THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY THE COMPANY TO CONSTITUTE INSIDE INFORMATION AS STIPULATED UNDER THE EU MARKET ABUSE REGULATION (596/2014). UPON THE PUBLICATION OF THE ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INFORMATION IS CONSIDERED TO BE IN THE PUBLIC DOMAIN

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

Final Audited Results for the Year Ended 30 September 2018

Refocused Strategy to deliver the potential of a differentiated pipeline in cancer and fibrosis

Lead programme remains on track to re-commence phase 1/2a clinical study in H1 2019

Alderley Park, 19 November 2018 Redx Pharma (AIM:REDX), the drug discovery and development Company focused on oncology and fibrosis, today announces its audited financial results for the year ended 30 September 2018.

In a seminal year, Redx has been transformed. Since successfully exiting administration in November 2017, the restructured Board and new management team is delivering on the refocused vision of discovering and developing novel drugs with the potential to transform the treatment of cancer and fibrosis.

Operational Highlights

- Following five months in Administration, the share suspension from trading on AIM was lifted in November 2017 and Redx announced a revised strategy under the leadership of Iain Ross as Executive Chairman.

- As a result of an extensive worldwide search, Lisa Anson was appointed as Chief Executive Officer in June 2018 and Iain Ross reverted to the position of Non-Executive Chairman.

- A new management team has been built with the appointment of Dr Andrew Saunders appointed as Chief Medical Officer and the announcement today of Dr James Mead as a full time Chief Financial Officer from 1 February 2019 (see separate release).

- A comprehensive review led by Lisa Anson, confirmed the Group's strategic focus on oncology and fibrosis with scientific priorities in three areas:
    1. Take the lead oncology asset RXC004, a potentially best-in-class, orally bioavailable, porcupine inhibitor into the clinic during 1H 2019
    2. Take the promising anti-fibrotic portfolio into clinic by 2020, by selecting development candidates in 2019 from the programmes targeting treatment of idiopathic pulmonary fibrosis (IPF), liver fibrosis known as non-alcoholic steatohepatitis (NASH) and Crohn's disease
    3. Next generation research projects ongoing, including a SHP2 programme in oncology

- The Group remains on track to recommence the Phase 1/2a clinical trial of RXC004, at a significantly lower dose, in H1 2019 which would generate headline results in mid-2020
    - This follows an agreement, in principle, with the MHRA and clinical investigators on an amended clinical protocol in September 2018
    - The first cancer patient was dosed in February 2018 ahead of the trial being temporarily suspended in March 2018 following the emergence of serious adverse events that were consistent with "on-target" effects due to higher than expected systemic drug levels.

- The Group's first development candidate in fibrosis, RXC006 was selected in November 2018 with plans to be in clinic for IPF in 2020.

- Following the closure of the Anti-Infectives business in late 2017, the Group licensed out the assets through an option and license deal in March with Denoive (NBTI programme) and later in September with Kyrelum (NTTI programme).

- During the year the Group delivered significant restructuring, reducing the cost base by one third; of which 80% was overhead.

Financial Highlights

- Total revenue for the year £0.1m (2017: £30.5m – arising from the sale of the Group's BTK programme to Loxo Oncology Inc)
- Loss for the year £8.8m (2017: profit £1.5m)
- Total operating expenditure £10.6m (2017: £15.8m)
- Cash balance at 30 September 2018 of £6.5m (2017: £23.8m)

Iain Ross, Non-Executive Chairman of Redx Pharma, commented;
*"*This set of results confirms that Redx is operationally, a stronger and leaner company led by an ambitious new management team, with a clear strategic direction. Lisa Anson has made a major impact and under her leadership the Group is starting to make real progress in our programmes aimed at creating high value drugs that treat significant unmet need in cancer and fibrosis.

The Board is committed to strengthening the Group's Balance Sheet in the short term and is in active discussions with shareholders, advisers, third party sector specialist investment groups and potential industry partners regarding funding and/or monetisation of early stage programme assets."

Lisa Anson, Chief Executive Officer of Redx Pharma, **added**, "I am pleased to report on the progress made by Redx during the year. The phase 1/2a clinical trial of our lead cancer asset, RXC004, an oral porcupine inhibitor, remains on track to re-commence in 1H 2019 with headline results expected in mid-2020. We remain confident that this programme can unlock the potential of the Wnt/ßcatenin pathway as a means to tackle unmet needs in cancer. Our re-focused strategy has also provided renewed momentum behind our fibrosis programmes. We believe we have a leading position in our selected areas of interest and recently announced the nomination of our first development candidate, RXC006, a novel porcupine inhibitor, as a potential treatment for idiopathic pulmonary disease, a progressive, orphan disease with limited treatment options."

For further information, please contact:

Redx Pharma Plc **T: +44 1625 469 918**

Iain Ross, Chairman

Lisa Anson, Chief Executive

Cantor Fitzgerald Europe (Nominated Advisor & Joint Broker) **T: +44 20 7894 7000**

Phil Davies

WG Partners LLP (Joint Broker) **T: +44 20 3705 9330**

Claes Spång/ Chris Lee/ David Wilson

FTI Consulting **T: +44 20 3727 1000**

Simon Conway/Stephanie Cuthbert

About Redx Pharma Plc

Redx is a UK based biotechnology company whose shares are traded on AIM (AIM:REDX). Redx's vision is to become a leading biotech focused on the development of novel precision medicines that have the potential to transform treatment in oncology and fibrotic diseases.

If you would like to sign up to regular alerts from Redx Pharma, please follow this link https://www.redxpharma.com/investors/email-alerts/

Chairman's Statement

Dear Shareholder

The financial year ending 30 September 2018 was a seminal year for the Group - lessons were learnt and action was taken.

New Leadership - In November 2017 the Company emerged from Administration with a restructured Board and a new executive management team determined to re-build the Group on the basis of its proven world class scientific capabilities. The Directors immediately embarked upon the search for, and recruitment of, a new CEO and in April 2018 we were pleased to announce the appointment of Lisa Anson, a high profile and experienced industry executive.

Clear Strategy - Since joining the Company in June 2018, Lisa Anson has provided the Redx team with firm leadership and brought a sense of urgency, focus and realism. In a short period of time Lisa has met with the majority of stakeholders and third parties interested in the development of our scientific programmes. Under her leadership the team in Alderley Park has been working tirelessly to prioritise and refine our strategy to generate future sources of value. We now have a clear strategy focused on the development of novel medicines in oncology and fibrotic diseases, whereby we will progress our current programmes to deliver clinical proof of concept, leverage our medicinal chemistry expertise to build our pipeline and thereafter aim to partner to drive further value. The Management goals are bold and ambitious and the team has the full support of the Board to execute a plan to fund, grow and develop the business over the next 12 months and thereby create sustainable shareholder value.

Finance - During the period under review, the Board and Management have continued to adopt a robust set of financial controls including a project based operating model and associated rolling short-term cash flow forecasts to assist in the prioritisation of resources to projects resulting in greater transparency and project accountability. The team has delivered annualised cost savings of approximately £5.2m and has a cash runway into the second quarter of 2019. As a consequence, your Board is committed to strengthening the Group's Balance Sheet in the short term and is in active discussions with shareholders, advisers, third party sector specialist investment groups and potential industry partners regarding funding and/or monetisation of early stage programme assets. Our CFO Dominic Jackson has done a sterling job overseeing our "financial health" over the last 12 months including the resolution of legacy issues post administration. However, as originally planned Dominic will step down from the CFO role early next year and we are pleased to announce the appointment of a new full-time CFO with significant sector experience, Dr James Mead, effective 1 February 2019. On a personal basis and on behalf of the Board I would like to thank Dominic for his support and wish him well as he returns to the private equity sector.

Strong Board and Governance - The Directors continue to acknowledge the importance of high standards of corporate governance and I would refer you to the Chairman's Corporate Governance Statement in the annual report and accounts. Given the Group's size and the constitution of the Board, the Directors have decided to adopt the principles set out in the QCA Corporate Governance Code for small and mid-sized companies published in April 2018 (''QCA Code'') in advance of the requirement to adopt the code under AIM rule 50. In addition, we continue to operate a robust framework of systems and controls to maintain high standards throughout the Group and Company and more details can be found in the Directors' report in the annual report and accounts. The Board believes that effective corporate governance assists us in the delivery of our corporate strategy, the sustainable generation of shareholder value and the safeguarding of our stakeholders' long-term interests.

Chairman's Statement (Cont'd)

Outlook - The last 12 months have been challenging for all involved and as a result the Board has continued to focus upon total transparency and realism. I believe we have emerged as a stronger and more professional organisation whilst retaining a strong scientific core and that the forthcoming year will be transformational. I look forward to an exciting future under Lisa's leadership and on behalf of the Board, I would like to thank our employees for their hard work and dedication as well as our suppliers, business partners and shareholders for their continued support over the last year.

Iain G Ross,

Chairman of the Board of Directors

Chief Executive's Report

I am pleased to provide my first report as CEO of Redx Pharma Plc and to outline the progress we are making in creating high value drugs that treat significant unmet needs in cancer and fibrosis.

In my previous role, as President of AstraZeneca UK, I was part of a team that not only looked to develop, distribute and market innovative therapeutic products but also, where appropriate to partner, license or acquire products and technologies that would add value to patients, physicians and shareholders.

The main reason I was attracted to join Redx is the scientific strength of the Group My initial view was that Redx was a company whose unique capability in medicinal chemistry set it apart from many small biotech companies. I am confident that despite the trials and tribulations of the previous twelve months the Group still has this core strength. On my arrival at the business on 1 June 2018, I led a detailed, systematic review of the business and its programmes and I met many stakeholders and advisers to gain their input and build a clear business plan. Five months into my new role, and having completed this review, my view remains the same; that the programmes and innovative science in our Group remain the foundation of its future success.

Accordingly, in this report, as well as presenting the results for the period, I would like to lay out what I believe is a coherent strategy to build increasing shareholder value. I am excited about the challenge that lies before us and I am also very confident that with the new management and the dedicated scientific team coupled with the support of the Redx Board and shareholders we can deliver a very exciting future for this Group

Streamlined Organisation and new management team in place

With the appointment of Dr Andrew Saunders (CMO) and Dr James Mead (CFO), combined with the experienced science leadership of Dr Richard Armer, I believe we have an ambitious and capable management team in place to lead the next stage of the Company's development.

A*s* this set of results shows, Redx is operationally a stronger, leaner company than in prior years. Since joining I have reviewed all aspects of the business and we have worked hard to ensure our costs are under control and resources are realistically prioritised. Our cost base in 2018 has reduced by a third compared to 2017. In addition, we are in the late stages of an agreement with our landlord to right-size our operational footprint at Alderley Park, reducing our space requirements by 57%. We have delivered £1.4M additional cash compared to the original plan through the effective resolution of financial and tax issues. The Redx team has worked determinedly to create a streamlined organisation whilst successfully retaining the core team of dedicated and talented scientists. This platform and transparent culture provide us with a sound basis for moving forward with our new business plan.

Clear, Focused Strategy

Following the business review we have a clear, focused strategy aimed at driving shareholder value. Redx's ambition is to become a leading biotech Company focused on the development of novel medicines that have the potential to transform the treatment of oncology and fibrosis.

Oncology is a crowded area for drug development. However, it is also one where there is significant unmet need. In particular we believe that the role of precision medicines remains critical to unlocking the full potential of modulating critical pathways such as the Wnt/β-catenin pathway. This pathway can drive tumour growth and is increasingly implicated in shaping the immune environment

around the tumour. As experts in this pathway, Redx is well positioned to unlock this potential. Fibrosis is an area where there are few treatments and a large and growing unmet need. Redx's medicinal chemistry strengths combined with its depth of biology expertise, make it competitive to develop novel precision therapies to tackle the underlying fibrosis in major diseases of the lung, liver, kidney and bowel.

Within these areas of focus, the organisation's strategy is first to **progress the current programmes to deliver clinical proof of concept** and to generate significant shareholder value. In the near term this entails taking our lead cancer asset RXC004, back into phase 1 in H1 2019, to demonstrate a safe dose. In fibrosis, our aim is to select development candidates from the portfolio of three promising fibrosis assets and the first of these selections was made, post period, in November 2018 with the announcement of RXC006 in idiopathic pulmonary fibrosis (IPF).

The second part of the strategy is to leverage Redx's core strength of medicinal chemistry expertise to generate value. We will therefore continue to invest our resources both in-house, to **discover the next generation of differentiated drug candidates** against biologically validated targets in our areas of therapeutic focus, and will also use our expertise and insights to identify and acquire appropriate molecules.

Finally **partnering** will remain a critical part of the Redx strategy to enable additional development and to drive further shareholder value.

Redx's newly focused pipeline shows progress in Oncology and Fibrosis

As a management team we have focused on prioritising and progressing our pipeline, as follows:

1. The lead programme, **RXC004**, is a potential best-in-class porcupine inhibitor which has shown compelling animal efficacy data through impact on the Wnt/β-catenin pathway. Redx is developing RXC004 as an oncology treatment including as an immuno-oncology combination and is preparing to re-start the Phase 1 trial in 1H19 at lower doses (0.5-3mg)
2. **RXC006,** our lead fibrosis programme, is a porcupine inhibitor being developed as a treatment for the orphan disease, IPF, a life-threatening and progressive lung condition with a prognosis worse than many cancers. The nomination of Redx's first development candidate in fibrosis, post period, in November 2018 was a major milestone for the Group.
3. The Group's two programmes targeting rho associated protein kinase (ROCK) inhibition - **ROCK2 selective inhibitors** for the treatment of liver fibrosis and **gastrointestinal (GI) targeted ROCK inhibitors** for the treatment of fibrosis associated with Crohn's disease - have both demonstrated strong data in preclinical models during the reporting period and are now approaching development candidate nomination decisions in 2019.

Lead asset RXC004 in Phase 1 Clinical Development

Redx's lead asset is RXC004, an oral potential best-in-class porcupine inhibitor aimed at treating cancer.

RXC004 entered the clinic for the first time in February 2018 (NCT03447470). The trial was subsequently suspended due the emergence of on-target side-effects (dysgeusia (distortion of taste), diarrhoea and bone fragility) which were expected to be seen at higher doses than the initial 10mg start dose. Pharmacokinetic analysis of the exposure data indicated a much longer half-life than had been predicted from preclinical studies. Whilst the suspension of the trial and the resulting delay was initially disappointing, there were several positive observations, namely that RXC004 was well absorbed and had good pharmacokinetic parameters, no off-target side-effects were seen and that strong target engagement in skin tissue was achieved. Redx held a scientific advice meeting

with the MHRA in July 2018 where an amended protocol proposal was discussed. This included employing a lower start dose and escalation for the trial and the provision of enhanced safety entry criteria and safety monitoring. The MHRA agreed in principle with the new proposals and an amended protocol has now been submitted for approval. Redx and its clinical investigators believe that the required RXC004 exposures can be achieved at lower doses (0.5-3mg) and reformulation work has been undertaken to allow the safety and tolerability phase 1a part of the trial in cancer 'all comers' to restart in 1H19. On this timeline, Redx anticipates initial safety and tolerability results from the study during 2H19 with full results in 2020.

Porcupine is a key enzyme in the oncogenic Wnt/β-catenin signalling pathway. This pathway is implicated in a range of hard-to-treat cancers with poor prognosis such as colorectal, pancreatic, biliary and gastric cancers. Aberrant Wnt/β-catenin pathway activity has been demonstrated to enhance tumour growth both directly and by weakening the host anti-cancer immune response. Redx's Porcupine inhibitor, RXC004, is a potent and selective inhibitor of this enzyme and therefore the Wnt/β-catenin pathway. Inhibition of this pathway, via Porcupine results in strong direct tumour growth inhibitory effect in a variety of cancer models. In addition, when administered either alone or together with an anti-PD1 immune checkpoint inhibitor (ICI), RXC004 enhances anti-tumour immune effects. These data were presented at the prestigious AACR Oncology meeting[1] and is in keeping with the external strong scientific evidence for a role of the Wnt/β–catenin pathway in resistance to ICI[2,3].

This emerging evidence supports Redx's view that RXC004 has the potential to be used as a combination partner in **immuno-oncology treatment** paradigms with ICIs to enhance the response rate of ICIs and to overcome resistance to ICIs in a range of solid tumour types including colorectal cancer (CRC). Redx is now working with leaders in this field, including at Institut Gustave Roussy in Paris, to develop the evidence generation plan that will inform future development direction, including with potentially interested partners, once safety data is available from the phase 1a trial.

Promising Fibrosis Portfolio Progressing Towards Clinic

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 is a contributory factor in up to 45% of deaths in the developed world[4]. 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 the druggable targets on which to focus. 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. Redx is targeting lung, liver and intestinal fibrosis with its lead projects which are all multi-billion-dollar addressable markets.

The lead fibrosis programme, is a **Porcupine inhibitor targeted as a treatment of idiopathic pulmonary fibrosis (IPF)**, a life-threatening lung disease with a prognosis worse than many cancers. REDX06109 has demonstrated excellent antifibrotic activity in a range of fibrosis disease models including fibrosis of the kidney, liver and lung. Successful completion of Preclinical Development Candidate nomination work post reporting period has allowed REDX06109 to be nominated as the Group's sixth development candidate, **RXC006** and its first in Fibrosis. This represents a major milestone for the Group and RXC006 will now progress into preclinical manufacturing and safety studies during 2019 with the aim to enter first in man clinical trials during 2020.

Redx have invested in two approaches targeting the **Rho Kinase (ROCK) signalling pathway** which is a key nodal enzyme in the development of tissue fibrosis. Both projects are in the Lead Optimisation stage of research and decisions to select Preclinical Development Candidates are expected by mid-2019 and if successful enter the clinic in 2020.

Redx's **ROCK2 selective inhibitor** programme is aimed at treating liver fibrosis associated with the growing obesity and diabetes epidemic. The build-up of lipids and inflammation in the liver leads to a condition known as non-alcoholic steatohepatitis (NASH) which progressively leads to liver fibrosis and ultimately life-threatening liver cirrhosis. There are currently no approved treatments for NASH. Redx has developed highly selective ROCK2 compounds that have an improved profile compared to competitor inhibitors. The lead compounds have demonstrated good pharmacokinetic and pharmacodynamic effects in preclinical models and are currently undergoing proof of concept testing in a range of fibrosis disease models with data expected early in 2019.

The **GI-targeted ROCK project** is aimed at treating intestinal fibrosis associated with Crohn's disease which leads to strictures and resection surgery for patients. There is currently no pharmaceutical therapy available to treat this condition and we believe that Redx's compounds would be first-in-class agents. These GI-targeted ROCK inhibitors are restricted to the gut due to their limited absorption profile and rapid enzymatic metabolism of any absorbed material. They have demonstrated very strong anti-fibrotic effects in GI fibrosis disease models along with a good general and cardiovascular safety profile.

Research Into Next Generation Therapies

Redx is committed to continuing research against biologically validated targets in oncology and fibrosis to maintain the pipeline. As part of the Strategy and Portfolio Review conducted mid 2018, the Group has focused its research activities on high selected targets in research, although not all these targets have been publicly disclosed***.***

A key highlight is the project to inhibit the **SHP2** protein, a tyrosine phosphatase enzyme. By inhibiting the SHP2 protein we aim to overcome the multiple resistance mechanisms associated with receptor tyrosine Kinase treatments, with the ultimate aim of improving cancer patient survival. This SHP2 project has made good progress over the reporting period, with the identification of potent compounds with an improved safety profile which has allowed progression into the Lead Optimisation phase. Additionally, recent research has suggested an important role for SHP2 in immune checkpoint signalling, where Inhibition of SHP2 could enhance the ability of the immune system to fight cancer.

Partnering Activity

As a result of the decision to focus the organisation on Fibrosis and Oncology, the anti-infectives business was closed in 2017. During the period the group executed partnering deals for the anti-infective assets. In March 2018 Redx entered an option and license agreement with Deinove for the Novel Bacterial Topoisomerase Inhibitor (NBTI) programme, which is primarily focused upon combating multi-drug resistant Gram-negative bacteria. Under the terms of the agreement, Deinove has paid an option fee to allow them a nine-month option period to assess the NBTI programme for further development. Should the option be exercised at the end of this period, Redx will receive an additional license fee. In September, Redx agreed to license the Novel Tricyclic Topoisomerase (NTTI) program through an option agreement with Kyrulem, a company focused upon the development of novel agents for the treatment of bacterial infections.

As a result of decisions to focus research investment, we have made a number of stop decisions. In addition, this re-prioritisation has led Redx to make the decision to partner its pan-RAF programme rather than progress internally.

Redx has both intellectual property filings and owns granted patents for its programmes, and management are confident of obtaining patent protection in relevant chemical spaces.

I am excited by the potential of the scientific programmes we have in our portfolio outlined in the report and detailed further in our Science report. Taken together our scientific strength, our focused strategy, our new management team, and our streamlined organisation put us in a good position to deliver against our ambitions in the coming year.

Lisa Anson

Chief Executive Officer

References In CEO Report:

1 Bhamra I, Armer R, Bingham M, Eagle C, Edmenson Cook A, Phillips C, Woodcock S. Porcupine inhibitor RXC004 enhances immune response in pre-clinical models of cancer. 2018 July, Cancer Research 78 (13 Supplement): 3764-3764

2 Spranger S, Gajewski TF. Impact of oncogenic pathways on evasion of antitumour immune responses. Nat Rev Cancer. 2018 Mar;18(3):139-147

3 Wang B, Tian T, Kalland KH, Ke X, Qu Y. Targeting Wnt/β-Catenin Signaling for Cancer Immunotherapy.Trends Pharmacol Sci. 2018 Jul;39(7):648-658.

4 Bollong M. et al, Small molecule-mediated inhibition of myofibroblast trans-differentiation for the treatment of fibrosis PNAS,May 2, 2017,vol. 114,no. 18,4683

Operational Review

The Directors present this Operational Review for the year ended 30 September 2018 and cover issues not covered elsewhere in their Strategic Review of the annual report and accounts, namely: Key Performance Indicators, Financial Review and the Principal Risks and Uncertainties.

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.

New Management Team

Lisa Anson was appointed as Chief Executive Officer on 1 June 2018 at which time Iain Ross reverted to Non-executive Chairman from his role as Executive Chairman. Lisa is an experienced industry leader following a twenty year career at AstraZeneca Plc most recently as President of AstraZeneca UK and was also the President of the Association of British Pharmaceutical Industries (ABPI) until August 2018. The new executive team includes **Dr Andrew Saunders** who was appointed Chief Medical Officer in 2018, a critical new role in the new management team, alongside the experience of **Dr Richard Armer** (Chief Scientific Officer). **Mr Dominic Jackson** (Interim Chief Financial Officer) will step down at the end of January 2019, and **Dr James Mead** (Chief Financial Officer designate) takes up the role on 1 February 2019. Dr Matilda Bingham (Head of Research and Operations) left the business during the year and Mr Nicholas Adams (Chief Business Officer) left the business post the reporting period and their roles are not being replaced on the Executive team.

Key Performance Indicators (KPIs)

The Group's key performance indicators include a range of financial and non-financial measures. The Board considers pipeline progress, and in particular progress towards the clinic, to be the main KPI, and updates about the progress of our research programs are included in the CEO Report and in more detail in the Science Report of the annual report and accounts. Below are the Financial KPIs considered pertinent to the business.

	2018	2017	2016	2015
	£m	£m	£m	£m
Cash at year end	**6.5**	23.8	5.8	9.4

A considerable amount of expenditure in the year related to the settling of legacy issues from the Administration, including Regional Growth Fund (RGF) clawbacks and creditor claims. The Board works to ensure that the Group has access to sufficient funding to enable it to carry out its full business plan in order to maximise shareholder value, and as such will be seeking additional funding during the coming year.

Total operating expenditure	**10.6**	15.8	16.5	11.4

The Group has in prior years stated its expectation of a reduction in operating expenditure by circa £4m per annum; this has now been achieved. Continued efforts will be made to maintain rigorous cost control, reducing expenditure further if possible, whilst seeking to prioritise resources for scientific programs.

Net cash flow (including certain one-off payments)	**(17.3)**	18.0	(3.7)	6.5

Reflecting both the expenditure in the year on scientific research, together with the settling of various legacy issues connected with Administration.

Operational Review (Cont'd)

	%	%	%	%
R & D expenditure (as a proportion of total operating expenditure)	**70**	76	84	83

The Group's continuing focus is to maximise the amount of operating expenditure spent on research and development activities, defined as direct R&D expenditure plus scientific staff costs (excluding Board & key management). More recent years have been affected by increased accommodation costs, which as noted in the Financial Review, the Board is taking steps to address. The above is prepared on a comparable basis to prior years, however going forward more costs can be attributed to projects and it is anticipated that this percentage will rise in future.

Financial Review

Financial position

At 30 September 2018, the Group had cash resources of £6.5m (2017: £23.8m). The Group exited Administration on 2 November 2017 with a remaining £13.9m in cash, after a £6.1m clawback of RGF funding was repaid in October 2017, together with final costs associated with the Administration. This significant use of funds in reducing exceptional liabilities is highlighted in the Consolidated Statement of Cashflows and is legacy in nature.

Cost savings

The Group had targeted £4m of year on year fixed cost savings and this target has been significantly exceeded, with operational costs running at £5.2m less in 2018 versus 2017 noting that 2017's operating costs already reflected some of the restructuring savings and that 80% of the reduction is overhead related.

Accommodation (Alderley Park)

The Group also set itself the target of re-aligning its accommodation with its reduced headcount, with a view to further reduce costs. Agreement in heads of terms, subject to final contract has been reached with landlords to reduce the footprint occupied, without cash penalty through a warrant agreement, from 72,000 sq ft to 31,000 sq ft., a 57% reduction. As a result, an onerous lease provision of £752k has been established as described further in note 10. Establishment of the provision has no cash flow consequences in the current financial year. Significantly, future lease obligation have been reduced From £13.4m to £6.7m (note 27), and the benefit of these savings, together with associated savings in rates and service charges, which will benefit the Group going forward.

Impact of Administration

As detailed in the annual report and accounts, two Group companies, Redx Pharma Plc and Redx Oncology Ltd were placed into administration on 24 May 2017. The principal financial impacts of this in the current year were the recognition of the final costs of the Administration (note 1) of £177k.

Operational Review (Cont'd)

Option agreement for Anti-infectives programme

The successful partnering of one of our Anti-Infective programmes with Deinove for an initial sum of £129k increased our focus on the core areas of oncology and fibrosis and has created liquidity for the Group whilst retaining further upside value creation.

Cashflows

Overall negative net cash flow for the year was £17.3m, (2017: £18m inflow). 2017 saw significant inflow, generated from the BTK sale and the share issue. As previously noted, a significant proportion of the current year's outflow is with regard to finalising legacy issues caused by the Administration and took place prior to control being returned to the Directors in November 2017.

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 to 131 in 2017 falling further to 52 over the year to 30 September 2018. Actual headcount at 30 September 2018 was 51. A reorganisation of the Board following the Group's exit from Administration resulted in further non-recurring costs of £0.2m.

Taxation

The Group continues to claim Research and Development expenditure credits, with £726k received in the year and with a further £1.1m due at 30 September 2018 (2017: £1.1m).

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2018

	Note	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Continuing operations			
Revenue	**5**	**129**	30,474
Operating expenses		**(10,606)**	(15,768)
Onerous lease charge	**10**	**(752)**	-
RGF clawback	**6**	**-**	(6,086)
Costs of Administration			
Write-off of derivative instrument	**8**	**-**	(3,560)
Other Administration costs	**4**	**(177)**	(2,930)
Non-recurring reorganisation costs	**7**	**(215)**	(791)
Derecognition of non-current asset	**9**	**-**	(641)
Release of accrued accommodation expenses	**11**	**548**	-
Share based compensation		**(282)**	(13)
Other operating income		**1,186**	1,291
(Loss)/profit from operations		**(10,169)**	1,976
Finance costs		**(1)**	(368)
Finance income		**24**	38
(Loss)/profit before taxation		**(10,146)**	1,646
Income tax		**1,301**	(118)
Total comprehensive (loss)/profit for the year attributable to owners of Redx Pharma plc		**(8,845)**	1,528
(Loss)/earnings per share (pence)			
From continuing operations			
Basic	**12**	**(7.0)**	1.4
Diluted	**12**	**(7.0)**	1.4

Consolidated Statement of Financial Position

At 30 September 2018 **Company No. 7368089**

	Note	2018	2017
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment		**191**	222
Intangible assets		**423**	430
Total non-current assets		**614**	652
Current assets			
Trade and other receivables		**2,023**	2,588
Current tax		**1,211**	643
Cash and cash equivalents		**6,471**	23,806
Total current assets		**9,705**	27,037
Total assets		**10,319**	27,689
Liabilities			
Current liabilities			
Trade and other payables		**3,803**	13,362
Provisions	**10**	**147**	-
Total current liabilities		**3,950**	13,362
Non-current liabilities			
Provisions	**10**	**605**	-
Total liabilities		**4,555**	13,362
Net assets		**5,764**	14,327
Equity			
Share capital		**1,265**	1,265
Share premium		**33,263**	33,263
Share-based compensation		**1,162**	880
Capital redemption reserve		**1**	1
Retained deficit		**(29,927)**	(21,082)
Equity attributable to shareholders		**5,764**	14,327

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	Share capital	Share premium	Share based payment	Capital Redemption Reserve	Retained Deficit	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2016	**936**	**22,526**	**867**	**1**	**(22,610)**	**1,720**
Share options exercised	1	69	-	-	-	70
Share issue	328	11,966	-	-	-	12,294
Share issue costs	-	(1,298)	-	-	-	(1,298)
Transactions with owners in their capacity as owners	329	10,737	-	-	-	11,066
Profit and total comprehensive income for the year	-	-	-	-	1,528	1,528
Share based compensation	-	-	13	-	-	13
Movement in year	329	10,737	13	-	1,528	12,607
At 30 September 2017	**1,265**	**33,263**	**880**	**1**	**(21,082)**	**14,327**
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Loss and total comprehensive income for the period	-	-	-	-	(8,845)	(8,845)
Share based compensation	-	-	282	-	-	282
Movement in year	-	-	282	-	(8,845)	(8,563)
At 30 September 2018	**1,265**	**33,263**	**1,162**	**1**	**(29,927)**	**5,764**

Consolidated Statement of Cash Flows

For the year ended 30 September 2018

	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Net cash flows from operating activities		
(Loss)/profit for the year	**(8,845)**	1,528
Adjustments for:		
Income tax	**(1,301)**	118
Finance costs	**1**	368
Finance income	**(24)**	(38)
Depreciation and amortisation	**164**	327
Share based compensation	**282**	13
Onerous lease provision	**752**	-
Release of accrued accommodation expenses	**(548)**	-
Derecognition of non-current asset	**-**	641
Write-off of derivative asset	**-**	3,560
Profit on disposal of assets	**(17)**	(107)
Movements in working capital		
Decrease/(increase) in trade and other receivables	**572**	(1,185)
(Decrease)/increase in trade and other payables	**(8,963)**	8,871
Cash (used in) / generated by operations	**(17,927)**	14,096
Tax credit received	**727**	-
Interest received	**23**	2
Net cash (used in) / generated by operations	**(17,177)**	14,098
Cash flows from investing activities		
Purchase of Intangible assets	**-**	(121)
Sale of property, plant and equipment	**23**	124
Purchase of property, plant and equipment	**(132)**	(33)
Net cash (used in) investing activities	**(109)**	(30)
Cash flows from financing activities		
Proceeds from share issue	**-**	12,364
Share issue costs	**-**	(1,298)
Purchase of derivative financial instrument	**-**	(3,666)
Receipt from derivative financial instrument	**-**	106
Interest paid	**(49)**	(1,551)
Loan repaid by AMR Centre	**-**	25
LCC loan repaid	**-**	(2,000)
Net cash (used in) / from financing activities	**(49)**	3,980
Net (decrease) / increase in cash and cash equivalents	**(17,335)**	18,048
Cash and cash equivalents at beginning of the year	**23,806**	5,758
Cash and cash equivalents at end of the year	**6,471**	23,806

As at 30 September 2017, £23.7m of the above amount was held in bank accounts operated by FRP Advisory LLP. 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 2018 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 18 November 2018 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 2017 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 20 December 2017 and which have been delivered to the Registrar of Companies for England and Wales. The report of the auditor on these financial statements was unqualified, did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006, and did not include a matter to which the auditors drew attention by way of emphasis without qualifying their report.

The report of the auditor on the 30 September 2018 financial statements was unqualified, did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006 but did include a matter to which the auditors drew attention by way of emphasis without qualifying their report relating to the basis of preparation which is reproduced below:

'Material uncertainty related to going concern
We draw attention to the accounting policy on going concern on page 52 of the financial statements, which indicates that the cash flow forecast prepared by the directors estimate that the Group has sufficient funds to support the current level of activities into the second quarter of 2019 and therefore needs to raise additional funds. As stated in the accounting policy on going concern, these events or conditions, along with the other matters as set forth on page 52 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.'

The information included in this preliminary announcement has been prepared on a going concern basis under the historical cost convention, and in accordance with the accounting policies adopted in the financial statements for the year ended 30 September 2018 which have been prepared 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 information in this preliminary statement has been extracted from the audited financial statements for the year ended 30 September 2018 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with the International Financial Reporting Standards ('IFRS').

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 the Going Concern Basis of Accounting and Reporting on Solvency Risks – Guidance for directors of companies that do not apply the UK Corporate Governance Code''.

The Group and Parent Company are subject to a number of risks similar to those of other development stage pharmaceutical companies. These risks include, amongst others, generation of revenues in due course from the development portfolio and risks associated with research, development, testing and obtaining related regulatory approvals of its pipeline products. Ultimately, the attainment of profitable operations is dependent on future uncertain events which include obtaining adequate financing to fulfil the Group's commercial and development activities and generating a level of revenue adequate to support the Group's cost structure.

The Group made a net loss of £8.8m during the year, and at 30 September 2018 had total equity of £5.8m including an accumulated deficit of £29.9m. As at that date, the Group had cash and cash equivalents of £6.5m.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the approval of these financial statements. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that are expected to prevail over the forecast period. The Directors estimate that the cash held by the Group together with known receivables will be sufficient to support the current level of activities into the second quarter of 2019. The Directors are continuing to explore sources of finance available to the Group and based upon initial discussions with a number of existing and potential investors they have a reasonable expectation that they will be able to secure sufficient cash inflows for the Group to continue its activities for not less than 12 months from the date of approval of these financial statements; they have therefore prepared the financial statements on a going concern basis.

Because the additional finance is not committed at the date of approval of these financial statements, these circumstances represent an uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain further finance such that the going concern basis of preparation were no longer appropriate, adjustments would be required including to reduce balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise

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, which was subsequently repaid in full together with accrued interest in August 2017 (see the Consolidated Statement of Cash Flows). FRP Advisory LLP were appointed as Administrators. 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, principally Administrators' costs, legal costs and taxation costs, have been separately disclosed on the face of the Consolidated Statement of Comprehensive income, and total £0.18m. (2017: £2.93m).

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.

In March 2018, the Group granted an option for a license agreement on its NBTI programme to Deinove, a French drug discovery company.

	2018	2017
	£'000	£'000
Option fees	**129**	-
Sale of scientific programme and related IP	**-**	30,474
	129	30,474

6. Clawback of Regional Growth Fund grant funding

The Group has, in 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 prior year the Group had received total grants as follows:

	2018	2017
	£'000	£'000
RGF 2	**-**	5,920
RGF 3	**-**	4,700
RGF 5	**-**	3,007
	-	13,627

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 included within Trade and other payables, it was repaid in October 2017, as part of the exit from Administration.

7. Reorganisation costs

On exiting Administration In November 2017, a restructuring of the Board was agreed, and 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 relating to directors, incurred in the restructuring of the Board were £215,000. The 2017 costs of £791,000 related to the wider restructuring of the Group.

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 was therefore been written off.

9. Derecognition of non-current asset

	2018	2017
	£'000	£'000
Loan	**-**	641
Derecognition	**-**	(641)
	-	-

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. The financial statements reflected that value less a fair value adjustment made at 30 September 2016 amounting to £180k. Following review, and as a result of the conditionality attached to the repayment of the loan, the Directors 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. Onerous lease provision

	2018	2017
	£'000	£'000
Current		
Brought forward	**-**	-
Recognised in the year	**147**	-
Carried forward	**147**	-
Non-current		
Brought forward	**-**	-
Recognised in the year	**605**	-
Carried forward	**605**	-
	752	-

As at 30 September 2018, the Group no longer occupied the premises at Block 3 Alderley Park, Macclesfield, having relocated all its activities to Block 33. On this basis the Director's believe the lease for Block 3 fulfils the criteria to be regarded as onerous under International Accounting Standard 37.

Following discussions with the landlord, the outstanding period of liability for the lease on Block 3 has been agreed at 2 years (previously over 6 years) in heads of terms, subject to final contract. Total potential costs relating to the remaining portion of this lease (rent & service charges) amount to £1.47m. The Directors estimate that £0.72m of this expenditure can be recovered via existing sub-leases and licenses. Accordingly a provision of £0.75m has been recognised. Given the short timescale involved, no discount rate has been applied.

In total, agreement in the Heads of Terms, has been reached to reduce the footprint leased by the Group, without cash penalty through a warrant agreement, from 72,000 sq ft to 31,000 sq ft., a 57% reduction. Total future lease obligations have been reduced from £13.4m to £6.7m and the benefit of these savings, together with associated savings in rates and service charges, which will benefit the Group going forwards.

11. Release of accrued accommodation expenses

As a result of a positive outcome from negotiations regarding legacy accommodation costs, an accrual for potential expenses of £548,000 is no longer required, and has been released. (2017: nil).

12. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net income for te 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:

	2018	2017
	£'000	£'000
(loss) / profit for the period attributable to the owners of the Company	**(8,845)**	1,528
	Number	Number
Weighted average number of shares – basic	**126,447,914**	113,022,840
Weighted average number of shares – diluted	**126,447,914**	113,046,401
	Pence	Pence
(Loss) / earnings per share – basic	**(7.0)**	1.4
(Loss) / earnings per share – diluted	**(7.0)**	1.4

The loss and the weighted average number of shares used for calculating the diluted loss per share in 2018 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*.

13. 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

As a result of the restructuring of the Board in November 2017, a number of previously related parties no longer meet that criteria. Where this is the case, transactions have been disclosed to the date that the criteria failed to be met, and outstanding balances are shown as of that date.

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. (Mr Molyneux ceased to be a director of Redx Pharma on 3 November 2017, at which point Acceleris Capital Ltd ceased to meet the criteria of a related party.)

- Dr Frank M Armstrong Consulting Ltd – owned by Dr F. Armstrong. (Dr Armstrong ceased to be a director of Redx Pharma on 20 April 2017, at which point Dr Frank M Armstrong Consulting Ltd ceased to meet the criteria of a related party.)

- The Group has also purchased administration services from Mrs. J. Murray, who is the wife of Dr N. Murray. (Dr Murray ceased to be a director of Redx Pharma on 3 November 2017, at which point Mrs. Murray ceased to meet the criteria of a related party.)

The Group has (in the prior year) purchased other services, and has paid deal fees and commissions, in connection with external fundraising services 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. (Mr Molyneux ceased to be a director of Redx Pharma on 3 November 2017, at which point Redag Crop Protection Ltd ceased to meet the criteria of a related party.)

- AMR Centre Ltd – of which P Jackson is a Director. Mr Jackson ceased to be a director of Redx Pharma on 31 March 2017, at which point AMR Centre Ltd ceased to meet the criteria of a related party.)

The amounts outstanding are unsecured.

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.

Purchases from/(charges to) related parties	**2018 £'000**	2017 £'000
Redag Crop Protection Ltd (to 3 November 2017)	**(20)**	(257)
Acceleris Capital Ltd (to 3 November 2017)	**6**	90
Acceleris Capital Ltd (fundraising items)	**-**	139
Dr Frank M Armstrong Consulting Ltd (to 20 April 2017)	**-**	2
AMR Centre Ltd (to 31 March 2017)	**-**	(2)
Mrs J Murray (to 3 November 2017)	**2**	24
	(12)	(4)

Amounts owed to/(by) related parties	**2018 £'000**	2017 £'000
Redag Crop Protection Ltd (at 3 November 2017)	**(73)**	(71)
Acceleris Capital Ltd (at 3 November 2017)	**15**	77

AMR Centre Ltd – short term loan (at 31 March 2017)	-	(25)
AMR Centre Ltd (at 31 March 2017)	-	(1)
Mrs J Murray (at 3 November 2017)	**14**	12

At 30 September 2018 there were no balances due either from or to parties meeting the criteria of "related". 2017 balances relate to 30 September 2017 unless otherwise stated.

Amounts owed to/by related parties are included in other receivables and within trade payables .

14. 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 in due course.