e-therapeutics plc
("e-therapeutics" or the "Company")

Final results for the year ended 31 January 2022

Change of Registered Office

Significantly strengthened cash position enables expansion of computational drug discovery platform capabilities and acceleration of the development of an in-house RNAi therapeutics pipeline

London, UK, 4 May 2022 - e-therapeutics plc (AIM: ETX; OTCQX; ETXPF), a specialist in computational drug discovery with a focus on developing RNA interference ("RNAi") therapeutics, announces its audited final results for the year ended 31 January 2022.

Operational Highlights

- Strengthened financial position, raising £22.5m before expenses in June 2021
- Three pre-defined milestones achieved in the collaboration with Galapagos NV ("Galapagos") in idiopathic pulmonary fibrosis ("IPF")
- Gene silencing RNA interference ("RNAi") platform development and benchmarking studies successfully completed. Equivalent performance to leading competitor platforms and excellent safety profile seen in lead designs in mice and non-human primates ("NHP")
- Eleven patent applications filed to protect proprietary and novel GalNAc-siRNA silencing construct designs
- Rapid progress in the development of a liver focussed computational platform, including the generation of a hepatocyte-specific knowledge graph
- Developed machine learning ("ML") driven siRNA sequence design and expanded computational therapeutic target identification capabilities
- Significant increase in speed and automation of *in silico* network biology model construction and analysis. This has resulted in the ability to generate and computationally analyse complex human disease processes in a matter of hours as opposed to months
- Commenced trading on the OTCQX Best Market ("OTCQX") in the United States, under the ticker symbol "ETXPF" in September 2021, to broaden visibility and attract further commercial and investor attention

Post Period Highlights

- Immuno-oncology research collaboration with iTeos Therapeutics ("iTeos") announced on 5 April 2022. The partnership blends e-therapeutics' computational platform expertise and iTeos' proprietary assays. e-therapeutics will receive upfront and near-term cash payments material to the revenue of the Company. The Company is also eligible to receive undisclosed milestone payments through pre-clinical and clinical development, in addition to regulatory milestones per programme
- Key milestone achieved with Galapagos, resulting in a cash payment to e-therapeutics following the successful characterisation by the Company of the mechanism of action of hit compounds ("hits") identified earlier in the collaboration. The Company has now achieved all pre-agreed near-term milestones and the future of the identified hits and targets will be determined by Galapagos according to its strategic priorities
- Commenced the pre-clinical prosecution of two hepatocyte targets derived from the Company's

computational platform. Further targets are being evaluated in feasibility studies

- Effective 3 May 2022, the Company's registered office address changed from 7 Blenheim Office Park Long Hanborough, OX29 8LN, Oxfordshire to 4 Kingdom Street, W2 6BD, London

Financial Highlights

During the period, the Company strengthened its financial position following the successful equity fund raise which was completed in June 2021.

- Revenues of £0.5 million (2021: £0.3 million)
- R&D spend of £6.1 million (2021: £2.7 million)
- Operating loss of £9.6 million (2021 loss: £4.5 million)
- Loss after tax of £8.1 million (2021 loss: £3.7 million)
- £22.5 million before expenses, from placing, subscription and retail offer completed in June 2021
- Cash and short term investment bank deposits at 31 January 2022 of £26.6 million (31 January 2021: £13.0 million)
- R&D tax credit receivable at 31 January 2022 of £1.5 million (31 January 2021: £0.8 million)
- Headcount (excluding Non-Executive Directors) at 31 January 2022 was 35 (31 January 2021: 25)

Ali Mortazavi, Chief Executive Officer of e-therapeutics, commented: *"I am extremely pleased with the progress the Company has made in 2021 in all aspects of the business. We are excited to partner with iTeos to help identify highly differentiated immuno-oncology medicines for patients. This collaboration provides further validation of the value of our network-driven, disease agnostic computational platform. At the same time, we have again shown the value of our computational platform with the successful completion of our collaboration with Galapagos where we met every success milestone. Importantly, the same computational tools that are used in these collaborations have been successfully migrated to our hepatocyte-focused computational platform and applied to proprietary hepatocyte datasets.*

"In October 2021, the Company achieved a major milestone, announcing positive headline results from in vivo studies confirming that our proprietary GalNAc-siRNA platform is competitive relative to peer platforms. This is a material step in the Company's ultimate goal of developing an in-house RNAi pipeline with future scope for early-stage partnering. Eleven patent applications have been filed to protect these innovations.

"We believe that e-therapeutics offers a differentiated strategy, with the ability to silence any gene in the liver with extremely rapid pre-clinical timelines, coupled with powerful computational capabilities, including in better understanding human hepatocyte biology. Importantly, the execution of our strategy is well underway and two hepatocyte targets are currently in pre-clinical research, with further feasibility work being conducted across multiple other computationally generated targets."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ('MAR'). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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About e-therapeutics plc

e-therapeutics plc is a UK-based company integrating computational power and biology to accelerate the discovery of life-transforming medicines. The Company has developed and validated a powerful, disease and modality agnostic computational approach to drug discovery, leveraging its industry-leading expertise in network biology to fully capture and interrogate human disease complexity.

The Company's multi-disciplinary team builds computational models of biological functions to transform the search for new medicines, interventions, mechanisms and genetic support. Its biology-led in silico laboratory enables rapid hypothesis generation and phenotypic screening of millions of compounds leading to 100-1000x higher hit rates in the wet lab and successful mode of action elucidation. Novel targets can also be identified, prioritised and assessed. Harnessing internal target gene discoveries, e- therapeutics is currently building an in-house pipeline of RNAi based medicines, using its proprietary GalNAc-siRNA technology.

e-therapeutics has deployed and validated its disease-agnostic computational drug discovery platform both in house and with partners, including Novo Nordisk, Galapagos NV, iTeos and a US-based, top 5 pharmaceutical company.

Chairman's Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chief Executive's Statement

2021 was a transformative year for e-therapeutics against the backdrop of multiple unprecedented global macro challenges. Despite the enormous success of the global vaccination programme to tackle COVID-19, many operational and logistical challenges remained in 2021. By October 2021, the hope for a return to normality was seriously hindered by the emergence of the Omicron variant and we, like many other companies, were forced to delay the return to an office environment. In addition, and at the same time as the emergence of Omicron, the global biotechnology sector saw a dramatic and unprecedented decline.

In spite of these challenges, and thanks to the nimble nature of the Company, it was a landmark year for e-therapeutics which saw significant and material progress across all aspects of the business. It is a testament to the team and our collective ambition to reinvent the drug discovery industry and compute the future of medicine that we were able to achieve so much against such an unforgiving backdrop. Key achievements in 2021 include:

Capital Raise
In June 2021, we strengthened our balance sheet with an equity capital raise of £22.5m before expenses. Importantly, we received significant blue chip institutional support for our strategy which will enable us to realise our ambitions to become a world leading company in the field of computational approaches to drug discovery.

RNAi liver platform
A key component of our strategy was to establish a proprietary therapeutic technology platform which is potent, specific, safe, reproducible and gives us the ability to design potential drug candidates as quickly as possible. This would put us in a position of being able to rapidly prosecute novel target genes identified using our computational engine. We focused on liver targeting given the organ's crucial role across a variety of homeostatic biological function, including in complex cardiometabolic diseases. GalNAc-siRNA conjugates are a commercial stage, next-generation therapeutic modality that enables highly specific hepatocyte targeting and potent gene silencing.

In October 2021, we announced significant progress in establishing our proprietary liver-centric RNAi platform. Our in vivo experiments yielded two different GalNAc-siRNA construct designs that showed at least equivalent performance in terms of potency, target gene silencing and duration of action (up to three months) against the best competitor data in the same targets in NHP. These data enabled us to file eleven new patent applications to protect these novel construct designs.

Yet again, despite an extremely unfavourable global logistics background, we successfully completed these critical platform validation experiments on time and on budget. This key validating dataset on our GalNAc-siRNA platform technology firmly places the Company in an area with an extremely high barrier to entry and a very small global peer group, which is in need of better therapeutic targets to unlock further value in areas of high unmet need.

Target identification and computational platform specialisation
Target identification is currently the biggest limitation in GalNAc-siRNA and there is a high degree of overlap in competitive pipelines. An important differentiator for the Company relative to RNAi peers is the ability to leverage its computational platform to identify better, novel therapeutic targets. Our computational platform is also an enabler in the discovery of mechanistic insights, assessment of genetic support and in silico evaluation of target hypotheses ahead of wet lab experiments.

To complement our GalNAc-siRNA capabilities and feed our in-house pipeline, the Company has created a hepatocyte-focused specialisation within its core computational platform. e-therapeutics is also executing on an ambitious data strategy to create the most comprehensive and integrated hepatocyte-centric data resource in the World, tailored to our computational biology approach to drug discovery. We are compiling experimental data at genome-wide scale using bespoke human hepatocyte assays and combining it with our existing state-of-the-art network analytics and artificial intelligence/machine learning ("AI/ML") approaches to create a seamless connection between the computer and the laboratory.

Our assays are guided by our in silico work and our in vitro experimental data feed back into making increasingly better models of human biology. In addition, the Company is building the most complete hepatocyte knowledge graph, integrating its experimental data and its newly created AI/ML enhanced, hepatocyte protein-protein interactome. The knowledge graph already includes data derived from natural language processing of hundreds of thousands of publications and data sources, patient-derived information, patent mining and human expertise.

This knowledge graph is structured to allow it to perform ML-driven mechanistic inference to impute missing links and uncover hidden knowledge around biological mechanisms, the greatest roadblock to efficient drug discovery and development. This integrated resource will provide the Company with an unprecedented foundation from which to derive disease intervention hypotheses, support network model construction, carry out target identification and discover genetic links. It will also provide data and insights to feed into its AI-driven siRNA design workflows, which are another addition to our tool kit. The bases for this data strategy are already in place and providing insights as we continue to grow and enhance our capabilities. Furthermore, the knowledge graph and tailored computational tools we have developed in hepatocytes can be replicated in additional cell types of interest.

Importantly, the Company has expanded its network-aware target identification, MoA (mode of action) elucidation and target deconvolution capabilities. This has been possible via the augmentation of network-based analysis with a suite of proprietary AI/ML approaches. These target-centric approaches continue to complement foundational phenotypic modelling capabilities.

Taken together, the enhanced applications of the e-therapeutics' computational platform that have been developed to date will be a key enabler both internally and for partners. In addition, e-therapeutics continues to streamline its computational platform via increased automation and cloud computing.

Partnerships and Collaborations

Partnering and collaborating around our computational biology platform has been a key component of our strategy during the period. We believe that not only can we derive revenue streams from these collaborations, but partnerships also allow us to learn and enhance our platform under pharmaceutical settings. We are extremely pleased to collaborate with iTeos, a clinical-stage biopharmaceutical company pioneering the discovery and development of a new generation of highly differentiated immuno-oncology therapeutics for patients. The collaboration is focused on the discovery of novel therapeutic approaches and targets in immuno-oncology and e-therapeutics will remain free to explore additional collaborations in the space.

In addition, we have achieved all near-term milestones in our collaboration with Galapagos as we have successfully identified potential therapeutic strategies and targets in a specific area of biology associated with IPF and potentially other fibrotic indications. In keeping with previous e-therapeutics projects, the hit rate in identification of active compounds was several orders of magnitude higher than industry standard, further validating e-therapeutics' robust computational biology methods. The future of the identified hits and targets will be determined by Galapagos according to its strategic priorities and we remain in active dialogue with other potential partners.

Outlook

Despite the challenging macro-operating environment experienced during the period, we have demonstrated great adaptability and focus which has resulted in significant scientific, technological and commercial progress. Our prospects remain favourable, and we are confident that our equity story is extremely attractive, differentiated and compelling.

We have successfully leveraged and monetised our computational platform and developed a proprietary gene silencing RNAi platform, enabling us to prosecute our discoveries and build long-term value. In addition, we have successfully started the population of our in-house pipeline of RNAi therapeutics with the initiation of experimental work on two gene targets.

I remain extremely confident in the potential of e-therapeutics and believe that your Company is well placed to become a world leading company able to compute the future of medicine.

Ali Mortazavi
Chief Executive Officer
4 May 2022

Financial Review

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

Revenue

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

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

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

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

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

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

R&D tax credits and loss for the year
The consolidated income statement includes an R&D tax credit of £1.5m (2021: £0.8m) to be received in relation to the current year, bringing down the loss for the year to £8.1m (2021: £3.7m). The R&D tax credit claim has not yet been submitted to HM Revenue and Customs, but historically the amounts received have been materially in line with our calculated tax receivable estimate included at the year end.

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

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

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

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

Michael Bretherton
Chief Financial Officer

4 May 2022

Consolidated Income Statement
For the year ended 31 January 2022

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

Consolidated Statement of Comprehensive Income
For the year ended 31 January 2022

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

Consolidated Statement of Changes in Equity
For the year ended 31 January 2022

	Share capital £'000	Share premium £'000	Retained earnings deficit £'000	Total £'000
As at 1 February 2020 (audited)	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 (audited)	421	77,668	(64,205)	13,884
Total comprehensive income for year				
Loss for the financial year	-	-	(8,070)	(8,070)
Total comprehensive loss for year	–	–	(8,070)	(8,070)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	94	21,575	–	21,669
Equity-settled share-based payment transactions	–	–	490	490
Total contributions by and distribution to owners	94	21,575	490	22,159
As at 31 January 2022 (Audited)	**515**	**99,243**	**(71,785)**	**27,973**

Consolidated Statement of Financial Position
As at 31 January 2022

	Notes	2022 (audited) £'000	(Restated) 2021 (audited) £'000	(Restated) 2020 (audited) £'000
Non-current assets				
Intangible assets	7	**102**	83	110
Property, plant and equipment	8	**805**	79	93
Investments		**–**	–	–
		907	162	203
Current assets				
Tax receivable	5	**1,474**	769	557
Trade and other receivables		**231**	57	36
Prepayments		**501**	296	149
Cash and cash equivalents	9	**11,598**	7,005	2,833
Short term investments	9	**15,051**	6,022	1,008
		28,855	14,149	4,583
Total assets		**29,762**	14,311	4,786
Current liabilities				
Trade and other payables		**1,103**	327	215
Deferred revenue liability		**–**	77	**–**
Lease liability		**391**	23	46
		1,494	427	261
Non-current liabilities				
Lease liability		**295**	–	23
Total liabilities		**1,789**	427	284
Net assets		**27,973**	13,884	4,502
Equity				
Share capital	10	**515**	421	269
Share premium		**99,243**	77,668	65,176
Retained earnings deficit		**(71,785)**	(64,205)	(60,943)
Total equity attributable to equity holders of the Company		**27,973**	13,884	4,502

Restatements reflect a simple reclassification of bank deposits on 95 days' notice as short-term investments - see note 9.

Consolidated Statement of Cash Flow
For the year ended 31 January 2022

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

Restatements reflect a simple reclassification of bank deposits on 95 days' notice as short-term investments – see note 9.

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

Notes

1. Status of Audit

The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the year ended 31 January 2022 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 4 May 2022 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales.

The financial information for the year ended 31 January 2021 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 12 May 2021 and which have been delivered to the Registrar of Companies for England and Wales.

The report of the auditor on these financial statements was unqualified, did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The report of the auditor on the 31 January 2021 financial statements was unqualified, did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006, and did not include a matter to which the auditors drew attention by way of emphasis without qualifying their report.

The information in this preliminary statement has been extracted from the audited financial statements for the year ended 31 January 2022 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with International Accounting Standards in Conformity with the provisions of the Companies Act 2006.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

2. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not in itself contain sufficient information to comply with IFRS. This preliminary announcement has been prepared using the accounting policies that are expected to be published in the Group's accounts for the year ended 31 January 2022, which are consistent with the accounting policies published in the Group's accounts for the year ended 31 January 2021 and that are available on the Company's website at www.etherapeutics.co.uk, with the exception of those new standards, interpretations and amendments which became effective during the year and were adopted by the Group, albeit with no impact on the Group's loss for the year or equity on initial recognition.

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. The Company undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

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 and short-term investment bank deposits to fund ongoing operations.

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

We prepared detailed strategic plans as part of the fundraise process completed in June 2021, which raised total gross proceeds of £22,500,000. We have also prepared a detailed annual budget and follow-on projections, which together cover a 24-month period, and provide support for the view that the Group has sufficient cash to meet its operational requirements for at least 12 months from the signing of these financial statements. The budget includes a significant increase in R&D expenditure, in line with progressing our strategic aims. 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 in the Financial Review above.

The preliminary announcement has 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.

3. 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:

- 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, deferred revenue liability was £nil (2021: £77,000). Revenue of £477,000 (2021: £317,000) is made up of £400,000 (2021: £163,000) recognised at a point in time and £77,000 (2021: £154,000) over time.
- The Directors have not recognised a deferred tax asset based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised.

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

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

4. Staff numbers

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

	Average number of employees	
	2022 (audited)	**2021 (audited)**
R&D staff	**21**	12
Finance and administration staff	**10**	5
Executive Directors	**1**	1
	32	18

5. Taxation

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

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

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

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

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

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

The increase in the current year tax credit is due to an increased R&D credit, as a result of higher qualifying expenditure during the year, enabled by the fundraise during the year. The current year R&D credit has not yet been approved by HMRC and, therefore, there is a risk that this claim may not be successful.

6. Loss per share

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

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

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

7. Intangible assets - Group

	Goodwill £'000	Patents and trademarks £'000	Total £'000
Cost			
As at 1 February 2020	2,101	1,332	**3,433**
Additions	–	18	**18**
As at 31 January 2021	2,101	1,350	**3,451**
Additions	–	**55**	**55**
As at 31 January 2022	**2,101**	**1,405**	**3,506**

Amortisation and impairment			
As at 1 February 2020	2,101	1,221	**3,322**
Impairment losses	–	30	**30**
Amortisation charge for the year	–	16	**16**
As at 31 January 2021	2,101	1,267	**3,368**
Impairment losses	–	**25**	**25**
Amortisation charge for the year	–	**11**	**11**
As at 31 January 2022	**2,101**	**1,303**	**3,404**
Net book value			
As at 1 February 2020	–	110	**110**
As at 31 January 2021	–	83	**83**
As at 31 January 2022	–	**102**	**102**

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

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

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

8. Property, plant and equipment - Group

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

9. Cash and cash equivalents and short-term investments - Group

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

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

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

10. Share capital – Company and Group

No. of ordinary shares	**2022 (audited)**	**2021 (audited)**
In issue at 1 February	**420,773**	269,125
Share issues	**93,798**	151,649
Total shares authorised and in issue at 31 January – fully paid	**514,571**	420,774
Nominal value	**2022 £'000**	2021 £'000
Allotted, called up and fully paid		
514,571,069 (2021: 420,773,546) ordinary shares of £0.001 each	**515**	421
	515	421

The Company has one class of ordinary shares, which carry no right to fixed income.