RNS Number : 9820M
Redx Pharma plc
27 January 2021

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

Final Audited Results for the Year Ended 30 September 2020 and Operational Update

Transformational period, with strong progress in delivering pipeline of differentiated cancer and fibrosis assets

Lead programme, RXC004, on track to report Phase 1 clinical study results H1 CY 2021. Selective ROCK2 inhibitor RXC007 set to enter clinical study in H1 CY 2021

Current cash runway enables delivery of multiple value inflection points to end of CY 2022

Alderley Park, 27 January 2021 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 2020 as well as an operational update.

Iain Ross, Non-Executive Chairman of Redx Pharma, commented:
"2020 was a transformational year for the Company. Redx has overcome the common industry challenge of funding and has ended the period with a strong balance sheet and the backing of new specialist life science investors. Despite clinical development challenges that have affected us, as well as many other companies in our sector, as a result of the global COVID-19 pandemic, Redx has managed to progress its pipeline, further developing its lead programmes in oncology and fibrosis, and is on track to deliver on key milestones in 2021. We have a strong and talented management and scientific team and it is with this expertise that Redx has continued to grow and move forward with its strategy."

Lisa Anson, Chief Executive Officer of Redx Pharma, **added**:
"We are excited to report on the growing strength and capabilities of Redx. Over the past 12 months, with highly experienced scientific and management teams in place, we have made significant progress with our pipeline as we continue to apply our distinctive approach to drug discovery. In further recognition of our capabilities we also completed two significant partnering deals with AstraZeneca and Jazz Pharmaceuticals.

Having now gained the backing of key specialist life science investors, we start 2021 in a strong and confident position. Key milestones lie ahead of us in the coming months. I look forward to reporting on these as we continue on our journey to becoming a leading biotech company focused on the development of novel targeted medicines that have the potential to transform the treatment of cancer and fibrosis."

Operational Highlights
- Progressed the Phase 1 trial of its lead oncology asset, RXC004, a potentially best-in-class, orally bioavailable, Porcupine inhibitor
  - Dosing of the first four patient cohorts has successfully been completed
  - The final cohort is ongoing and results are expected by mid 2021
- Nominated a second fibrosis development candidate, RXC007, a ROCK2 (Rho Associated Coiled-Coil Containing Protein Kinase 2) selective inhibitor with potential for development in multiple fibrotic conditions
  - RXC007 is expected to enter a Phase 1 study in H1 2021
- Announced the appointment of Dr Jane Robertson as Chief Medical Officer, effective 1 March 2021
- Licensed preclinical stage Porcupine inhibitor programme, RXC006, to AstraZeneca in return for $17 million in early payments and up to a further $360 million in deferred milestone payments and tiered royalties
- Signed a two target research collaboration with Jazz Pharmaceuticals, with $10 million cash received on signing and a further $10 million due in year two, together with further milestone payments and tiered royalties

Financial Highlights
During the year, the Company significantly improved its financial position, gaining the support of established specialist healthcare and life sciences investors. Taken together with the income from commercial partnerships, the Company has working capital until the end of 2022.

- $30 million financing package secured with Redmile Group LLC and Sofinnova Partners in July 2020, approved at the general meeting on 20 July 2020
- Post period, in December 2020 a placing and Open Offer of £25.7 million, which received strong support from existing investors and added healthcare specialist investors including Polar Capital, was approved at the General Meeting on 21 December 2020
- Cash balance at 30 September 2020 of £27.5 million (30 September 2019: £3.7 million), post placing cash balance of £48.2 million on 24 December 2020, working capital secured until Q4 2022
- Total revenue for the year: £5.7 million (2019: £3.1 million)
- Loss for the year: £9.2 million (2019: £4.3 million)
- Total operating expenditure: £14.2 million (2019: £10.2 million)

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About Redx Pharma Plc

Redx Pharma (AIM:REDX) is focused on the discovery and development of novel targeted medicines for the treatment of cancer and fibrotic disease, aiming to progress them to clinical Proof of Concept. Redx's lead oncology asset, RXC004, is currently in a Phase 1 study in patients with advanced malignancies with top line data expected in H1 2021 and the Company's selective ROCK2 inhibitor, RXC007, is expected to enter a Phase 1 clinical study in H1 2021.

The Company's core capability of converting medicinal chemistry insights into differentiated and commercially attractive small molecule drug candidates against clinically validated targets has been recognized by others. Over the last three years the company has completed four major preclinical stage deals with AstraZeneca, Jazz Pharmaceuticals and Loxo Oncology (now Eli Lilly).

Chairman's Statement

Over the last 12 months, Redx has made substantial progress across all facets of its business, raised significant funding to support the development of its lead therapeutic programmes and concluded two significant commercial partnerships.

In light of the recent uncertainty arising from the COVID-19 pandemic, we have been quick to adapt to the changing circumstances and we have taken decisive steps to minimise the impact on our business. We have deployed our resources wisely, thereby allowing the management team to continue to pursue a clear and focused strategy under the excellent leadership of our Chief Executive Officer, Lisa Anson.

During the financial year ending 30 September 2020, despite the challenges of COVID-19, we saw good momentum in growing shareholder value, building on the strong foundational work of 2019 by delivering scientific progress, securing new investment and forging valuable partnership deals. Importantly, the Company has ended the period in a secure financial position, enabling it to progress its differentiated pipeline in oncology and fibrosis at pace in the coming periods.

Clear, focused strategy - Redx's ambition is to become a leading biotech company focused on the discovery and development of targeted medicines in oncology and fibrotic diseases, by progressing prioritised programmes to deliver clinical proof of concept. We continue to leverage Redx's core proven strengths in medicinal chemistry, designing molecules against validated targets in order to discover the next generation of clearly differentiated drug candidates for our pipeline. 2020 has seen significant delivery against this strategy with the following notable achievements:

- **Clinical progress**: In oncology, the Company has progressed its lead molecule, RXC004, in Phase 1 trials. Importantly, the first four patient cohorts (0.5mg, 1mg, 1.5mg, 2mg) have been successfully dosed such that the final cohort (3mg) was initiated in January 2021. As a result of a six month recruitment pause due to COVID-19, the completion of this study has been delayed and Redx anticipates that full safety and tolerability results from this Phase 1 study will now be available in H1 2021 [CY]. RXC004 is on track to move into Phase 2 clinical studies in 2021.
- **New fibrosis drug candidate**: In January 2020 Redx successfully nominated RXC007, a selective ROCK2 inhibitor, to be developed as a potential best-in-class drug to target fibrotic diseases, including life-threatening idiopathic pulmonary fibrosis (IPF) and more broadly for systemic fibrotic conditions such as liver fibrosis (NASH). The Company has progressed the necessary toxicology and manufacturing work to prepare for a Clinical Trial Application (CTA) with a view to initiating a Phase 1 study in H1 2021. This programme has strong commercial potential. It is in a challenging area of chemistry but Redx currently holds a competitive position in development.
- **Commercial partnerships**: The Company has once again demonstrated its ability to deliver commercial partnerships with the licensing of the preclinical stage Porcupine inhibitor programme, RXC006, to AstraZeneca, as announced on 4 August 2020. This was in return for $17 million in early payments by the time of a successful completion of a Phase 1 study and up to a further $360 million in deferred development, regulatory and commercial milestone payments as well as tiered royalties. This was quickly followed by a new two target research collaboration with Jazz Pharmaceuticals, as announced on 9 September 2020, with $10 million cash received on signing of the agreement and an expected further $10 million due in year 2 as well as up to a further $400 million in milestone payments, plus tiered royalties. Together with the sale of Redx's BTK inhibitor programme in 2017 to Loxo Oncology (now Eli Lilly), which is progressing well through clinical trials, and the July 2019 sale of Redx's pan-RAF programme to Jazz Pharmaceuticals, this makes four major partnership deals in recent years, further demonstrating the strength, depth and value of Redx's expertise in medicinal chemistry.

Chairman's Statement (Cont'd)

Strengthened financial position - During the period under review, the Board and management have continued to adopt a robust set of financial and governance controls to maintain the highest standards throughout the Company; more details on this can be found in the Corporate Governance Statement of the Annual Report. A particular achievement during 2020 was delivery of the Board's commitment to strengthen the financial position of the Company by securing new investors. The Company gained the support of two established specialist healthcare and life sciences investors, Redmile Group LLC and Sofinnova Partners, which led to the receipt of a $30 million (fixed at £23 million) financing package, which was approved at the general meeting on 20 July 2020, allowing the repayment of the £5 million short term loan from Redmile. This was followed by a further placing for £25.5 million (gross) in December 2020, which received strong support from existing investors and broadened the shareholder register with the addition of healthcare specialist, Polar Capital. The financing was approved at the General Meeting on 21 December 2020 and leaves the Company in a strong position with working capital until the end of 2022.

Outlook - The last 12 months have been very encouraging as we have continued to deliver on our strategy, consistently demonstrating our drug discovery and development capabilities underscored by forging further commercial deals. Importantly, we have successfully overcome the common funding challenge faced by many early stage listed biotech companies and have secured sufficient investment to further develop our pipeline with the addition of three well-established and well-funded investment partners, Redmile, Sofinnova Partners and Polar Capital. This strengthened financial position means we can continue to drive forward two promising clinical programmes and our preclinical research at pace.

On behalf of the Board, I would like to thank our CEO, Lisa Anson, and CSO, Richard Armer, along with the rest of our management team and employees for their hard work and dedication this year. I would also like to thank our business partners and suppliers for their continued strong and invaluable support.

At the start of 2020 Redx was in an uncertain financial position. We therefore fully appreciate the support we have had from our new investors. However, we also recognise that without the patience and support of our long-term shareholders and resilience of our scientific foundation, we would not have been able to turn this business around over the last 3 years. 2020 has been a truly

extraordinary year for all of us both personally and from a business perspective.

Redx now enters the next 12 months ready to deliver on our exciting plans.

Iain G Ross,

Chairman of the Board of Directors

Chief Executive's Report

When I took over as your CEO in 2018, I was convinced of the value inherent in the scientific capability of the Company. At that time, we put in place the strategy and organisation to create an exciting future focused on leveraging our differentiated medicinal chemistry capability and progression of selected drug development programmes. I am pleased to report that the full year results for the 12 months to 30 September 2020 demonstrate the significant progress we have made in this journey. We have seen real momentum in shareholder value as our scientific progress was recognised with substantial new investment and valuable partnering deals.

Redx's key strengths remain its distinctive expertise in medicinal chemistry and target selection, setting it apart from many other small biotech companies. This world class capability underpins many of the operational highlights this year. We have made tangible progress with our pipeline. Our promising lead oncology asset, RXC004, is currently in Phase 1, and has generated encouraging early data. We also nominated an exciting new development compound, RXC007, for fibrosis during the year. We were successful in concluding two major business partnering deals with AstraZeneca and Jazz Pharmaceuticals, which further validate our science and bring in non-dilutive funding, aligning both us and our partners to the ongoing success of these programmes. Given the importance of our clinical portfolio in our strategy, I was particularly delighted to announce the appointment of Dr Jane Robertson as Chief Medical Officer who will join us on 1 March 2021. She will be instrumental in leading our key programmes through clinical development. I would like to take this opportunity to thank Dr. Andrew Saunders for his significant contribution in leading the RXC004 Phase 1 programme.

Like many other early stage biotech companies, the most significant challenge we faced during the period was to secure sufficient investment capital in order to allow us to fully realise the potential of our programmes and innovative science. I am therefore pleased to report that in Redmile Group LLC, Sofinnova Partners and more recently Polar Capital, we have secured large, supportive and well-funded specialist healthcare and life science investors who allow us the financial stability to execute our business plan. I believe that this investment, coupled with our team of talented scientists and committed leaders, are the key ingredients to enable us to execute our strategy successfully and to achieve key clinical milestones over the next 12-18 months.

A clear and focused strategy

Redx's ambition is to become a leading biotech company focused on the development of novel targeted medicines that have the potential to transform the treatment of cancer and fibrosis. Within these areas of focus, the organisation's strategy is firstly to **progress our lead programmes to deliver clinical proof of concept**, a key value inflection milestone.

The second part of the strategy is to leverage Redx's core strength in medicinal chemistry expertise and proven ability to design molecules in order to generate value. We will therefore continue to invest our resources in **discovering the next generation of differentiated drug candidates** against biologically validated and commercially attractive targets in our areas of therapeutic focus.

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

Oncology: Clinical progress with Porcupine inhibitor, RXC004

Redx's lead programme, **RXC004**, is a potential best-in-class Porcupine inhibitor which is currently in Phase 1 clinical development to treat cancer (NCT03447470). Redx is developing RXC004 as a targeted oncology treatment for Wnt-driven tumours, both as a monotherapy (through direct tumour targeting and as an immuno-oncology action) and in combination (with other immuno-oncology agents). Each represent a large potential commercial opportunity.

Chief Executive's Report (Cont'd)

RXC004 has shown compelling animal efficacy data through its highly targeted impact on the Wnt pathway. Initial results from our open label clinical study are encouraging.

Redx has successfully completed dosing in four patient cohorts, with the drug being well tolerated and with no dose limiting toxicities (DLTs) reported to date. Measured pharmacokinetic parameters are compatible with once daily dosing and importantly there was strong target engagement detected in skin tissue markers. A final monotherapy patient cohort at 3mg has now been initiated. Due to a recruitment pause as a result of the COVID-19 pandemic, Redx anticipates full safety and tolerability results from this Phase 1 study will be available during H1 2021. Importantly, Redx is now also commencing the combination arm of the Phase 1 study with RXC004 and an anti-PD1 antibody to assess the tolerability of the combination and assess the dose for the proposed Phase 2 combination study.

Pending the results of this study, RXC004 is on track to move into Phase 2 clinical studies in 2021. We remain confident that this programme can unlock the potential of the Wnt pathway as a means to tackle unmet need in a number of cancers.

Oncology is a crowded area for drug development. However, it is also one where there remains significant unmet need. In particular, we believe that precision medicines are the key to unlocking the full potential of modulating critical pathways such as the Wnt pathway. Aberrations in this pathway have been shown to drive tumour growth and are increasingly implicated in shaping the immune environment around the tumour. In particular, the Wnt pathway is implicated in a range of hard-to-treat cancers with poor prognosis such as colorectal, pancreatic, biliary and gastric cancers. At the molecular level, the Wnt pathway has long been viewed as containing potentially "druggable" cancer targets. **Porcupine,** a key enzyme in the pathway, is one such target. It is very encouraging to see that the first-in-class drug that targets Porcupine (WNT974, Novartis), is in Phase 2 clinical development, and that the class overall apparently has a viable therapeutic window, with over 120 patients now treated across the class in clinical trials. We believe that the full potential of targeting Porcupine as an anticancer therapy will require the generation of efficacy data in **genetically selected patients** (those with upstream Wnt pathway aberrations driving tumour growth, whose tumours are addicted to Wnt) and understanding the tolerability of longer duration of treatment. The sustained inhibition of Porcupine provided by RXC004's longer half-life compared to WNT974 upon once daily oral dosing allows for this hypothesis to be fully tested in the clinical setting.

RXC004, is a potent and selective inhibitor of Porcupine, a key enzyme in the Wnt pathway, which results in strong **direct tumour growth inhibitory effect** in a variety of cancer models. When RXC004 is administered either alone or together with an anti-PD1 immune checkpoint inhibitor (ICI), RXC004 **enhances anti-tumour immune effects**. Redx data are in keeping with the external strong scientific evidence for a role of the Wnt pathway in resistance to ICI. This evidence supports Redx's view that **RXC004 has the potential to be used to treat Wnt driven cancers both as a monotherapy and in combination with immuno-oncology** treatments such as ICIs to enhance the response rate and overcome resistance.

Fibrosis: new development compound, RXC007, heading into the clinic

Redx is targeting the **Rho-associated protein kinase (ROCK) signalling pathway**, where ROCK2 is a key enzyme isoform implicated in the development of tissue fibrosis. The Redx selective **ROCK2 inhibitor programme** is designed to overcome the

systemic limitations of pan-ROCK inhibitors (which inhibit both ROCK1 and ROCK2 isoforms and can induce systemic hypotension), enabling potential use in the treatment of systemic fibrotic conditions such as liver fibrosis, idiopathic pulmonary fibrosis (IPF) and diseases with an element of fibrosis such as chronic graft versus host disease (cGVHD).

Chief Executive's Report (Cont'd)

In January 2020, Redx reached an important milestone with the nomination of an exciting new development compound **RXC007**. RXC007 is a selective inhibitor of ROCK2, aiming to enter clinical development in 2021 as a treatment for the orphan disease IPF, a life-threatening and progressive lung condition with a prognosis worse than many advanced cancers, and then more broadly as a systemic treatment for fibrotic conditions including potentially liver fibrosis known as Nonalcoholic Steatohepatitis (NASH). Developing a selective ROCK2 inhibitor is technically challenging as evidenced by the lack of competitor programmes behind Kadmon's ROCK2 inhibitor (KD025, belumosudil), which leads the field and is undergoing FDA review for cGVHD. Redx has developed a highly selective ROCK2 compound that has an improved profile compared to this competitor. RXC007 has demonstrated good pharmacokinetic and pharmacodynamic profiles in preclinical models and strong proof of concept data in a range of fibrosis disease models.

Preparations for a Clinical Trial Application (CTA) including toxicology and manufacturing are well advanced, with RXC007 expected to enter the clinic in H1 2021.

Significant commercial partnering deals with AstraZeneca and Jazz Pharmaceuticals

During the year, Redx expanded its partnered portfolio with two major deals.

On 4 August 2020, Redx announced an out licensing agreement with **AstraZeneca** for the development and commercialisation of **RXC006**, a Porcupine inhibitor, for fibrotic diseases. Under the terms of the exclusive global agreement, AstraZeneca will pay Redx several early milestones (up to successful commencement of a Phase 1 study) that amount to $17 million. In addition, Redx is eligible to receive up to a further $360 million from AstraZeneca in development, regulatory and commercial milestone payments throughout the course of the programme should it successfully reach these milestones. Redx is also eligible for tiered royalties of mid-single digit percentages, based on any future net sales.

AstraZeneca will take RXC006 forward into clinical development, targeting fibrotic diseases including IPF. RXC006 has demonstrated excellent antifibrotic activity in a range of fibrosis disease models including fibrosis of the kidney, liver and lung. Porcupine inhibition is a novel anti-fibrotic approach that suppresses Wnt ligand secretion from pro-fibrotic cells. Wnt ligands are known to be strong drivers of fibrotic mechanisms and are highly expressed in diseases such as IPF. Wnt ligands regulate multiple aspects of disease biology so Porcupine inhibition presents a potentially powerful anti-fibrotic approach. There is considerable evidence supporting a pathogenic role for Wnt signalling in IPF and increased Wnt pathway expression is associated with poor patient prognosis in IPF. RXC006 has progressed through preclinical manufacturing and safety studies in 2019 and handover to AstraZeneca has been completed.

On 9 September 2020, Redx announced a new **research collaboration** agreement with **Jazz Pharmaceuticals** to discover and develop drug candidates for two cancer targets on the Ras/Raf/MAP kinase (MAPK) pathway. Redx will be responsible for research and preclinical development activities up to Investigational New Drug (IND) submission. Under the terms of the agreement, Jazz Pharmaceuticals paid Redx an upfront payment of $10 million with another $10 million due to Redx in year two provided research work is continuing. Following delivery of an IND-ready molecule, Redx will be eligible to receive up to a further $200 million from Jazz Pharmaceuticals in development, regulatory and commercial milestone payments for each programme. The first milestone is payable upon successful IND submission and all subsequent milestones are contingent on successful completion of the relevant stages of development. In addition, for both programmes, Redx is eligible for tiered royalties in mid-single digit percentages, based on any future net sales. Jazz Pharmaceuticals will own all intellectual property as it is generated, and following a successful IND submission, will be responsible for further development, manufacturing, regulatory activities and commercialisation.

Chief Executive's Report (Cont'd)

This new research collaboration recognises Redx's expertise in oncology drug design and follows the previous sale of Redx's pan-RAF inhibitor programme to Jazz Pharmaceuticals in July 2019, as a potential treatment for RAF and RAS mutant tumours. The associated collaboration on the pan-RAF programme, under which Redx performs research and preclinical development services, with the goal of completing IND-enabling studies, continues to progress well, and has resulted in significant revenue generation of £2.1 million for the Company during the reporting period.

These transactions continue to underscore Redx's excellence in drug design and its business partnering capability. There are few biotech companies of our size that have completed four major deals as Redx has done in the three years following the sale of our BTK inhibitor programme (RXC005) to Loxo Oncology in 2017. This molecule is now being successfully developed by Eli Lilly in the clinic as LOXO-305 and showing best in class potential in a range of B cell malignancies including those resistant to first generation BTK inhibitors.

Discovery research into next generation therapies

Redx is committed to continuing research against biologically validated and commercially attractive targets in oncology and fibrosis to maintain the pipeline and has focused its research activities on highly selected targets in these areas**.** Our discovery approach is based on three steps:

1. Selecting biologically validated targets linked to high unmet medical needs, where we believe there is an opportunity to apply our drug discovery capabilities;
2. Applying Redx's molecule design framework, leveraging our strength and experience in medicinal chemistry to optimise a best-in-class molecule for the target and create novel patent claims;
3. Delivering high quality targeted small molecules with a clear line of sight to clinical and commercial success.

Oncology continues to be an area of high unmet need and our oncology research strategy is focused on discovery and development of highly selective small molecule drugs for **genetically defined cancers** and **immuno-oncology**.

Targeted therapies for genetically defined cancers prevent the growth of cancers by inhibiting specific proteins/genes required for tumour growth, with one major advantage being the reduced side effects compared to traditional chemotherapy. Recent advances in precision medicine have shown that drugs which target cancer at the genetic level often have the best timely outcomes, with the choice of treatment options based on the individual genetic alterations found in a patient's tumour. Early in the discovery process, our targeted therapy programmes involve discovering biomarkers to identify a defined/specific patient population that will benefit from our drugs. This includes the identification and targeting of newly emerging clinical resistance mechanisms. We believe this approach will increase our success in the clinic, reduce overall development costs and help to accelerate the delivery of medicines to patients.

Immuno-oncology is an approach that uses the patient's own immune system to identify and kill the tumour. Recent advances in immuno-oncology have been transformative, producing long-lasting, robust responses for certain patients. These advances include the immune checkpoint inhibitor class of therapies, such as anti-PD-1/PD-L1 antibodies. Despite these breakthroughs, there remains a significant proportion of patients whose tumours are unresponsive or develop resistance to such treatments, and therefore fail to benefit from these lifesaving therapies. Our programmes in immuno-oncology aim to combine our compounds with existing immune checkpoint inhibitors to improve response rates in these resistant patient populations.

Chief Executive's Report (Cont'd)

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. 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. Solid organ fibrosis can occur as a result of many different diseases and current therapeutic options are limited for these chronic and often life-threatening illnesses.

During the year Redx secured grant funding from InnovateUK in a joint project with the Medicines Discovery Catapult (MDC) to develop biomarkers in IPF, recognising Redx's scientific strength in this area.

In fibrosis research, the Company continues to progress its **gastrointestinal (GI) targeted ROCK inhibitor research project** 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. GI-targeted ROCK inhibitors are restricted to the gut due to their limited absorption profile and rapid enzymatic metabolism of any absorbed material. The compounds have demonstrated very strong anti-fibrotic effects in GI fibrosis disease models along with a good general and cardiovascular safety profile. Redx is now developing a full candidate nomination package to deliver a drug candidate in 2021.

Following a full review of our research portfolio, we have terminated a number of our early projects, including the SHP2 programme, in order to prioritise resources.

Significantly strengthened financial position

Throughout the year we have worked hard to secure sufficient investment to realise the full potential evident in our pipeline. The investment by Redmile Group and Sofinnova Partners has given us greater security from a cash perspective, allowing the Company to proceed with an ambitious, but measured, business plan going forward. The Company ended the year 30 September 2020 with a cash balance of £27.5 million (30 September 2019: £3.7 million) as a result of a number of financial transactions through the year.

Initially, the Company strengthened its balance sheet by fully capitalising a fixed rate £2.5 million short-term loan facility in January 2020. Thereafter, we entered a further period of uncertainty when the Company was the subject of a third-party approach, which concluded with the announcement that Redmile Group would provide funding, comprising an initial equity investment of £1.3 million in March, followed by £5 million of short-term debt funding in April. Redmile subsequently acquired 91.76% of the issued share capital of the Company, partially through a mandatory offer for shares, in April 2020.

In July, the Company announced that Redmile and Sofinnova Partners would commit further investment as a result of which the Company issued $29 million (fixed at £22.2 million) convertible loan notes. In addition Sofinnova subscribed for £0.8 million ($1 million) of equity. The short-term loan due to Redmile, together with accrued interest, was repaid immediately on receipt of these investments.

Chief Executive's Report (Cont'd)

The Company then added further to its financial security by generating new revenue from partnership deals including the receipt of an initial upfront payment from AstraZeneca in August 2020, followed by the receipt of a $10 million upfront payment from Jazz Pharmaceuticals in September 2020 in addition to the £2.1 million revenue earned from the ongoing pan-RAF collaboration.

Post period, the Company completed a gross fundraise of £25.7 million which was approved by shareholders on 21 December 2020 and served to add Polar Capital to our shareholder register and extend our cash runway through to the end of 2022.

Throughout the year we have continued to manage our costs carefully and ensure that optimal resources are allocated to maximum effect in line with our strategy. Our operating expenses of £14.2 million have risen (£10.2 million in 2019) as we continue to invest in and advance our pipeline and our programmes move into more cash intensive clinical stages. A slight increase in overall reported costs also arose after the adoption of IFRS16 and as a result of higher professional fees, driven by the significant corporate activity outlined below. Following an agreement with Alderley Park Limited in 2018 we have completed our financial commitments to return a historic long-term lease and resolve this legacy issue. Our accommodation footprint is now rightsized for the business going forward, although we continue to work with our landlord, Bruntwood SciTech, to find ways to reduce and mitigate our accommodation costs through sub-lease of excess space.

Outlook

During the period, whilst navigating our way through various financial scenarios and the COVID-19 global pandemic, we made tangible progress on advancing our pipeline. Our Phase 1 oncology study with RXC004 continued in the clinic. We nominated RXC007 as a development candidate for fibrosis indications and this is now progressing towards the clinic next year. Additionally, we completed two significant business development deals.

I continue to be really excited by the differentiated programmes in our pipeline and I believe that with the strength of our science, the proprietary position of our assets and their commercial potential now combined with strong investment partners, we are in a position to deliver meaningful results in the clinic which will drive benefits for patients and value for shareholders.

On a personal note, I want to thank the Board, management and shareholders for their support during what has been a challenging period in the Company's history. I look forward to continuing the job I came here to do, which is to build a world-class biotech company. Most importantly, I would like to thank our employees for their hard work, resilience and commitment to Redx and to congratulate them on the research and partnering progress achieved in this extraordinary year.

Lisa Anson

Chief Executive Officer

Operational Review

The Directors present this Operational Review for the year ended 30 September 2020 and cover issues not covered elsewhere in their Strategic review, 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.

Management Team

Lisa Anson (Chief Executive Officer), **Dr James Mead** (Chief Financial Officer), **Dr Richard Armer** (Chief Scientific Officer) and **Dr Andrew Saunders** (Chief Medical Officer) have continued in their positions throughout the year. In October 2020 the Group announced that **Dr Jane Robertson** will join as Chief Medical Officer from 1 March 2021, following the departure of Dr Saunders.

Key Performance Indicators (KPIs)

The Group's KPIs 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 programmes are included in the CEO's

Report. Below are the Financial KPIs considered pertinent to the business.

	2020	2019	2018	2017
	£m	£m	£m	£m
Cash at year end	**27.5**	3.7	6.5	23.8

Significant progress has been made during the year in securing the funding necessary to stabilise the financial position of the Group and provide funding for the business plan going forward, principally via £12.8m of cash income (not all of which has been recognised as revenue in the year), together with £22.2m of loan note and £2.1m of equity funding. Post year end a further £25.7m was raised via a Placing and Open Offer.

	2020	2019	2018	2017
	£m	£m	£m	£m
Total operating expenditure	**14.2**	10.2	10.6	15.8

Expenditure has risen in line with expectations as programmes progress positively to clinical and pre clinical stages, which are cash intensive. The considerable amount of corporate activity during the year has led to some increases in associated costs, but management continues to maintain rigorous cost control, whilst seeking to prioritise resources for scientific programmes.

	2020	2019	2018	2017
	£m	£m	£m	£m
Net cash flow (including certain one-off payments)	**23.8**	(2.8)	(17.3)	18.0

Positive cash flows have been achieved not only from financing activities, but also importantly from business development opportunities with AstraZeneca and Jazz Pharmaceuticals. The significant inflows, together with further funding raised post year end, ensure that the Group has a cash runway to Q4 2022 that allows it to fully fund its business plan during that period.

Operational Review (Cont'd)

	2020	2019	2018	2017
	%	%	%	%
R & D expenditure (as a proportion of total operating expenditure)	**86**	82	70	76

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 and key management). The above is prepared on a comparable basis to prior years, and as anticipated last year, the percentage has risen favourably.

Financial Review

Financial position
At 30 September 2020, the Group had cash resources of £27.5m (2019: £3.7m). The Group issued a further £1.5m of loan notes in November 2019 under the facility agreed with Moulton Goodies Ltd ("MGL"). All loan notes (£2.5m) and accrued interest under this facility were capitalised on 21 January 2020.

On 4 March 2020, RM Special Holdings 3 LLP ("Redmile") subscribed for £1.3m of Ordinary shares, and in April provided a short-term loan of £5m. A further £22.2m was raised in July 2020 from the issue of convertible loan notes to Redmile and Sofinnova Crossover 1 SLP ("Sofinnova"). The short-term loan from Redmile, together with accrued interest, was repaid from the proceeds of this investment. In addition, Sofinnova subscribed for £0.8m of Ordinary shares.

Two significant partnership agreements were signed in the year, generating significant upfront payments, including $10m from Jazz Pharmaceuticals.

Post year end, in December 2020, a further £25.7m was raised via a Placing and Open Offer, giving the Group a cash runway to Q4 2022.

Revenue
During the year, revenue was derived from the RXC006 out-licensing agreement with AstraZeneca, and the existing and new collaboration agreements with Jazz Pharmaceuticals (see note 4). IFRS 15 "*Revenue from Contracts with Customers*" stipulates that where funds are received in advance for a collaboration, they are recognised as revenue as the obligations under the collaboration contract are performed. Accordingly, of the $10m (£7.6m) cash proceeds received from Jazz Pharmaceuticals during the year under review for the oncology collaboration announced in September, £0.5m has been recognised as revenue in the year, and the remaining £7.1m is disclosed as contract liabilities within the Consolidated Statement of Financial position (see note 6). The stage of completeness of the collaboration will be assessed at each future reporting date, and further revenue will be released accordingly, reducing the liability. The expected timings of this recognition, together with further expected milestone payments, are shown in note 6.

Cost management
Operating expenses continue to be tightly controlled. The external scientific cost element has risen by £2.8m as programmes progressed into more cost intensive clinical and preclinical stages.

Accommodation (Alderley Park)
The onerous lease provision created as the Group reduced its footprint at Alderley Park has now been extinguished, leaving no liabilities beyond those for occupied and utilised laboratory and office space.

Operational Review (Cont'd)

The Group adopted IFRS 16 "*Leases*" from 1 October 2019 in common with all companies required to report under IFRS, which has significantly changed how leases for property are accounted for. Future liabilities for rent under the lease of Block 33 Mereside are now recognised as liabilities in the Consolidated Statement of Financial Position. A value is also ascribed to the "Right of use" associated

with the lease.

Rent paid is now used to reduce the liability and replaced in the Consolidated Statement of Comprehensive Income by depreciation of the Right of use asset and finance costs. (please see the Consolidated Statement of Comprehensive income for a detailed breakdown of the effects).

Finance costs
Finance costs have risen considerably in comparison to the prior year at £1m (2019 £0.1m) with the increase largely due to "effective interest" calculated in valuing the lease liability and convertible loan notes under IFRS. Actual interest payable on loans was £0.4m, of which £0.2m was capitalised as part of the MGL loan and £0.2m paid in relation to short term borrowing.

Cash flows
Overall positive net cash flow for the year was £23.8m, (2019: £2.8m outflow). See KPI's for details.

Taxation
The acquisition of a significant proportion of the Group's shares by Redmile has meant that the SME tax status previously enjoyed may no longer be appropriate. The Group is actively exploring its options, but has opted to take a prudent approach in these financial statements in assuming that it will be claiming Research and Development expenditure credits rather than R&D tax credits. Claims for prior years are not affected, and every effort will be made to ensure that the Group receives the maximum amounts to which it is entitled.

Consolidated Statement of Comprehensive Income
For the year ended 30 September 2020

	Note	**IFRS 16 Year ended 30 September 2020 £'000**	IAS 17 Year ended 30 September 2019 £'000
Continuing operations			
Revenue	**4**	**5,685**	3,131
Costs of sale of programme		**-**	(350)
Operating expenses		**(14,203)**	(10,170)
Onerous lease credit		**6**	146
Derivative financial instrument	**7**	**67**	(67)
Recovery of derecognised asset		**-**	869
Share based compensation		**(568)**	(45)
Other operating income		**812**	241
Loss from operations		**(8,201)**	(6,245)
Finance costs		**(974)**	(102)
Finance income		**7**	12
Loss before taxation		**(9,168)**	(6,335)
Income tax		**(45)**	2,017
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(9,213)**	(4,318)
Loss per share (pence)			
From continuing operations			
Basic	**5**	**(5.4)**	(3.4)
Diluted	**5**	**(5.4)**	(3.4)

IFRS 16 was adopted on 1 October 2019 for our statutory reporting without restating prior year figures. As a result the primary statements are shown on an IFRS 16 basis for 2020 and an IAS 17 basis for 2019. The adoption of IFRS 16 in the year ended 30 September 2020 resulted in an increase in depreciation of £602k and finance costs of £325k. Other operating expenses, excluding depreciation, relating to accommodation decreased by £788k.

Consolidated Statement of Financial Position
At 30 September 2020 Company No. 07368089

	Note	**IFRS 16 2020 £'000**	IAS 17 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment		**136**	134
Right of use asset - property lease		**3,573**	-
Intangible assets		**411**	417

Total non-current assets		**4,120**	551
Current assets			
Trade and other receivables		**1,923**	1,232
Current tax		**32**	871
Cash and cash equivalents		**27,513**	3,704
Total current assets		**29,468**	5,807
Total assets		**33,588**	6,358
Liabilities			
Current liabilities			
Trade and other payables		**3,362**	3,445
Contract liabilities	**6**	**7,069**	-
Borrowings	**7**	**-**	468
Lease liabilities		**503**	-
Derivative financial instrument	**7**	**-**	648
Provisions		**-**	306
Total current liabilities		**10,934**	4,867
Non-current liabilities			
Borrowings	**7**	**16,758**	-
Lease liabilities		**3,209**	-
Total liabilities		**30,901**	4,867
Net assets		**2,687**	1,491
Equity			
Share capital	**8**	**1,952**	1,265
Share premium		**37,184**	33,263
Share-based compensation		**1,191**	1,104
Capital redemption reserve		**1**	1
Convertible note reserve		**4,572**	-
Retained deficit		**(42,213)**	(34,142)
Equity attributable to shareholders		**2,687**	1,491

Consolidated Statement of Changes in Equity

For the year ended 30 September 2020

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Convertible Note Reserve £'000	Retained Deficit £'000	Total Equity £'000
At 1 October 2018	**1,265**	**33,263**	**1,162**	**1**	**-**	**(29,927)**	**5,764**
Loss and total comprehensive income for the year	-	-	-	-	-	(4,318)	(4,318)
Transactions with owners in their capacity as owners							
Share based compensation	-	-	45	-	-	-	45
Release of share options lapsed in the year	-	-	(103)	-	-	103	-
Movement in year	-	-	(58)	-	-	(4,215)	(4,273)
At 30 September 2019	**1,265**	**33,263**	**1,104**	**1**	**-**	**(34,142)**	**1,491**
IFRS 16 transition	-	-	-	-	-	661	661
Loss and total comprehensive income for the year	-	-	-	-	-	(9,213)	(9,213)
Transactions with owners in their capacity as owners							
Share issues	687	4,144	-	-	-	-	4,831
Share issue costs	-	(223)	-	-	-	-	(223)
Recognition of equity element of loan notes	-	-	-	-	4,572	-	4,572
Share based					-		

compensation	-	-	568	-		-	568
Release of share options lapsed in the year	-	-	(481)	-	-	481	-
Movement in year	687	3,921	87	-	4,572	(8,071)	1,196
At 30 September 2020	**1,952**	**37,184**	**1,191**	**1**	**4,572**	**(42,213)**	**2,687**

Consolidated Statement of Cash Flows
For the year ended 30 September 2020

	IFRS 16 Year ended 30 September 2020 £'000	IAS 17 Year ended 30 September 2019 £'000
Net cash flows from operating activities		
Loss for the year	**(9,213)**	(4,318)
Adjustments for:		
Income tax	**45**	(2,017)
Finance costs	**974**	102
Finance income	**(7)**	(12)
Depreciation and amortisation	**665**	91
Share based compensation	**568**	45
Derivative financial instrument	**(67)**	67
Onerous lease provision	**(6)**	(146)
Recovery of derecognised asset	**-**	(869)
Profit on disposal of assets	**(4)**	(60)
Movements in working capital		
(Increase)/decrease in trade and other receivables	**(905)**	446
Increase/(decrease) in trade and other payables and provisions	**7,330**	(711)
Cash used in operations	**(620)**	(7,382)
Tax credit received	**1,008**	2,701
Interest received	**7**	13
Net cash generated by / (used in) operations	**395**	(4,668)
Cash flows from investing activities		
Sale of property, plant and equipment	**4**	60
Purchase of property, plant and equipment	**(59)**	(28)
Net cash (used in) / generated by investing activities	**(55)**	32
Cash flows from financing activities		
Proceeds of share issues	**2,099**	-
Share issue costs	**(223)**	-
Derecognised asset recovered	**-**	869
Short term loan	**5,000**	-
Loan notes issued	**23,680**	1,000
Loan note costs	**(1,117)**	-
Repayment of short term loan	**(5,000)**	-
Payment of lease liabilities	**(788)**	-
Interest paid	**(182)**	-
Net cash generated by financing activities	**23,469**	1,869
Net increase / (decrease) in cash and cash equivalents	**23,809**	(2,767)
Cash and cash equivalents at beginning of the year	**3,704**	6,471
Cash and cash equivalents at end of the year	**27,513**	3,704

Consolidated Statement of Cash Flows (Cont'd)
For the year ended 30 September 2020

Reconciliation of changes in liabilities arising from financing activities

	IFRS 16 2020 £'000	IAS 17 2019 £'000
MGL loan		
Balance b/fwd	**1,116**	-
Cash flows	**1,500**	1,000
Fair value adjustment of derivative element	**(67)**	67
Accrued interest	**183**	49
Amount capitalised into Ordinary shares	**(2,732)**	-
Balance c/fwd	**-**	1,116
IFRS 16 Lease liability		
Recognised on adoption of IFRS 16	**4,175**	-
Cash flows	**(788)**	-
Interest on lease liabilities	**325**	-

Balance c/fwd (disclosed as current and non-current lease liabilities)	**3,712**	-
Convertible loan notes		
Cash flows	**22,180**	-
Recognised as equity	**(4,572)**	-
Interest	**267**	-
Transaction expenses	**(1,117)**	-
Balance c/fwd (disclosed as non-current borrowings)	**16,758**	-
Short term loan		
Received	**5,000**	-
Repaid	**(5,000)**	-
	-	-

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 2020 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 26 January 2021 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 2019 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 10 March 2020 and which have been delivered to the Registrar of Companies for England and Wales. The report of the auditor on these financial statements was unqualified, did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006. The report of the auditor did include a matter to which the auditors drew attention by way of emphasis without qualifying their report in relation to material uncertainty over going concern.

The report of the auditor on the 30 September 2020 financial statements was unqualified, did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006, and did not include a matter to which the auditors drew attention by way of emphasis without qualifying their report.

The information 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 2020 which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 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 2020 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with International Accounting Standards in Conformity with the provisions of the Companies Act 2006.

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

2. 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 £9.2 million during the year, and at 30 September 2020 had total equity of £2.7 million including an accumulated deficit of £42.2 million. As at that date, the Group had cash and cash equivalents of £27.5 million.

On 21 December 2020, a general geeting authorised the issue of 45.6 million Ordinary shares by way of a Placing, and 0.2 million Ordinary shares via an Open Offer to existing shareholders, raising a further £25.7 million (gross) of funds to be used to further support and augment the Group's research pipeline. In addition, £5.1 million of the loan notes issued to Redmile and Sofinnova were converted into equity at their request.

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. In particular, assessment has been made of likely milestone payment receipts, further contributions from collaboration agreements and the quantum of future tax refunds. Based on these forecasts, the Directors estimate that the cash held by the Group and expected receivables will be sufficient to support the current and proposed levels of activity to the end of Q4 2022. They have therefore prepared the financial statements on a going concern basis.

3. Adoption of IFRS 16 "*Leases*"

This standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as a finance or operating lease.

The Group has adopted IFRS 16 from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The standard permits a choice on initial adoption, on a lease-by-lease basis, to measure the right of use asset at either its carrying amount as if IFRS 16 had been applied since the commencement of the lease, or an amount equal to the lease liability, adjusted for accruals or prepayments. The Group's only right-of-use asset, which was in relation to property, was measured at an amount equal to the lease liability, adjusted for the rent free period, held within accruals at 1 October 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 October 2019 was 8.5%.

The Group is using practical expedients on transition to leases previously classified as operating leases, including:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases; this includes the lease subject to an onerous lease provision; and
- excluding initial direct costs from the initial measurement of the right-of-use asset.

Estimates include calculating the discount rate which is based on the incremental borrowing rate.
On transition to IFRS 16, the following adjustments were made:

	£'000
Right-of-use assets	4,175
Accruals	661
Lease liability	(4,175)
Retained earnings	(661)

The adoption of IFRS 16 in the year to 30 September 2020 resulted in an increase in depreciation of £602k and finance costs of £325k. Operating expenses, excluding depreciation, relating to accommodation decreased by £780k. There is no effect on overall cash flows from implementing IFRS 16, however, there is a presentational change in that £788k of cash outflows are now disclosed under financing whereas under IAS 17 these would have been shown as operating cash outflows.

4. Revenue

In August 2020 the Group completed an outlicensing agreement with AstraZeneca and in September 2020, the Group agreed a further collaboration agreement with Jazz Pharmaceuticals for the development of two cancer targets. Revenue is recognised over the course of the research collaboration in accordance with the Group's accounting policies and IFRS 15.

	2020	2019
	£'000	£'000
Sale & outlicensing of scientific programmes	**3,142**	2,790
Revenue from research collaboration	**516**	-
Revenue from research and preclinical development services	**2,027**	341
	5,685	3,131

5. Loss per share

Basic loss per share is calculated by dividing the total comprehensive loss 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:

	2020	2019
	£'000	£'000
Loss for the period attributable to the owners of the Company	**(9,213)**	(4,318)
	Number	Number
Weighted average number of shares - basic	**170,050,369**	126,447,914
Weighted average number of shares - diluted	**170,050,369**	126,447,914
	Pence	Pence
Loss per share - basic	**(5.4)**	(3.4)
Loss per share - diluted	**(5.4)**	(3.4)

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

6. Contract liabilities

	2020	2019
	£'000	£'000
Contract liabilities	**7,069**	-
	7,069	-
Reconciliation		
Brought forward	**-**	-
Recognised in the year (net)	**7,585**	-
Transfer to revenue	**(516)**	-
Carried forward	**7,069**	-

Unsatisfied performance

obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was £14.65m as at 30 September 2020 (2019: £nil) and is expected to be recognised as revenue in future periods as follows:

	2020	2019
	£'000	£'000
Within 1 year	**3,594**	-
In the second to fifth years	**11,060**	-
	14,654	-

The contract liability (net of contract asset) relates to a single research collaboration contract.

7. Borrowings

	2020	2019
	£'000	£'000
Current		
MGL loan due within one year (after recognition of embedded derivative)	**-**	468
		468

The loan due to Moulton Goodies Ltd, together with all associated interest, was capitalised at the request of the lender on 21 January 2020. The associated derivative financial instrument was eliminated on settlement.

	2020	2019
	£'000	£'000
Non-current		
Convertible loan notes	**16,758**	-
	16,758	-

On 4 August 2020 Redx Pharma plc issued convertible loan notes with a value of £22.2m. No interest is payable during the first 3 years, thereafter it is payable at a maximum rate equal to the US prime rate at that time. The notes are convertible into Ordinary shares of Redx Pharma plc, at any time at the option of the holder, or repayable on the third anniversary of the issue. The conversion rate is 1 Ordinary share for each £0.155 of loan note held. Total transaction costs of £0.88m (2019: £nil) have been offset against the convertible notes payable liability. In accordance with IAS 32 *Financial instruments, presentation* the notes have been assessed as compound instruments using a discount rate of 8.5%, and the value of the conversion feature (£4.57m) has been recognised as an equity component (see the Consolidated Statement of Changes in Equity). The loan notes are secured by a fixed and floating charge over all the assets of the Group. An increase in discount rate to 9.5% would decrease the debt element by £0.44m and a decrease to 7.5% would increase the debt element by £0.46m.

8. Share Capital

	2020	2019
	Numbers	Numbers
Number of shares in issue		
Ordinary shares of £0.01	**195,247,413**	126,477,914
	£'000	£'000
Share Capital at par, fully paid		
Ordinary shares of £0.01	**1,952**	1,265
Movement in year		
Ordinary shares of £0.01	**687**	-
Total movement in year	**687**	-

Share issues

On 22 January 2020, following approval at a general meeting, the Company issued 52,030,789 Ordinary shares at £0.0525 pursuant to the capitalisation of the entire outstanding loan and accrued interest due to Moulton Goodies Ltd of £2.73m, and admission to trading on AIM.

On 4 March 2020, the Company issued 11,500,000 Ordinary shares at £0.112 each pursuant to a subscription by RM Special Holdings 3 LLC, and admission to trading on AIM. The gross amount raised was £1.29m.

On 21 July 2020, the Company issued 5,238,710 Ordinary shares at £0.155 each pursuant to a subscription by Sofinnova Crossover 1 SLP, and admission to trading on AIM. The gross amount raised was £0.81m.

9. 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:

As a result of the divestment of its entire shareholding in the Group in March 2020, Moulton Goodies Ltd ceased to be a related party at that date. Transactions have been disclosed to the date that the criteria ceased to be met.

On the same date, as a result of the purchase of shares by RM Special Holdings 3, LLC ("Redmile"), it became a significant shareholder and related party. Redmile provided loan funding during the year, which was repaid together with accrued interest on 5 August 2020. Further the Group issued £14.5 million convertible loan notes to Redmile on 4 August 2020.

Under the terms of the agreement for its subscription for shares on 20 July 2020, Sofinnova Crossover 1 SLP ("Sofinnova") appointed a director to the Board of Redx Pharma plc. The Board believes that this satisfies the criteria for Sofinnova to be considered a related party. On 4 August 2020 the Group issued £7.6 million convertible loan notes to Sofinnova.

Charges from related parties	**2020 £'000**	2019 £'000
Moulton Goodies Ltd - loan interest (to 13 March 2020)	**183**	49
RM Special Holdings 3 LLC - loan interest	**171**	-
	354	49

Amounts owed to related parties	**2020 £'000**	2019 £'000
Moulton Goodies Ltd	**-**	1,116
RM Special Holdings 3 LLC - loan note	**10,898**	-
Sofinnova Crossover 1 SLP - loan note	**5,860**	-

Amounts owed to/by related parties are disclosed in borrowings, derivative financial instruments and the convertible note reserve.

10. Events after the reporting period

On 2 December 2020, the Group announced that it had conditionally raised £25.5m by way of a Placing of Ordinary shares at 56p per share, and up to a further £2.2m by way of an Open Offer at the same price. All resolutions required to accomplish this were passed at a general meeting of shareholders on 21 December 2020. The final gross amount raised was £25.7 million and accordingly 45,833,641 new Ordinary shares were issued and admitted to trading on AIM on 22 December 2020.

On the same date the Group announced that, subject to successful admission of the above shares, RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the loan notes, the conversion took place at 0.155p per new Ordinary share. Accordingly 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on 22 December 2020.

11. 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.