and pushing forward with our strategic aims

Revenue

In June 2020, we signed a collaboration agreement with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in IPF and potentially in other fibrotic indications. Revenue during the year, of £0.3m, relates to the partial recognition of upfront payments and achieved milestones during the year, in accordance with IFRS 15. Additional revenue is expected to be recognised in the coming financial year as this collaboration further advances. The business development functions of the Group have been strengthened during the year, including the hire of a Chief Business Officer in April 2020, and it is expected that further collaborations will be signed in the coming financial year. Revenue in the prior year, of £0.5m, related to deals with Novo Nordisk in the area of type-2 diabetes, which successfully completed in the prior year.

Fundraises

The Fundraises during the year (gross £1.6m in February 2020 and gross £11.6m in July 2020) have enabled the Group to refocus its strategy on enhancing and validating our platform technologies and developing our internal asset pipeline. It was also announced during the year that e-therapeutics would be expanding into RNA as a therapeutic modality, with computational drug discovery outcomes to be harnessed both internally and in partnership with collaborators. The development of a proprietary RNAi platform commenced during the year, more details on which can be found in the CEO's Statement on page 4.

R&D expenditure

An increase in R&D expenditure began to materialise after the half-year fundraise and the full year expenditure totalled £2.7m (2020: £2.1m). R&D spend is expected to increase significantly in the coming year, with the advancements of internal discovery programmes, both small molecule and RNAi, along with the release of a competitive and functional RNAi platform.

Administrative expenditure

Administrative expenditure for the year totalled £2.1m (2020: £1.2m), with the management restructure in February 2020 resulting in one-off redundancy costs of £0.4m. In the coming year we will continue to invest in our people, both in terms of recruitment and ongoing motivation and development. We will also continue to improve our underlying system infrastructure and processes to ensure that they grow with the business, enabling our employees to work efficiently and ensuring the safety of our information assets. Although we are not expecting the same level of one-off expenditure, we are expecting the underlying cost base to increase as the business continues to grow.

Operating loss

The operating loss for the year, of £4.5m (2020: £2.9m), is £1.6m greater than the operating loss in the prior year, due to the one-off administrative expenses during the current year referred to above and as plans for expanding the business are put into motion.

R&D tax credits

We are anticipating an R&D tax credit of £0.8m (2020: £0.6m) to be received in relation to the current year, bringing the loss for the year to £3.7m (2020: £2.3m). The R&D tax credit claim has not yet been submitted to HM Revenue and Customs, yet historically the amounts received have been materially in line with the receivable booked at the year end.

Cash flow

The year-end cash position is £13.0m (2020: £3.8m), with the most significant inflow during the year being the gross fundraises of £13.2m, with associated costs of £0.6m. After adjusting for the net fundraises, the R&D tax credit received during the year, of £0.6m (2020: £1.1m), the non-cash charges of share options under IFRS 2, of £0.4m, and depreciation, amortisation and impairment of £0.1m, the underlying cash burn of £4.0m (2020: £3.2m) is broadly in line with the operating loss.

Financial outlook

In the coming financial year, we will drive forward with the strategic plans formulated during the large mid-year fundraise, validating our platform technologies, developing our RNAi platform and progressing our high-conviction in-house RNAi and small molecule assets. Our budget, which has been prepared taking risk factors such as Covid-19 and Brexit into consideration, 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 would only be incurred if data supported that it remained the best strategic direction for the Group.

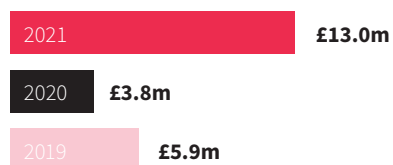
Ali Mortazavi
Chief Executive Officer
12 May 2012

Key Performance Indicators

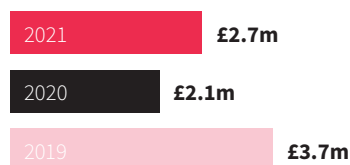
Measuring our progress

Financial KPIs

Cash as reported in the Balance Sheet



R&D spend as reported in the Income Statement



Towards the start of the year a gross £1.6m fundraise was undertaken to cover working capital arrangements following a management restructure. In July 2020, there was an additional placing to raise gross £11.6m. This is to enable the Group to streamline and characterise its informatics platform, expand into RNAi as a therapeutic modality with the development of a GalNAc-siRNA platform and build an internal pipeline of pre-clinical assets. Our budgets show that the Group has sufficient cash to continue in operational existence for at least 12 months from the signing of these financial statements.

The core foundation of our strategy is based upon enhancing our platform and innovating new processes and technologies to derive long-term value. In the prior year, spend on internal asset development had been significantly reduced. However, following the fundraises during the year, we have continued to enhance our informatics platform, including our NDD and GAINs technologies, and have also commenced the development of an RNAi platform. We have also commenced a project identifying combinations of compounds with useful activity against Sars-CoV-2, the virus which causes COVID-19. We anticipate significantly increased R&D spend in the coming financial year as we characterise and launch our RNAi platform and build our discovery asset portfolio.

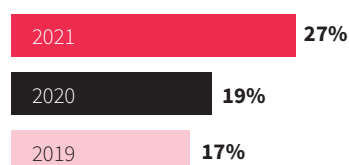
Non-financial KPIs

Number of significant new commercial deals signed during the year



During the year, we entered a collaboration agreement with Galapagos to identify new therapeutic approaches to modulate a specific mechanism involved in IPF and potentially other fibrotic conditions. This collaboration combines our expertise in network biology and *in silico* phenotypic screening with Galapagos' deep knowledge of IPF and fibrosis. The commercial deal in the prior year related to the GAINS deal with Novo Nordisk in Type-2 diabetes and the one in the year before related to the NDD deal with Novo Nordisk, also in the area of Type-2 diabetes. The Group remains in business development discussions and anticipates further commercial deals to be signed in the coming financial year.

Employee turnover



Employee turnover is calculated as the number of leavers in the year over the average employees in the year. The KPIs during the year are skewed by the management restructure that occurred towards the start of the year and excluding the executive directors that formed part of this restructure, employee turnover is 16%, which is comparable to previous years. Our employees are vital to our success and we have implemented various initiatives to retain employees during the year, from bolstering our benefits offering to support physical, mental and financial health, to 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.

Employee retention



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. Again, this KPI is skewed by the management restructure towards the start of the year and, excluding the executive directors that formed part of this restructure, employee retention would be 79%, which is comparable to the prior years.

Average Headcount



During the year, placings raised total gross proceeds of £13.2m to scale-up the business, and a recruitment drive to source the best people is a cornerstone to this scale-up. Accordingly, there were high levels of recruitment in the latter half of the financial year and, although the average headcount is comparable to the previous years, the headcount at 31 January 2021 was 25 compared to 16 at 31 January 2020. We anticipate an increase in the average headcount in the coming financial year as recruitment efforts continue.

Risk Management

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

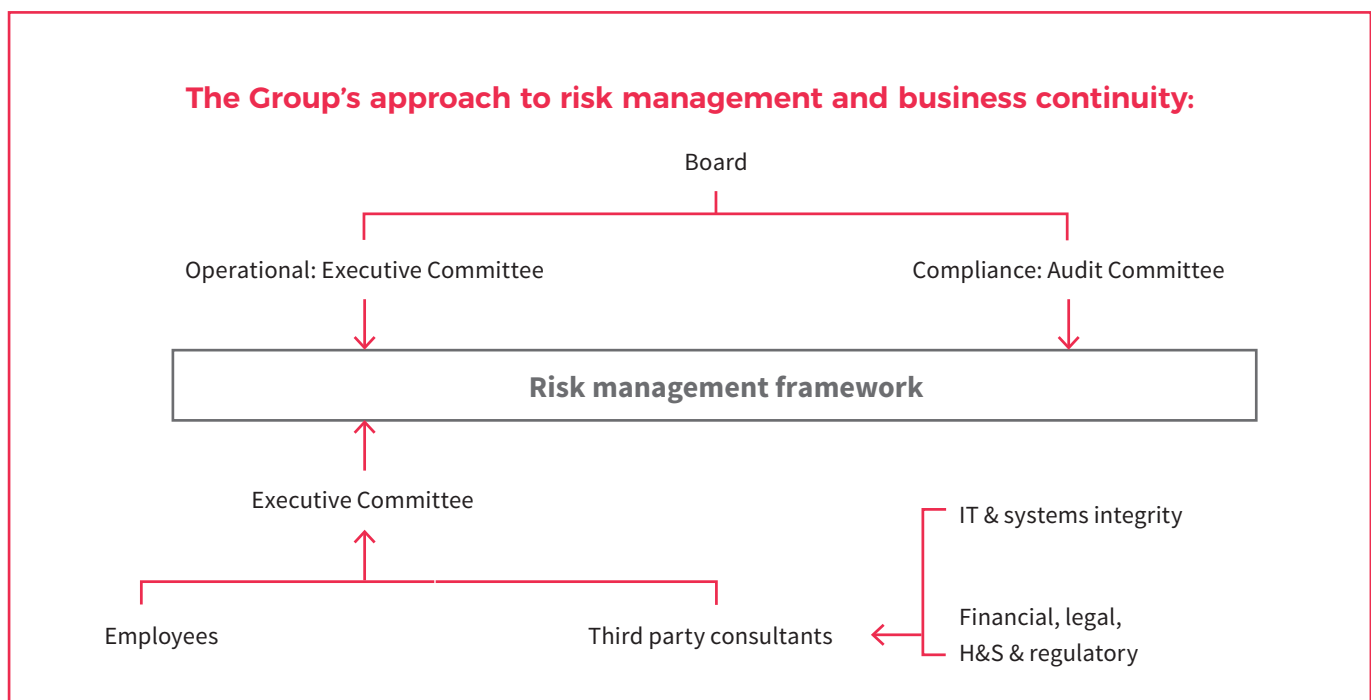
The Board is accountable for identifying procedures to minimise risk impact and implementing these at every level of the business, in an ongoing process overseen by the Audit Committee. The Executive Committee manage the day-to-day implementation of the risk management framework.

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.



COVID-19

Towards the start of the financial year we effectively transitioned to a virtual company as the UK entered lockdown. Our priority is the safety of our employees, and as such we have not reopened our offices since the start of March 2020, and we will not until we believe it is safe to do so. Remote working has brought challenges in IT security and infrastructure as well as in employee engagement, resource management and knowledge-sharing. However, we have bolstered our remote-working policy and strengthened our HR strategy, more about which can be read on pages 14 to 15. During the year, the Group successfully raised gross proceeds of £13.2m. This reduces the Group's going concern risk and will be used to streamline and scale business operations to support long-term value creation, including enhancement of our current platform technologies, expansion into RNAi as a therapeutic modality and development of in-house discovery assets to a value inflection point. Therefore, although this financial year has forced us to develop a new way of operating, the relative small size of our company has worked in our favour and we have been able to respond quickly and with agility – thanks to the hard work and dedication of our employees.

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.


CLIMATE CHANGE


We are a largely, and increasingly, virtual company - our platform technologies are *in silico* and the COVID-19 pandemic has caused us to invoke a full working from home policy during the year. However, when our offices are open we encourage employees to enjoy a healthy lifestyle. This includes offering a cycle to work scheme and a flexible working policy, which allows 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.

Risk Management (continued)

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 | Key mitigations |
|---|--|
|  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 generating 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 Group's ability to achieve its strategic objectives. | <ul style="list-style-type: none">• We raised gross proceeds of £13.2m during the year through the placing of share capital, to scale the Group's business model - see the CEO's statement on page 4.• We won a project with a key collaborator during the year and have strengthened our business development team through recruitment, including the appointment of a Chief Business Officer - see our business model on page 8.• Focus on technology enhancement and people development – see our strategic priorities on pages 12 to 13. |

Feasibility of drug candidates

| Risk | Key mitigations |
|---|---|
|  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. | <ul style="list-style-type: none">• Focus on technology enhancement and people development, not only internal asset development – see our strategic priorities on pages 12 to 13.• 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 page 8 and Our Approach on page 10. |

Protecting our Intellectual Property (“IP”)

| Risk | Key mitigations |
|--|---|
|  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. | <ul style="list-style-type: none">• 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 page 10.• We actively manage our IP, engaging with specialists to apply for an defend IP rights – see our risk management framework on page 20. |

Strategic risks (continued)

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 isn't 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 12 to 13.
- Since the latest fundraise, we have continued to invest in our core platform technologies and we are specifically working towards establishing a validated RNAi platform. Our NDD and GAINS technologies, which leverage our expertise in network biology and provide genetic validation as an important de-risking checkpoint, complemented by our expansion into RNAi gives us an edge over competitors - see more in the CEO's statement on page 4.

Operational risks

Recruiting the best people

Risk



The knowledge skill set of our employees is fundamental to the ongoing success of the Group, yet often intuitional and hard to document. Recruitment is an imperative cornerstone to our plans to scale the business following the fundraises during the year. This brings challenges of attracting the right people, both in terms of skillset 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 page 14.
- We welcomed a Chief People Officer onto the Executive Committee during the year - see her biography on page 29.

Risk Management (continued)

Principal risks and uncertainties (continued)

 No change in risk level since prior year

 Decrease in risk level since prior year

 Increase in risk level since prior year

Operational risks (continued)

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 fundraises exacerbates the challenge of retaining and motivating people. Large change such as the management restructure during the year and the increases in headcount can impact team dynamics increasing the risk of poor retention.

Key mitigations

- We are committed to providing a working environment to encourage people retention and undertake industry and size specific annual benchmarking – see our people strategy on page 14 and our corporate governance statement on page 34.

Engaging a team during remote working

Risk



Since early March 2020, we have temporarily closed our offices as a result of COVID-19 in order to reduce 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 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 various and regular virtual interactive employee events to ensure that each employee feels valued.
- 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 page 14.

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 Group-wide meetings.
- We encourage cross team collaborations built upon a foundation of SOPs 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 page 14.

Operational risks (continued)

Reliance on key suppliers

Risk



We work with a various key suppliers who 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 work 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 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 network-driven discovery platform is 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 in-house and via third party specialists.
 - Physical and software-based protection such as firewalls, antimalware, antiphishing, encryption, and website risk analysis which are reviewed as part of annual systems 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.
 - 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 20.

Risk Management (continued)

Principal risks and uncertainties (continued)



No change in risk level since prior year



Decrease in risk level since prior year



Increase in risk level since prior year

Recognising R&D tax credits receivable

Risk



We have recognised an R&D tax receivable on the Balance Sheet of £769,035 (2020: £557,000). This claim and, as such, there is a risk that the claim may not be successful.

Key mitigations

- Third party advice is sought regarding the R&D tax credits that the Group is eligible to claim.
- Historically, claims have been successful and the Group expects the current year to be successful – see the Note 11 to the financial statements for more information on the tax receivable balance.

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 12 and 13.

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 pages 34 to 41 and the Our People section on pages 14 to 15.

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 pages 34 to 41.

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 on 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 pages 34 to 41 and in the Risk Management section on page 21.

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 the high standard of business conduct and good corporate governance. Not only is this covered in our Corporate Governance Statement on pages 34 to 41, but is also epitomised in our risk management and business continuity framework on pages 20 to 26.

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.

Executive Team

The Executive Team operates under the direction and authority of the Chief Executive Officer, Ali Mortazavi, and comprises of Ali's direct reports. The Team assists the Board in implementing strategy and policies and managing the operational and financial performance of the Group.



**Colin Stubberfield,
PhD**
Chief Research Officer

Appointed: October 2013

My role involves the application of the ETX platform technology to internal and partnered drug discovery projects. I oversee the progress of projects with our CRO partners and biopharma collaborators.

By background I am a biochemist/cell biologist and have spent my career within the biopharma industry in both line and project management roles. I have been part of research teams in big/mid-size pharma companies, as well as smaller biotechs, and have worked with NCE and antibody discovery projects. Although I have probably spent most time in oncology, I have also worked in inflammation, anti-infectives and fibrosis.



**Jonny Wray,
PhD**
Chief Technology Officer

Appointed: October 2011

I am responsible for conceptualizing, defining, and implementing the network-driven approach to drug discovery pioneered at e-therapeutics.

I have over 30 years-experience in applying computational approaches to the study of complex biological problems. My PhD (Newcastle, UK) and Post-doctoral (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, I moved into applied bioinformatics and software engineering at a number of biotech companies in the San Francisco Bay Area. My role at e-therapeutics merges my academic and industry experience, designing and developing the informatics to drive our network-biology based approach to drug discovery.



**Alan Whitmore,
BSc PhD BMBCh MRCGP**
Chief Scientific Officer

Appointed: December 2014

I have been instrumental in defining and developing the conceptual framework on which the network-driven drug discovery approach pioneered at e-therapeutics is based.

I moved from academia into biotech 13 years ago and have worked in both drug delivery and drug discovery. I am 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 USA, Lecturer & Medical Advisor UCL Institute of Ophthalmology, Hon Senior Lecturer UCL School of Pharmacy as well as senior clinical management positions. I gained a BSc (Biology & 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 BM BCh in clinical medicine.



**Laura Roca-Alonso,
PhD**

Chief Business Officer

Appointed: April 2020

I oversee our business and corporate development efforts, including securing and managing partnerships as well as maximising the value of our platform and the growth of the business. I work closely with the rest of the team to drive the execution of the corporate strategy.

My background is in advanced therapeutics and I have previously held senior BD and strategy positions at fast-paced organisations like Gyroscope Therapeutics and Silence Therapeutics. I received my PhD from Imperial College London, MRes in Biomedicine from UCL and BSc(Hons) in Biotechnology from UAB.



**Stephanie Maley,
CIPD**

Chief People Officer

Appointed: March 2020

I have worked in Human Resources for over 20 years, initially in the Private Banking industry, then latterly in drug discovery. I am responsible for designing HR strategy which is aligned to and underpins the strategic direction and goals of the organisation. I work closely with the rest of the team to execute these goals, as well as ensure our people are developed, supported and engaged.



**Karl Keegan,
MPhil PhD MSc (Finance)**

Chief Finance Officer

Appointed: March 2021

I am responsible for the oversight of the financial reporting, capital structure and risk management frameworks of e-therapeutics.

My career history is weighted towards capital markets and corporate strategy with a history of public CFO, IPO and pharma/biotech experience.

I received my BSc in Pharmacology from University College Dublin, MPhil and PhD degrees from the University of Cambridge and MSc (Finance) from London Business School.

Scientific Advisory Board



Dr Paul Burke
Chair of SAB

Appointed: May 2020

Dr. Paul Burke is Principal of Burke Bioventures LLC, a Cambridge, Massachusetts-based biotechnology consultancy 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 Center 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 maximizing value from the company's \$1.1B acquisition of Sirna Therapeutics. The effort encompassed five discovery and preclinical departments and multiple external partnerships. Dr. Burke joined Merck following a decade-long tenure at Amgen, where he held positions of increasing responsibility including his most recent as Executive Director, Pharmaceuticals. He received his B.S. in Chemistry with Distinction and Departmental Honors from Harvey Mudd College and his Ph.D. 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.

Credit: Susan Wilson Photography
(Photo)



Professor John Mattick
Member of SAB

Appointed: September 2020

John Mattick 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

Appointed: September 2020

Dr Harte 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 programs 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.

Board of Directors



Ali Mortazavi
Chief Executive Officer

Ali was appointed to the Board as Executive Chairman in February 2020, appointed Chief Executive Officer in October 2020 retaining his position as Chairman and subsequently slitting these roles in March 2021 and continues as Chief Executive Officer.

Ali has extensive experience in the biotechnology sector and financial markets. Recent roles include Chief Executive Officer of Silence Therapeutics plc, from 2012 to 2018, as well as a founder shareholder of Evolution Group, a U.K. based Investment Bank, from 2001 to 2008.

Ali is an experienced investor in small companies and has held numerous declarable stakes in listed and private biotechnology and technology companies.



Professor Trevor Jones CBE
Independent Non-Executive
Chairman



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 currently a Non-Executive Director of the life sciences investment company Arix Bioscience plc. He is also Visiting Professor at King's College, London and holds honorary degrees and Gold Medals from seven universities.

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

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







Michael Bretherton
Non-Executive Director



Michael was appointed to the Board as a Non-Executive Director in February 2020. He is also Chairman of the Audit Committee and a member of the Remuneration Committee.

Michael is currently Chief Executive Officer of Sarossa plc. In addition, he is Chairman of Adams plc and Hardy plc and he is also a non-executive director of Blake Holdings Limited and ORA Limited. Michael has been a director of a number of other AIM quoted companies during the last ten years, including DeepMatter Group plc, Tissue Regenix Group plc, Nanoco Group plc and Ceres Power Holdings plc. He 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 7 years in London and Abu Dhabi.

Key

-  Chair of Committee
-  Member of Committee
-  Audit Committee
-  Remuneration Committee

Directors' Report

The Directors present their Annual Report together with the financial statements and Auditor's Report for the year ended 31 January 2021. The Corporate Governance Statement on pages 34 to 41 also forms part of this Directors' Report.

General information

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

Review of business

The Group continues to invest in drug discovery research activities. The Strategic Report on pages 1 to 27 forms part of this Directors' Report and provides a review of the business, including the Group's trading for the year ended 31 January 2021, an indication of likely future developments, key performance indicators and risks.

Directors

The Directors of the Company who served during the year ended 31 January 2021 and up to the date of this Report were:

| Director | Capacity | Date of appointment if during the year or up to the date of this Report | Date of resignation if during the year or up to the date of this Report |
|--------------------|-------------------------|---|---|
| Ali Mortazavi | Chief Executive Officer | 10 February 2020 | |
| Trevor Jones | Non-Executive Chairman | | |
| Michael Bretherton | Non-Executive Director | 10 February 2020 | |
| Ray Barlow | Chief Executive Officer | | 10 February 2020 |
| Steve Medlicott | Chief Financial Officer | | 10 February 2020 |
| Iain Ross | Non-Executive Chairman | | 10 February 2020 |
| Christine Soden | Non-Executive Director | | 10 February 2020 |

Ali Mortazavi was appointed as Executive Chairman on 10 February 2020. He was appointed Chief Executive Officer from 12 October 2020 and retaining 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.

Major shareholdings

As at 21 April 2021 (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 2021 |
|---|-------------------------------------|---|
| Richard Griffiths and controlled undertakings | 118,539,105 | 28.17 |
| Ali Mortazavi | 50,666,666 | 12.04 |
| Robert Quested | 49,484,948 | 11.76 |
| Trillian Ltd | 28,333,333 | 6.73 |
| Lombard Odier Asset Management | 20,265,820 | 4.82* |
| David Norwood | 15,465,789 | 3.68 |

*as of 11/4/2021

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

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 within the Strategic Report.

The Directors do not recommend the payment of a dividend (2020: £nil).

Directors' interests

The Directors' interests in the Company's shares and options over ordinary shares are shown in the Directors' Remuneration Report on pages 43 to 50.

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 Directors' Remuneration Report on pages 43 to 50.

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 20 to the financial statements.

Research and development

During the year ended 31 January 2021 the Group's expenditure on R&D was £2,705,000 (2020: £2,104,000).

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 27. A consideration of the Company's relationship with wider stakeholders, including supplier and customers, is disclosed in Principle 3 of the Corporate Governance Statement on pages 34 to 41.

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/AimRule26 or by writing to the Company Secretary at 17 Blenheim Office Park, Long Hanborough, Oxfordshire OX29 8LN.

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in Note 21 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 2021, the Company's issued share capital was £420,774, divided into 420,773,546 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 Non-Executive Directors are terminable by either the Company or the individual Director on three months' notice. Each appointment is contingent on satisfactory performance and 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, Trevor Jones, who was appointed as non-executive chairman on 1 March 2021, will offer himself for election at the forthcoming Annual General Meeting of the Company on 16 June 2021.

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 re-appointment 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 offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH on 16 June 2021 at 1pm. The notice convening the meeting is set out on pages 77 and 78 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 2021, we reported cash and liquid resources of The Board has prepared detailed strategic plans as part of the fundraise process in July 2020, which raised total gross proceeds, along with the smaller fundraise in February 2020, of £13,203,000. We have also prepared a detailed budget for the forthcoming financial year, which supports 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
12 May 2021

Corporate Governance Statement

Statement by the Non-Executive Chairman

As the newly appointed Non-Executive Chairman of e-therapeutics, and on behalf of the Board, I have pleasure in presenting the Corporate Governance Statement for the year ended 31 January 2021. I am responsible for leading the Board so as 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.

This financial year has provided unique challenges in delivering a robust governance management framework. The working from home policy that has remained in force since 9 March 2020, for the safety of our people in light of the COVID-19 pandemic, has highlighted the importance of an embedded corporate culture and strategy.

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. In view of this, the Board of e-therapeutics has chosen to apply the QCA Corporate Governance Code (the "QCA Code") published by 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.

The QCA Code recommends that the chair of a Board should not also fulfil the role of Chief Executive. During the year, Ali Mortazavi acted as Chairman and Chief Executive Officer. Following due consideration by the Board, Ali's role was split on 1 March 2021, with Ali continuing as Chief Executive Officer and myself being appointed as Non-Executive Chairman. I have served as a Non-Executive Director since 2015. 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 27.

We continue to evaluate how we govern the Group on an ongoing basis, working for the best long-term interests of our shareholders in an open, transparent and ethical manner. The Board considers that the corporate governance framework adopted can grow with the Group.

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 10 principles, in three broad categories, and 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 website above.

Professor Trevor Jones CBE

Non-Executive Chairman
12 May 2021

The Board is committed to building shareholder value in an open, transparent and ethical manner.

Delivery 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 network-driven approach is disruptive to the conventional pharmaceutical R&D model.

See our business model and our strategic objectives on pages 8 and 12 to 13, 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 page 4. 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 Group relies upon the knowledge and dedication of our people, as reflected in our strategic objectives on pages 12 to 13 and our principal risks on pages 20 to 26. 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 Group. During the year, we have appointed a Chief People Officer and developed our people strategy, more on which can be read on page 14.

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 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.

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 20 to 26.

Corporate Governance Statement (continued)

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 Group is satisfied that the current Board as a whole is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders, although the Directors are searching for an additional Non-Executive Director to strengthen the Board.

Board of Directors

On 10 February 2020, Steve Medicott and Ray Barlow stepped down as Executive Directors and Iain Ross and Christine Soden stepped down as Non-Executive Directors. On this day, Ali Mortazavi was appointed as Executive Chairman and Michael Bretherton was appointed as Non-Executive Director alongside Trevor Jones. Recognising Ali Mortazavi's commitment to and impact on e-therapeutics' success, he was appointed as Chairman and Chief Executive Officer 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. The biographies of the Executive Committee, Scientific Advisory Board and Board are on pages 28 to 31. Additional information on the governance structure of the Group can be seen on pages 38 to 41 within this statement.

Also during the year, we have formalised an Executive Committee made up of senior management and Ali Mortazavi to manage the day-to-day operational delivery of the business model and corporate strategy. Furthermore, a Scientific Advisory Board has been created during the year.

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 31 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 39.

7 **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

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. The Board undertook a review of corporate governance practices during 2020 and has begun Board member appraisals as part of a formal Board appraisal process during 2021.

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 14 to 15, 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 page 14. 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 is responsible for the operational management of the Group and the implementation of Board strategy and policy. The Company Secretary, is responsible for the health and safety matters of the Group and there is a dedicated staff member who 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.

The Committees' terms of reference can be found on the Corporate Governance page of our website. The Audit Committee Report and the Directors' Remuneration Report for the year ended 31 January 2021 are set out on page 42 and pages 43 to 50, respectively.

Build trust: Principle 10

10

Communicate how the Company is governed and is 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 2021 is detailed in the Audit Committee Report on page 42 and the Directors' Remuneration Report on pages 43 to 50.

The results of the proxy votes received in relation to the 2020 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.

Corporate Governance Statement (continued)

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 Board's that are currently in place along with their key duties and responsibilities:

Executive Committee

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

Members: See pages 28 and 29

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.
- Lead by Michael Bretherton as Chair of the Audit Committee.
- Further details can be found within the Audit Committee Report on page 42.

Members: See page 31

Board

- The Board is responsible for establishing a strategy and business model which promotes 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.
- Lead by Trevor Jones as Non-Executive Chairman.

Members: See page 31

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.
- Lead by Trevor Jones as Chair of the Remuneration Committee.
- Further details can be found within the Directors' Remuneration Report on page 43.

Members: See page 31

Scientific Advisory Board

- The SAB provide strategic advice and insight to help the Group continue to grow and meet our 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.
- Lead by Dr Paul Burke as Chair of the SAB.

Members: See page 30

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 & Remuneration | Other public company (Board level) |
|---------------------------------|----------------------------|-----------|-------------------------|-------------------------|--|--|
| Executive Director: | | | | | | |
| Ali Mortazavi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Non-Executive Directors: | | | | | | |
| Michael Bretherton | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Trevor Jones | ✓ | | ✓ | ✓ | ✓ | ✓ |
| Executive Committee: | | | | | | |
| Stephanie Maley | | | ✓ | | ✓ | |
| Karl Keegan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Laura Roca-Alonso | ✓ | | ✓ | | | |
| Colin Stubberfield | ✓ | | ✓ | | | |
| Alan Whitmore | | | ✓ | | ✓ | |
| Jonny Wray | ✓ | | ✓ | | | |

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 advisers. 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. 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.

Corporate Governance Statement (continued)

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 advisers, 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 28.17% 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. The Directors are searching for an additional independent non-executive director to further strengthen the Board.

Both 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. The Board considers that this arrangement aligns the interests of shareholders and the Non-Executive Directors in an appropriate manner.

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 both the Non-Executive Directors and Executive Chairman, can, and do, devote sufficient time to the Company's business.

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 | 8/8 | | | | 14/15 |
| Ray Barlow | 1/1 | | | | |
| Steve Medlicot | 1/1 | | | | |
| Non-Executive Directors: | | | | | |
| Trevor Jones | 9/9 | 2/2 | 3/3 | | |
| Michael Bretherton | 8/8 | 2/2 | 3/3 | | |
| Iain Ross | 1/1 | | | | |
| Christine Soden | 1/1 | | | | |
| SAB Committee: | | | | | |
| Paul Burke | | | | 1/1 | |
| John Mattick | | | | 1/1 | |
| Bill Harte | | | | 1/1 | |
| Executive Committee: | | | | | |
| Alan Whitmore | | | | | 13/15 |
| Jonny Wray | | | | | 15/15 |
| Colin Stubberfield | | | | | 15/15 |
| Laura Roca-Alonso | | | | | 8/13 |
| Karl Keegan | | | | | 0/0 |
| Stephanie Maley | | | | | 7/8 |

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 a rigorous 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.

The Board commenced a formal evaluation of its performance in early 2020, but in view of the restructuring of the Board on 10 February 2020, the process was not concluded. A formal evaluation of the current Board and its Committees will be undertaken in due course.

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 2021.

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 'whistle blowing' policy.

Details of the Group's risk management, including principal risks and mitigations, are shown on pages 20 to 26. The Audit Committee is particularly pleased with the Group's achievement of Cyber Essentials Plus accreditation during the year, with an independent auditor verifying our commitment to cyber security.

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 Company for the year total £49,400 (2020: £39,000), compared with nonaudit fees of £nil (2020: £3,000).

The Audit Committee is satisfied with the independence, objectivity and effectiveness of the external Auditor and the Audit Committee has not felt it necessary at this stage to propose re-tendering of the audit contract. A resolution for the re-appointment of 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 2021.

Membership and meetings of the Audit Committee

The Audit Committee is chaired by myself, Michael Bretherton. I took over from Christine Soden on 10 February 2020. The other member is Trevor Jones.

Whilst Trevor is considered independent, I am not because 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 who owns [•] % of the ordinary share capital of the Company. Given that there are currently only two Non-Executive Directors on the Board, and given my relevant financial skills and experience, myself and Trevor believe that it is the right course of action for me to chair this Committee and that my potential dealings with Richard Griffiths do not impair my ability to do so. However, we continue to search for an additional Non-Executive Director to further strengthen the Board.

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 2021 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 |
|---------------|--|
| March 2020 | Review of external audit for the year ended 31 January 2020 Internal controls and risk management |
| December 2020 | Review of audit planning report including audit risk areas for the year ended 31 January 2021 |
| May 2021 | Review of external audit for the year ended 31 January 2021 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
12 May 2021

Directors' Remuneration Report

Statement by the Chair of the Remuneration Committee

As Chairman of the Remuneration Committee, I am pleased to present our Directors' Remuneration Report for the year ended 31 January 2021.

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.

Towards the start of the year we welcomed Ali Mortazavi as Executive Chairman, with Ray Barlow and Steve Medicott stepping down as Executive Directors. With effect from 1 August 2021 Ali Mortazavi was appointed Chairman and Chief Executive Officer and his remuneration was reviewed accordingly, with reference to industry and size-specific benchmarking surveys available. Post year end, on 1 March 2021, his role was split, with Ali continuing on as Chief Executive Officer and myself being appointed as Independent Non-Executive Chairman.

The Directors' Remuneration Policy and Statement of Remuneration which follow this annual statement set out the Remuneration Committee's approach to future remuneration and provides details of remuneration for the year ended 31 January 2021. 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
12 May 2021

Directors' Remuneration Report (continued)

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 myself, Trevor Jones 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, who, holds 28.17% of the issued ordinary shares through a number of controlled companies, including Blake Holdings Limited where Michael is also a Non-Executive Director. Michael is therefore not deemed to be independent but, due to the size of the Board is required to sit on the Remuneration Committee. We do not believe his potential dealings with Richard Griffiths impact his ability to be a balanced and impartial member of the Committee. We continue to search for an additional independent Non-Executive Director to further strengthen the Board. 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 approved by the Board in March 2020.

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

- decision on awards to be made under the e-therapeutics Performance Share Plan 2013 (the "PSP");
- approval of the Long-Term Incentive Plan 2020 (the "LTIP") and;
- review of remuneration for the Executive Director.

The Remuneration Committee did not undertake formal benchmarking of Directors' remuneration in the year ended 31 January 2021, although did compare current remuneration with published surveys, and does not have retention agreements with any external remuneration consultants. Advice is taken from external advisers as needed in relation to specific questions and projects.

Remuneration Policy

Policy on executive remuneration

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 Director (including long-term incentive plans) to attract, retain and motivate individuals of the experience and competence required to ensure that the Company is managed successfully in the interests of shareholders. In addition, the Remuneration Committee's policy is to reward performance in a way which seeks to align the interests of management with those of shareholders.

The main elements of the remuneration package of the Executive Director is 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 on 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 50. |
| Benefits | | |
| Provide benefits consistent to 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. | The maximum annual bonus is currently capped at 50% of basic salary. 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. The maximum bonus typically requires a very high level of performance. |
| 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 49 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. |

Directors' Remuneration Report (continued)

Remuneration Policy (continued)

Long-term incentives

Long-term incentive awards are used to ensure that the focus of the Director remains on the long-term added value to the shareholders. Details of share options granted during the year can be found in the Statement of Remuneration on pages 48 to 50. The Remuneration Committee will consider granting further options in the coming financial year upon careful consideration of the Group's performance and long-term goals.

Differences from 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 awards under the PSP (pre-November 2020) or LTIP (November 2020 onwards).

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 the Executive Director.

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 incentives.

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

Statement of consideration of shareholder views

As Chairman 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 Director's remuneration, and report back to the Remuneration Committee. The Remuneration Committee previously consulted with certain major shareholders in relation to the introduction of the PSP and awards made under the 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 remuneration is to offer a market competitive remuneration package sufficient to attract candidates who are appropriate to the role but without paying any more than is necessary.

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

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 pension contributions.

| Purpose and link to strategy | Operation | Maximum potential value |
|--|---|--|
| Attract Non-Executive Directors with a broad range of experience and skills to oversee the implementation of the Company's strategy. | Non-Executive Director fees are determined by the Board within the limits set out in the articles of association and are paid in 12 equal monthly instalments during the year (subject to part-payment of fees in fully paid shares by agreement between the Company and the Director). | There is no prescribed minimum or maximum range increase. Annual rates are set out on page 50. |

Directors' service contracts, notice periods and termination payments

| Provision | Policy |
|--|---|
| Notice periods in Executive Director's service contracts | Six months by the Company or Chief Executive. 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 a discretion (which may be exercised within the 30-day period following the termination of employment) to treat awards as not lapsing. |
| 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.

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.

Directors' Remuneration Report (continued)

Statement of Remuneration

Directors' remuneration

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

The maximum bonus for the Executive Director is 50% of basic salary, dependent on the Company's and the Executive Director's performance during the year. The Remuneration Committee decides the bonuses to be awarded.

The remuneration of the Directors for the years ended 31 January 2021 and 31 January 2020 is shown below:

| | 2021 | | | | | Total remuneration £000 |
|--------------------------------|---------------------|---------------|---|--------------------------|--|----------------------------|
| | 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 | |
| Executive Directors | | | | | | |
| Ali Mortazavi ^a | 107 | - | 10 | 16 | - | 133 |
| Ray Barlow ^b | 67 | - | 28 | - | 175 | 270 |
| Steve Medlicott ^b | 5 | - | - | - | 73 | 78 |
| Non-Executive Directors | | | | | | |
| Trevor Jones | 40 | - | - | - | - | 40 |
| Michael Bretherton | 39 | - | - | - | - | 39 |
| Iain Ross | 2 | - | - | - | - | 2 |
| Christine Soden | 1 | - | - | - | - | 1 |
| | 261 | - | 38 | 16 | 248 | 563 |

| | 2020 | | | | | Total remuneration £000 |
|--------------------------------|---------------------|---------------|---|--------------------------|--|----------------------------|
| | 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 | |
| Executive Directors | | | | | | |
| Ray Barlow | 300 | - | 38 | 1 | - | 339 |
| Steve Medlicott | 151 | - | - | - | - | 151 |
| Non-Executive Directors | | | | | | |
| Iain Ross | 81 | - | - | - | - | 81 |
| Trevor Jones | 40 | - | - | - | - | 40 |
| Christine Soden | 40 | - | - | - | - | 40 |
| | 612 | - | 38 | 1 | - | 651 |

- Ali Mortazavi was appointed as Executive Chairman on 10 February 2020. He was appointed Chief Executive Officer with effect from 12 October 2020 and 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.
- 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.
- Trevor Jones was appointed as Non-Executive Chairman on 1 March 2021.
- Michael Bretherton was appointed on 10 February 2020.
- Iain Ross and Christine Soden resigned on 10 February 2020. Both were awarded share options in lieu of serving their notice periods, which were 6 months and 3 months, respectively. Iain was awarded 1,350,000 options and Christine was awarded 333,333 options. These options were exercisable at 0.1 pence per share and vested when the Company's share price reached and remained at 6.0 pence for a period of 30 consecutive days, but did not become exercisable before 11 August 2020.

The Company operates a share scheme (the PSP) under which the Executive Director has received options to acquire ordinary shares in the Company. Up on his initial appointment, Ali Mortazavi was awarded 9,672,836 share options with an exercise price of 0.1p and a vesting period of 2 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 10 to the financial statements.

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

| | Options held at beginning of the year No. | Options granted during the year No. | 2020 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 |
| Ray Barlow | 7,500,000 | - | - | (7,500,000) | - |
| Steve Medicott | 2,000,000 | - | - | (2,000,000) | - |
| | 9,500,000 | 9,672,836 | - | (9,500,000) | 9,672,836 |

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

| | At end of year | At beginning of year | Exercise price (p) | Date from which exercisable | Expiry date |
|----------------|------------------|----------------------|--------------------|-----------------------------|------------------|
| Steve Medicott | - | 666,666 | 16.76 | 23 November 2018 | 23 November 2026 |
| Steve Medicott | - | 666,667 | 20.95 | 23 November 2018 | 23 November 2026 |
| Steve Medicott | - | 666,667 | 25.14 | 23 November 2019 | 23 November 2026 |
| Ray Barlow | - | 2,000,000 | 16.76 | 2 May 2019 | 2 May 2027 |
| Ray Barlow | - | 1,750,000 | 20.95 | 2 May 2019 | 2 May 2027 |
| Ray Barlow | - | 1,750,000 | 25.14 | 2 May 2019 | 2 May 2027 |
| Ray Barlow | - | 2,000,000 | 2.70 | 28 March 2021 | 28 March 2029 |
| Ali Mortazavi | 9,672,836 | - | 0.1 | 11 February 2022 | 11 February 2030 |

Steve Medicott and Ray Barlow resigned in February 2020. As a result, Ray Barlow's options lapsed in full. Steve Medicott options lapsed in full with the exception of 666,666 vested share options awarded in November 2016 with an exercise price of 16.76p. Steve Medicott did not exercise these options so these also lapsed.

The mid-market price of the Company's shares at 31 January 2021 (the last trading day of the period) was 18.63p and the range during the year was 3.75p to 21.75p.

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 2021 |
|---|---|
| Ali Mortazavi | 50,666,666 |
| Trevor Jones | 1,031,955 |
| Michael Bretherton | 500,000 |
| Ray Barlow (resigned 10 February 2020) | 1,450,000 |
| Steve Medicott | 1,550,000 |
| Iain Ross (resigned 10 February 2020) | 1,700,000 |
| Christine Soden (resigned 10 February 2020) | 370,000 |

During the period between 31 January 2021 and 21 April 2021, 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.

Directors' Remuneration Report (continued)

Statement of Remuneration (continued)

Implementation of Remuneration Policy for the year ended 31 January 2022

The salaries and fees to be paid to Directors in the year ended 31 January 2022 are set out in the table below, together with any increase expressed as a percentage:

| | Annual base salary/fees | | |
|--------------------|----------------------------|----------------------------|-------------------------|
| | 31 January 2022 £000 | 31 January 2021 £000 | Increase/ (Decrease) |
| Ali Mortazavi | 200 | 124 | 61.3% |
| Trevor Jones | 55 | 40 | 37.5% |
| Michael Bretherton | 40 | n/a | n/a |

The increased fees for Ali Mortazavi reflect his appointment as Chief Executive Officer with effect from 12 October 2020 and the increased fees for Trevor Jones reflect his appointment as Non-Executive Chairman with effect from 1 March 2021.

The basis for determining annual bonus payments for the year to 31 January 2021 is set out in the Remuneration Policy on pages 43 to 50. 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 12 to 13 of the Strategic Report.

The Remuneration Committee may make further awards under the LTIP during the year ending 31 January 2022. These 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 12 May 2021.

Professor Trevor Jones CBE

Chair of the Remuneration Committee

Directors' Responsibilities Statement

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

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

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

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

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

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, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This Directors' Responsibilities Statement was approved by the Board of Directors on 12 May 2020 and is signed on its behalf by:

Ali Mortazavi

Chief Executive Officer

12 May 2021

Auditor's Report

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 31st January 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the balance sheets, the consolidated and company statements of cash flow and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements 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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of 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.

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 macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged



Overview of our audit approach

Overall materiality:

- Group: £212,000, which represents approximately 4.7% of the group's loss before tax.
- Parent company: £211,000, which represents approximately 4.7% of the parent company's loss before tax.
- The key audit matters for the Group and Parent company were identified as the application of IFRS 15 to the Galapagos contract and the valuation of the share options issued during the year with respect to the resultant IFRS 2 cost recognised. These are both new key audit matters in the current year.
- Our auditor's report for the year ended 31 January 2020 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to the carrying value of goodwill in the Parent company. The goodwill in the parent company was written off in the prior year and therefore was not relevant for the current year audit.
- We performed a full scope audit on the Parent Company financial statements of e-Therapeutics plc and analytical procedures on the financial information of its non-significant subsidiaries, Searchbolt Limited and InRotis Technologies Limited.

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.

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.

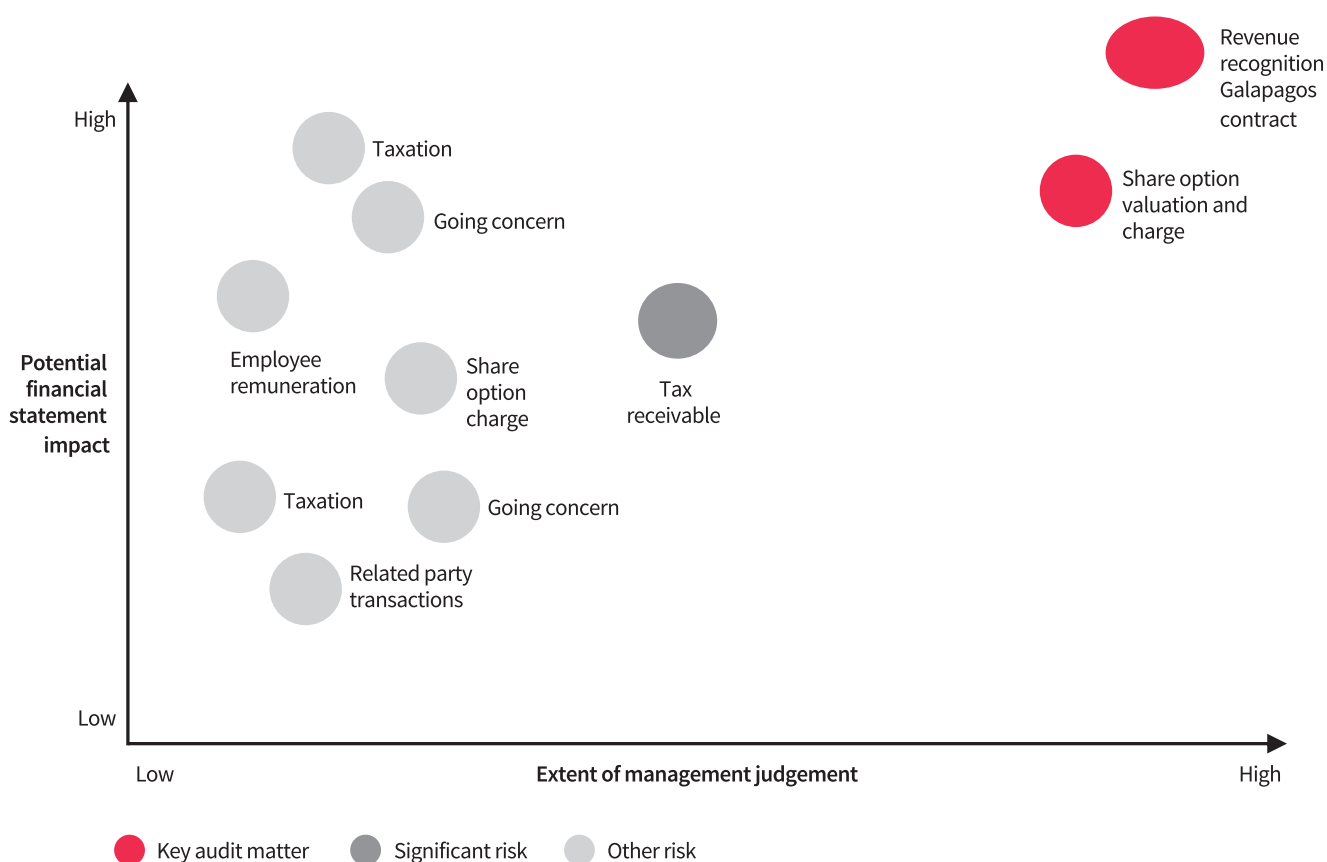
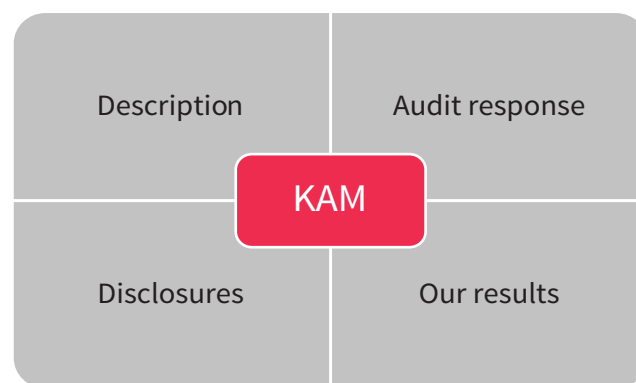
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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.

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 matters, significant risks and other risks relevant to the audit.



Auditor's Report (continued)

Key Audit Matter - Group and Parent

Share option charge may be inaccurately recognised

We identified the share option charge as one of the most significant assessed risks of material misstatement due to error.

A significant number of share options were issued during the current year as set out in note 9 to the consolidated financial statements. As a result, the charge increased significantly from £36,631 to £421,621 in the current year.

The share option charge is recognised in line with International Financial Reporting Standard ('IFRS') 2 'Share-based Payment', which requires management to make an assessment of the fair value of the options issued, and to select an appropriate model and assumptions in order to do so.

The selection, application and calculation of the models and underlying assumptions requires significant management judgement that could indicate a potential for management bias. These judgements mainly centre on the choice of models used in performing these valuations and their key inputs. In order to support their assessment, management utilised an external expert.

How our scope addressed the matter - Group and Parent

In responding to the key audit matter, we performed the following audit procedures:

- Obtained and read the option agreements issued during the year and agreed key terms to management's assessment;
- Obtained and read the valuation model prepared by management's expert;
- Assessed whether appropriate share option pricing models had been used based on the underlying vesting conditions;
- Utilised our internal valuation experts to test the accuracy and integrity of management's model;
- Identified and assessed the key inputs that have been used in the models (being primarily the strike price of the option, the current stock price and the time to expiration), by reference to supporting documentation, such as award deeds for share options granted to employees and publicly available share price information from AIM; and
- Evaluated the disclosures in financial statements to assess whether these are complete and accurate.

Relevant disclosures in the Annual Report and Accounts 2021

- **Financial statements: Note 9. Share-based payments**
- **Audit committee report: Page 42**

Our results

Overall, based on our audit work, we determined that the judgements made by management were consistently applied and that the share based payment charge was recognised appropriately and in accordance with IFRS 2.

Revenue recognition

We identified revenue recognition (including contract accounting) as one of the most significant assessed risks of material misstatement due to error.

The total amount of revenue recognised during the year ended 31 January 2021 was £316,863 (2020: £456,000).

Revenue is recognised at the fair value of consideration receivable in respect of the performance of contracts and the provision of services. The group adopted International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers' for the financial year ended 31 January 2021. Significant judgement was required by management in the initial application of IFRS 15 to the company's contract revenue.

The company entered into a new type of contract in the year ended 31 January 2021 that spans multiple years. This is the entity's only ongoing revenue contract in the financial year. Determining the amount of revenue to be recognised on such contracts requires management to make a number of assumptions to determine the level of revenue that is recognised for each period, as well as the associated deferrals. The most significant of those assumptions include the identification of separable performance obligations and the allocation of the transaction price to different performance obligations within the contract.

Revenue recognition

In responding to the key audit matter, we performed the following audit procedures:

- Assessed whether the group's accounting policies adopted by the directors are in accordance with the requirements of IFRS 15, and whether management accounted for revenue in accordance with those accounting policies, including the accounting and disclosure for the transition to IFRS 15;
- Agreed details used in management's assessment of the contract to contract terms and gaining an understanding of the key performance obligations within the contract;
- Obtained copies of all revenue generating contracts in the year, developed an understanding of the key terms of each contract and determined the expected revenue recognition for each contract based on those terms and the revenue recognition policy. We then compared our expectations against management's and investigated any differences; and

Identified contracts that spanned the year-end and re-calculated the expected deferred and accrued income and compared this to management's calculation

- **Financial statements: Note 5, Segmental Reporting**
- **Audit committee report: page 42**

Key observations

Overall, based on our audit work, we determined that the judgements made by management were consistently applied and that revenue was recognised in accordance with the policies adopted by the Group and Parent Company.

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.

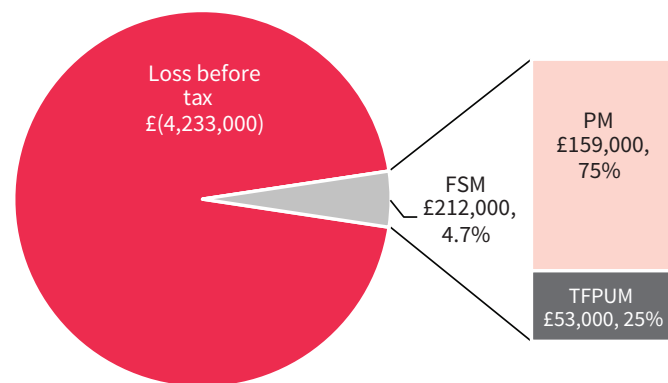
Materiality was determined as follows:

| Materiality measure | Group | Parent |
|---|---|---|
| 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 | £212,000 which is approximately 4.7% of the Group's loss before tax. This benchmark is considered the most appropriate because it is a key driver of business performance. We have consistently used loss before tax as the underlying benchmark. We selected this benchmark because the main focus of the group currently is going concern, and their main indicator of this is their cash levels. There are very few non-cash based P&L transactions, and therefore loss before tax is considered a good indicator of cash burn. As such, loss before tax is considered a reasonable benchmark upon which to make an assessment. | £211,000 which is approximately 4.7% of the Parent's loss before tax. This benchmark is considered the most appropriate because it is a key driver of business performance. 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 going concern, and the main indicator of this is their cash levels. There are very few non-cash based P&L transactions, and therefore loss before tax is considered a good indicator of cash burn. As such, loss before tax is considered a reasonable benchmark upon which to make an assessment. |
| Significant judgements made by the auditor in determining the materiality | Materiality for the current year is higher than the level determined for the year ended 31 January 2020 (£125,000) due to an increase in losses made in the year ending 31 January 2021. | Materiality for the current year is higher than the level determined for the year ended 31 January 2020 (£124,000) due to an increase in losses made in the year ending 31 January 2021. |
| Significant revision(s) of materiality threshold that were made as the audit progressed | As the audit progressed, the materiality level determined was revised. At the planning stage of the audit, we calculated materiality based on pro-rated figures for the first 9 months of the year. This was then revised at fieldwork when the full year's final figures were obtained. | As the audit progressed, the materiality level determined was revised. At the planning stage of the audit, we calculated materiality based on pro-rated figures for the first 9 months of the year. This was then revised at fieldwork when the full year's final figures were obtained. |
| 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 | £159,000 which is 75% of financial statement materiality | £158,360 which is 75% of financial statement materiality. |
| Significant judgements made by auditor in determining the performance materiality | In determining materiality, we made the following significant judgements: Our prior year experience with auditing the financial statements of the group – as a result we have a better understanding of the business and the processes in place. There were few adjustments in the prior year, . Therefore, 75% of financial statement materiality was deemed appropriate. | In determining materiality, we made the following significant judgements: Our prior year experience with auditing the financial statements of the parent company – as a result we have a better understanding of the business and the processes in place. There were few adjustments in the prior year. Therefore, 75% of financial statement materiality was deemed appropriate. |
| 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 threshold | We determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions. | We determined a lower level of specific materiality for certain areas such as Directors' 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 | £10,600 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. | £10,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

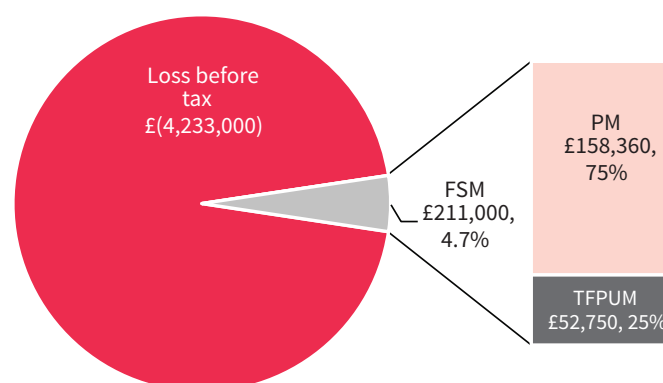
Auditor's Report (continued)

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality - Group



Overall materiality - Parent



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

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:

Identifying significant components

- Determining the scope of the group audit based on our understanding of the group structure and the relative contribution of revenue, expenses and net assets of each component to the group;
- As the two subsidiaries, 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 to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- 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. This component was subject to an audit of financial information (full-scope audit) and represented 99.52% of the group's loss before tax, 100% of the group's revenue and 98% of the group's net assets;
- At the 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 arising from the aggregated financial information of those remaining components; and
- We identified application of IFRS 15 to the Galapagos contract and valuation of the share based payment schemes as the key audit matters and the procedures performed in respect of these have been included in the key audit matters section of our report

Performance of our audit

- Due to lockdown restrictions imposed as a result of the ongoing COVID-19 pandemic, the audit team were not able to visit the locations and the audit was performed entirely online using virtual communication platforms.

| Audit approach | No. of components | % coverage total assets | % coverage revenue | % coverage LBT |
|-----------------------|-------------------|-------------------------|--------------------|----------------|
| Full-scope audit | 1 | 98% | 100% | 99.52% |
| Analytical procedures | 2 | 2% | 0% | 0.48% |

Other information

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

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

We have nothing to report in this regard.

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 the 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 group and determined that the most significant which are directly relevant to the financial statements are those related to the reporting frameworks (IFRS, the Companies Act 2006 and QCA Corporate Governance Code) and AIM rules.

In addition, we concluded that there are certain significant laws and regulations, such as Employment Law, that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to employee matters.

We understood how e-therapeutics plc is complying with those legal and regulatory frameworks by making enquiries of management, including those individuals responsible for legal and compliance procedures, and the company secretary. We corroborated our enquiries through our review of board minutes, audit committee minutes and correspondence received from regulatory bodies.

We assessed the susceptibility of e-therapeutics plc's Consolidated Financial Statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment. We considered the risk of fraud to be higher through the potential for management override of controls resulting from/facilitated by management bias in developing significant account estimates and posting inappropriate journal entries.

Audit procedures performed by the group engagement team and component auditors for those components included in the scope of our audit included:

- evaluation and testing of the design effectiveness of management's controls designed to prevent and detect irregularities;
- challenging assumptions and judgments made by management in its significant accounting estimates, which are set out on page 66, and include revenue recognition, going concern and taxation;
- identifying and testing journal entries, focussing on those categories of journals deemed higher risk based on our risk assessment procedures.

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.

Mark Bishop FCA

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

12 May 2021

Consolidated Income Statement

for the year ended 31 January 2021

| | Notes | 2021 £000 | 2020 £000 |
|--|-------|----------------|--------------|
| Revenue | 5 | 317 | 456 |
| Cost of sales | | - | - |
| Gross profit | | 317 | 456 |
| Research and development expenditure | | (2,705) | (2,104) |
| Administrative expenses | | (2,097) | (1,240) |
| Operating loss | | (4,485) | (2,888) |
| Investment income | 10 | 17 | 15 |
| Loss before tax | | (4,468) | (2,873) |
| Taxation | 11 | 784 | 526 |
| Loss for the year attributable to equity holders of the Company | | (3,684) | (2,347) |
| Loss per share: basic and diluted | 12 | (0.99)p | (0.87)p |

Consolidated Statement of Comprehensive Income

for the year ended 31 January 2021

| | 2021 £000 | 2020 £000 |
|--|----------------|--------------|
| Loss for the financial year | (3,684) | (2,347) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year attributable to equity holders of the Company | (3,684) | (2,347) |

Consolidated Statement of Changes in Equity

for the year ended 31 January 2021

| Group | Share capital £000 | Share premium £000 | Retained earnings deficit £000 | Total £000 |
|--|-----------------------|-----------------------|-----------------------------------|---------------|
| As at 1 February 2019 | 269 | 65,165 | (58,632) | 6,802 |
| Total comprehensive income for year | | | | |
| Loss for the financial year | - | - | (2,347) | (2,347) |
| Total comprehensive loss for year | - | - | (2,347) | (2,347) |
| Transactions with owners, recorded directly in equity | | | | |
| Issue of ordinary shares | - | 11 | - | 11 |
| Equity-settled share-based payment transactions | - | - | 36 | 36 |
| Total contributions by and distribution to owners | - | 11 | 36 | 47 |
| As at 31 January 2020 | 269 | 65,176 | (60,943) | 4,502 |
| Total comprehensive income for year | | | | |
| Loss for the financial year | - | - | (3,684) | (3,684) |
| Total comprehensive loss for 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 |

| Company | Share capital £000 | Share premium £000 | Retained earnings deficit £000 | Total £000 |
|--|-----------------------|-----------------------|-----------------------------------|---------------|
| As at 1 February 2019 | 269 | 65,165 | (56,060) | 9,374 |
| Total comprehensive income for year | | | | |
| Loss for the financial year | - | - | (5,171) | (5,171) |
| Total comprehensive loss for year | - | - | (5,171) | (5,171) |
| Transactions with owners, recorded directly in equity | | | | |
| Issue of ordinary shares | - | 11 | - | 11 |
| Equity-settled share-based payment transactions | - | - | 36 | 36 |
| Total contributions by and distribution to owners | - | 11 | 36 | 47 |
| As at 31 January 2020 | 269 | 65,176 | (61,195) | 4,250 |
| Total comprehensive income for year | | | | |
| Loss for the financial year | - | - | (3,682) | (3,682) |
| Total comprehensive loss for 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 |

Balance Sheets

as at 31 January 2021

| | Notes | Group | | Company | |
|---|-------|---------------|--------------|---------------|--------------|
| | | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Non-current assets | | | | | |
| Intangible assets | 13 | 82 | 110 | 82 | 110 |
| Property, plant and equipment | 14 | 80 | 93 | 80 | 93 |
| Investments | 15 | – | – | – | – |
| | | 162 | 203 | 162 | 203 |
| Current assets | | | | | |
| Tax receivable | 11 | 769 | 557 | 769 | 557 |
| Trade and other receivables | 16 | 57 | 36 | 57 | 36 |
| Prepayments | | 296 | 149 | 296 | 149 |
| Cash and cash equivalents | | 13,027 | 3,841 | 12,776 | 3,840 |
| | | 14,149 | 4,583 | 13,898 | 4,582 |
| Total assets | | 14,311 | 4,786 | 14,060 | 4,785 |
| Current liabilities | | | | | |
| Trade and other payables | 17 | 327 | 215 | 326 | 466 |
| Lease liability | 18 | 23 | 46 | 23 | 46 |
| Contract liability | 19 | 77 | – | 77 | – |
| | | 427 | 261 | 426 | 512 |
| Non-current liabilities | | | | | |
| Lease liability | 18 | – | 23 | – | 23 |
| Total liabilities | | 427 | 284 | 426 | 535 |
| Net assets | | 13,884 | 4,502 | 13,634 | 4,250 |
| Equity | | | | | |
| Share capital | 21 | 421 | 269 | 421 | 269 |
| Share premium | | 77,668 | 65,176 | 77,668 | 65,176 |
| Retained earnings deficit | | (64,205) | (60,943) | (64,455) | (61,195) |
| Total equity attributable to equity holders of the Company | | 13,884 | 4,502 | 13,634 | 4,250 |

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 2021 of £3,682,000 (2020: loss of £5,171,000).

These financial statements were approved and authorised for issue by the Board of Directors on 12 May 2021 and were signed on its behalf by:

Ali Mortazavi

Chief Executive Officer

Registered number: 04304473

Consolidated Statement of Cash Flow

for the year ended 31 January 2021

| Group | Notes | 2021 £000 | 2020 £000 |
|---|-------|----------------|----------------|
| Loss for the year | | (3,684) | (2,347) |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | 13,14 | 112 | 97 |
| Equity-settled share-based payment expense | 9 | 422 | 36 |
| Investment income | 10 | (17) | (15) |
| Taxation | 11 | (802) | (547) |
| Operating cash flows before movements in working capital | | (3,969) | (2,776) |
| Decrease in trade and other receivables | | (168) | 161 |
| Decrease in trade and other payables | | 189 | (500) |
| Tax received | | 590 | 1,088 |
| Net cash used in operating activities | | (3,358) | (2,027) |
| Interest received | | 17 | 15 |
| Acquisition of other intangible assets | 13 | (18) | (11) |
| Acquisition of property, plant and equipment | 14 | (53) | (5) |
| Net cash (used in)/from investing activities | | (54) | (1) |
| Proceeds from issue of share capital | | 12,644 | 11 |
| Repayment of lease liability | 18 | (46) | (46) |
| Net cash (used in)/from financing activities | | 12,598 | (35) |
| Net increase/(decrease) in cash and cash equivalents | | 9,186 | (2,063) |
| Cash and cash equivalents at 1 February | | 3,841 | 5,904 |
| Cash and cash equivalents at 31 January | | 13,027 | 3,841 |

Company Statement of Cash Flow

for the year ended 31 January 2021

| Company | Notes | 2021 £000 | 2020 £000 |
|---|-------|----------------|----------------|
| Loss for the year | | (3,683) | (5,171) |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | 13,14 | 112 | 2,921 |
| Equity-settled share-based payment expense | 9 | 422 | 36 |
| Investment income | 10 | (17) | (15) |
| Taxation | 11 | (802) | (547) |
| Operating cash flows before movements in working capital | | (3,968) | (2,776) |
| Decrease in trade and other receivables | | (167) | 161 |
| Decrease in trade and other payables | | (63) | (501) |
| Tax received | | 590 | 1,088 |
| Net cash used in operating activities | | (3,608) | (2,028) |
| Interest received | | 17 | 15 |
| Acquisition of other intangible assets | 13 | (18) | (11) |
| Acquisition of property, plant and equipment | 14 | (53) | (5) |
| Net cash (used in)/from investing activities | | (54) | (1) |
| Proceeds from issue of share capital | | 12,644 | 11 |
| Repayment of lease liability | 18 | (46) | (46) |
| Net cash (used in)/from financing activities | | 12,598 | (35) |
| Net increase/(decrease) in cash and cash equivalents | | 8,936 | (2,064) |
| Cash and cash equivalents at 1 February | | 3,840 | 5,904 |
| Cash and cash equivalents at 31 January | | 12,776 | 3,840 |

1. General information

e-therapeutics plc (the “Company”) is a company incorporated and domiciled in the UK. The nature of the operations and principal activities of the Company and its subsidiary undertakings (the “Group”) are set out in the Strategic Report (pages 1 to 27) and the Directors’ Report (pages 32 and 33). The registered address of the Company is 17 Blenheim Office Park, Long Hanborough, Oxfordshire OX29 8LN.

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.

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 as described below and in accordance with International Financial Reporting Standards (IFRS), and interpretations issued by the IFRS Interpretations Committee (IFRS IC) 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 2021, we reported cash and liquid resources of £13,027,000 and an underlying cash burn during the year, excluding R&D tax credits received and the net proceeds from fundraises, of £4,030,000.

We prepared detailed strategic plans as part of the fundraise process in July 2020, which raised total gross proceeds, along with the smaller fundraise in February 2020, of £13,203,000. We have also prepared a detailed budget for 16 months, which supports 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 12 to 13 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 page 17 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 parent Company and the Group have 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.

Notes to the Consolidated Financial Statements (continued)

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 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, are considered to be variable consideration and associated revenue 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 utilise 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 up-front front, 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.

Investment income

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

Expenses

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 estimates is recognised in the Income Statement such that the cumulative expense reflects the revised amount.

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 enterprises ("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.

3. Significant accounting policies Basis of accounting (continued)

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 recognised in the Income Statement as incurred on the basis that the recognition criteria of IAS 38 'Intangible Assets' are not met.

Patents and trademarks

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

Derecognition

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

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. The Group does not discount lease liabilities on the basis that it is immaterial. Subsequent to initial measurement, the liability will be reduced by lease payments.

The Group has elected to account for short-term 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 reviewed annually for impairment.

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.

Cash and cash equivalents

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

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

- Management considers the continued adoption of the going concern basis appropriate.
- As detailed in Note 3, there are various revenue streams from collaborative partnerships. Management review 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 up-front cash receipts and revenue recognised, the balance of which is recorded on the Balance Sheet. At the year end, contract liabilities were £77,000 (2020: £nil), as disclosed in Note 19. Revenue of £317,000 (2020: £456,000) is made up of £163,000 (2020: £nil) recognised at a point in time and £154,000 (2020: £456,000) over time. Variable consideration consists of future potential pre-clinical and clinical development and commercial milestone payments and it is deemed by the directors to be fully constrained at this time given the uncertainty around drug development.
- 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 11.

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:

- Revenue recognised from collaborative partnerships, and corresponding contract liabilities, reflect management's best estimate of each contract's stage of completion. Management estimates project progress at each reporting date, with consideration to project plans outlined in customer contracts, and remeasures revenue accordingly. There were commercial contracts in progress at the year end and management has recognised revenue in accordance with IFRS 15 using the 5-step process. As a result, at the year end contract liabilities of £77,000 (2020: £nil) were recognised on the Balance Sheet.

- The current tax receivable, of £769,000 (2020: £557,000), 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 26.

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 (2020: nil) who works in a permanent establishment in the Republic of Ireland which was registered during the year.

Revenue recognised, of £317,000 (2020: £456,000) includes £nil (2020: £206,000) included in the contract liability balance at the beginning of the period.

There are no transaction prices relating to the performance obligations from existing contracts that are unsatisfied or partially satisfied as at 31 January 2021.

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

6. Auditor's remuneration

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Amounts receivable by the Auditor and its associates in respect of: | | |
| – audit of the Group's annual financial statements | 49 | 39 |
| – other services | – | 3 |

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 | |
|----------------------------------|--|-----------|
| | 2021 | 2020 |
| R&D staff | 12 | 12 |
| Finance and administration staff | 5 | 2 |
| Executive Directors | 1 | 2 |
| | 18 | 16 |

The aggregate payroll costs of these persons were as follows:

| | Group and Company | |
|---|-------------------|--------------|
| | 2021 £000 | 2020 £000 |
| Wages and salaries | 1,805 | 1,658 |
| Share-based payments (see Note 9) | 422 | 36 |
| Social security costs | 248 | 206 |
| Contributions to money purchase pension schemes | 241 | 176 |
| Compensation for loss of office | 248 | – |
| | 2,964 | 2,076 |

The Group makes defined pension contributions into money purchase schemes nominated by employees. The total expense relating to these plans is £241,000 (2020: £176,000). As the reporting date, there were outstanding contributions of £43,000 (2020: £14,000).

8. Directors' remuneration

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Directors' emoluments | 277 | 613 |
| Contributions to money purchase schemes | 38 | 38 |
| Compensation for loss of office | 248 | – |
| | 563 | 651 |

The remuneration of the highest paid Director during the year was £242,000 (2020: £300,000). Contributions to money purchase schemes in respect of the highest paid Director during the year were £28,000 (2020: £38,000).

During the year, two Directors (2020: one) 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 Directors' Remuneration Report on pages 43 to 50.

Notes to the Consolidated Financial Statements (continued)

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 (the "PSP") and all options granted from October 2020 onwards were granted under the e-therapeutics Long Term Incentive Plan (the "LTIP"), which was launched during the year.

A number of share options granted during the year carry no performance conditions on the basis that the key aim was to ensure the continued motivation of the current employees throughout a period of significant change in the management structure of the Group during the year and to attract certain new skills integral to the Group's strategy during the high levels of team growth and development enabled by the fundraises during the year, details of which are included in the Strategic Report accompanying these Financial Statements. Going forward, management understand 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. Share options in issue during the year have no performance conditions unless otherwise stated.

Vest periods reflect a period of time that management believe will motivate and retain employees whilst understanding that, given the increased risk of long-term prospects in an R&D business in the stage of its life cycle of e-therapeutics, a longer vesting period may have an adverse effect on employee motivation.

If options remain unexercised after a period of ten years from the date of grant the options expire, unless otherwise stated.

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 |
|---------------|--------------------------------------|--|--------------------|--|--|------------------------|
| November 2016 | - | 2,097,499 | 16.76 | 2 years | Upon vesting | 1 |
| November 2016 | - | 2,097,500 | 20.95 | 2 years | Upon vesting | 1 |
| November 2016 | - | 2,097,500 | 25.14 | 3 years | Upon vesting | 1 |
| May 2017 | - | 2,000,000 | 16.76 | 1 year | 2 years from grant | 1 |
| May 2017 | - | 1,750,000 | 20.95 | 2 years | Upon vesting | 1 |
| May 2017 | - | 1,750,000 | 25.14 | 1 month – 3 years | Upon vesting or 2 years from grant, whichever is later | 1 |
| April 2018 | - | 1,178,000 | 16.76 | 2 years | Upon vesting | 1 |
| November 2018 | - | 1,550,000 | 7.25 | 3 years | Upon vesting | 2 |
| March 2019 | 1,600,000 | 2,200,000 | 2.80 | 3 years | Upon vesting | 2 |
| March 2019 | - | 666,667 | 2.70 | Immediately | 2 years from grant | |
| March 2019 | - | 666,667 | 2.70 | 1 year | 2 years from grant | |
| March 2019 | - | 666,666 | 2.70 | 2 years | Upon vesting | |
| May 2019 | 500,000 | 500,000 | 2.08 | 3 years | Upon vesting | 2 |
| February 2020 | - | - | 0.1 | 6 months or when performance condition met, whichever is later | Upon vesting | 3 |
| February 2020 | 9,672,836 | - | 0.1 | 2 years | Upon vesting | 4 |
| March 2020 | 5,450,000 | - | 0.1 | 3 years | Upon vesting | |
| April 2020 | 3,000,000 | - | 0.1 | 3 years | Upon vesting | |
| November 2020 | 1,700,000 | - | 0.1 | 3 years | Upon vesting | 5 |
| December 2020 | 500,000 | - | 3.0 | 3 years | Upon vesting | |
| December 2020 | 100,000 | - | 0.1 | 3 years | Upon vesting | |
| January 2021 | 100,000 | - | 3.0 | 3 years | Upon vesting | |
| Total | 22,622,836 | 19,220,500 | | | | |

Note 1

The exercise prices of 16.76p, 20.95p and 25.14p are 200%, 250% and 300% of the share price at the date the PSP rules were approved, respectively, to align remuneration with the strategic aim of long-term share price growth.

Note 2

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 3

These options were granted to former non-executive directors in lieu of their directors' fees for their respective notice periods. Options included the performance condition whereby they would vest in full if e-therapeutics' share price reached and remained at 6.0p for a period of 30 consecutive days, but would not become exercisable before 11 August 2020. The options vested and were exercised during the year.

Note 4

These options were granted to Ali Mortazavi upon his initial appointment as Executive Chairman. During the year, with effect from 1 August 2020, Ali was appointed as Chairman and CEO before subsequently, post year in, with effect from 1 March 2020 his role was split with Ali continuing as CEO and Trevor Jones being appointed as Non-Executive Chairman. Options include the performance condition whereby they will vest in full if e-therapeutics' share price reaches and remains at 6.0p for a period of 30 consecutive days. This performance condition has been met during the year.

Note 5

Of these, 800,000 options expire seven years after the date of grant.

9. Share-based payments (continued)

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

| | Weighted average exercise price 2021 (p) | Number of options 2021 | Weighted average exercise price 2020 (p) | Number of options 2020 |
|--|--|------------------------|--|------------------------|
| Options | | | | |
| Outstanding at the beginning of the year | 15.1 | 19,220,500 | 18.8 | 18,996,500 |
| Exercised during the year | (0.1) | (1,683,333) | – | – |
| Forfeited during the year | (16.1) | (16,891,334) | (17.1) | (4,726,000) |
| Expired during the year | (17.1) | (729,166) | – | – |
| Granted during the year | 0.2 | 22,706,169 | 2.7 | 4,950,000 |
| Outstanding at the end of the year | 0.4 | 22,622,836 | 15.1 | 19,220,500 |
| Exercisable at the end of the year | – | – | 20.1 | 11,598,056 |

The options outstanding at the year-end have a weighted average remaining contractual life of 9 years (2020: 8 years).

Where options have performance conditions attached, the fair value of those options has been valued using the Monte Carlo option pricing model. Where options have no performance conditions attached, the fair value of those options has 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 options grants during the current year were:

| Date of grant | January 2021 | December 2020 | December 2020 | November 2020 | April 2020 | March 2020 | February 2020 | February 2020 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Option pricing model used | Black Scholes | Black Scholes | Black Scholes | Black Scholes | Black Scholes | Black Scholes | Monte Carlo | Monte Carlo |
| Share price at date of grant (p) | 17.2 | 16.75 | 15.2 | 12.95 | 8.45 | 6.95 | 4.8 (Note 1) | 4.8 (Note 1) |
| Minimum vesting period | 3 years | 3 years | 3 years | 3 years | 3 years | 3 years | 2 years | 6 months |
| Exercise price (p) | 3.0 | 0.1 | 3.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Expected volatility | 75.01% | 74.64% | 74.55% | 74.74% | 69.72% | 68.93% | 70.5% | 71.8% |
| Risk-free rate | -0.11% | -0.12% | -0.01% | -0.10% | 0.12% | 0.42% | 0.47% | 0.68% |
| Dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Number of shares | 100,000 | 100,000 | 500,000 | 1,700,000 | 3,000,000 | 5,950,000 | 9,672,836 | 1,683,333 |
| Fair value per option (p) | 14.82p | 16.65p | 12.99p | 13.52p | 8.15p | 7.00 | 3.8p | 4.6p |

Note 1

In calculating the fair value of the share options granted it has been assumed that the maximum performance target is met.

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

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Group and Company equity-settled share-based payments | 422 | 36 |

Notes to the Consolidated Financial Statements (continued)

10. Investment income

| | 2021 £000 | 2020 £000 |
|--------------------------|--------------|--------------|
| Bank interest receivable | 17 | 15 |

11. Tax

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Current tax: | | |
| SME R&D tax credit receivable for the current year | (751) | (536) |
| Adjustments for prior year in respect of SME R&D tax credit | (33) | 10 |
| Current tax credit | (784) | (526) |
| Deferred tax | - | - |
| Total on loss on ordinary activities | (784) | (526) |

The standard rate of corporation tax applied to reported profit is 19% (2020: 19%). The credit for the year can be reconciled to the Consolidated Income Statement as follows:

| | 2021 £000 | 2020 £000 |
|---|--------------|--------------|
| Loss before tax | (4,468) | (2,873) |
| Tax at the UK corporation tax rate of 19% (2020: 19%) | (849) | (546) |
| Expenses not deductible for tax purposes | - | 4 |
| Enhanced relief for SMEs in relation to R&D | (323) | (231) |
| Unrelieved tax losses | 396 | 230 |
| Other | 25 | 7 |
| Adjustments in respect of prior year | (33) | 10 |
| Total tax credit for the year | (784) | (526) |

The total tax credit recognised with the Consolidated Income Statement is £802,000 (2020: £547,000), which is made up of the small or medium-sized enterprise ("SME") R&D tax relief of £784,000 (2020: £526,000) and Research and Development Expenditure Credit ("RDEC") of £18,000 (2020: £21,000). 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 £769,000 (2020: £557,000), is made up of SME tax relief of £751,000 (2020: £536,000) and RDEC of £18,000 (2020: £21,000). 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 £28,835,000 (2020: £26,855,000). 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. At the Budget 2020, the UK Government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%. At the Budget 2021, the UK Government announced that the corporation tax main rate for the year starting 1 April 2022 will remain at 19% and that legislation will be introduced to set the main rate at 25% for the year starting 1 April 2023. The estimated value of the deferred tax asset not recognised, measured at the main rate of 19% (2020: 17%), is £5,499,000 (2020: £4,589,000).

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 pages 20 to 26.

12. Loss per share

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

| | 2021 | 2020 |
|---|---------------|---------------|
| Earnings for the purposes of basic earnings per share and diluted earnings per share, being loss attributable to owners of the Company (£000) | (3,684) | (2,347) |
| Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share (number) | 373,215,456 | 268,855,366 |
| Loss per share – basic and diluted (p) | (0.99) | (0.87) |

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 22,622,836 (2020: 19,220,500) ordinary shares (see Note 9). The diluted loss per share is identical to the basic loss per share, as potential dilutive shares are not treated as dilutive since they would reduce the loss per share.

13. Goodwill and intangible assets

| | Group | | | Company | | |
|------------------------------------|------------------|-----------------------------------|---------------|------------------|-----------------------------------|---------------|
| | Goodwill £000 | Patents and trademarks £000 | Total £000 | Goodwill £000 | Patents and trademarks £000 | Total £000 |
| Cost | | | | | | |
| As at 1 February 2019 | 2,101 | 1,320 | 3,421 | 2,824 | 1,320 | 4,144 |
| Additions | – | 11 | 11 | – | 11 | 11 |
| As at 31 January 2020 | 2,101 | 1,331 | 3,432 | 2,824 | 1,331 | 4,155 |
| Additions | – | 18 | 18 | – | 18 | 18 |
| As at 31 January 2021 | 2,101 | 1,349 | 3,450 | 2,824 | 1,349 | 4,173 |
| Amortisation and impairment | | | | | | |
| As at 1 February 2019 | 2,101 | 1,201 | 3,302 | – | 1,201 | 1,201 |
| Impairment losses | – | 3 | 3 | 2,824 | 3 | 2,827 |
| Amortisation charge for the year | – | 17 | 17 | – | 17 | 17 |
| As at 31 January 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 | 1,268 | 4,092 |
| Net book value | | | | | | |
| As at 1 February 2019 | – | 119 | 119 | 2,824 | 119 | 2,943 |
| As at 31 January 2020 | – | 110 | 110 | – | 110 | 110 |
| As at 31 January 2021 | – | 82 | 82 | – | 82 | 82 |

Research and development costs of £2,705,000 (2020: £2,104,000) 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 and was fully impaired during the prior year, reflecting the significant advancements in technology, such as the launch of GAINs in the prior year, to the extent that management deem that the business model is now founded upon a different technological capability that is was at the date of the hive up in 2007 and to which the goodwill is allocated.

Notes to the Consolidated Financial Statements (continued)

14. 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 2019 | – | 198 | 107 | 305 |
| On transition to IFRS 16 | 123 | – | – | 123 |
| Additions | – | 5 | – | 5 |
| Disposals | – | (41) | (4) | (45) |
| As at 31 January 2020 | 123 | 162 | 103 | 388 |
| Additions | – | 53 | – | 53 |
| Disposals | – | (1) | – | (1) |
| As at 31 January 2021 | 123 | 214 | 103 | 440 |
| Depreciation | | | | |
| As at 1 February 2019 | – | 161 | 102 | 263 |
| Depreciation charge for the year | 46 | 29 | 2 | 77 |
| Disposals | – | (41) | (4) | (45) |
| As at 31 January 2020 | 46 | 149 | 100 | 295 |
| Depreciation charge for the year | 46 | 18 | 1 | 66 |
| Disposals | – | (1) | – | (1) |
| As at 31 January 2021 | 92 | 167 | 101 | 360 |
| Net book value | | | | |
| As at 1 February 2019 | – | 37 | 5 | 42 |
| As at 31 January 2020 | 77 | 13 | 3 | 93 |
| As at 31 January 2021 | 31 | 47 | 2 | 80 |

Disclosure relating to the corresponding lease relating to the right-of-use asset is shown in Note 18.

Depreciation charges are included within administrative expenses.

15. Investments in subsidiaries – Company

| | Total £000 |
|--|---------------|
| Cost | |
| As at 1 February 2019, 31 January 2020 and 31 January 2021 | 2,374 |
| Provision for impairment | |
| As at 1 February 2019, 31 January 2020 and 31 January 2021 | 2,374 |
| Net book value | |
| As at 1 February 2019, 31 January 2020 and 31 January 2021 | – |

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 | Search engine technology development | 17 Blenheim Office Park, Long Hanborough, Oxfordshire, OX29 8LN, UK | 06323379 |

InRotis Technologies Limited is exempt from the requirement for an audit under 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.

16. Trade and other receivables

| | Group | | Company | |
|-------------------|--------------|--------------|--------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Trade receivables | - | 23 | - | 23 |
| Other receivables | 57 | 13 | 57 | 13 |
| | 57 | 36 | 57 | 36 |

There is 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 20.

17. Trade and other payables

| | Group | | Company | |
|------------------------------------|--------------|--------------|--------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Current: | | | | |
| Trade payables | 50 | 55 | 50 | 55 |
| Amounts due to Group undertakings | - | - | - | 253 |
| Other taxation and social security | 83 | 69 | 83 | 69 |
| Other payables | 43 | 24 | 43 | 24 |
| Accrued expenses | 151 | 67 | 150 | 65 |
| | 327 | 215 | 326 | 466 |

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 20.

18. Lease liability

| | Group | | Company | |
|---------------------|--------------|--------------|--------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Current: | | | | |
| Lease liability | 23 | 46 | 23 | 46 |
| Non-current: | | | | |
| Lease liability | - | 23 | - | 23 |
| | 23 | 69 | 23 | 69 |

The lease liability relates to an office property. The remaining term of this lease is 8 months. The corresponding right-of-use asset is disclosed in Note 14.

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expenses on a straight-line basis. The amount recognised within administrative expenses was £6,000 and the minimum lease payment at the Balance Sheet date totalled £500.

The change in the Group's lease liability, being the only liability arising from financing activities, can be classified as follows:

| | £'000 |
|------------------------------|-----------|
| As at 1 February 2019 | - |
| Adoption of IFRS 16 | 115 |
| Cash flows: Repayments | (46) |
| As at 31 January 2020 | 69 |
| Cash flows: Repayments | (46) |
| As at 31 January 2021 | 23 |

Notes to the Consolidated Financial Statements (continued)

19. Contract liabilities

| | Group | | Company | |
|----------------------|--------------|--------------|--------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Current: | | | | |
| Contract 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 released over the service period.

20. 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, are as follows:

| | Group | | Company | |
|---|---------------|--------------|---------------|--------------|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Financial assets: | | | | |
| Included within other receivables (Note 16) | 57 | 13 | 57 | 13 |
| Cash and cash equivalents | 13,027 | 3,841 | 12,776 | 3,841 |
| | 13,084 | 3,854 | 12,833 | 3,853 |
| Financial liabilities: | | | | |
| Trade payables (Note 17) | 50 | 55 | 50 | 55 |
| Amounts due to Group undertakings (Note 17) | – | – | – | 253 |
| Lease liability (Note 18) | 23 | 69 | 23 | 69 |
| Included within other payables (Note 17) | 43 | 19 | 43 | 19 |
| | 116 | 143 | 116 | 396 |

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, 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 £17,000 (2020: £15,000).

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 £13,027,000 of cash as at 31 January 2021 (2020: £3,841,000).

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 over 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 £57,000 (2020: £36,000) represents the maximum exposure to credit risk from financial assets excluding cash. Management do not expect any future credit loss, hence no loss allowance has been recognised in these financial statements for the current or prior year. Management consider the Group's exposure to credit risk to be immaterial.

The Group only deals with reputable customers and customers are required to pay an up-front element, which mitigates the credit risk. Credit terms average 45 days (2020: 45 days).

Liquidity risk

The Group manages its liquidity risk by monitoring short-term cash flows, both short and long term, against monthly forecast requirements and the 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 liabilities disclosed in the table above have a contractual maturity of less than three months (2020: less than three months). The Group has sufficient cash balances available to fulfil these liabilities as they fall due.

Interest rate risk

The Group has no interest-bearing debt in issue and therefore interest rate risk applies only to the return achieved on cash deposits. The trade and other payables do not bear interest. Interest received on cash balances was £17,000 (2020: £15,000), earned at interest rates of between 0% and 1% (2020: 0% and 1%). Management do 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 gains of £nil (2020: £nil) are recognised in administrative expenses.

21. 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 | |
|---|------------------------|--------------|
| | 2021 '000 | 2020 '000 |
| In issue at 1 February | 269,125 | 268,690 |
| Share issue | 151,649 | 435 |
| Total shares authorised and in issue at 31 January – fully paid | 420,774 | 269,125 |

As part of fundraise initiatives during the year, 53,302,355 shares were issued with a settlement date of 18 February 2020 at a price of 3.0p per share to raise gross proceeds of £1.6m for general working capital purposes and 96,596,758 shares were issued with settlement dates of 15-22 July 2020 at a price of 12.0p per share to raise gross proceeds of £11.6m to enable e-therapeutics' next stage of growth and value creation by expanding platform capabilities and asset pipeline.

In addition, 65,602 shares were issued during the year as part-payment of non-executive director fees and 1,683,333 shares were issued upon the exercise of share options granted to former non-executive directors in lieu of fees during their notice period.

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

As at 31 January 2021, the Company had 420,773,546 ordinary shares of 0.1p each in issue.

22. Capital commitments

At the year end, the Group had not entered into contractual commitments for the acquisition of any capital items (2020: £nil).

Notes to the Consolidated Financial Statements (continued)

23. 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. An Executive Committee was formally created following the management restructure that saw the initial Board appointment of Ali Mortazavi towards the beginning of the year. In the prior year, only the Board of Directors were deemed to be key management personnel. Key management personnel remuneration includes the following expenses:

| | 2021 £000 | 2020 £000 |
|--------------------------------------|--------------|--------------|
| Short-term employee benefits: | | |
| Salaries including bonuses | 1,107 | 612 |
| Social security costs | 173 | 79 |
| Health insurance | 16 | 1 |
| Compensation for loss of office | 248 | – |
| | 1,544 | 692 |
| Post-employment benefits: | | |
| Defined contribution pension plans | 102 | 38 |
| Share-based payments | 443 | 10 |
| Total remuneration | 2,089 | 740 |

Included within salaries including bonuses is £248,000 (2020: £nil) in relation to compensation for loss of office and payments in lieu of notice.

Not key management personnel exercised share options during the year (2020: nil).

24. Subsequent events

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

Notice of Annual General Meeting

(incorporated and registered in England and Wales under number 04304473) THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

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

Notice is hereby given that the 2021 Annual General Meeting of e-therapeutics plc (the “Company”) will be held at the registered office at 17 Blenheim Office park, Long Hanborough, Oxfordshire OX29 8LN at 13:00 on 16 June 2021 to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolutions 5 and 7, which will be proposed as special resolutions:

Ordinary business

1. To receive the accounts for the financial year ended 31 January 2021 together with the Directors’ Report and the Auditor’s Report for that period.
2. To elect Trevor Jones, who was appointed by the Board since the last Annual General Meeting, as a Non-Executive Chairman of the Company.
3. To re-appoint 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 6 will be proposed as an ordinary resolution, and resolutions 5 and 7 will be proposed as special resolutions:

5. That the Directors shall:
 - a) have general and unconditional authority for the purposes of section 551 of the Companies Act 2006 (the “Act”) to exercise all powers of the Company to allot 93,750,000 ordinary shares of 0.1 pence each, with an aggregate nominal value of £93,750 in connection with the conditional firm placing, subscription and retail offer, the results of which were announced on 14 May 2021 (the “Fundraising Shares”); and
 - b) be and are hereby empowered pursuant to section 570 of the Act to allot the Fundraising Shares pursuant to the authority conferred by part (a) of this resolution for cash, as if section 561(1) of the Act did not apply to such allotment,

provided that 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 2022 (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). This authority is in addition to the authorities to be granted pursuant to resolutions 6 and 7 below.

6. 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: (i) £140,117.59 (being 33.3% of the Company’s issued share capital as at close of business on 20 May 2021; and (ii) an additional £31,218.75 following the issue and allotment of the Fundraising Shares (which, when aggregated with the amount authorised pursuant to (a)(i), comprises 33.3% of the Company’s enlarged issued share capital following such issue and allotment), in each case, 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: (i) £280,655.96 (being 66.7% of the Company’s issued share capital as at close of business on 20 May 2021); and (ii) an additional £62,437.50 following the issue and allotment of, the Fundraising Shares (which, when aggregated with the amount authorised pursuant to (b)(i), comprises 66.7% of the Company’s enlarged issued share capital following such issue and allotment), in each case, 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 2022 (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).

Notice of Annual General Meeting (continued)

7. That, subject to the passing of resolution 6 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 6(b), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, record dates or legal regulatory or practical difficulties which may arise under the laws of or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
 - b) in the case of the authorisation granted under resolution 6(a) above, and otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of: (i) £140,117.59 (being 33.3% of the Company's issued share capital as at close of business on 20 May 2021); and (ii) an additional £31,218.75 following the issue and allotment of the Fundraising Shares (which, when aggregated with the amount authorised pursuant to (b)(i), comprises 33.3% of the Company's enlarged issued share capital following such issue and allotment),) provided that 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 2022 (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 2021 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

Our preference had been to welcome shareholders in person to our 2021 Annual General Meeting, particularly given the constraints we faced in 2020 due to the COVID-19 pandemic. However, at present, the restrictions do not allow for more than 6 persons in a room. We are therefore proposing to hold the Annual General Meeting at 17 Blenheim Office Park, Long Hanborough, Oxfordshire, OX29 8LN, UK with the minimum attendance required to form a quorum. Shareholders will not be permitted to attend the Annual General Meeting in person but can be represented by the Chair of the meeting acting as their proxy. Whilst this means shareholders are unable to attend virtually or physically, shareholders are encouraged to complete proxy forms appointing the Chair of the meeting as their proxy.

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 Registers Limited, Neville House, Steelpark Road, Halesowen, B62 8HD not later than 13:00 on 14 June 2021.

Despite not being able to attend the AGM, we encourage shareholders to ask questions and engage with us. You can contact us to ask questions by e-mailing contact@etherapeutics.co.uk with the subject AGM no later than 11 June 2021. Your questions will be considered and answered immediately following the AGM and the responses to questions will be provided on our website.

By order of the Board

Haddletons

Company Secretary
20 May 2021

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

Registered in England and Wales number 04304473

Explanatory Notes to the Resolutions

The notes on the following pages explain the resolutions to be proposed at the 2021 Annual General Meeting of e-therapeutics plc (the “Company”) to be held at 17 Blenheim Office Park, Long Hanborough, Oxfordshire, OX29 8LN at 13:00 on 16 June 2021 .

Resolutions 1 to 4 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. Resolutions 5 and 7 are proposed as special resolutions. This means that for those resolutions to be passed, at least three quarters of the votes cast must be in favour of each resolution.

Resolution 1 – Adoption of Report and Accounts

For each financial year, the Directors are required to present the Directors’ Report, the audited accounts and the Auditor’s Report to shareholders at a general meeting. The financial statements and reports laid before the 2021 Annual General Meeting are for the financial year ended 31 January 2021, 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 stand at the next Annual General Meeting following appointment. Accordingly, Trevor Jones, having been appointed as Non-Executive Chairman on 1 March 2021 will stand for election by shareholders. His biography appears on page 31 of the Annual Report and Accounts for the year ended 31 January 2021.

The Board is satisfied that Trevor Jones will contribute effectively and demonstrate commitment to his roles as Independent Non-Executive Chairman, respectively. Accordingly, the Board unanimously recommends the election of Trevor Jones.

Resolutions 3 and 4 – Re-appointment of Auditor and Auditor’s remuneration

Resolutions 3 and 4 propose the re-appointment of Grant Thornton LLP as the Company’s Auditor for the year ending 31 January 2021 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 and disapplication of pre-emption rights following a placing of, and subscription for, new ordinary shares in the capital of the Company

Under the Act, the Directors may only allot unissued shares in the capital of the Company and grant rights to subscribe for, or convert, any security into shares in the Company if they are authorised to do so by the shareholders. As set out in the Company’s announcement on 14 May 2021, the Company successfully completed a placing, subscription and retail offer via PrimaryBid which conditionally raised gross proceeds of £22.5 million for the Company. Completion of this fundraising was conditional on, amongst other things, receipt of shareholder approval pursuant to this Resolution 5.

Resolution 6 – 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 6 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: (i) £140,117.59; and (ii) an additional £31,218.75 following the issue and allotment of the Fundraising Shares and (b) in connection with a rights issue up to an aggregate nominal amount (reduced by allotments under part (a) of the resolution) of: (i) £280,655.96; and (ii) an additional £62,437.50 following the issue and allotment of the Fundraising Shares.

These amounts represent approximately 33.3% and approximately 66.7% respectively of the total issued ordinary share capital of the Company as at close of business on 20 May 2021, being the last practicable day prior to the publication of this notice, and the additional amount taking into consideration the enlarged issued ordinary share capital of the Company following the issue and allotment of the Fundraising Shares. 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 2022.

Your Directors have no present intention of issuing shares pursuant to this authority, although they did issue shares pursuant to a similar authority taken at the last Annual General Meeting. As at the date of this notice the Company holds no treasury shares.

Resolutions 7 – 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 7 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: (i) £140,117.59 (being 33.3% of the Company’s issued ordinary share capital as at close of business on 20 May 2021, being the last practicable day prior to the publication of this notice); and (ii) an additional £31,218.75 following the issue and allotment of the Fundraising Shares. 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 2022.

Explanatory Notes to the Resolutions (continued)

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 vote at the 2021 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 14 June 2021 (or, if the 2021 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 2021 Annual General Meeting) is entitled to vote at the 2021 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 2021 Annual General Meeting.
2. A member entitled to vote at the meeting convened by the above notice is entitled to appoint the chair as his or her proxy to exercise all or any of his or her rights to 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 and 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 13:00 on 14 June 2021 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 13:00 on 14 June 2021. 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

9. 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

10. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and they may also be inspected at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH from 12:45 on the day of the meeting until the conclusion of the meeting:
 - 10.1 copies of Directors' service contracts with the Company; and
 - 10.2 copies of the Non-Executive Directors' letters of appointment.

Corporate representatives

11. A shareholder of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the 2021 Annual General Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder of the Company, though there are restrictions on more than one such representative exercising powers in relation to the same shares.

Nominated persons

12. Any person to whom this notice is sent as a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the 2021 Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights

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

Issued share capital and total voting rights

13. As at close of business on 20 May 2021, being the last practicable day prior to the publication of this notice, the Company's issued share capital comprised 420,773,546 ordinary shares of 0.1 pence. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at the date of this notice is 420,773,546.

Members' requests under section 527 of the Act

14. Under section 527 of the Act members meeting the threshold requirements set out in that section have the right to require the Company to publish a statement on a website setting out any matter relating to: (i) the audit of the Company's Accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the 2021 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 2021 Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Website

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

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

Advisers

Nominated adviser and broker

SP Angel Corporate Finance LLP

Prince Frederick House
35-39 Maddox Street
London
W1S 2PP

Auditor to the Company

Grant Thornton UK LLP

1020 Eskdale Road
Winnersh Triangle
Wokingham
RG41 5TS

Registrars

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

Haddletons
Windsor House
Cornwall Road
Harrogate
HG1 2PW



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