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e-Therapeutics plc
17 March 2020

e-therapeutics plc

Results for the year ended 31 January 2020

Additional commercial deals announced and continued innovation of network-driven discovery platform capabilities

17 March 2020: e-therapeutics plc (AIM: ETX, "e-therapeutics"), the drug discovery company, announces its unaudited preliminary full year results for the year ended 31 January 2020. The Annual Report for the year ended 31 January 2020, including the audited full year results and Auditor's Report, will be posted to shareholders on 31 March 2020.

Highlights

POST YEAR-END ANNOUNCEMENT OF BOARD CHANGES AND £1.6M FUNDRAISE

- On 11 February 2020 we announced that Ali Mortazavi had been appointed as Executive Chairman, replacing Iain Ross, who stood down as Non-Executive Chairman
- In addition, Ray Barlow stood down as Chief Executive Officer and Steve Medlicott stood down as Chief Financial Officer, with Michael Bretherton being appointed as Non-Executive Director to replace Christine Soden who also stood down from the Board
- On the same date e-therapeutics announced it had carried out a placing of 53,302,355 new ordinary shares to raise gross proceeds of £1.6 million

SECURED ADDITIONAL COMMERCIAL DEAL FOR OUR NETWORK-DRIVEN DRUG DISCOVERY TECHNOLOGY ("NDD")

- Positive progress made on commercial research collaboration deal with Novo Nordisk announced in the prior year
- Secured a further deal with a top five Global biopharma company in a specific area of neurodegeneration
- Business development activities continue with a number of discussions progressing on a range of revenue-generating and value-creating deals

LAUNCHED OUR NEW GENOME-ASSOCIATED INTERACTION NETWORKS ("GAINs") TECHNOLOGY AND SECURED FIRST GAINs COMMERCIAL DEAL

- Successfully launched our new GAINs technology, offering a revolutionary and entirely novel proprietary functional genomics approach
- GAINs technology analyses human genetic data to allow a deep understanding of disease mechanisms and creates the potential to discover novel drugs, diagnostics and biomarkers in a way not possible using existing techniques
- Announced our first GAINs commercial deal with Novo Nordisk, looking at intervention strategies in their core area of type-2 diabetes

- As well as the launch of our GAINs technology during the year, we continue to enhance our NDD technology and diversify how our core platform can help to revolutionise the treatment of complex diseases
- Our work on network-aware disease segmentation uses multi-omics data to identify sub-mechanisms of disease against which new and differentiated strategies can be developed to benefit specific patient subsets
- Application of NDD target identification, deconvolution and Mechanism of Action ("MoA") analysis in complex diseases addresses highly industry-relevant challenges for medicinal chemistry projects

Financial highlights

- Revenues of £0.5m (FY19: £0.04m)
- Cash at 31 January 2020 of £3.8m (FY19: £5.9m)
- Cash reduction in the year of £2.1m (FY19: £3.7m)
- Operating loss of £2.9m (FY19: loss of £5.1m)
- R&D tax credit of £0.5m (FY19: £1.1m)

Ali Mortazavi, Executive Chairman of e-therapeutics, said:
"I joined the Board of e-therapeutics in February 2020 after undertaking significant due diligence over several months under a non-disclosure agreement during the financial year under review. I was extremely impressed with the Company and with what has been achieved, both in terms of technological innovation and potential business development opportunities with big pharma and biotechnology companies, by a small, dedicated team. I believe that e-therapeutics can offer the industry unique biological insights into complex disease and can ultimately make major advancements into the discovery of novel biology and drug candidates. I look forward to working closely with the team to align the direction that we see the Company taking as we add significant resource to continue with enhancements to our platform and internal discovery projects."

-Ends-

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About e-therapeutics

e-therapeutics is an Oxford, UK-based company with a unique and powerful computer-based approach to drug discovery, founded on our industry-leading expertise in network biology.

We have created two proprietary, unique and productive technologies. The first is Network-driven Drug Discovery ("NDD"), which is based on cutting-edge network science, statistics, machine learning and artificial intelligence. NDD allows the more efficient discovery of new and better drugs and has been validated in multiple and diverse areas of biology.

and can enable the discovery of novel drugs, diagnostics and biomarkers in a way not previously possible from population genomics data, such as genome-wide association studies ("GWAS").

We have deployed our highly productive drug discovery platform technologies to develop our own IP-protected, pre-clinical drug discovery programmes that are available to partners seeking to acquire or in-license novel and differentiated assets.

We have partnerships with Novo Nordisk in Type-2 diabetes and a US-based, top 5 pharmaceutical company in neurodegeneration. We are working on different types of collaborative partnerships with biotech, pharma and other technology companies to create sustainable mutual value.

Chairman's Statement

My perspective on the financial year ended 31 January 2020 will be as a fellow shareholder and one who performed extensive due diligence on e-therapeutics for over three months between September 2019 and January 2020. The purchase of my stake in the Company was driven by a variety of factors, perhaps the most important driver being the experience in my last role as Chief Executive Officer of Silence Therapeutics plc ("Silence"). At Silence, after over 15 years of technical challenges in chemistry that successfully concluded with a robust platform to silence genes in the liver, I had come to realise that biology was perhaps an even greater challenge. The identification of the 'right' biology to address, irrespective of modality, was the real value driver in drug discovery/development. The industry has been, and still is, chasing the same targets, biology and indications. In addition, complex diseases, while representing huge unmet need, are attracting the least amount of capital as the current risk-averse nature of the industry and desire for 'validated' targets and shun novel biology. e-therapeutics passed one of my critical filters: identifying key biology first and only then taking the next step - how to discover a drug to address it.

Post the purchase of my stake, and under a non-disclosure agreement with the Company, I had access to their data room where I was able to conduct a full assessment of the prospects of the business, its assets and technology. My initial fear was that e-therapeutics, which has been listed since November 2007, would be a typical company that had once been at the forefront of its industry but had lost its place to new entrants. The Company had not raised capital since February 2013 and there had been a gradual but significant decline in R&D spend. In reality, it became clear during this process that the opposite was true. Although the Company was undercapitalised and operating with a small team, the technology was ahead of its time and the moment for Network-driven Drug Discovery ("NDD") has now arrived. In short, the Company had survived and was now more relevant and competitive than at any time in its history.

During the year, e-therapeutics achieved validation of their approach through a commercial deal with Novo Nordisk. Importantly, it had also gone through a rigorous due diligence process with a global top 5 pharmaceutical company in an area of biology associated with neurodegenerative disease. This process led to a pilot project which we hope can become a more meaningful collaboration in the coming financial year. In addition to these announcements, it was clear that many pharmaceutical/biotech companies were and are increasingly interested in the Company's approach to biology. Their endorsements of e-therapeutics' approach gave me great confidence that the inflection point was now.

Importantly, the core team and founders of e-therapeutics remain at the Company and were still highly motivated by the belief in, and approach of, NDD. I was extremely impressed with the knowledge and the ability of a small team to achieve so much with such a very limited

Strategy - Informatics and drug development

Network-driven Drug Discovery ("NDD")
The core technology of e-therapeutics is based on the concept of NDD. NDD is an informatics approach to early-stage discovery driven by the analysis of molecular networks within cells. Advances in the field of network biology over the last decade or so have made it clear that simple notions of individual 'domino-like' biological pathways giving rise to robust biological processes are incorrect. Biological function 'emerges' from the co-ordinated interplay of very many diverse molecules acting together in complex networks of interacting pathways. Because these networks *are* complex, and (as in all complex systems) robust to most interventions, the best way to change their behaviour is not obvious from a simple inspection of the individual components.

In order to influence cell biology in a beneficial way these networks must be first identified and then analysed mathematically to identify vulnerabilities that can form the basis of a therapeutic intervention. NDD starts with the construction of *in silico* models of the network of molecular interactions responsible for a biological process to be targeted by a drug. Network analysis is then utilised to search for agents that can significantly perturb that network and so, by extension, the biological process of interest. Predicted active compounds are then tested in cell-based phenotypic assays that are capable of detecting modulation of the mechanisms of interest.

Genome Associated Interaction Networks ("GAINs")
A new product, GAINs, has seen particularly strong interest from partners. Based on the core principles and technologies behind NDD, GAINs can derive biological insights from Genome-Wide Association Study (GWAS) data. GWAS has the potential to be extremely informative and in many disease areas is the only practical source of 'big data' e.g. in diabetes or neurodegeneration, where biopsy tissue availability is limited. However, despite a huge investment of time and resource, insights from GWAS data have been limited.

e-Therapeutics has developed GAINs, a proprietary network biology-based, functional genomics approach that places genes identified by GWAS studies into their network context. This permits identification of the (network) processes that are affected by background variations in DNA and hence impact the risk of developing particular disease. This approach permits mechanistic insights that are not resolvable at the individual SNP or gene level and not discoverable simply from the lists of genes typically produced by a GWAS study. GAINs leverages validated methodology derived from our parent NDD platform. e-Therapeutics' GAINs technology enables actionable insights (such as mechanistic understanding and target- or network-driven drug discovery hypotheses) to be derived from GWAS data where there are typically tens or even hundreds of (usually individually uninformative) variants contributing to disease risk.

In an environment where genetic validation of a project is a major de-risking checkpoint for large pharmaceutical companies, we have seen significant interest in this product.

Informatics and drug development
Considering the Company's Balance Sheet, e-therapeutics has paused its own internal drug development ambitions. However, not only are some of these assets still of potential value, they serve as important case studies of how the Company can take informatics all the way through to compounds and *in vivo* studies, successfully providing proof of concept projects for the platform. Yet, informatics insight alone is not a sufficient value proposition to convince collaborators to agree to large paid-for projects. The Company's in-house ability, gained from expertise at the C suite level and its own discovery programmes, allows us to offer "wet lab"

and, in addition, the drug discovery arm of our Company will use our in-house informatics capabilities for high conviction internal projects.

Outlook
In summary, I believe that the Company is at an important inflection point. Our technology, know-how and products are in strong demand and I would like to thank and endorse the team at e-therapeutics. The knowledge, energy and desire is a critical factor in the success of the Company. Technology and informatics alone cannot drive drug discovery. In a "man + machine" collaboration, the team is a critical component of the assets of the Company. They are a testament to the power of small teams and what can be achieved even with the smallest of R&D budgets. We will, of course, be adding significant resource in the coming months but will always remain lean, relying on hiring the very best people rather than size of capital.

We look forward to an exciting year and have high ambitions to become a prominent company in drug discovery.

Ali Mortazavi
Executive Chairman
17 March 2020

Financial review

The commercial deal that was announced towards the end of the prior year has advanced well; this led to both an extension of that NDD deal and also to the signing of, and subsequently successful completion of, a further commercial deal with Novo Nordisk utilising our newly launched functional genomics technology, GAINs, also in the area of type-2 diabetes. Revenue recognised during the year ended 31 January 2020, of £0.5m (2019: £0.04m), is in relation to these deals.

The overall operating loss for the year was £2.9m (2019: loss of £5.1m). The reduced loss is partly a result of the revenue recognised, however, given the cash position of the Group, we also continued our careful cost management to extend the cash runway of the Group whilst ensuring that we didn't lose the functionality that allows us to deliver important biological insights. As such, the underlying operating loss (excluding revenue) continues the trend of sequentially declining six-monthly losses, which has now continued for four years.

R&D spend for the year, of £2.1m (2019: £3.7m), was £1.6m lower than the prior year, reflecting lower external spend on our self-funded NDD-derived assets in the year. We have instead focussed our R&D investment into improved platform functionality, which has included enhancements in the areas of mechanistic disease segmentation, target identification, MoA and, of course, our new GAINs technology. Enhancements of our technological capabilities will be further advanced in the coming year.

Administrative costs in the year, of £1.2m (2019: £1.5m), continue to decline with cost savings made throughout every level of the business.

The Group adopted the new accounting standard IFRS 16 'Leases' during the year, which resulted in the recognition of a right-of-use asset of £0.1m and a corresponding lease liability on the Balance Sheet.

Year-end cash was £3.8m (2019: £5.9m). The overall cash reduction for the year was £2.1m (2019: £3.7m). After adjusting for the R&D tax credit received during the year, of £1.1m (2019: £1.4m), the underlying cash burn, of £3.2m (2019: £5.1m), was broadly in line with the operating loss. Given the reduced R&D spend during the year, we are anticipating a lower continue the careful working capital management processes that we have in place, yet we now have the renewed scope to consider some further advancement to our in-house discovery programmes alongside continued innovation of our platform technologies and general resource expansion.

Our latest budget, updated following the post year-end injection of cash, shows that we have sufficient funds to continue our operations for at least the next two financial years. This budget includes prudent revenue assumptions, although we are in late stage discussions regarding a number of exciting potential collaborations and we are looking forward to working closely with business development opportunities in defining how we could help partners better understand their chosen area of biology.

Management have considered the impact of the coronavirus COVID-1 outbreak, which was characterised as a pandemic by the World Health Organisation on 11 March 2020, upon these financial forecasts. The Group has a robust risk management policy in place, including business continuity management. Management's priority is the safety of its employees and, as a result, has already invoked a working from home policy which has been smoothly implemented. At the time of signing this Report the COVID-19 pandemic is not expected to materially alter the assumptions included in the Group's budget.

Ali Mortazavi
Executive Chairman
17 March 2020

Consolidated Income Statement
For the year ended 31 January 2020

	Notes	**2020 (unaudited) £000**	2019 (audited) £000
Revenue		**456**	44
Cost of sales		**-**	-
Gross profit		**456**	44
Research and Development expenditure		**(2,104)**	(3,673)
Administrative expenses		**(1,240)**	(1,485)
Operating loss		**(2,888)**	(5,114)
Investment income		**15**	29
Loss before tax		**(2,873)**	(5,085)
Taxation	5	**526**	1,086
Loss for the year attributable to equity holders of the Company		**(2,347)**	(3,999)
Loss per share - basic and diluted	6	**(0.87)p**	(1.49)p

Consolidated Statement of Comprehensive Income
For the year ended 31 January 2020

	2020 (unaudited) £000	2019 (audited) £000
Loss for the financial year	**(2,347)**	(3,999)
Other comprehensive income	-	-
Total comprehensive loss for the financial year	**(2,347)**	(3,999)

Consolidated Statement of Changes in Equity

As at 31 January 2018 (audited)	**269**	**65,154**	**(54,685)**	**10,738**
Total comprehensive income for year				
Loss for the financial year	-	-	(3,999)	(3,999)
Total comprehensive loss for year	-	-	(3,999)	(3,999)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	11	-	11
Equity-settled share-based payment transactions	-	-	52	52
Total contributions by and distribution to owners	-	11	52	63
As at 31 January 2019 (audited)	**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 (unaudited)	**269**	**65,176**	**(60,943)**	**4,502**

Company Statement of Changes in Equity
For the year ended 31 January 2020

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 31 January 2018 (audited)	**269**	**65,154**	**(52,115)**	**13,308**
Total comprehensive income for year				
Loss for the financial year	-	-	(3,997)	(3,997)
Total comprehensive loss for year	-	-	(3,997)	(3,997)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	-	11	-	11
Equity-settled share-based payment transactions	-	-	52	52
Total contributions by and distribution to owners	-	11	52	63
As at 31 January 2019 (audited)	**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 (unaudited)	**269**	**65,176**	**(61,195)**	**4,250**

Balance Sheets
As at 31 January 2020

		Group		Company	
	Notes	**2020 (unaudited) £000**	2019 (audited) £000	**2020 (unaudited) £000**	2019 (audited) £000
Non-current assets					
Intangible assets	7	**110**	119	**110**	2,943
Property, plant and equipment	8	**93**	42	**93**	42
		203	161	**203**	2,985
Current assets					
Tax receivable	5	**557**	1,098	**557**	1,098
Trade and other receivables		**36**	18	**36**	18
Prepayments		**149**	328	**149**	328
Cash and cash equivalents		**3,841**	5,904	**3,840**	5,904
		4,583	7,348	**4,582**	7,348

Close

Non-current liabilities					
Lease liability		**23**	-	**23**	-
Total liabilities		**284**	707	**535**	959
Net assets		**4,502**	6,802	**4,250**	9,374
Equity					
Share capital	9	**269**	269	**269**	269
Share premium		**65,176**	65,165	**65,176**	65,165
Retained earnings		**(60,943)**	(58,632)	**(61,195)**	(56,060)
Total equity attributable to equity holders of the Company		**4,502**	6,802	**4,250**	9,374

Consolidated Statement of Cash Flow
For the year ended 31 January 2020

	Notes	Group **2020 (unaudited) £000**	 2019 (audited) £000
Loss for the year		**(2,347)**	(3,999)
Adjustments for:			
Depreciation, amortisation and impairment	7,8	**97**	73
Investment income		**(15)**	(29)
Equity-settled share-based payment expenses		**36**	52
Taxation	5	**(547)**	(1,086)
Operating cash flows before movements in working capital		**(2,776)**	(4,989)
Decrease in trade and other receivables		**161**	252
Decrease in trade and other payables		**(500)**	(317)
Tax received		**1,088**	1,352
Net cash used in operating activities		**(2,027)**	(3,702)
Interest received		**15**	26
Acquisition of property, plant and equipment	8	**(5)**	(8)
Acquisition of other intangible assets	7	**(11)**	(20)
Decrease in fixed-term deposits		**-**	2,500
Net cash (used in)/from investing activities		**(1)**	2,498
Net proceeds from issue of share capital		**11**	11
Payments under lease liability		**(46)**	-
Net cash (used in)/from financing activities		**(35)**	11
Net (decrease)/increase in cash and cash equivalents		**(2,063)**	(1,193)
Cash and cash equivalents at 1 February		**5,904**	7,097
Cash and cash equivalents at 31 January		**3,841**	5,904

Notes

1. Status of Audit

The unaudited financial information presented in this statement does not constitute the Company's statutory accounts for the year ended 31 January 2020 or the year ended 31 January 2019 but is derived from those accounts. Statutory accounts for the year ended 31 January 2019 have been delivered to the Registrar of Companies. Statutory accounts for the year ended 31 January 2020 will be posted to shareholders on 31 March 2020 and will be delivered following the Company's Annual General Meeting. The Auditors have reported on the accounts for the year ended 31 January 2019; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports, and did not contain statements under s498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

While the financial information included in this preliminary announcement has been prepared in accordance with the

the Group's accounts for the year ended 31 January 2019 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.

Standards and interpretations applied for the first time: IFRS 16 'Leases'

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17'leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease' and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

As at 31 January 2019, the Group has non-cancellable operating lease commitments of £121,000, of which £6,000 related leases for which the lease term ends within 12 months of the date of initial application. The Group has applied a modified retrospective approach and, as such, the Group is not required to present a third statement of financial position as at 1 February 2019, being the date of transition. The adoption of this new standard has resulted in the Group recognising the fair value of the remaining lease payments, of £115,000, and a corresponding right-of-use-asset, adjusted for amounts prepaid before the date of transition, of £123,000. The liability has not been discounted on the basis that this is immaterial.

Going concern

Although the Group has recognised revenue from commercial deals during the year, it is still largely reliant on its cash balance to fund ongoing operations. As detailed in the Executive Chairman's Statement above, the Group is in late stage discussions with a number of well known potential pharmaceutical and biotechnology partners and it is anticipated that such discussions will be income-generating and will provide both non-dilutive funding and commercial validation.

At 31 January 2020 we reported cash of £3,841,000 and an underlying cash burn during the year, excluding R&D tax credits received, of £3,142,000. Post year-end, on 10 February 2020, there was a placing of 53,305,355 ordinary shares of 0.1p each at a price of 3.0p per share to raise gross proceeds of £1.6 million, which will be used for general working capital purposes.

We have prepared a detailed financial forecast, which assumes no further sales although, as noted above, the Group is in discussions with numerous potential partners. These financial forecasts assume that the existing structure and functionality of the Group are maintained and that investment in the *in silico* platform will continue. Our present projections suggest that cash resources will last for at least the next two financial years from the Balance Sheet date. This includes the receipt of R&D tax credits in relation to the year ended 31 January 2020 of £557,000. Whilst it is expected that this tax credit will be received, if it were not received as expected there would be no impact on management's overall assessment on the Group's going concern status.

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 and liabilities and 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 this preliminary announcement and the financial statements for the year ended 31 January 2020:

- Management considers the continued adoption of the going concern basis appropriate, as discussed further in Note 2 of this preliminary announcement.

- Revenue from collaborative partnerships is recognised over time rather than at a point in time on the basis that the customer has the ability to request regular project updates and accordingly suggest amendments to the project scope within the high-level confines on the contract, thereby directly controlling the direction of the project and the information asset bring produced therein. As a result, the balance between cash receipts and revenue recognised is recorded on the Balance Sheet. At the year end, the contract liability was £nil (2019: £206,000).

- 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 5.

- During the year, goodwill recognised in the parent Company Balance Sheet only, of £2,824,000 was fully impaired. Although management believe that the network-driven drug discovery activities of the Company will return positive cash flows, due to the uncertainty of the timing of these cash flows within our discounted cash flow analysis, the balance was impaired in full. Recoverable amount has been calculated as £nil on the basis that it is deemed to be between £nil and £2,084,000, but due to the sensitivities of the cash flow analysis, management could not support a value between this range. Further disclosure is made in note 7. Impairment would not impact the consolidated Income Statement or consolidated Balance Sheet.

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. As a result, at the year end a contract liability of £nil (2019: £206,000) was recognised on the Balance Sheet. There were no commercial contracts in progress over the year end and therefore the cut off for revenue recognition at 31 January 2020 is not considered a significant risk for these financial statements, however it may be significant in future years depending on the portfolio of commercial contracts in progress over the year end.

- The current tax receivable of £557,000 (2019: £1,098,000) as disclosed in Note 5, 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, claims have been successful, and materially in line with the receivable recognised in the financial statements.

4. Staff numbers

	2020 (unaudited)	2019 (audited)
R&D Staff	**12**	14
Finance and administration staff	**2**	2
Executive Directors	**2**	2
	16	18

5. Taxation

Recognised in the Income Statement:	**2020 (unaudited) £000**	2019 (audited) £000
Current tax income		
R&D tax credit receivable for the current year	**(536)**	(1,095)
Adjustments for prior year in respect of R&D tax credit	**10**	9
Current tax credit	**(526)**	(1,086)
Deferred tax	**-**	-
Total on loss on ordinary activities	**(526)**	(1,086)

The standard rate of corporation tax applied to reported profit is 19% (2019: 19%). The credit for the year can be reconciled to the consolidated Income Statement as follows:

	2020 (unaudited) £000	2019 (audited) £000
Loss before tax	**(2,873)**	(5,085)
Tax at UK corporation tax rate of 19% (2019: 19%)	**(546)**	(966)
Expenses not deductible for tax purposes	**4**	12
Enhanced relief for R&D	**(231)**	(471)
Unrelieved tax losses	**230**	320
Other	**7**	10
Adjustments in respect of prior period	**10**	9
Total tax credit for the year	**(526)**	(1,086)

The total tax credit recognised within the Consolidated Income Statement is £547,000 (2019: £1,089,000, which is made up of the small- or medium-sized enterprise ("SME") R&D tax relief of £526,000 (2019: £1,086,000) and Research and Development Expenditure Credit ("RDEC") of £21,000 (2019: £3,000). 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 £557,000 (2019: £1,098,000), is made up of SME R&D tax relief of £536,000 (2019: £1,095,000) and RDEC of £21,000 (2019: £3,000). Historically, R&D tax 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 £26,855,000 (2019: £25,216,000). 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 this reduced main rate of 19%, is £5,102,000 (2019: £4,305,000).

The decrease in the current year tax credit is due to a decreased R&D credit, as a result of lower qualifying expenditure during the year, reflecting management's decision to reduce spend. 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

	2020	2019
Weighted average number of ordinary shares for the purposes of basic earnings per share and diluted earnings per share (number)	**268,855,366**	268,581,069
Loss per share - basic and diluted (p)	**(0.87)**	(1.49)

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 19,220,500 (2019: 18,996,500) ordinary shares. 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.

7. 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 31 January 2018 (audited)	2,101	1,300	3,401	2,824	1,300	4,124
Additions	-	20	20	-	20	20
As at 31 January 2019 (audited)	2,101	1,320	3,421	2,824	1,320	4,144
Additions	-	11	11	-	11	11
As at 31 January 2020 (unaudited)	**2,101**	**1,331**	**3,432**	**2,824**	**1,331**	**4,155**
Amortisation and impairment						
As at 31 January 2018 (audited)	2,101	1,165	3,266	-	1,165	1,165
Impairment losses	-	19	19	-	19	19
Amortisation charge for the year	-	17	17	-	17	17
As at 31 January 2019 (audited)	2,101	1,201	3,302	-	1,201	1,201
Impairment losses	-	3	3	2,824	3	3
Amortisation charge for the year	-	17	17	-	17	17
As at 31 January 2020 (unaudited)	**2,101**	**1,221**	**3,322**	**2,824**	**1,221**	**1,221**
Net book value						
As at 31 January 2018 (audited)	-	135	135	2,824	135	2,959
As at 31 January 2019 (audited)	-	119	119	2,824	119	2,943
As at 31 January 2020 (unaudited)	**-**	**110**	**110**	**-**	**110**	**2,934**

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

Impairment testing
The Group carries out a review at each Balance Sheet date to establish the economic value of each asset in the patent portfolio. If the economic value of a patent is believed to be lower than the carrying value, the carrying value is reduced accordingly. The economic value is based on estimated future income potential considering technical and commercial risks and external information on the likely market demand and penetration for the drugs for which the Group has patents.

The goodwill in the Company Balance Sheet arose following the hive up of the trade and assets of InRotis Technologies Limited on 15 November 2007. The goodwill is allocated to the network-driven platform technology activity of the Group. Innovation and enhancement of our core platform technologies is a long-term strategic aim of the Company and significant advancements have been made in this area during the year. In particular, during the year, the Company launched its new GAINs technology, which permits identification of processes that are affected by background variations in DNA and hence impact the risk of developing particular disease. As a result of this development, management deem that the business model is now founded upon a different technological capability than it was at the date of the hive up in 2007 and, therefore, the underlying IP acquired in the hive up has negligible value to the Group and the goodwill balance has been fully impaired during the year.

8. Property, plant and equipment - Group and Company

Group and Company	Right-to-use Property £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost				
As at 31 January 2018 (audited)	-	194	107	301
Additions	-	8	-	8

Depreciation				
As at 31 January 2018 (audited)	**-**	137	93	230
Depreciation charge for the year	-	28	9	37
Eliminated on disposals	-	(4)	-	(4)
As at 31 January 2019 (audited)	**-**	161	102	263
Depreciation charge for the year	46	29	2	77
Eliminated on disposals	-	(41)	(4)	(45)
As at 31 January 2020 (unaudited)	**46**	**149**	**100**	**295**
Net book value				
As at 1 February 2018 (audited)	**-**	57	14	71
As at 31 January 2019 (audited)	**-**	37	5	42
As at 31 January 2020 (unaudited)	**77**	**13**	**3**	**93**

9. Capital and reserves

	No. of ordinary shares	
Share capital	**2020 (unaudited) '000**	2019 (audited) '000
In issue at 1 February	**268,690**	268,531
Issued for cash	**435**	159
In issue at 31 January - fully paid	**269,125**	268,690

	2020 £000	2019 £000
Allotted, called up and fully paid		
269,125,498 (2019: 268,689,878) ordinary shares of £0.001 each	**269**	269
	269	269

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

10. Subsequent events

On 10 February 2020, the Company announced a restructuring of the Board and management team, along with a £1.6 million placing.

Iain Ross stood down as Non-Executive Chairman and Ali Mortazavi was appointed as Executive Chairman. Ray Barlow stood down as Chief Executive Officer and Steve Medlicott stood down as Chief Financial Officer. Michael Bretherton has been appointed as Non-Executive Director to replace Christine Soden, who also stood down.

The Company carried out a placing of 53,302,355 new ordinary shares of 0.1p each at a price of 3.0p each, to raise gross proceeds of £1.6 million which will be used for general working capital purposes. The placing was undertaken directly by the Company with certain existing and new investors.

END

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