e-Therapeutics plc

Full Year Results

19 April 2017: e-Therapeutics plc (AIM: ETX, 'e-Therapeutics' or the 'Company'), the drug discovery company, announces its full year results for the year ended 31 January 2017.

Highlights

Major review and reorganisation

- Board and management changes, with Malcolm Young and Steve Self stepping down as CEO and Development Director respectively. Post-year end, Sean Nicolson stepped down as Executive Director and Company Secretary
- Refocus towards drug discovery and the core *in silico* platform; away from clinical development, with closure of clinical development function during the year

Focusing of resources

- Reduction in number of discovery projects, from 12 to 6, to improve efficiency and focus more resources on fewer projects
- Acquisition of Searchbolt to secure ownership of the Company's IP

New leadership

- Post-year end, on 6 April 2017, Dr Ray Barlow, formerly of Amgen, joined as new CEO; now undertaking a full review of the Company's operations, projects and technologies

Financial highlights

- Cash and deposits of £14.0m (FY16: £24.8m)
- Cash reduction in the year of £10.8m (FY16: £9.0m)
- Operating loss of £16.3m (FY16: loss of £11.6m), including impairment of goodwill and intangibles of £2.8m (FY16: £nil)
- R&D tax credit of £3.1m (FY16: £2.5m)
- Discovery spend up to £7.6m (FY16: £4.4m)

Chairman, Iain Ross said:

"The business has changed fundamentally in the past 12 months. We are now focusing on our core strengths around our unique drug discovery platform and the discovery of novel preclinical drugs. The priority has been to ensure we have the right infrastructure, skills and capabilities in place to execute our business strategy. We approach the coming year with increasing optimism."

New CEO, Ray Barlow, said:

"At the start of my tenure as CEO, I inherit a refocused and reenergised business. My near-term aim is to ensure that our resources are appropriately focused on activities that are of the greatest commercial potential to support our ambition of creating value for our shareholders. As part of this process, I will be engaging with our key stakeholders as well as subsequently positioning and promoting the Company to commercial partners."

-Ends-

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About e-Therapeutics plc

e-Therapeutics is a drug discovery company with a unique and proprietary *in silico* discovery platform. The Company is applying its computational platform to the discovery of new drug candidates for which it can secure robust intellectual property rights.

The therapeutic focus of the Company's discovery activity is in areas of complex disease with unmet medical need, including immuno-oncology. The business model is to partner these preclinical drug candidates.

e-Therapeutics is headquartered in Oxford. For more information about the Company please visit www.etherapeutics.co.uk.

Chairman's statement

A focused transition of the business…

During the period under review there has been a fundamental shift in the way in which we operate the business. Following Board and Management changes mid-year, and a subsequent operational re-organisation, we have redressed the overall balance of the business. We have re-focused it such that we can concentrate upon our core strengths around the development of the Company's unique and proprietary drug discovery platform and its application to the discovery of novel preclinical drugs with the potential to treat serious illness.

We have cut out non-core expenditure, and moving forward, we have materially reduced our rate of cash burn. Furthermore we have applied our highly competent scientific resources to value-enhancing initiatives, which will further validate the Company's discovery platform. We have empowered our scientific team to take responsibility and be accountable for individual projects.

We have strengthened our IP position with the acquisition of Searchbolt Limited and taken a highly disciplined approach to the review of our project portfolio. Accordingly, we have not hesitated to triage projects and put on hold those that do not offer an immediate opportunity to validate the platform.

…with a re-structured Board and management team…

During the period Professor Malcolm Young and Stephen Self stepped down from the Board and, more recently, Sean Nicolson, Executive Director, resigned to pursue other business interests. We wish them all continued success and thank them for their contribution to the business. As a result, I undertook the role of Interim Executive Chairman and our Finance Director, Steve Medlicott, took on additional responsibility as Interim Chief Operating Officer. Professor Trevor Jones and Brad Hoy, our independent Non-Executive Directors took on specific responsibilities to assist during this period of transition.

On a personal basis I am grateful to the Board and management team for 'stepping up' to the challenge set mid-year. With the recent appointment of a new CEO and the anticipated addition of one new Non-Executive Director in the coming year, I believe the Board and management team will be well positioned to take this fundamentally sound business to the next stage of its development.

…under new leadership

On 6 April Dr Raymond Barlow took up his appointment as our new CEO. Ray comes to us from Amgen Inc., with an excellent scientific pedigree and an outstanding record in senior management and commercial business. Under his leadership our goals for the next 12 months will include a more active engagement with our stakeholders; obtaining external third party validation of the Company's platform and discovery programmes; further focusing and strengthening of the Company's talents and resources; and ensuring a compliant and productive environment such that we can create a sustainable increase in shareholder value.

In conclusion, I would like to re-iterate that your Board believes with this re-defined focus, new leadership and continued investment that a significant increase in value can be generated over time and that the Company is entering an exciting phase.

I would like to thank all the Company's stakeholders for their patience, understanding and support during my brief period as Interim Executive Chairman and, in particular, I would like to recognise the e-Therapeutics team for their outstanding dedication and enthusiasm during a period of transition, which I know has been difficult at times.

I believe the forthcoming year will be transformational, and I look forward to a very exciting future under Ray’s leadership.

Iain G Ross
Chairman

Financial review

Since the restructuring last summer, the core focus of Management has been to balance cash preservation with targeted investment. The ultimate aim of this has been to provide the incoming CEO with sufficient resources and time to be able to pursue a strategy that will lead to commercial validation of the drug discovery platform.

By resources, we mean both intellectual and financial capital and whilst we have not avoided cutting cost where necessary, we have also looked to invest, particularly in the core *in silico* drug discovery platform and in the generation of proprietary data. The fundamental aim of the current and past investment has been to provide technical validation of our approach to drug discovery.

There was some significant committed spend during the year, for example the ongoing treatment of patients on the ETS2101 Ib study during the wind down of that trial, but wherever possible, we have looked to control non-essential costs. Consequently, we have ended the year with £14m of cash and fixed-term deposits which is above our original expectations. In addition, we will be applying for an R&D tax credit of £2.8m over the coming couple of months. As we spend this cash, we anticipate generating additional future R&D tax credits of up to £3.0m, providing in excess of £19m of funds available for investment.

The Company's operating loss for the year was £16.3m (FY2016: £11.6m). The overall R&D spend in the year was £10.9m (FY2016: £10.0m) and, as in previous years, the mix of spend continued to change with a £3.2m increase in drug discovery and a £2.3m reduction in clinical development spend.

Drug discovery spend for the 12 months to 31 January 2017 increased to £7.6m (FY2016: £4.4m). The majority of the increased spend related to external discovery spend and we continued to incur costs on a number of projects. As part of the strategic review last July, we materially reduced the number of discovery projects from twelve to six. As a result, spend on external discovery was reduced by over £2m in the second half of last year, when compared to our previous expectations. On the same basis the reduction in external discovery spend in the new financial year is expected to be significantly more than £2m. We continue to have a number of active and interesting discovery projects in a variety of disease areas, including in immuno-oncology.

Drug development spend in the year to 31 January 2017 fell by £2.3m to £3.3m (FY2016: £5.6m), reflecting declining spend on the one remaining clinical trial. On 22 March 2016, we announced the orderly wind down of the ETS2101 Ib study and closed the trial to new patients, but we remain committed to the continued treatment of all existing patients.

As of today, two patients remain on trial, one in the pancreatic cancer monotherapy trial and one in the hepatocellular carcinoma in combination with standard of care trial. In the interim statement last year we highlighted that some costs relating to the wind down of the ETS2101 Ib study were anticipated in the first half of 2017. With two patients remaining on the study, there is a possibility that some costs extend into the second half of the current financial year.

Admin spend of £2.6m was £1.0m higher than the previous year (FY2016: £1.6m). Changes to the Board last year led to one-off increases in administrative expenses of £0.7m, £0.6m of which related to compensation for loss of office to two former Directors (£318k paid to Malcolm Young and £260k paid to Stephen Self). Moving forward, total Board costs will be materially reduced reflecting the fact that there are now two Executive Directors compared to four for much of last year.

Impairment of intangible assets in the year was £2.8m (FY2016: £nil). £2.1m of this was reported in the interim results last September and related to the acquisition of Searchbolt Limited. In order to reflect the repositioning of the Company with a focus on discovery, we have also taken the decision to impair a number of previously capitalised patent costs relating to the clinical assets.

Year-end cash and fixed-term deposits of £14.0m was £10.8m lower than the opening position of £24.8m. During the year we received a R&D tax credit of £2.6m, which was £0.1m higher than we had originally anticipated. A further £0.1m, relating to adjustments to prior years' R&D tax credit claims, was received post the year end. Subject to no change in the tax environment, we anticipate receiving a further £2.8m R&D tax credit in the current year, and up to an additional £3m in future years.

Summary and Outlook

As we exit the first quarter of the new financial year, the monthly cash burn of the Company continues to fall. Furthermore, we have committed to invest in the core drug discovery platform: this investment includes both people and the integration of additional complementary technologies and capabilities.

The current cash position and change of emphasis of the Company away from clinical development and towards drug discovery and the core *in silico* platform, mean that we now have greater flexibility to manage costs as we move forward. We remain confident that we are able to extend our cash runway into 2019, and potentially beyond as we undertake the coming phase of commercialisation.

Ray Barlow, our recently appointed CEO, is undertaking a full review of the Company's operations, projects and technologies and we look forward to reporting the findings of this review to shareholders over the coming few months.

Steve Medlicott

Finance Director

18 April 2017

Consolidated income statement

For the year ended 31 January 2017

	Notes	**2017** **£000**	2016 £000
Revenue		**—**	—
Cost of sales		**—**	—
Gross profit		**—**	—
Research and Development expenditure		**(10,911)**	(9,965)
Administrative expenses		**(2,614)**	(1,590)
Impairment of intangible assets	7	**(704)**	
Write-off of goodwill arising from acquisition of subsidiary	7,10	**(2,101)**	
Operating loss		**(16,330)**	(11,555)
Investment income		**132**	271
Loss before tax		**(16,198)**	(11,284)
Taxation	5	**3,073**	2,464
Loss for the year attributable to equity holders of the Company		**(13,125)**	(8,820)
Loss per share – basic and diluted	6	**(4.91)p**	(3.34)p

Consolidated statement of comprehensive income

For the year ended 31 January 2017

	2017 **£000**	2016 £000
Loss for the financial year	**(13,125)**	(8,820)
Other comprehensive income	—	—
Total comprehensive income for the financial year	**(13,125)**	(8,820)

Consolidated statement of changes in equity
For the year ended 31 January 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2015	264	64,560	(27,800)	37,024
Total comprehensive income for year				
Loss for the financial year	—	—	(8,820)	(8,820)
Total comprehensive income for year	—	—	(8,820)	(8,820)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	—	12	—	12
Equity-settled share-based payment transactions	—	—	215	215
Total contributions by and distribution to owners	—	12	215	227
As at 31 January 2016	**264**	**64,572**	**(36,405)**	**28,431**
As at 1 February 2016	264	64,572	(36,405)	28,431
Total comprehensive income for year				
Loss for the financial year	—	—	(13,125)	(13,125)
Total comprehensive income for year	—	—	(13,125)	(13,125)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	4	571	—	575
Equity-settled share-based payment transactions	—	—	99	99
Total contributions by and distribution to owners	4	571	99	674
As at 31 January 2017	**268**	**65,143**	**(49,431)**	**15,980**

Company statement of changes in equity
For the year ended 31 January 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
As at 1 February 2015	264	64,560	(24,976)	39,848
Total comprehensive income for year				
Loss for the financial year	—	—	(8,820)	(8,820)
Total comprehensive income for year	—	—	(8,820)	(8,820)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	—	12	—	12
Equity-settled share-based payment transactions	—	—	215	215
Total contributions by and distribution to owners	—	12	215	227
As at 31 January 2016	**264**	**64,572**	**(33,581)**	**31,255**
As at 1 February 2016	264	64,572	(33,581)	31,255
Total comprehensive income for year				
Loss for the financial year	—	—	(13,391)	(13,391)
Total comprehensive income for year	—	—	(13,391)	(13,391)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares	4	571	—	575
Equity-settled share-based payment transactions	—	—	99	99
Total contributions by and distribution to owners	4	571	99	674
As at 31 January 2017	**268**	**65,143**	**(46,873)**	**18,538**

Balance sheets
As at 31 January 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**£000**	£000	**£000**	£000
Non-current assets					
Intangible assets	7	**156**	740	**2,980**	3,564
Property, plant and equipment	8	**51**	64	**51**	64
Investments		**—**	—	**—**	—
		207	804	**3,031**	3,628
Current assets					
Tax receivable		**2,972**	2,469	**2,972**	2,469
Trade and other receivables		**777**	1,472	**777**	1,472
Fixed-term deposits		**9,500**	18,500	**9,500**	18,500
Cash and cash equivalents		**4,475**	6,342	**4,475**	6,342
		17,724	28,783	**17,724**	28,783
Total assets		**17,931**	29,587	**20,755**	32,411
Current liabilities					
Trade and other payables		**1,951**	1,156	**2,217**	1,156
Total liabilities		**1,951**	1,156	**2,217**	1,156
Net assets		**15,980**	28,431	**18,538**	31,255
Equity					
Share capital	9	**268**	264	**268**	264
Share premium	9	**65,143**	64,572	**65,143**	64,572
Retained earnings	9	**(49,431)**	(36,405)	**(46,873)**	(33,581)
Total equity attributable to equity holders of the Company		**15,980**	28,431	**18,538**	31,255

Statements of cash flow
For the year ended 31 January 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**£000**	£000	**£000**	£000
Cash flows from operating activities					
Loss for the year		**(13,125)**	(8,820)	**(13,391)**	(8,820)
Adjustments for:					
Depreciation, amortisation and impairment	7,8	**2,861**	73	**3,134**	73
Loss on disposal of fixed assets	8	**2**	—	**2**	—
Investment income		**(132)**	(271)	**(132)**	(271)
Equity-settled share-based payment expenses		**99**	215	**99**	215
Taxation		**(3,073)**	(2,464)	**(3,073)**	(2,464)
		(13,368)	(11,267)	**(13,361)**	(11,267)
Decrease in trade and other receivables		**611**	40	**633**	40
Increase in trade and other payables		**751**	23	**1,017**	23
Tax received		**2,570**	2,027	**2,570**	2,027
Net cash from operating activities		**(9,436)**	(9,177)	**(9,141)**	(9,177)
Cash flows from investing activities					
Interest received		**194**	329	**194**	329
Acquisition of subsidiary	10	**(1,473)**	—	**(1,768)**	—
Acquisition of property, plant and equipment	8	**(22)**	(6)	**(22)**	(6)
Acquisition of other intangible assets	7	**(143)**	(138)	**(143)**	(138)
Decrease in fixed-term deposits		**9,000**	13,500	**9,000**	13,500
Net cash from investing activities		**7,556**	13,685	**7,261**	13,685
Cash flows from financing activities					
Net proceeds from issue of share capital		**13**	12	**13**	12
Net cash from financing activities		**13**	12	**13**	12
Net (decrease)/increase in cash and cash equivalents		**(1,867)**	4,520	**(1,867)**	4,520
Cash and cash equivalents at 1 February		**6,342**	1,822	**6,342**	1,822
Cash and cash equivalents at 31 January		**4,475**	6,342	**4,475**	6,342

Notes

1. Status of Audit

The financial information presented in this statement does not constitute the Company's statutory accounts for the year ended 31 January 2017 or the year ended 31 January 2016, but is derived from those accounts. Statutory accounts for the year ended 31 January 2016 have been delivered to the Registrar of Companies and those for the year ended 31 January 2017 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were 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 recognition and measurement criteria of International Financial Reporting Standards, as adopted by the European Union (EU) (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. This preliminary announcement has been prepared using the accounting policies published in the Group’s accounts for the year ended 31 January 2016, which 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.

The Directors have, at the time of approving the statutory accounts, a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the statutory accounts, from which the financial information presented in this statement is derived.

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.

3. Accounting judgements and sources of estimation uncertainty

The preparation of financial statements requires the Directors 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 key area requiring the use of estimates and judgements which may significantly affect the financial statements is considered to be the judgement as to whether the carrying value of goodwill (Company only) and patents and trademarks (Group and Company) will be recoverable with reference to estimated future income potential (see Note 7).

4. Staff numbers

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	
	2017	2016
Staff	**21**	23
Directors	**3**	4
	24	27

5. Taxation

Recognised in the income statement:

	2017	2016
	£000	£000
Current tax income		
Current year	**(2,839)**	(2,469)
Adjustments for prior years	**(234)**	5
Current tax income	**(3,073)**	(2,464)
Deferred tax expense		
Origination and reversal of temporary differences	—	—
Reduction in tax rate	—	—
Recognition of previously unrecognised tax losses	—	—
Deferred tax expense	—	—
Total tax income	**(3,073)**	(2,464)

Reconciliation of effective tax rate:

	2017	2016
	£000	£000
Loss for the year	**(13,125)**	(8,820)
Total tax income	**(3,073)**	(2,464)
Loss excluding taxation	**(16,198)**	(11,284)
Tax at 20% (2016: 20.17%)	**(3,240)**	(2,275)
Expenses not deductible for tax purposes	**441**	44
Enhanced relief for Research and Development	**(2,214)**	(1,936)
Surrender of tax losses	**1,077**	965
Unrelieved tax losses	**1,094**	732
Other	**3**	1
Adjustments in respect of prior period	**(234)**	5
Total tax income	**(3,073)**	(2,464)

The tax receivable relates to Research and Development tax credits.

The Group has unrecognised deferred tax assets of £3,533,000 (2016: £2,936,000) and unused tax losses of £20,650,000 (2016: £16,071,000).

The deferred tax asset relates primarily to tax losses carried forward. It has not been recognised due to the uncertainty surrounding its future recovery against taxable profits.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and from 19% to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and a further reduction from 18% to 17% (effective 1 April 2020) was substantively enacted on September 2016. This will reduce the Group’s future current tax charge accordingly. The unrecognised deferred tax asset at 31 January 2017 has been calculated based on the rate of 17% (2016: 18%) substantively enacted at the balance sheet date.

6. Loss per share

The analysis of loss per share is as follows:

	2017	2016
Basic and diluted loss per share	**(4.92)p**	(3.34)p

Basic EPS is calculated by dividing the loss for the year of £13,125,000 (2016: £8,820,000) by the weighted average number of 267,062,262 shares (2016: 264,419,476) in issue during the year.

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 15,601,052 (2016: 12,118,842) 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						
Balance at 1 February 2015	—	1,014	1,014	2,824	1,014	3,838
Other acquisitions – internally developed	—	138	138	—	138	138
Balance at 31 January 2016	—	1,152	1,152	2,824	1,152	3,976
Balance at 1 February 2016	—	1,152	1,152	2,824	1,152	3,976
Recognised on acquisition of a subsidiary	2,101	—	2,101	—	—	—
Other acquisitions – internally developed	—	143	143	—	143	143
Balance at 31 January 2017	**2,101**	**1,295**	**3,396**	**2,824**	**1,295**	**4,119**
Amortisation and impairment						
Balance at 1 February 2015	—	377	377	—	377	377
Amortisation charge for the year	—	35	35	—	35	35
Balance at 31 January 2016	—	412	412	—	412	412
Balance at 1 February 2016	—	412	412	—	412	412
Impairment losses	2,101	704	2,805	—	704	704
Amortisation charge for the year	—	23	23	—	23	23
Balance at 31 January 2017	**2,101**	**1,139**	**3,240**	**—**	**1,139**	**1,139**
Net book value						
At 1 February 2015	—	637	637	2,824	637	3,461
At 31 January 2016	—	740	740	2,824	740	3,564
At 31 January 2017	**—**	**156**	**156**	**2,824**	**156**	**2,980**

Amortisation and impairment charge

Amortisation has been charged on patents for which the registration process is complete. Where the process is incomplete no charge has been raised.

Impairment losses have been recognised in the year in respect of the goodwill arising on the acquisition of Searchbolt Limited (see Note 10) and patents relating to preclinical and clinical development candidates (specifically ETX1153c, ETS6103 and ETS2101) for which the carrying value would otherwise be in excess of the best estimate of current economic value.

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 taking into account technical and commercial risks and external information on the likely market demand and penetration for the drugs for which the Group has patents. There is a risk that should these estimations require significant downward revision there would be a material adverse impact on the income statement in any one year.

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 drug discovery and development activities of the Group. In assessing goodwill impairment, recoverable amount is based on fair value less costs to sell.

8. Property, plant and equipment – Group and Company

Group and Company	Plant and equipment £000	Fixtures and fittings £000	Total £000
Cost			
Balance at 1 February 2015	146	140	286
Additions	2	4	6
Disposals	—	—	—
Balance at 31 January 2016	148	144	292
Balance at 1 February 2016	148	144	292
Additions	18	4	22
Disposals	(38)	(41)	(79)
Balance at 31 January 2017	**128**	**107**	**235**
Depreciation			
Balance at 1 February 2015	109	81	190
Depreciation charge for the year	20	18	38
Eliminated on disposals	—	—	—
Balance at 31 January 2016	129	99	228
Balance at 1 February 2016	129	99	228
Depreciation charge for the year	16	17	33
Eliminated on disposals	(38)	(39)	(77)
Balance at 31 January 2017	**107**	**77**	**184**
Net book value			
At 1 February 2015	37	59	96
At 31 January 2016	19	45	64
At 31 January 2017	**21**	**30**	**51**

9. Capital and reserves

Reconciliation of movement in capital and reserves:

Group	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total equity £000
Balance at 1 February 2014	264	64,483	132	(20,261)	44,618
Total recognised income and expense	—	—	—	(7,777)	(7,777)
Issue of share capital	—	77	—	—	77
Lapse of warrants	—	—	(132)	132	—
Equity-settled share-based payment transactions	—	—	—	106	106
Balance at 31 January 2015	264	64,560	—	(27,800)	37,024
Balance at 1 February 2015	264	64,560	—	(27,800)	37,024
Total recognised income and expense	—	—	—	(8,820)	(8,820)
Issue of share capital	—	12	—	—	12
Equity-settled share-based payment transactions	—	—	—	215	215
Balance at 31 January 2016	264	64,572	—	(36,405)	28,431
Balance at 1 February 2016	264	64,572	—	(36,405)	28,431
Total recognised income and expense	—	—	—	(13,125)	(13,125)
Issue of share capital	4	571	—	—	575
Equity-settled share-based payment transactions	—	—	—	99	99
Balance at 31 January 2017	**268**	**65,143**	**—**	**(49,431)**	**15,980**

Company	Share capital £000	Share premium £000	Warrant reserve £000	Retained earnings £000	Total Equity £000
Balance at 1 February 2014	264	64,483	132	(17,437)	47,442
Total recognised income and expense	—	—	—	(7,777)	(7,777)
Issue of share capital	—	77	—	—	77
Lapse of warrants	—	—	(132)	132	—
Equity-settled share-based payment transactions	—	—	—	106	106
Balance at 31 January 2015	264	64,560	—	(24,976)	39,848
Balance at 1 February 2015	264	64,560	—	(24,976)	39,848
Total recognised income and expense	—	—	—	(8,820)	(8,820)
Issue of share capital	—	12	—	—	12
Equity-settled share-based payment transactions	—	—	—	215	215
Balance at 31 January 2016	264	64,572	—	(33,581)	31,255
Balance at 1 February 2016	264	64,572	—	(33,581)	31,255
Total recognised income and expense	—	—	—	(13,391)	(13,391)
Issue of share capital	4	571	—	—	575
Equity-settled share-based payment transactions	—	—	—	99	99
Balance at 31 January 2017	**268**	**65,143**	**—**	**(46,873)**	**18,538**

9. Capital and reserves (continued)

Share capital	No. of ordinary shares 2017 '000	2016 '000
In issue at 1 February	**264,456**	264,363
Issued for cash	**107**	93
Issued as consideration in acquisition of subsidiary (Note 10)	**3,863**	—
In issue at 31 January – fully paid	**268,426**	264,456

	2017 £000	2016 £000
Allotted, called up and fully paid		
268,426,042 (2016: 264,455,551) ordinary shares of £0.001 each	**268**	264
	268	264
Shares classified as liabilities	**—**	—
Shares classified in shareholders' funds	**268**	264
	268	264

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

The warrant reserve related to the following warrants:

Issue date	Exercise price £	Expiry date	No. of warrants
March 2009	0.260	16 March 2014	198,332
March 2011	0.260	4 March 2014	677,409

The fair value of warrants was calculated using a binomial model. All warrants lapsed unexercised on the expiry dates noted above.

10. Acquisition of subsidiary

On 1 June 2016, the Group's offer to acquire 100% of the issued share capital of Searchbolt Limited (announced on 11 May 2016) was declared wholly unconditional, and the group obtained control of Searchbolt Limited following initial settlement of the consideration on 8 June 2016. Searchbolt is a developer of internet search engine technology that was demerged from e-Therapeutics at the time of the latter's flotation in 2007.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below:

	£000
Other debtors	**324**
Cash	**4**
Trade creditors	**(55)**
Total identifiable assets	**273**
Goodwill	**2,101**
Total consideration	**2,374**

Satisfied by:	
Cash	**1,812**
Equity instruments (ordinary shares in e-Therapeutics plc)	**562**
Contingent consideration	**—**
Total consideration transferred	**2,374**

Net cash outflow arising on acquisition:	
Cash consideration	**1,812**
Less:	
Cash consideration to be paid after the year end	**(44)**
Net cash outflow arising on acquisition (Company)	**1,768**
Less:	
Cash consideration payable to Searchbolt on behalf of Searchbolt shareholders	**(291)**
Cash and cash equivalent balances acquired	**(4)**
Net cash outflow arising on acquisition (Group)	**1,473**

The goodwill arising on the acquisition has been impaired in full in the period. The Directors are satisfied that the acquisition was commercially desirable for securing value for e-Therapeutics shareholders, but it is not possible at this stage to estimate a recoverable amount for the Searchbolt assets acquired. Accordingly, an impairment of the goodwill has been recognised in the period.

The contingent consideration arrangement ("earn out") entitles Searchbolt shareholders to a share of net sale proceeds received by the Group from any sale of ordinary shares in Searchbolt or sales or licensing of certain e-Therapeutics and Searchbolt assets. Given the uncertainty as to the realisation of such net proceeds within the time period concerned, no value has been recognised in respect of the earn out consideration.