

**REDX PHARMA PLC**  
**("Redx" or "the Company")**

**Final Results for the Year Ended 30 September 2017**

*A year of refocus*

*Positioned to deliver on our vision of creating first or best in class drugs that treat significant unmet need in cancer and fibrosis*

**Alderley Park, December 20 2017-** Redx Pharma (AIM:REDX), the drug discovery and development company, today announces its audited financial results for the year ended 30 September 2017.

In an extraordinary 12 months, the Company entered Administration in May 2017 and then, post period in November 2017, successfully exited as a going concern. The emergent and strengthened board and management team is now well positioned to deliver on a refocused vision of creating first or best in class drugs that treat significant unmet need in cancer and fibrosis. The balance sheet (as at 2 November 2017 - see table below) consisted of £13.9 million, with no liabilities nor loan facilities (outside of those necessary for the normal course of business) which, coupled with a reduced cost base, provides a cash runway into early 2019.

**Operational Highlights**

- Strategic Refocus initiative announced in March, which resulted in a substantial head-count reduction
- In March, the Company successfully completed a share placing and subscription to raise £12 million
- Iain Ross appointed non-executive Chairman on 1 May 2017, replacing Frank Armstrong, other changes to the Board of Directors were as follows:
  - o Director and Founder Peter Jackson stood down from the Board on 31 March 2017
  - o Director Peter McPartland, stood down at the Company's AGM in April 2017
  - o Director David Lawrence, stood down from the Board on 14 August 2017
- On 24 May the Company entered Administration and trading in shares on AIM suspended; Jason Baker and Miles Needham of FRP Advisory LLP appointed Joint Administrators.
  - o The Company subsequently exited administration as a going concern on 2 November (post period- see below)
- In June, the MHRA approved the clinical trial application (CTA) for porcupine inhibitor RXC004, for a phase 1/2a clinical study in hard to treat cancers
  - o Enrolment to start in Q1 2018- This will be the first candidate from Redx's pipeline to enter the clinic
- In July, sold Bruton's tyrosine kinase (BTK) programme to Loxo Oncology, Inc. (NASDAQ: LOXO) for \$40 million
- In September, poster presentation at the European Society for Medical Oncology (ESMO) identifying a specific gastric cancer patient sub-population sensitive to RXC004, which will allow targeting of specific patients for clinical trials

**Post Period Highlights**

- Exited Administration on 2 November 2017 with a cash balance of £13.9 million
  - o Shares resumed trading on AIM on 6 November 2017
- Announced strategic update and refocused R&D pipeline, consisting of two development programmes and five research programmes
  - o Lead cancer asset, Phase 1 trial to start 1Q18; 1a results estimated 2H18
    - § Best-in-class potential
    - § Addresses blockbuster commercial opportunity
  - o Lead fibrosis candidate could be first drug specifically targeting inflammatory bowel disease (IBD) related fibrosis
    - § IBD addressable market estimated to be three million patients
- Strengthened management team and Board of Directors

- o Iain Ross appointed Executive Chairman
  - § Neil Murray has stepped down as CEO and Director of the Company
    - Search for suitably qualified CEO underway
- o Dominic Jackson appointed Chief Financial Officer and Executive Director
- o Peter Presland appointed Non-Executive Director and Chair of Audit Committee

## Financial Highlights

- Total revenue for the year £30.5m (2016: £Nil)
- Profit for the year £1.528m (2016: loss £15,521m)
- Total operating expenditure/R&D expenditure £15.8m/£8.2m (2016: £16.5m/£8.1m)
- Cash balance at 30 September 2017 of £23.8m (2016: £5.8m)

## Iain Ross, Executive Chairman of Redx Pharma commented:

*"After a very challenging period, Redx emerged from Administration in November a stronger, leaner company led by a strengthened management team and with a revised strategic direction and a cash runway through to early 2019. We are now focused on the creation of high value, first or best in class drugs that treat significant unmet need in cancer and fibrosis.*

*The clinical trial application for our porcupine inhibitor, RXC004 for hard to treat cancers was approved in June and we look forward to moving this product into the clinic during the first quarter of 2018. Meanwhile, our dual Rock1/2 inhibitor programme, for the treatment of fibrosis associated with inflammatory bowel disease, is in late stage lead optimisation and a development candidate is due to be announced in mid 2018."*

## Balance Sheet at Exit from Administration 2 November 2017- UNAUDITED

	<u>£'000</u>
<b>Assets</b>	
<b>Non-current assets</b>	
Property, plant and equipment	190
Intangible assets	430
	<u>620</u>
<b>Current assets</b>	
Trade and other receivables	2,217
Cash and cash equivalents	<u>13,866</u>
Current tax	1,155
	<u>17,238</u>
<b>Total assets</b>	<u>17,858</u>
<b>Current liabilities</b>	
Trade and other payables	4,311
<b>Net assets</b>	<u>13,547</u>
<b>Equity</b>	
Share capital	1,265
Share premium	33,263
Share based compensation	880
Capital redemption reserve	1
Retained deficit	<u>(21,862)</u>
<b>Equity attributable to shareholders</b>	<u>13,547</u>

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### **About Redx Pharma**

Redx Pharma discovers and develops proprietary, small molecule drugs to address areas of high unmet medical need in cancer and fibrosis. In cancer, Redx pursues targeted therapies where a biomarker can potentially be used for selecting those patients that are most likely to benefit from therapy, and/or drugs that are designed to disrupt cancer resistance pathways. In fibrosis, the Company is focused on developing treatments that will stop and reverse the formation of fibrotic tissue. In both therapeutic areas Redx's aim is to develop drugs whose profile suggests they will be best in class, if not first in class.

## **Chairman's Statement**

**"Re-focused; science based, commercially driven and financially sound"**

**Dear Shareholder,**

2017 has not been a good year for the shareholders of Redx Pharma plc and the value of your investment has reduced significantly. Having said this it has been an extraordinary year, which none of us working for, associated with, or invested in Redx Pharma plc will ever forget.

### **THE ART OF THE POSSIBLE**

After being appointed Chairman on 1 May 2017, three weeks later, Redx Pharma plc was put into Administration by a major long-term creditor. I was as surprised as anybody at the turn of events. However, having worked our way through the five-month period in Administration, supported by a strong management team and excellent advisers, I am pleased to report that your Company has emerged from Administration stronger, leaner and 'fit for purpose' across all facets of the business. It is a very unusual situation whereby a public company goes into Administration and then emerges again as a viable entity and it is a testament to all those involved that we accomplished this and made "the impossible - possible".

This has not, however, been a pleasant experience. Sacrifices have had to be made and some tough decisions taken, and as a result, the Group, whilst under the control of the Administrators, had no choice but to sell off one of the internal development programmes to raise the necessary cash to allow the business to exit Administration as a 'going concern'.

### **NEW LEADERSHIP**

The Company exited Administration after the period under review, so in November 2017, the Board has been re-structured such that six of the seven directors who were in place at the start of the financial year under review are no longer with the business.

Upon exit from Administration, **Dominic Jackson** and **Peter Presland** joined the Board as Chief Financial Officer ("CFO") and independent Non-Executive Director respectively. Both bring strong financial and City experience.

Peter Presland will chair the Audit, Risk and Disclosure Committee and Bernd Kirschbaum, who remains on the Board, will continue to chair the Remuneration and Scientific committees.

Following the resignation of the former CEO, Dr Neil Murray, a search has been initiated for a new, suitably qualified CEO and until such time as the new incumbent is appointed, I will take on the role of Interim Executive Chairman and work with the senior management team to progress the development of the business as a whole.

### **A NEW MODUS OPERANDI**

Over the period, there has been a fundamental shift in the way in which the business operates and I, along with the other Directors and the senior management team, have reviewed all facets of the business, including the financial systems, controls and procedures; reviewed and focused the Research & Development ("R&D") portfolio; and taken on advice from stakeholders and advisers. This has resulted in the adoption of a number of changes to the Group to ensure a more focused approach, with an emphasis on financial rigour, throughout the organisation.

During the year under review, the Group had already begun to focus the pipeline of development projects and to reduce the in-house headcount and resources. However, as a result of going into Administration, this process was further accelerated, and we now have a more focused research and development pipeline, which consists of two prioritised development programmes and five other programmes in research.

At the time of exit from Administration, the Group had £13.9m of cash, with no loan facilities nor liabilities - outside of those necessary for the normal course of business - which when coupled with a reduced cost base, provides a cash runway through to early 2019<sup>1</sup>.

It should be noted that this does not include any potential income from partnering/collaborations and/or the sale or out-licensing of non-core assets. Therefore, with the reduction in the cost base already implemented, coupled with making further progress in refining our discovery portfolio, I remain confident that our cash together with our partnering initiatives will enable us to achieve our medium-term objectives. In saying this, your Board fully recognises the obligation to take the utmost care in the use of shareholder funds, and we will not hesitate to extend the cash runway through realising further cost savings by eliminating unnecessary expenditure if the circumstances dictate.

During the period under review, Redx's lead programme, RXC004, a potential best-in-class porcupine inhibitor, progressed through pre-clinical development and in June 2017 the clinical trial application (CTA) was approved by the MHRA for a phase 1/2a clinical study that will include hard-to treat cancers such as gastric, pancreatic and biliary. This marked the culmination of a huge effort by the Redx team and our clinical development advisers, Novella Clinical, and as a result, it is anticipated that this drug will enter the clinic in Q1 2018. In addition, in September 2017 the Group presented a poster at the European Society for Medical Oncology (ESMO) identifying a specific gastric cancer patient sub-population sensitive to RXC004, which will allow us to target specific patients for the clinical trials.

In addition, over the last 12 months, Redx has developed considerable expertise in understanding the molecular mechanisms underlying fibrosis and the druggable targets on which to focus. The Group has several active programmes in this area with the lead programme being a potential first-in-class ROCK inhibitor where the targeted indication is fibrosis arising from Inflammatory Bowel Disease (IBD). A development candidate from this programme is due to be announced in mid 2018.

The Group intends to out-license its non-core assets and with the assets that we have prioritised, will have no hesitation in forming relevant collaborations to secure third party validation, thereby increasing the probability of success.

## **Financial overview**

Redx's financial position has significantly improved with cash of £23.8m as at 30 September 2017 compared to £5.8m at the previous year end due to the successful sale of the BTK asset for £30.5m. In addition, the Group has no borrowings following settlement of the £2.0m loan from Liverpool City Council and agreements with all other creditors.

The Group generated operating income of £30.5m again due to the sale of the BTK asset. Other income of £1.3m for the year ended 30 September 2017 was down compared to £2.3m in the previous year due to the reduction in grants receivable following settlement of the RGF Grant funding. The Company issued 32.9m shares pursuant to two share placings raising in total £12.4 million and the issue of share options.

Going forward, the Group will benefit from a better cash position with lower ongoing costs following a major reorganisation, active cost management as well as reduced ongoing financial costs. Redx is therefore well placed to invest in its ongoing and now proven R&D platform.

<sup>1</sup>. Independent working capital report prepared by Crowe Clark Whitehill for the Company and Administrators supports a minimum of 12 months working capital

## **CORPORATE GOVERNANCE**

The new Board of Directors is committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure that the Group delivers value to all shareholders. Each Director brings independence of character and judgment to the role. Board and Committee meetings are characterised by robust constructive debate, based upon high-quality reporting from management, and the Board will keep its performance and core governance principles under regular review.

## **OUTLOOK - FOCUS, REALISM and RESULTS**

In the next 12 to 18 months the Group expects to see further validation of its view of the pre-eminence of its discovery capability. The strategy will be to continue to focus on creating potentially 'first in class' or 'best-in-class' drugs. The intention is to ensure that the programmes will be highly valued by the market and pharmaceutical industry alike.

The Board will aim to create value through organic growth, but also will remain alert to external opportunities to accelerate the development of the business, including forming validating partnerships with third-parties. Currently Management is in discussions with third-parties in respect of partnerships and the licensing of non-core assets. However in the absence of value generating partnerships/collaborations being secured in a timely fashion your Board will not hesitate to seek to raise additional funds from shareholders and the investment community should they be required to take our programmes through to significant inflection points.

The mantra for business going forward must be **Focus, Realism and Results**.

The Group will **focus** on the key assets. Having made some tough decisions and having let a number of people leave the business, the cost base is under control. Prudent financial management will continue to be a key driver and accordingly, the Board will not hesitate to terminate programmes which prove to be non-viable, or to make further cost cuts should the need arise.

**Realism** and professionalism will be key to forming any validating partnerships and the way in which the business is managed going forward.

**Results** should be transparent, measurable and time-related and, as a consequence, the Board have established clear timelines for achieving partnering and pipeline objectives in order to achieve a sustainable increase in market value.

## **BOARD COMMITMENT**

Recently, upon exiting Administration, I made the following statement, which I would like to re-iterate in this Annual Report on behalf of the Board.

"...The new Board takes the view that the long-term success of the Company will depend on leveraging scientific excellence to build a diversified portfolio of high-quality, pre-clinical and clinical-stage pharmaceutical assets that will be prized by both potential investors and partners. Only by so doing can we reasonably hope to grow the long-term value of the business. We return to the market with multiple "shots on goal" with two prioritised development programmes and five other programmes in research.

We are not complacent and recognise that the Company's long-term future and viability will depend upon our ability to achieve timely and realistic goals. We do not underestimate the need to regain credibility and profile in the sector and with you, our shareholders. We have a scientifically and commercially experienced management team with a track record of success, working with Key Opinion Leaders to ensure we progress our programmes optimally.

We have defined a clear strategy for the Company and we recognise drug development is invariably a capital-intensive business, and any company that pursues new therapies for diseases as challenging as cancer and fibrosis is required to make significant investments boldly in order to have any chance of success. Your Board fully recognises the obligation this imposes upon us to take the utmost care in the use of shareholder funds, and we will not be afraid to terminate programmes that cease to be competitive and to realise further cost savings by eliminating unnecessary expenditure..."

On behalf of the Board I would like to thank Neil Murray, David Lawrence and Norman Molyneux for their significant and valuable contributions to the business over a number of years and to wish them success in the future.

Finally, I want to recognise the management and staff who are taking this business forward and congratulate them on their efforts and resilience during this time of change and transition. I would also like to thank the shareholders as a whole for their support and patience over what has been an extraordinary period in the Group's history.

At Redx we believe we have a world-beating discovery capability, and with a newly focused and committed team and a targeted commercial partnership strategy, we see the next few years as exciting ones for the Group and its shareholders. I look forward to reporting further progress over the next few months, including the appointment of a new CEO and further announcements in respect of the development of the pipeline.

**Iain Ross**  
**Executive Chairman**

## Operational Review

The principal activities of the business continue to be the discovery and development of proprietary, small molecule drugs to address areas of high, unmet medical need.

In March 2017 the Company completed a share placing and subscription to raise £12m gross. As part of this, Lanstead Capital LP agreed to subscribe for 11,500,000 subscription shares. Further information regarding this transaction can be found in note 8.

Again, in March 2017, a strategic refocusing and restructuring of the Group was announced. The restructuring was completed in May 2017. The costs associated with it have been separately disclosed in note 7.

Following the Company entering Administration in May 2017, the entire focus thereafter was to take the steps necessary to bring the Company out of Administration on a 'going concern' basis with a minimum of 12-months working capital. During this period, the Directors worked with the Administrators to resolve all creditor claims and as a consequence the BTK programme assets were sold to Loxo Oncology for US\$40m on 31 July 2017. Concurrently the Group progressed the development of its pipeline assets as outlined within this report. The Group will continue to focus upon transitioning its programmes into the clinic as appropriate and balance its resources to enable a steady flow of projects through the research pipeline.

Entering Administration triggered a clawback claim for RGF grant funding previously received within the Group. This matter is further disclosed in note 6, and noted in the Key Performance indicators below.

At the year end the Directors reviewed the loan to Redag Crop Protection Limited and derecognised it as an asset as detailed in note 9.

Redx Pharma plc and Redx Oncology Limited exited Administration post year end on 2 November 2017.

### Key Performance Indicators

The Group's key performance indicators include a range of financial and non-financial measures. Details about the progress of our research programs (non-financial measures) are included elsewhere in this Operational Review, and below are the other indicators (financial) considered pertinent to the business.

	2017 £m	2016 £m	2015 £m	2014 £m
<b>Cash at year end</b>	<b>23.8</b>	5.8	9.4	2.9

In March 2017 the Company raised £12m (gross) from a share placing and subscription. In August 2017 the Group sold its BTK asset for \$40m. Post year end £6.1m was used to settle RGF grant funding clawbacks. Full details of cash usage can be found in the Consolidated Statement of Cash Flows.

<b>Total operating expenditure</b>	<b>15.8</b>	16.5	11.4	10.1
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Expected to fall further in 2018 with a full year of benefit from the reduced headcount following the reorganisation and cost saving initiatives.

<b>R &amp; D expenditure</b>	<b>8.2</b>	8.1	5.1	4
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The Group's continuing focus is to maximise the amount of operating expenditure spent on research and development activities.

<b>Cash Flow</b>	<b>18.0</b>	(3.7)	6.5	1.9
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Reflecting both the share issue and BTK programme sale within the year. Post year end £6.1m was used to settle RGF grant funding clawbacks.

### Pipeline Progress

The Redx pipeline has continued to advance over the last year. Its lead programme, RXC004, a potential best-in-class porcupine inhibitor, will enter the clinic in Q1 2018 following the recent approval by the MHRA and Ethics Review Committee for a phase 1/2a study that will include patients with hard-to-treat cancers. A dual ROCK1/2 inhibitor programme (acquired from the private Belgian company,

Amakem in March 2017 for the treatment of fibrosis associated with inflammatory bowel disease (IBD) is in late stage Lead optimisation with a first in class development candidate due to be announced in mid 2018. The Directors believe pipeline progress to be the most significant non-financial Key Performance indicator.

## **Oncology**

### *Porcupine program*

During the financial year, the Group announced that the clinical trial application (CTA) for its lead asset, porcupine inhibitor RXC004, was approved by the MHRA and Ethics Review Committee for a phase 1/2a clinical study that will include hard-to-treat cancers such as gastric, pancreatic and biliary. This is one of the significant opportunities that Redx intends to target with this drug, and expects to start the 1a portion of the study (which will be in cancer "all comers") in Q1 2018. On this timeline, the Group anticipates initial safety and tolerability results from the study during H2 2018, and believes RXC004 has the potential to be used as a biomarker-guided, targeted therapy in hard-to-treat cancers and as a combination partner in immuno-oncology treatment paradigms with checkpoint inhibitors. Together these are multi-billion-dollar addressable markets. Redx expects to see an increase in the number of potentially interested partners once safety data is available from the phase 1/2a trial.

Porcupine is a key enzyme in the oncogenic Wnt signalling pathway. This pathway is implicated in a range of hard-to-treat cancers with poor prognosis such as pancreatic, biliary and gastric cancers. The Group's Porcupine inhibitor, RXC004, is a potent inhibitor of this enzyme and pathway, leading to strong tumour growth inhibitory effects in a variety of cancer models. Redx has also shown that RXC004, when administered together with an immune checkpoint inhibitor (anti-PD-1) has a synergistic immune system modifying effect. Initial clinical studies with RXC004 will be as a monotherapy, but we have included a combination therapy expansion arm together with a checkpoint inhibitor in our clinical study design.

### *Other Pipeline Projects*

Redx has several other compounds in pre-clinical profiling. The Group is in lead generation with its programme developing allosteric inhibitors of the protein tyrosine phosphatase, SHP2. Competitive phosphatase inhibitors that directly bind the catalytic site of the enzyme carry the risk of hitting too many vital phosphatases at the same time. Therefore, Redx is focused on this more indirect method of achieving inhibition in order to ensure specificity. As phosphatases are largely unexploited as pharmacological targets, Redx has an opportunity to be at the forefront of drug development in this area. The Group also has an on-going collaboration with AstraZeneca on an un-named target and a Pan-Raf inhibitor programme in Lead optimisation.

## **Fibrosis**

Fibrosis is an internal scarring process, which can occur in response to injury, where excess connective tissue is deposited in an organ or tissue, thereby impairing its function. Most chronic inflammatory diseases will result in fibrosis, with progressive injury resulting in organ failure. Fibrotic disease can occur in nearly any tissue in the body and contributes to 45%<sup>2</sup> of deaths in the developed world. Solid organ fibrosis can occur as a result of many different diseases, for example inflammatory bowel disease (IBD). Current therapeutic options are limited for these chronic and often life-threatening diseases.

Redx's experienced team of scientists has considerable expertise in understanding the molecular mechanisms underlying fibrosis and hence which druggable targets to focus on. Redx are developing cutting edge therapies that aim to stop and reverse the formation of fibrotic tissue. By targeting pathways involved in the progression of these devastating diseases, these drugs are designed to be disease modifying rather than simply providing symptomatic relief.

### *Developing the first drug specifically designed to treat fibrosis related to inflammatory bowel disease (IBD)*

The Group's lead programme is a potential first-in-class "soft" Rho Kinase (ROCK) 1/2 dual inhibitor where the targeted indication is fibrosis arising from IBD. The drug is designed to work only at the site of action in the gastrointestinal tract and degrades quickly, once absorbed, though enzyme-mediated metabolism in blood plasma avoiding systemic exposure, which we believe will provide a clean safety window over cardiovascular (CV) side effects seen in this target class. This differentiates Redx from other competitor dual ROCK 1/2 inhibitors which circulate in the bloodstream and have known CV safety risks. A development candidate is due to be announced in mid 2018. It is estimated that the direct cost to the US healthcare system of IBD is up to \$28bn [Mehta, F; *Am. J. Manag. Care.* **2016**; 22: S51-60], suggesting that a drug for treating (or preventing) fibrosis for this condition could have blockbuster potential. Redx recognised the potential for this drug and acquired it from Amakem, a

Belgian private company.

### *Other Fibrosis Projects*

Idiopathic pulmonary fibrosis (IPF) is the target indication for the Group's porcupine inhibitors, which are currently being profiled in animal models of this disease. Redx also have a ROCK2 selective inhibitor lead optimisation stage programme looking at kidney fibrosis associated with diabetes, and believe the identification of a selective ROCK2 inhibitor will avoid the cardiovascular effects seen with systemically acting dual ROCK1/2 inhibitors whilst retaining the beneficial anti-fibrotic effects of ROCK2 inhibition. This research complements the Group's lead 'soft' ROCK 1/2 inhibitor programme for IBD since both programmes exploit the anti-fibrotic potential of ROCK inhibition with complementary differentiated approaches to provide a favourable safety profile for the selected indication.

<sup>2</sup>Bollong M. et al, Small molecule-mediated inhibition of myofibroblast transdifferentiation for the treatment of fibrosis (PNAS | May 2, 2017 | vol. 114 | no. 18 | 4683)

## **Strategy**

Redx's ambition is to continue to discover and develop proprietary, small molecule drugs to address areas of high, unmet medical need. In cancer, Redx will pursue targeted therapies (i.e. where a biomarker can potentially be used for selecting those patients that are most likely to benefit from therapy) and/or drugs that can potentially disrupt cancer resistance pathways. In fibrosis, Redx is focused on developing treatments that will potentially stop and reverse the formation of fibrotic tissue (i.e. the drugs are potentially disease modifying, rather than simply providing symptomatic relief). Fibrosis is a feature of the pathology of a number of devastating diseases with high unmet medical need. In both therapeutic areas Redx aims to develop drugs whose profile suggests they will be best-in-class, if not first in class.

The anti-infective research unit has been closed and the Group will look to partner the assets in the near term. With the re-focus on cancer and fibrosis, CARB-X has terminated the unused grant that was awarded to Redx in March 2017 for the NBTI programme.

Redx will continue to seek to maximise shareholder value by advancing selected programmes through to clinical development. The Group will aim to take products through to at least clinical proof of concept stage at which point they can be meaningfully assessed, allowing a proper valuation of the asset for potential partnering. Market data suggests success at this stage of development provides the most significant value inflection in the development of a new medicine, with a significant return on investment achievable [Cortellis Competitive Intelligence Database].

## **Senior Management Team**

Following **Dr Neil Murray's** resignation post year end when the Company came out of Administration, Iain Ross became Interim Executive Chairman and he will remain until such time as the Company has appointed a suitably qualified Chief Executive Officer (CEO) to lead the business. During this transition period, Iain Ross will work closely with the executive management team comprising: **Dr Richard Armer** (Chief Scientific Officer), **Dr Matilda Bingham** (Head of Research and Operations) and **Mr Nicholas Adams** (Chief Business Officer) all of whom have made a significant contribution to enable the Company to exit Administration.

## **Financial Review**

### **Financial position**

At 30 September 2017, whilst still in Administration, the Group had cash resources of £23.8m (2016: £5.8m). Borrowings of £2m had been repaid at the balance sheet date, and a £6.1m clawback of RGF funding was repaid post year end in October 2017. The Group exited Administration on 2 November 2017 with a remaining £13.9m in cash.

### **Impact of Administration**

Two Group companies, Redx Pharma plc and Redx Oncology Ltd were placed into administration on 24 May 2017. The principal financial impacts of this were:

- Costs of the Administration (note 4) £2.9m, including a penalty payment with regard to the derivative financial instrument of £510k;
- Crystallisation of contingent liabilities with regard to grant funding costing £6.1m; and
- The write off of the derivative financial instrument entered into at the time of the last share issue (note 8) costing £3.6m



## Sale of BTK

Redx Oncology raised £30.5m (\$40m) from the sale of its BTK programme to Loxo Oncology Inc.

## Share issue

£12.4m (gross) was raised from the issue of shares during the year. (2016: £10m)

## Cashflows

Overall positive net cash flow of £18m, (2016: £3.7m outflow), generated from the BTK sale and the share issue. No further grant income is expected.

## Reorganisation

A major reorganisation of the Group took place in spring 2017, resulting in a significant reduction in staff numbers. The cost of this was £0.8m. Average headcount reduced from 199 in 2016 to 131 over the year to 30 September 2017. Actual headcount at 30 September was 51.

## Taxation

The group continues to claim Research and Development expenditure credits, with £1.1m due at 30 September 2017. (2016: £0.6m.)

## Iain Ross Executive Chairman

19 December 2017

## Consolidated Statement of Comprehensive Income For the year ended 30 September 2017

	Note	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
<b>Continuing operations</b>			
Revenue	5	30,474	-
Operating expenses		(15,768)	(16,527)
Non-recurring relocation costs		-	(556)
RGF clawback	6	(6,086)	-
Costs of Administration			
Write-off of derivative instrument	8	(3,560)	
Other Administration costs	4	(2,930)	
		(6,490)	-
Non-recurring reorganisation costs	7	(791)	-
Derecognition of non-current asset	9	(641)	-
Share based compensation		(13)	(245)
Other operating income		1,291	2,380
<b>Profit/(loss) from operations</b>		<b>1,976</b>	<b>(14,948)</b>
Finance costs		(368)	(526)
Finance income		38	67

<b>Profit/(loss) before taxation</b>		<u>1,646</u>	<u>(15,407)</u>
Income tax		<b>(118)</b>	(114)
<b>Total comprehensive profit/(loss) for the year attributable to owners of Redx Pharma plc</b>		<u>1,528</u>	<u>(15,521)</u>
		=====	=====
<b>Earnings/(loss) per share (pence)</b>			
<b>From continuing operations</b>			
Basic	<b>10</b>	<b>1.4</b>	(19.8)
Diluted	<b>10</b>	<b>1.4</b>	(19.8)

## Consolidated Statement of Financial Position

At 30 September 2017

Company No. 7368089

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>222</b>	533
Intangible assets		<b>430</b>	309
Other receivables	<b>9</b>	-	605
<b>Total non-current assets</b>		<u>652</u>	<u>1,447</u>
<b>Current assets</b>			
Trade and other receivables		<b>2,588</b>	1,553
Cash and cash equivalents		<b>23,806</b>	5,758
Current tax		<b>643</b>	637
<b>Total current assets</b>		<u>27,037</u>	<u>7,948</u>
<b>Total assets</b>		<u>27,689</u>	<u>9,395</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		<b>13,362</b>	5,675
Borrowings		-	2,000
<b>Total liabilities</b>		<u>13,362</u>	<u>7,675</u>
<b>Net assets</b>		<u>14,327</u>	<u>1,720</u>
		=====	=====
<b>Equity</b>			
Share capital		<b>1,265</b>	936
Share premium		<b>33,263</b>	22,526
Share-based compensation		<b>880</b>	867
Capital redemption reserve		<b>1</b>	1
Retained deficit		<b>(21,082)</b>	(22,610)
<b>Equity attributable to shareholders</b>		<u>14,327</u>	<u>1,720</u>
		=====	=====

## Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Retained Deficit £'000	Total Equity £'000
<b>At 1 October 2015</b>	<b>650</b>	<b>13,516</b>	<b>622</b>	<b>1</b>	<b>(7,089)</b>	<b>7,700</b>
Share issue	286	9,714	-	-	-	10,000
Share issue costs	-	(704)	-	-	-	(704)
<b>Transactions with owners in their capacity as owners</b>	<b>286</b>	<b>9,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,296</b>
Loss and total comprehensive income for the year	-	-	-	-	(15,521)	(15,521)
Share based compensation	-	-	245	-	-	245
Movement in year	286	9,010	245	-	(15,521)	(5,980)
<b>At 30 September 2016</b>	<b>936</b>	<b>22,526</b>	<b>867</b>	<b>1</b>	<b>(22,610)</b>	<b>1,720</b>
Share options exercised	1	69	-	-	-	70
Share issue	328	11,966	-	-	-	12,294
Share issue costs	-	(1,298)	-	-	-	(1,298)
<b>Transactions with owners in their capacity as owners</b>	<b>329</b>	<b>10,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,066</b>
Profit and total comprehensive income for the period	-	-	-	-	1,528	1,528
Share based compensation	-	-	13	-	-	13
Movement in year	329	10,737	13	-	1,528	12,607
<b>At 30 September 2017</b>	<b>1,265</b>	<b>33,263</b>	<b>880</b>	<b>1</b>	<b>(21,082)</b>	<b>14,327</b>

## Consolidated Statement of Cash Flows

For the year ended 30 September 2017

	Note	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
<b>Net cash flows from operating activities</b>			
Profit/(loss) for the year		<b>1,528</b>	(15,521)
<b>Adjustments for:</b>			
Income tax		<b>118</b>	114
Finance costs		<b>368</b>	526
Finance income		<b>(38)</b>	(67)
Depreciation and amortisation		<b>327</b>	262
Share based compensation		<b>13</b>	245
Derecognition of non-current asset		<b>641</b>	-

Write-off of derivative asset	<b>3,560</b>	-
Profit on disposal of assets	<b>(107)</b>	-
<b>Movements in working capital</b>		
Increase in trade and other receivables	<b>(1,185)</b>	(124)
Increase in trade and other payables	<b>8,871</b>	1,272
<b>Cash generated by / (used in) operations</b>	<b>14,096</b>	(13,293)
Tax credit received	-	750
Interest received	<b>2</b>	36
<b>Net cash generated by / (used in) operations</b>	<b>14,098</b>	(12,507)
<b>Cash flows from investing activities</b>		
Purchase of Intangible assets	<b>(121)</b>	-
Sale of property, plant and equipment	<b>124</b>	2
Purchase of property, plant and equipment	<b>(33)</b>	(444)
<b>Net cash used in investing activities</b>	<b>(30)</b>	(442)
<b>Cash flows from financing activities</b>		
Proceeds from share issue	<b>12,364</b>	10,000
Share issue costs	<b>(1,298)</b>	(704)
Purchase of derivative financial instrument	<b>(3,666)</b>	-
Receipt from derivative financial instrument	<b>106</b>	-
Interest paid	<b>(1,551)</b>	-
Loan repaid / (granted)	<b>25</b>	(25)
LCC loan repaid	<b>(2,000)</b>	-
<b>Net cash from financing activities</b>	<b>3,980</b>	9,271
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>18,048</b>	(3,678)
Cash and cash equivalents at beginning of the year	<b>5,758</b>	9,436
<b>Cash and cash equivalents at end of the year</b>	<b>23,806</b>	5,758

As at 30 September 2017, £23.7m of the above amount was held in bank accounts operated by FRP Advisory LLP. (2016: Nil) All cash from these accounts was returned to the control of the directors of the relevant companies on exit from Administration.

## Notes to the financial information

### 1. Basis of preparation

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 30 September 2017 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 19 December 2017 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 30 September 2016 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 20 March 2017 and which have been delivered to the Registrar of Companies for England and Wales.

The reports of the auditor on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The information included in this preliminary announcement has been prepared on a going concern basis under the historical cost convention, and in accordance with International

Financial Reporting Standards (IFRSs) as adopted by the EU and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board ("IASB") that are effective or issued and early adopted as at the date of these financial statements and in accordance 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. Going concern**

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting".

The Group made a net profit of £1.5m during the year, following the sale of its BTK programme, and after taking into account all the costs associated with two Group companies, Redx Pharma Plc and Redx Oncology Limited, entering Administration in May 2017. The Directors are satisfied, based on detailed cash flow projections and after the consideration of reasonable sensitivities, that sufficient working capital is available to meet the Group's needs as they fall due, and at least 12 months from the date of signing the accounts.

The detailed cash flow assumptions are based on the Group's working capital projections, prepared and approved by the Board, which reflects a number of key assumptions in respect of project costs, overheads and discretionary spend, underpinned by the current pipeline. As detailed in the Chairman's statement the Group's internal projections and assumptions were subject to an independent review by Crowe Clark Whitehill and the forecasts provide a cash runway to early 2019.

No revenue has been assumed in the forecasts, save for that generated from subletting unused space. As detailed in the Chairman's Statement, the Group is already in discussions with third-parties in respect of partnerships and the licensing of non-core assets. In addition, no corporation tax expense has been accrued in respect of the disposal of the BTK Program because, as detailed in the announcement of the completion of administration on 3 November 2017 various reliefs are thought to be available. This is on the basis that the Administrators and CCW took tax counsel's opinion that the methodology applied is correct and the reliefs utilised are available. The forecasts indicate that the Group has a cash runway through to February 2019 and its ability to continue to develop its programmes thereafter is dependent on entering a partnership agreement or an additional fund raise. The Group is already in discussions with third-parties in respect of partnerships and the licensing of non-core assets and furthermore, the Group continues to have the ability to seek to raise additional funds on capital markets.

In the absence of such opportunities in relation to partnerships and the licensing of non-core assets coming to fruition, the ability to raise additional funds on capital markets before February 2019 or the unlikely event of the Group becoming liable to pay tax on the disposal of the BTK Program, management has identified further discretionary spending areas which can be reduced to allow the Group to extend its cash runway to early May 2019. These can be made without impinging on the ability of key programmes to reach value inflection points, such as data from clinical trials which are expected to be completed in late 2018.

On the basis of the above review, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

## **3. Segmental information**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors and the Chief Financial Officer are together considered the chief operating decision-maker and as such are responsible for allocating resources and assessing performance of operating segments.

The Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance is based wholly on the overall activities of the Group. Therefore, the Directors have determined that there is only one reportable segment under IFRS8.

## **4. Administration**

On 24 May 2017, two companies within the Group, Redx Pharma plc and Redx Oncology Limited were placed into Administration as a result of the default on repaying a loan from Liverpool City Council. FRP Advisory LLP were appointed as Administrators. Dealing in the shares of the Group on the AIM market was suspended on 24 May 2017. As at 30 September 2017 those companies remained in Administration. They exited Administration on 2 November 2017, when control was returned to the Directors. The costs directly associated with the Administration (including a provision for costs up to the end of the Administration), principally Administrators' costs, legal costs and taxation costs, have been separately disclosed on the face of the Consolidated Statement of Comprehensive income, and total £2.93m. (2016: Nil).

## 5. Revenue

In August 2017, the Group sold its BTK inhibitor drug development programme and related IP to Loxo Oncology Inc. for \$40m. The sale included certain patents, intellectual property, contracts for product manufacture, and physical materials relating to that program.

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Sale of scientific programme and related IP	<b>30,474</b>	-

## 6. Clawback of Regional Growth Fund grant funding

The Group has, in both the current and past years, received Regional Growth Funds (RGF) grants administered by the Department of Business, Energy and Industrial Strategy of the UK Government. At the end of the year the Group had received total grants as follows:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
RGF 2	<b>5,920</b>	5,920
RGF 3	<b>4,700</b>	4,700
RGF 5	<b>3,007</b>	2,630
	<b>13,627</b>	13,250

Under the terms of the grant awards, clawback amounts totalling £9.7m became repayable on Redx Pharma plc entering Administration. During the course of the Administration, a full and final settlement was reached in the sum of £6.1m. This amount is disclosed within Trade and other payables, It was repaid in October 2017, as part of the exit from Administration.

## 7. Reorganisation costs

In March 2017, the Board of directors agreed a proposal to undertake a restructuring of the Group, leading to a significant reduction in headcount across all areas of operation. The non-recurring costs incurred in implementing this proposal were £791,000 (2016: Nil)

## 8. Write off of Derivative financial instrument

On 1 March 2017 the Company issued 11,500,000 new ordinary shares of 0.1p each ("Ordinary Shares") at a price of 37.5p per share to Lanstead Capital for £4,312,500. The Company simultaneously entered into an equity swap with Lanstead for 85 per cent of these shares with a reference price of 50p per share (the "Reference Price"). The equity swap was for an 18-month period ending in October 2018. All 11,500,000 Ordinary Shares were allotted with full rights on the date of the transaction.

Of the subscription proceeds of £4,312,500 received from Lanstead, £3,665,625 (85 per cent) was invested by the Company in the equity swap.

Investment in the equity swap was a condition of the placing with Lanstead.

In the period to 24 May 2017, which was the date of Redx Pharma plc entering Administration, £106,000 had been received by the Group under the terms of the swap.

As a consequence of entering Administration, the terms of the equity swap were such that it terminated with no further benefit to the Company. The remaining balance of £3.56m has

therefore been written off. (2016: £nil)

## 9. Derecognition of non-current asset

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Loan	<b>641</b>	605
Derecognition	<b>(641)</b>	-
	<u>-</u>	<u>605</u>

The loan of £714k was granted to Redag Crop Protection Ltd as part of the sale of the former subsidiary. It bears interest at 5% repayable with the principal sum. The loan is unsecured, and is only repayable on the sale, listing, or change of control of Redag Crop Protection Ltd.

At 30 September 2017, the total amount outstanding (including accrued interest), was £821k. At 30 September 2016, that amount was £785k before a fair value adjustment was made to reflect the non-current nature of the asset, amounting to £180k. following review, and as a result of the conditionality attached to the repayment of the loan, the Directors have derecognised it as an asset in accordance with International accounting standards.

Whilst the loan has been de-recognised as an asset, the Directors do not consider it to be extinguished and will continue to seek full repayment under its terms"

## 10. Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the net income for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

In the case of diluted amounts, the denominator also includes ordinary shares that would be issued if any dilutive potential ordinary shares were issued following exercise of share options.

The basic and diluted calculations are based on the following:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Profit / (loss) for the period attributable to the owners of the Company	<b>1,528</b>	(15,521)
	<b>Number</b>	Number
Weighted average number of shares - basic	<b>113,022,840</b>	78,360,552
Weighted average number of shares - diluted	<b>113,046,401</b>	78,360,552
	<b>Pence</b>	Pence
Earnings / (loss) per share - basic	<b>1.4</b>	(19.8)
Earnings / (loss) per share - diluted	<b>1.4</b>	(19.8)

The loss and the weighted average number of shares used for calculating the diluted loss per share in 2016 are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 *Earnings per Share*.

## 11. Related Parties

Balances and transactions between the Company and its subsidiaries, which are

related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below:

### Trading transactions

The Group has purchased services in the normal course of business from the following companies related to individuals who are or were Directors of the Group:

Acceleris Capital Ltd - of which Mr N. Molyneux is a Director  
 Norman Molyneux Consultancy Ltd - owned by Mr N. Molyneux  
 Dr Frank M Armstrong Consulting Ltd - owned by Dr F. Armstrong

The Group has also purchased administration services from Mrs. J. Murray, who is the wife of Dr N. Murray.

The Group has purchased other services, and has paid deal fees and commissions, in connection with external fundraising from Acceleris Capital Ltd. These are also set out below, and were charged to the share premium account.

The Group has provided services in the normal course of business to the following companies related to individuals who are or were Directors of the Group:

Redag Crop Protection Ltd - of which Mr N. Molyneux is a Director. A loan has also been granted as part of the sale of this company.  
 AMR Centre Ltd - of which P Jackson is a Director.

The amounts outstanding are unsecured.

The Group has a loan of £821k due from Redag Crop Protection Ltd. Mr N. Molyneux, Dr N. Murray, Dr P. Jackson and Mr P. McPartland are all shareholders in Redag Crop Protection Ltd.

Whilst the loan has been de-recognised as an asset, the Directors do not consider it to be extinguished and will continue to seek full repayment under its terms

On 10 June 2016, a short term, interest free loan of £25,000 was made to AMR Centre Ltd, of which P Jackson is a Director. This loan was repaid on 18 August 2017.

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Purchases from/(charges to) related parties		
Redag Crop Protection Ltd	<b>(257)</b>	(163)
Acceleris Capital Ltd	<b>90</b>	88
Acceleris Capital Ltd (fundraising items)	<b>139</b>	309
Norman Molyneux Consultancy Ltd	-	10
Dr Frank M Armstrong Consulting Ltd	<b>2</b>	5
(expenses)		
AMR Centre Ltd	<b>(110)</b>	
Mrs J Murray	<b>24</b>	24
	<b>(112)</b>	273

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Amounts owed to/(by) related parties		
Redag Crop Protection Ltd	<b>(71)</b>	(33)
Redag Crop Protection Ltd - loan	-	(605)
Acceleris Capital Ltd	<b>77</b>	18
AMR Centre Ltd - short term loan	-	(25)
AMR Centre Ltd	<b>(16)</b>	-
Norman Molyneux Consultancy Ltd	-	-
Dr Frank M Armstrong Consulting Ltd	-	1
Mrs J Murray	<b>12</b>	2
	<b>2</b>	(642)



## **12. Events after the reporting period**

**2 November 2017** - Exit from Administration and the Group (Redx Pharma plc and its subsidiaries), announces it has resumed trading under the control of the Directors.

**6 November 2017** - the Group updates the market on its revised strategy, share suspension from trading on AIM is lifted and the following changes in personnel are announced:

- CEO Dr Neil Murray resigned and left the board with immediate effect and Non-Executive Director Mr Norman Molyneux resigned from the Board;
- Mr Iain Ross appointed Interim Executive Chairman;
- Mr Dominic Jackson appointed CFO and executive Director;
- Mr Peter Presland appointed as a Non-Executive Director and Chairman of the Audit, Risk and Disclosure Committee; and
- A search for new CEO initiated

**14 November 2017** - Interim Executive Chairman buys 348,000 shares

**20 December 2017** - Group announces Preliminary Results for year ending 30 September 2017

## **13. Report and accounts**

A copy of the Annual Report and Accounts will be sent to all shareholders with notice of the Annual General Meeting shortly and will also be available to download from the Group's website at [www.redxpharma.com](http://www.redxpharma.com) in due course.

This information is provided by RNS  
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