RNS Number : 9930L
N4 Pharma PLC
25 April 2018

N4 Pharma Plc
("N4 Pharma" or the "Company" or the "Group")

Final Results

N4 Pharma Plc (AIM: N4P), the specialist pharmaceutical company which improves the delivery of existing drugs and novel vaccines and therapeutics, is pleased to announce its audited final results for the year ended 31 December 2017.

Operational Highlights:

- Completed the reverse takeover of N4 Pharma Limited ("RTO")
- Successful placing to raise £1.5m (the "Placing") and re-admission to AIM
- Change of name to N4 Pharma Plc (formerly known as Onzima Ventures Plc)
- Divested investment portfolio to focus solely on reformulation of generic drugs and vaccines
- Filing of sildenafil PCT patent application
- Filing of additional generic product patent opportunities

Financial Highlights:

- Total of £446,429 raised via warrant exercises in 2017 post-RTO
- Cash balance at year end of approximately £1.3 million

Post Year End Highlights:

- Commencement of in-vivo research programme for Nuvec®
- Grant collaboration with MedImmune UK to evaluate Nuvec® technology
- Appointment of Andrew Leishman as Head of Nuvec® development
- Commencement of sildenafil human clinical trial
- Total of £784,404 raised via warrant exercises since 1 January 2018

Nigel Theobald, CEO of N4 Pharma, commented: "The Board remains optimistic about the future of the Company and its prospects. We have reached a key milestone with the commencement of the pilot human trial for our sildenafil reformulation which, if the results are positive, will greatly advance the value of the data we have obtained, and furthermore provide a clearer path towards commercialisation for our reformulation. We have already announced one collaboration for Nuvec® and are looking to enter into further agreements with other companies in 2018.

Whilst our immediate focus is on those products with the opportunity for near term commercialisation, namely sildenafil and Nuvec®, we remain excited about the Company's multiple potential pipeline of products and collaborations. We will provide regular updates as these opportunities progress."

A copy of this announcement and the Annual Report and Accounts are available on the Company's website, www.n4pharma.com. The Report and Accounts together with the notice of AGM will be sent to shareholders on 27 April 2018.

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Chief Executive's Statement

Introduction

I am pleased to present the first annual results of N4 Pharma following its successful listing on AIM on 3 May 2017. The Company raised gross proceeds of £1.5m.

Review of operations for the financial year ended 31 December 2017

During the year to 31 December 2017, as anticipated, no revenue was generated by the Group. Other operating income included £109,913 of government grants.

The operating loss for the year of £897,825 (9 months to 31 December 2016: £185,083 loss) was impacted by the costs associated with the RTO and are in line with management's expectations at the time of the transaction.

Key Events and Opportunities

The new Board completed its planned reorganisation of the Group to focus on its research and development programme for both its generic and vaccine divisions.

The net proceeds of the Placing and subsequent warrant exercises ensure that the Group will be funded throughout 2018 and well into 2019. The funds raised will continue to enable us to produce initial human clinical data to establish the pharmacokinetic profile of our sildenafil reformulation and help us to determine how we will position the Nuvec® vaccine delivery system for the best approach to allow commercial engagement with potential third party licensees.

Subsequent to the year end, the Group announced a grant collaboration with MedImmune UK to evaluate its Nuvec® technology which, if successful, would give MedImmune an option to license Nuvec® for a defined area. This is the first of many such collaborations the Group is looking to undertake as it extends its research on Nuvec®.

Generic Division

The main focus for the Group's generic division is the reformulation of sildenafil (commonly known as Viagra™), where we are seeking to improve the speed in which the drug takes effect whilst also extending the duration of the action. We completed our initial "in vitro" reformulation work on the drug and appointed Bio-Images Drug Delivery Limited ("BDD") to conduct a small scale human pilot clinical trial (the "Trial") which started as announced on 18th April 2018.

The Trial will be conducted in twelve healthy male volunteers to give us human pharmacokinetic data, which will determine the amount of drug our reformulation will deliver, and which can then be compared against existing sildenafil products. The Trial is expected to take 8-10 weeks with top line results data available in July 2018 with the final clinical study report expected at the end of August 2018.

The data gathered from the Trial will enable the Group to establish whether its reformulation has been sufficiently successful to allow N4 Pharma to prepare for a pre-IND meeting with the FDA towards the end of this year along with a proposed approach to conducting a pivotal clinical study which will be required for marketing authorisation or whether further amendments to the reformulation may be required to optimise efficacy.

Assuming success it would then be our intention then either to partner with a large pharmaceutical company to complete the pivotal trial (thereby earning a licence fee and generating milestone payments for the Group) or to explore the possibility of conducting the pivotal trial ourselves and, in doing so, assess the balance of increased capital risk versus the rewards relative to a company of our size.

In addition to licensing the patents for sildenafil from Opal IP Limited ("Opal IP") and Nuvec® from the University of Queensland, we have licensed four further patents from Opal IP for reformulations, namely valsartan, aprepitant, duloxetine and paroxetine. Subsequently, we have decided to abandon our paroxetine patent application. The Board believes that the drugs, such as paroxetine, that do not make strong commercial sense will most likely not make it through to the next stage of development. Our initial approach for these products is to file the relevant data needed for a Patent Co-operation Treaty ("PCT") patent application and to evaluate the clinical and market potential before embarking on detailed formulation development for a product to take into clinic. In our opinion, this gives the Group the optimal chance to secure patent protected reformulations for these products as well as sildenafil.

Whilst we continue to commit resources to the reformulation of sildenafil ahead of bringing it to market, we are also undertaking all the necessary preparatory work on the other three drugs referred to above to allow us to take them forward in the future.

Vaccine Division

The focus for the Group's vaccine division continues to be on generating data for our Nuvec® delivery system which will enable us to engage commercially with pharmaceutical and biotech companies which are looking to utilise delivery systems to deliver vaccines and therapeutics they are developing. We intend to engage with commercial partners to exploit the potential clinical utility of Nuvec®. Our intention is not to develop vaccines ourselves. The business model is similar to that in our generics division in that we aim to secure licence payments for the use of our delivery system and ultimately royalties on any products sold using Nuvec®.

Initially, we are targeting collaborations and evaluation agreements with biotech and pharmaceutical companies to evaluate Nuvec® alongside their existing delivery system. We have already announced our first collaboration with MedImmune and are working on securing further collaborations. A successful collaboration would then mean we could license the use of Nuvec® for a particular therapeutic indication. We will therefore have numerous licensing opportunities for our platform technology.

During the year, the Group announced the results of a study it conducted for its Nuvec® silica nanoparticles ("SiNPs") delivery system. As well as investigating tolerability, the objective of the study (funded via a biomedical Catalyst Grant) was to determine the in-vivo capacity for the Company's SiNPs to deliver DNA to generate local expression of a protein. This is a key indicator as to whether a vaccine delivery system is likely to successfully generate an immune response. Results from the study gave us the evidence that our SiNPs have many desirable features for use in either a vaccine approach or to deliver therapeutic proteins to tissues and are uncovering key commercial advantages compared to lipid nanoparticles. This increases the scope of Nuvec's® application which, in turn enhances the potential value of the technology to potential commercial partners. The Board continues to explore further research options and regular updates will be provided when appropriate.

The Board is pleased to have welcomed Dr Andrew Leishman as Head of Nuvec® Development. Andrew joined the Company in March 2018 and has quickly become a valued member of the team.

Currently, we are focusing our efforts on Nuvec® development to help secure collaborations and have therefore placed on hold additional research on a potential hepatitis B vaccine.

Future prospects

The Board remains optimistic about the future of the Group and its prospects. We have reached a key milestone with the commencement of the pilot human trial for our reformulation which, if the results are positive, will greatly advance the value of the data we have obtained and furthermore provide a clearer path towards commercialisation for our sildenafil reformulation. We have already announced one collaboration for Nuvec® and are looking to enter into further agreements with other companies in 2018.

Whilst we are excited about the Group's potential pipeline of products we are establishing, our immediate focus is on those products with the opportunity for near term commercialisation, namely sildenafil and Nuvec®. In parallel, we hope shortly to have a plan and budget in place for our pipeline of other generic products which also seek to address potential multi-billion dollar markets whilst, as detailed above, setting out a programme for our vaccine work.

On behalf of the Board, I would like to thank all of our shareholders for their continued support and welcome all new shareholders to the Company for what we believe will be another exciting year in the development of our business.

Nigel Theobald
Chief Executive Officer

N4 Pharma Plc
Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	Year ended 31 December 2017 £	Proforma 9 month period to 31 December 2016 £
Government grant income	109,913	-
Gross Profit	**109,913**	**-**
Research and development costs	(409,808)	-
General and administration costs	(316,632)	(185,083)
Reorganisation costs	(281,298)	-
Operating loss for the period	(897,825)	(185,083)
Deemed cost of acquisition	(1,023,734)	-
Finance income/ (expenditure)	(5,299)	(5,857)
Loss for the period before tax	(1,926,858)	(190,940)
Taxation	89,874	14,362
Loss for the period after tax	(1,836,984)	(176,578)
Other comprehensive income net of tax	-	-
Total comprehensive loss for the period attributable to equity owners of N4 Pharma Plc	**(1,836,984)**	**(176,578)**
Loss per share attributable to owners of the parent		
Weighted average number of shares:		

Basic	64,783,082	8,844,706
Diluted	27,852,274	8,844,706
Basic loss per share	**(1.26p)**	**(2.00p)**
Diluted loss per share	**(1.24p)**	**(2.00p)**

All activities derive from continuing operations.

N4 Pharma Plc
Consolidated Statement of Financial Position as at 31 December 2017

	31 December 2017	Proforma 31 December 2016
	£	£
Assets		
Non-current assets		
Investments	-	-
	-	-
Current assets		
Trade and other receivables	132,700	23,187
Cash and cash equivalents	1,326,272	19,751
	1,458,972	42,938
Total Assets	1,458,972	42,938
Liabilities		
Current liabilities		
Trade and other payables	(143,788)	(102,046)
Accruals and deferred income	(35,430)	(20,634)
	(179,218)	(122,680)
Total assets less current liabilities	1,279,754	(79,742)
Non-current liabilities		
Amounts falling due after more than one year	-	(204,922)
Net Assets/ (Liabilities)	**1,279,754**	**(284,664)**
Equity		
Share capital	8,579,396	100
Share premium	8,513,670	-
Share option reserve	147,635	-
Reverse acquisition reserve	(14,138,244)	-
Merger reserve	299,045	-
Retained earnings	(2,121,748)	(284,764)
Total Equity / (Deficit)	**1,279,754**	**(284,664)**

The financial statements were approved by the board of directors on 24 April 2018 and signed on its behalf:

Nigel Theobald

N4 Pharma Plc
Company Statement of Financial Position as at 31 December 2017

	31 December 2017	31 December 2016
	£	£

Assets		
Non-current assets		
Investments	1,094,747	302,705
Intercompany loan receivable	809,000	214,949
	1,903,747	517,654
Current assets		
Inventory of securities	-	231,591
Trade and other receivables	51,030	197,027
Cash and cash equivalents	1,266,921	172,430
	1,317,951	601,048
Total Assets	3,221,698	1,118,702
Liabilities		
Current liabilities		
Trade and other payables	(4,125)	-
Accruals and deferred income	(16,400)	(77,263)
	(20,525)	(77,263)
Total assets less current liabilities	3,201,173	1,041,439
Net Assets	**3,201,173**	**1,041,439**
Equity		
Share capital	8,579,396	8,452,782
Share premium	8,513,670	6,880,766
Share option reserve	147,635	30,812
Merger reserve	299,045	-
Retained earnings	(14,338,573)	(14,322,921)
Total Equity	**3,201,173**	**1,041,439**

The Company recorded a pre-tax loss of £15,652 for the year (31 December 2016: £22,000 loss).

N4 Pharma Plc
Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(i) Year ended 31 December 2017	**Share Capital**	**Share Premium**	**Share Option Reserve**	**Reverse Acquisition Reserve**	**Merger Reserve**	**Retained Earnings**	**Proforma Total Equity**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Balance at 1 January 2017	**100**	**-**	**-**	**-**	**-**	**(284,764)**	**(284,664)**
Total comprehensive loss for the year	-	-	-	-	-	**(1,836,984)**	**(1,836,984)**
Share issue	8,561,253	8,643,010	-	-	-	**-**	**17,204,263**
Cost of share issue	-	(129,340)	-	-	-	**-**	**(129,340)**
Share option reserve	-	-	147,635	-	-	**-**	**147,635**
Group Reconstruction	18,043	-	-	(14,138,244)	299,045	**-**	**(13,821,156)**
At 31 December 2017	**8,579,396**	**8,513,670**	**147,635**	**(14,138,244)**	**299,045**	**(2,121,748)**	**1,279,754**

(ii) Nine months ended 31 December 2016	**Share Capital**	**Share Premium**	**Share Option**	**Reverse Acquisition**	**Merger Reserve**	**Retained Earnings**	**Proforma Total Equity**

	£	£	Reserve £	Reserve £	£	£	£
Balance at 1 April 2016	**100**	**-**	**-**	**-**	**-**	**(108,186)**	**(108,086)**
Total comprehensive loss for the period	-	-	-	-	-	(176,578)	**(176,578)**
At 31 December 2016	**100**	**-**	**-**	**-**	**-**	**(284,764)**	**(284,664)**

N4 Pharma Plc
Company Statement of Changes in Equity for the year ended 31 December 2017

(i) Year ended 31 December 2017	**Share Capital**	**Share Premium**	**Share Option Reserve**	**Merger Reserve**	**Retained Earnings**	**Total Equity**
	£	**£**	**£**	**£**	**£**	**£**
Balance at 1 January 2017	**8,452,782**	**6,880,766**	**30,812**	**-**	**(14,322,921)**	**1,041,439**
Total comprehensive loss for the year	-	-	-	-	**(15,652)**	**(15,652)**
Share issue	108,571	1,762,244		-	**-**	**1,870,815**
Cost of share issue	-	(129,340)	-	-	**-**	**(129,340)**
Share option reserve	-	-	116,823	-	**-**	**116,823**
Group Reconstruction	18,043	-	-	299,045	**-**	**317,088**
At 31 December 2017	**8,579,396**	**8,513,670**	**147,635**	**299,045**	**(14,338,573)**	**3,201,173**

(ii) Year ended 31 December 2016	**Share Capital**	**Share Premium**	**Share Option Reserve**	**Merger Reserve**	**Retained Earnings**	**Total Equity**
	£	**£**	**£**	**£**	**£**	**£**
Balance at 1 January 2016	**8,409,457**	**6,503,000**	**30,812**	**-**	**(14,300,921)**	**642,348**
Share issue	43,325	377,766	-	-	-	421,091
Total comprehensive loss for the period	-	-	-	-	(22,000)	(22,000)
At 31 December 2016	**8,452,782**	**6,880,766**	**30,812**	**-**	**(14,322,921)**	**1,041,439**

N4 Pharma Plc
Consolidated Statement of Cash Flow for the year ended 31 December 2017

	Year ended 31 December 2017	**Proforma 9 months to 31 December 2016**
	£	**£**
Operating activities		
Loss before tax	(1,926,858)	(190,940)
Interest	5,299	5,857
Deemed cost of acquisition	1,023,734	-

Operating loss before changes in working capital	**(897,825)**	**(185,083)**
Movements in working capital:		
(Increase)/ decrease in trade and other receivables	(109,513)	3,844
Increase in trade, other payables and accruals	56,538	36,754
Cash used in operations	(950,800)	(144,485)
Net cash flows used in operating activities	**(950,800)**	**(144,485)**
Investing activities		
Cash acquired on reverse acquisition	402,990	-
Net cash flows from investing activities	**402,990**	**-**
Financing activities		
Interest paid	(5,299)	(5,857)
Proceeds from loan advanced	-	129,922
Loan repayments	-	(10,000)
Net proceeds of ordinary share issue	1,988,970	-
Cost of share issue	(129,340)	-
Net cash flows from financing activities	**1,854,331**	**114,065**
Net increase/ (decrease) in cash and cash equivalents	**1,306,521**	**(30,420)**
Cash and cash equivalents at beginning of the year/ period	19,751	50,171
Cash and cash equivalents at 31 December	**1,326,272**	**19,751**

N4 Pharma Plc
Company Statement of Cash Flow for the year ended 31 December 2017

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Operating activities		
Loss before tax	(15,652)	(22,000)
Interest	(21,261)	(5,979)
Gain on sale of investments	(669)	-
Operating loss before changes in working capital	**(37,582)**	**(27,979)**
Movements in working capital:		
Decrease/ (Increase) in inventories	231,591	(231,591)
Decrease/ (Increase) in trade and other receivables	145,998	(176,000)
(Decrease)/ Increase in trade and other payables	(56,738)	60,000
Cash generated/ (used) in operations	283,269	(375,570)
Net cash flows generated/ (used) in operating activities	**283,269**	**(375,570)**
Investing activities		

Proceeds from sale of investments	-	(9,000)
Investment costs capitalised	(71,013)	-
Acquisition of investment	(404,605)	
Loan receivable advancements	(594,051)	(209,000)
Net cash flows used investing activities	**(1,069,669)**	**(218,000)**
Financing activities		
Interest received	21,261	-
Net proceeds of ordinary share issue	1,988,970	179,000
Cost of share issue	(129,340)	-
Net cash flows from financing activities	**1,880,891**	**179,000**
Net increase/ (decrease) in cash and cash equivalents	**1,094,491**	**(414,570)**
Cash and cash equivalents at beginning of the year	172,430	587,000
Cash and cash equivalents at 31 December	**1,266,921**	**172,430**

1.1 Reporting entity

N4 Pharma Plc (the "Company"), (formerly known as Onzima Ventures Plc) is the holding company for N4 Pharma UK Limited ("N4 UK"), (formerly known as N4 Pharma Limited) and together form the group (the "Group"). N4 UK is a specialist pharmaceutical company which reformulates existing drugs and vaccines to improve their performance. The nature of the business is not deemed to be impacted by seasonal fluctuations and as such performance is expected to be consistent.

The Company acquired the remaining 51 per cent. of the share capital of N4 UK on 3 May 2017 by way of a reverse takeover. The terms of the share purchase are set out in the share purchase agreement dated 13 April 2017. The Company is domiciled in England and Wales and was incorporated and registered in England and Wales on 6 July 1979 as a public limited company and its shares are admitted to trading on AIM (LSE: N4P). The Company's registered office is located at 6th Floor, 60 Gracechurch Street, London EC3V 0HR.

The Group consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The financial statements comply with the Companies Act 2006 and give a true and fair view of the state of affairs of the Group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group consolidated financial statements.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis, except for the following item in the consolidated statement of financial position and statement of comprehensive income:

- Share-based payments are measured at fair value shown in the Merger Reserve.
- Share Warrants and Options are measured at fair value using the Black Scholes model (see note 8).
- Equity investments are measured at fair value.

The financial statements are presented in Great British Pounds ("GBP" or "£").

1.3 Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. The Directors consider that the Group will have access to adequate resources, as set out below, to meet both operational requirements for at least 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Group currently has no source of operating cash inflows, other than government grant income, and has incurred net operating cash outflows for the year ended 31 December 2017 of £950,800 (9 months to 31 December 2016: £144,485). At 31 December 2017, the Group

had cash balances and term deposits of £1,326,272 (2016: £19,751) and a surplus in net working capital (current assets, including cash, less current liabilities) of £1,279,754 (2016: £79,742 deficit).

The Group continues to take steps to manage operational expenditure effectively and to manage the cash required for budgeted activities and working capital for at least 12 months from the date of approval of the financial statements. Close monitoring of current and forecast expenditure is undertaken by the board and key executive decisions discussed at monthly board meetings.

As per the subsequent events note, further funds have been received after 31 December 2017 as a result of warrants exercised and the sale of the remaining investment in Alecto Minerals.

The Group have also been awarded a feasibility grant from Innovate UK ("Innovate"), the UK's innovation agency, to co-fund a collaborative project with MedImmune UK, a leading global biologics R&D company, to explore the manufacture of a prototype using the Group's Nuvec® system. The grant funding for this project is expected to last for approximately nine months from 1 February 2018.

1.4 Basis of consolidation

On 3 May 2017, the Company became the legal parent of N4 UK through a reverse takeover transaction ("RTO" or "reverse takeover"). The Company was not a business as defined by IFRS 3 prior to the transaction and as such was outside of the scope of IFRS 3, Business Combinations. The consolidated financial statements present the substance of the transaction in accordance with IFRS2. The comparative results to 31 December 2016 represent the position of N4 UK prior to the reverse takeover.

The consolidated financial statements of the Company are presented as a continuation of N4 UK's financial statements, reflecting the commercial substance of the transaction. However, the equity structure presented in the consolidated financial statements reflects the equity structure of the Company, including the new shares issued as part of the transaction. Where information relates or includes the results of N4 UK prior to the reverse takeover, it has been labelled 'pro forma'.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

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