Redx Pharma

ANNUAL REPORT & ACCOUNTS 2015-16

DRUG DISCOVERY AND INNOVATION ACROSS CANCER, INFECTION & AUTOIMMUNE DISEASE

CONTENTS

CHAIRMAN'S STATEMENT

It has been another important year for Redx and I am pleased to report the Company's second set of annual results as a publicly listed company. Redx's £10m (gross) share placing at the end of March 2016 allowed the Company to aggressively continue to progress its pipeline.

Redx has made significant progress with its proprietary research programs over the year. We identified two drug development candidates in oncology, in our Porcupine (RXC004) and reversible BTK (RXC005) programs. BTK was announced after financial year end in October 2016. During the year, we demonstrated that our Porcupine inhibitor could have a crucial role in improving the immune system response of some cancer patients when used in combination with an existing immunotherapy, anti-programmed cell death-1 (anti-PD-1). We also achieved our seventh pre-clinical proof of concept, with our reversible BTK program in oncology.

The newly established immunology research team at Redx made good progress during 2016. One of the key disease areas for the team is fibrotic diseases of the lung, kidney and liver. There remains a huge unmet medical need in this area, and we believe we already have a range of potent and novel compounds which are being progressed into further research studies.

One of the key developments for the anti-infective team was the identification of novel antibiotic compounds against drug resistant Gram-negative bacteria. *In vivo* testing confirmed that these compounds are highly effective and they have the potential to provide a new class of antibiotic agents in the fight against Anti-microbial Resistance (AMR) which is an area of medical concern.

In developing new therapies, all our research teams will continue to focus on targets which are both commercially attractive and scientifically validated. Our objective is to create valuable, novel drug candidates that we can progress into development ourselves or in partnership with large pharmaceutical companies or well-financed emerging companies.

Our Team

We have established an outstanding senior executive team, with breadth and depth of scientific and commercial experience. The success we have achieved so far reflects the talent and ambition within the business as a whole and on behalf of the Board, I would like to thank everyone at Redx for their continued hard work and commitment over the year.

During the year, we were delighted to further strengthen our Board of Directors with the appointments of Bernd Kirschbaum and David Lawrence as Non-Executive Directors. Bernd has over 25 years' experience in the industry having held research leadership positions in Merck/Merck Serono, Sanofi-Aventis, Aventis and Hoechst Marion Roussel and brings expert knowledge in drug research across a range of therapeutic areas. David also has over 25 years' experience in the biotech and pharmaceutical industries including companies such as Chiron, Acambis and GlaxoSmithKline. He has a strong track record in strategy, business development and commercial management, including working with a number of investors, biotech start-ups and SMEs.

At the end of September 2016 our CFO Phil Tottey left the Company and Andrew Booth, formerly Financial Controller, has been acting as Interim Finance Director pending a permanent appointment.

Outlook

We look forward with confidence to further developments of the business in 2017, which the Board expects will be a transformational year for Redx as it transitions from a pre-clinical to a clinical stage Company. As we make that change, our investment focus will be on driving our high-value, clinical development programs. We will continue to support the right level of pre-clinical projects to maintain the breadth of our pipeline and provide the next generation of clinical programs for the Company, however the implementation of this restructuring will mean a reduction in the current headcount of Redx. Although, unfortunately, this will have a major impact on many valued employees of the Group, the Board has agreed that this is the right thing to do to enable Redx to progress its emerging clinical pipeline. The business will make every effort to support and assist those affected.

We also aim to seek further opportunities to develop the business, including potential new commercial partnerships.

On a personal note, after careful consideration I have decided not to offer myself for re-election at the next Annual General Meeting. I am pleased to have been a part of Redx, guiding the Company through the transition from private to public markets. Redx has made substantial progress with the portfolio since the IPO in 2015 and I look forward to monitoring the Company's continued progress as it makes this critical transition to clinical development and wish the management, staff and shareholders every success for the future.

Dr Frank Armstrong FRCPE, FFPM
Non-Executive Chairman

20 March 2017

OPERATIONAL REVIEW

The Directors present their Strategic Report on pages 2 to 7 for the year ended 30 September 2016. The Operational Review, Key Performance Indicators and Principal Risks and Uncertainties sections form part of the Strategic Report.

We currently have two programs, reversible BTK and Porcupine, which we are progressing into first-in-human clinical studies.

The successful share placing (£10m gross) in March 2016 established the financial foundations for Redx to progress its pipeline during the year. The progress of our two leading programs, Porcupine (RXC004) and BTK (RXC005), has been rapid and, as these programs transition into the clinic, the Company will need to focus and balance its resources on the clinical development of these key assets in addition to continuing to maintain a steady flow of projects through the research pipeline.

Pipeline Progress

The Redx pipeline has continued to advance significantly over the last year. During the period, we achieved *in vivo* proof of concept for the reversible BTK program, taking the total to seven.

Oncology

During the financial year, our oncology research team nominated a development candidate in our Porcupine program (RXC004). This compound is now in formal development studies in preparation for progress into first-in-human clinical studies and RXC004 is expected to enter clinic in the next few months. We also secured proof of concept in our reversible BTK program and aim to initially develop this compound for Chronic Lymphocytic Leukaemia (CLL). Post financial year-end, we nominated a clinical candidate in this BTK program (RXC005). RXC005 is now in formal development studies and is targeted to be ready for the clinic by the end of 2017.

* Will only be progressed in collaboration with a partner

Reversible Bruton's Tyrosine Kinase program
Bruton's Tyrosine Kinase (BTK) is a key biological enzyme target which has been validated by the approval of the drug ibrutinib (Imbruvica™) in the treatment of a range of blood cancers, such as chronic lymphocytic leukaemia (please see p.11 for a more comprehensive overview). Redx's reversible BTK inhibitor RXC005 has shown potent inhibitory activity towards wild-type (normal) BTK as well as mutant BTK (C481S), the latter of which is refractory to ibrutinib inhibition.

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

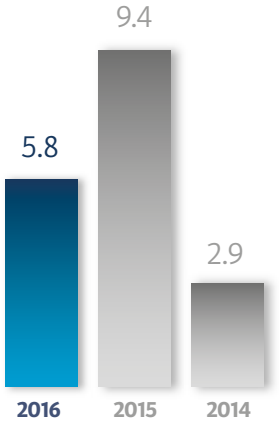
Pan-Raf program
Raf kinases have been implicated in a multitude of cancers. Although there are already several Raf inhibitors approved there is scope for improving the characteristics of these drugs. Redx is developing novel small molecule therapeutics with activity against several Raf isoforms. These novel compounds target mechanisms of resistance associated with first generation Raf inhibitors. Currently these compounds are in lead-optimisation phase.

Immunology
The immunology group is focussing on BTK and Porcupine targets for a variety of immunology indications, with an emphasis on fibrotic diseases such as Idiopathic Pulmonary Fibrosis (IPF), Diabetic Nephropathy and Non-alcoholic Steatohepatitis (NASH) and autoimmune conditions. This is supplemented by work on Rho-associated protein kinase 2 (ROCK2), a target that is also implicated in fibrotic disease.

Anti-infectives
The group made significant progress in its infection portfolio during the period, particularly in its Gram negative antibacterial program which shows great promise. Whilst Redx's antibacterial assets continue to offer the prospect of value, future research and development activities will be conducted under external collaboration arrangements in order that we can focus our efforts on priority programs in oncology and immunology.

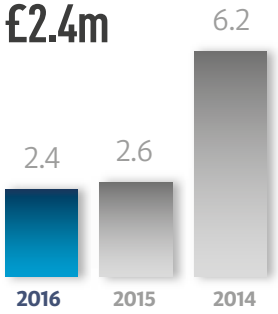
Key Performance Indicators
The Group's key performance indicators include a range of financial and non-financial measures. Details about the progress of our research programs (non-financial measures) are included elsewhere in this Operational Review, and below are the other indicators (financial) considered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

Year End Cash Held
£5.8m



In February and March 2017 the Group raised a further £12m (gross) by way of a share placing and open offer. See note 26.

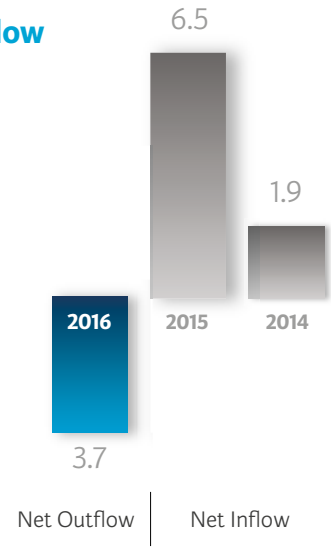
Other Operating Income
£2.4m



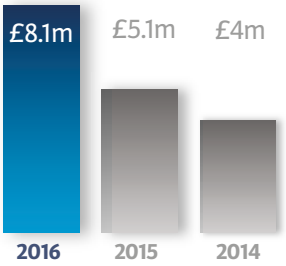
Reflecting the continuation of RGF5 funding, 2014 included milestone payments on the MRSA program.

Cash Flows - Net Outflow
£3.7m

Reflecting the increased R&D spend as Immunology research was undertaken for a full year. See note 5. Further funding was received as a result of the successful share issue noted above, see note 26.



Research & Development Expenditure
(excluding staff costs)



The Group's continuing focus is to maximise to amount of operating expenditure spent on research and development activities.

OPERATIONAL REVIEW CONT.

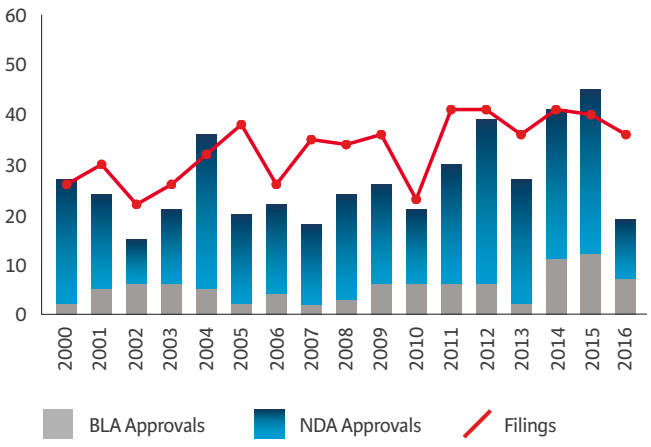
Industry Overview

The pharmaceutical industry continues to struggle with drug pricing which was a key topic in the US Presidential election. It remains to be seen how the new Trump administration will interact with the industry but there are clear signs that pricing will remain on the agenda. There are early indications that his may be off-set by a more liberal regulatory approach that could make it easier for companies to get new therapies approved. Following the surge in new drug approvals in the US over the last 5 years which alleviated concerns over the industry's R&D productivity, approvals in 2016 dropped to lows not seen since 2007 with only 19 new drugs sanctioned during the year.

Deal-making activity continued apace in the year although the move back to a preference for clinical-stage assets was further confirmed. In addition to continued attention on immuno-oncology assets and, particularly, combination therapies, one key trend that emerged during the year was the increased focus on fibrotic disease. Novel agents for conditions such as diabetic nephropathy (affecting the kidneys), non-alcoholic steatohepatitis (NASH – affecting the liver) and idiopathic pulmonary fibrosis (IPF – affecting the lungs) are sought after as the industry turns its attention to a slate of chronic life-threatening conditions that are inadequately served by current therapies. When we established our immunology group in 2015, fibrotic disease was one of the key pillars that our research portfolio was built around.

All of this reinforces Redx's strategy to focus on cancer and immunology taking our lead programs into clinic so increasing their value and lining up the potential for higher value deals once clinical proof of concept is secured.

Filings and Approvals 2000 - 2016



Source – FDA

Collaborations and Partnerships

Redx continues to build on the partnerships that have been secured to date. In particular, our collaboration with AstraZeneca focused on an undisclosed oncology target has made good progress.

Our pipeline assets have been carefully chosen as programs that not only match the demand for new therapies that will improve patient outcomes but which are attractive to potential commercialisation partners. Looking forward, we continue to have encouraging discussions for out- and in-licensing programs with a number of parties regarding future commercial collaborations across our pipeline.

AstraZeneca
GlaxoSmithKline
Pierre Fabre Médicament
innovative medicines initiative
NHS
National Institute of Allergy and Infectious Diseases
horizon

Strategy

Redx is entering a pivotal period in its growth. Over the last few years, we have created a world-class capability in small molecule drug discovery. The Company's discovery engine has created an innovative pipeline that has delivered two development assets – the Porcupine inhibitor RXC004 and the BTK inhibitor RXC005. As we take these assets toward first-in-man clinical studies, the Company needs to concentrate its resources on ensuring that we secure the best return possible from our portfolio.

To this end, Redx will focus its business on its key assets in oncology and immunology. Whilst we continue to see value in our infectious disease portfolio, we will seek to continue to progress these assets under collaborative arrangements with external partners.

Redx remains committed to discovery research in order to ensure that we maintain an effective, high-value pipeline but the balance of resource allocation will shift to support a greater degree of development activity as we move forward into clinic in 2017. As detailed in note 26 one result of this rebalancing will be a reduction in fixed costs as we decrease the number of research staff during the year.

Senior Management Team

At the beginning of the financial year, we were delighted to announce the appointment of Nicholas Adams as Chief Business Officer and at the end of the financial year Karl Hård joined as Head of Investor Relations and Corporate Communications. These key appointments have significantly strengthened the senior management team.

Financial Review

Other operating income

The Group generated other operating income of £2.4 million during the year ended 30 September 2016 (2015: £2.6 million). This principally comprised £2.2 million in respect of Regional Growth fund grants for immunology research administered by the Department of Business, Energy and Industrial Strategy.

There were no new sources of other operating income during the year.

Share-based compensation

During the year a Save as You Earn scheme was launched for all staff, resulting in the granting of 1.1m new options, this together with other new and existing options resulted in a charge of £0.2m being recognised in the Consolidated Statement of Comprehensive Income (2015: £0.6m).

Non recurring relocation costs

During late summer 2016 the Group relocated its oncology research facilities from Liverpool to Alderley Park in Cheshire, consolidating the Redx Pharma group on a single site. For clarity, the employment, removal and other costs associated with the move have been disclosed separately in the consolidated Statement of Comprehensive Income, and amounted to £0.56m. It is not expected that there will be any further costs incurred in relation to the relocation.

Taxation

This year the financial statements record a tax charge of £0.1m (2015: credit of £0.7m), As part of its continued discussions with HMRC regarding the impact of RGF funding on the recoverability of R&D tax credits, the group took the decision not to include any provision for R&D tax credits until the position has been clarified, leading to a reduction in the provision for amounts receivable for prior years of £0.75m. Amounts due under Research and Development Expenditure credit are unaffected.

Losses

The loss before taxation was £15.4 million (2015: £8.8million). The net loss for the year was £15.5 million (2015: £8.2 million) representing a loss of 19.8 pence per share (2015: 14.1 pence per share).

Cash Flows

The Group had a net cash outflow of £3.7 million for the year ended 30 September 2016 as compared to a net cash inflow of £6.5 million for the previous year.

Cash used by operating activities increased by £6.6 million to £13.3 million for the year compared to £6.7 million in the previous year. This was driven by increased research activity in immunology (its first full year), increased staff costs, and the progress of programs to more expensive pre-clinical stages.

Tax credits received in the year increased by £0.65 million to £0.75 million.

Cash inflow from financing activities was £9.3 million, being the net proceeds of the equity placing in April 2016 (see note 19). (2015: £13.4 million).

Financial Position

As at 30 September 2016, total cash and cash equivalents held were £5.8 million (2015: £9.4 million).

Headcount

Average headcount of the Group for the year was 199 (2015: 145). The increase in headcount is attributable to the further strengthening of the management team, together with a first full year of immunology research.

Share Capital

On 4 April, 14 April and 15 April 2016 respectively, the Company issued 6,180,197, 285,714, and 22,105,518 Ordinary shares at £0.35 each pursuant to a placing and admission to trading on AIM. The gross proceeds of the issue were £10m.

Outlook

We anticipate that 2017 will be an important year for Redx as our first programs are being prepared for entry to first-in-human clinical studies. The £12m (gross) fundraising in early 2017 leaves the Group well placed to implement it's strategy. While the planned restructuring will be a time of uncertainty for some, we firmly believe that this is the correct course of action to allow us to focus on our core high value assets whilst maintaining sufficient research capability in-house in oncology and immunology and progressing our Anti-infectives research through collaborations.

Dr Frank Armstrong is stepping down as Chairman of the Group, and together with Peter McPartland, will not seek re-election at the Annual General Meeting Dr Peter Jackson, Non-Executive Director, co-founder of Redx and Executive Chairman up to August 2014, will be stepping down from the Board on 31 March 2017. The appointment of a new Chairman will be announced in due course.

A number of commercial discussions are underway across our pipeline assets and the Board is confident that we will secure further partnerships.

We are also exploring options to broaden Redx's capability and asset base as we seek to further increase the growth capacity for the business. The Board remains confident that Redx will continue to adapt its strategy to ensure optimal shareholder returns in the medium to long-term.

PRINCIPAL RISKS AND UNCERTAINTIES

Redx is a biopharmaceutical company and, in common with other companies operating in this field, is subject to a number of risks and uncertainties. The principal risks and uncertainties identified by Redx for the year ended 30 September 2016 are below.

Research and Development

The Group is at a relatively early stage of development and may not be successful in its efforts to use and to build a pipeline of product candidates and develop approved or marketable products. Technical risk is present at each stage of the discovery and development process with challenges in both chemistry (including the ability to synthesise novel molecules) and biology (including the ability to produce candidate drugs with appropriate safety, efficacy and usability characteristics). Additionally, drug development is a highly regulated environment which itself presents technical risk through the need for study designs and data to be accepted by regulatory agencies. Furthermore, there can be no guarantee that the Group will be able to, or that it will be commercially advantageous for the Group to, develop its intellectual property through entering into licensing deals with emerging, midsize and large pharmaceutical companies.

Commercial

The biotechnology and pharmaceutical industries are very competitive. The Group's competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of its competitors have substantially greater financial, technical and other resources, such as larger research and development staff. The Group's competitors may succeed in developing, acquiring or licensing drug product candidates that are more effective or less costly than any product candidate which the Group is currently developing or which it may develop and may have a material adverse impact on the Group.

Clinical Trials

We do not know whether any future clinical trials with any of our product candidates will be completed on schedule, or at all, or whether our ongoing or planned clinical trials will begin or progress to the time schedule we anticipate. The commencement of future clinical trials could be substantially delayed or prevented by several factors, including:

- delays or failures to raise additional funding;
- results of future meetings with the MHRA, EMA, FDA and/or other regulatory bodies;
- a limited number of, and competition for, suitable patients with particular types of cancer for enrolment in our clinical trials;
- delays or failures in obtaining regulatory approval to commence a clinical trial;
- delays or failures in obtaining sufficient clinical materials;
- delays or failures in obtaining approval from independent institutional review boards to conduct a clinical trial at prospective sites; or
- delays or failures in reaching acceptable clinical trial agreement terms or clinical trial protocols with prospective sites.

The completion of our clinical trials could be substantially delayed or prevented by several factors, including:

- delays or failures to raise additional funding;
- slower than expected rates of patient recruitment and enrolment;
- failure of patients to complete the clinical trial;
- delays or failures in reaching the number of events pre-specified in the trial design;
- the need to expand the clinical trial;
- delays or failures in obtaining sufficient clinical materials;
- unforeseen safety issues;
- lack of efficacy during clinical trials;
- inability or unwillingness of patients or clinical investigators to follow our clinical trial protocols; and
- inability to monitor patients adequately during or after treatment.

Additionally, our clinical trials may be suspended or terminated at any time by the MHRA, other regulatory authorities, or ourselves. Any failure to complete or significant delay in completing clinical trials for our product candidates could harm our financial results and the commercial prospects for our product candidates.

Regulatory

The Group's operations are subject to laws, regulatory approvals and certain governmental directives, recommendations and guidelines relating to, amongst other things, product health claims, occupational safety, laboratory practice, the use and handling of hazardous materials, prevention of illness and injury, environmental protection and human clinical studies. There can be no assurance that future legislation will not impose further government regulation, which may adversely affect the business or financial condition of the Group.

Intellectual Property (IP)

The Group's success depends in large part on its ability to obtain and maintain patent protection for its proprietary technology and products in the United States, Europe and other countries. If the Group is unable to obtain or maintain patent protection for its technology and products, or if the scope of the patent protection is not sufficiently broad, competitors could develop and commercialise similar technology and products which would materially affect the Group's ability to successfully commercialise its technology and products. The Group is exposed to additional IP risks, including infringement of intellectual property rights, involvement in lawsuits and the inability to protect the confidentiality of its trade secrets which could have an adverse effect on the success of the Group.

Financial

The Group has a limited operating history, has incurred significant losses since its inception and does not have any approved or revenue-generating products. The Group expects to incur losses for the foreseeable future, and there is no certainty that the business will generate a profit. The Group may not be able to raise additional funds that will be needed to support its product development programs

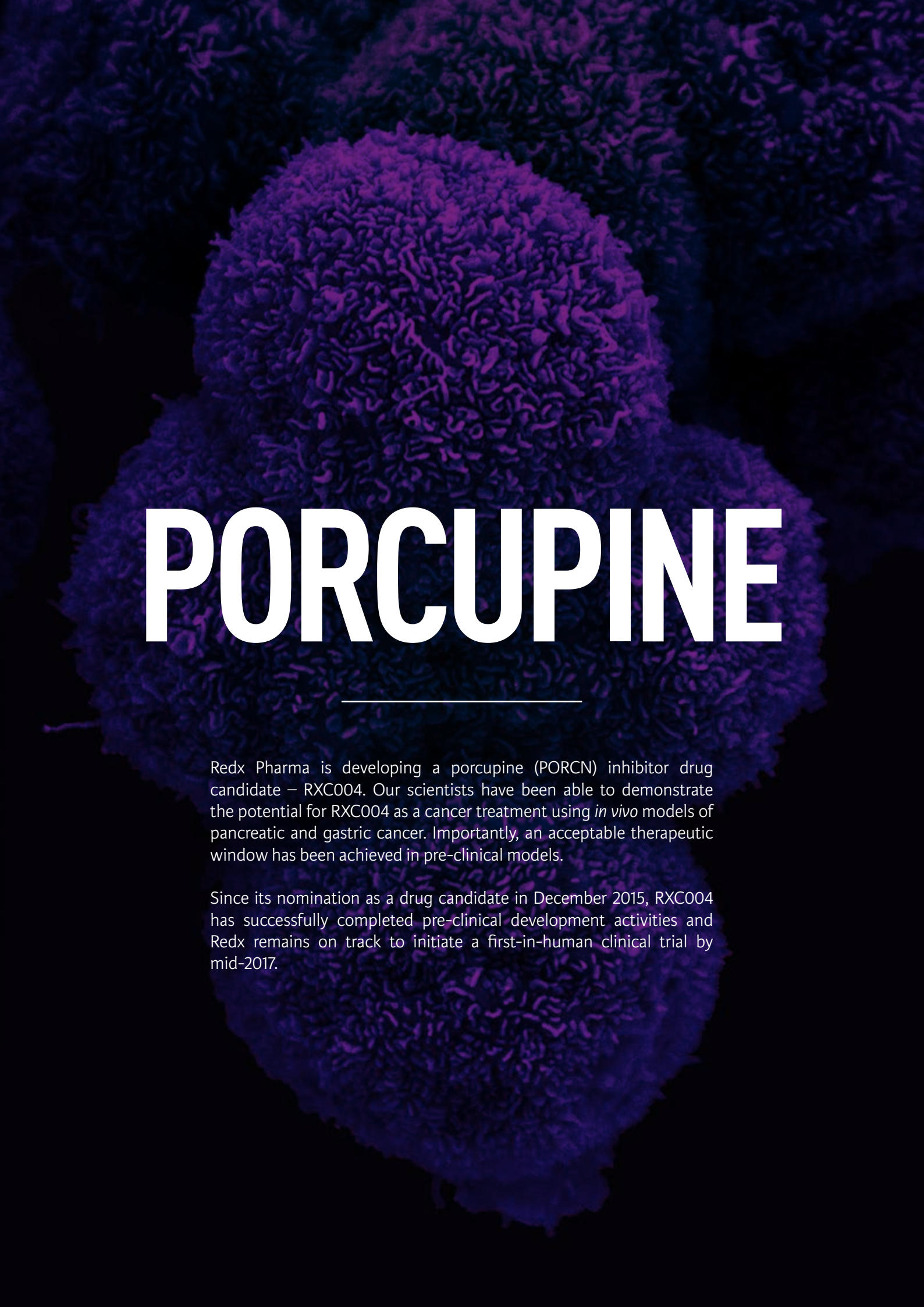
or commercialisation efforts, and any additional funds that are raised could cause dilution to existing investors.

Operational

The Group's future development and prospects depend to a significant degree on the experience, performance and continued service of its senior management team including the Directors. The Group has invested in its management team at all levels. The Directors also believe that the senior management team is appropriately structured for the Group's size and is not overly dependent upon any particular individual. The Group has entered into contractual arrangements with these individuals with the aim of securing the services of each of them. Retention of these services or the identification of suitable replacements, however, cannot be guaranteed. The loss of the services of any of the Directors or other members of the senior management team and the costs of recruiting replacements may have a material adverse effect on the Group and its commercial and financial performance and reduce the value of an investment in the Ordinary Shares.

This report was approved by the Board on 20 March 2017 and signed on its behalf.

Dr Neil D. Murray
Chief Executive Officer



PORCUPINE

Redx Pharma is developing a porcupine (PORCN) inhibitor drug candidate – RXC004. Our scientists have been able to demonstrate the potential for RXC004 as a cancer treatment using *in vivo* models of pancreatic and gastric cancer. Importantly, an acceptable therapeutic window has been achieved in pre-clinical models.

Since its nomination as a drug candidate in December 2015, RXC004 has successfully completed pre-clinical development activities and Redx remains on track to initiate a first-in-human clinical trial by mid-2017.

The Wnt pathway is implicated in cancer initiation, its progression and the maintenance of cancer stem cells (CSCs). CSCs are a tiny population of cells that chemotherapy leaves behind which allow the cancer to come back at a later date. Similar to normal stem cells, CSCs undergo a process of self-renewal and are therefore associated with tumorigenesis, metastasis, recurrence and resistance in cancer. Emerging research also shows that the Wnt pathway plays a critical role in the development of fibrotic disease in different human organs, many of which currently lack satisfactory therapies.

Despite the importance of Wnt biology in cancer and other diseases, there are currently no approved drugs which target this pathway and there are only two other porcupine inhibitors in clinical trials. A key challenge in developing drugs which target important pathways in humans is safety. Scientists have struggled to identify components of the Wnt pathway that can be targeted to provide a therapeutic effect in cancer patients without causing toxicity associated with interfering with the target in healthy cells. Much research has focused on different targets in the Wnt pathway but has been hindered due to the failure to demonstrate a suitable therapeutic window – the gap between the dose needed to see the desired effect and the dose at which toxicity is observed. Consequently, for a time it was felt that this critical pathway would be unsuitable for drug therapy.

Redx Pharma is developing a porcupine (PORCN) inhibitor drug candidate – RXC004. Scientists from Redx have been able to demonstrate the potential for RXC004 as a cancer treatment using *in vivo* models of pancreatic and gastric cancer. Importantly, an acceptable therapeutic window for targeting this key Wnt pathway component with RXC004 has been achieved in pre-clinical models.

Since its nomination as a drug candidate in December 2015, RXC004 has successfully completed pre-clinical development activities and Redx remains on track to initiate a first-in-human clinical trial in mid 2017. During this time Redx scientists have continued their research into the potential uses of RXC004 in cancer therapy and have:

- Identified specific patient sub-groups likely to respond to RXC004. Molecular alterations in gastric, pancreatic and biliary cancers have been identified which will facilitate the identification of patients likely to benefit from treatment.

- Demonstrated the ability of RXC004 to enhance the immune system response to cancer in pre-clinical models. The data suggests RXC004 in combination with checkpoint inhibitors (such as anti-PD1 antibodies) may enhance the already impressive results observed for this exciting class of therapies by increasing the response rates and the duration of response.

Phase 1 Trial of RXC004

The trial will be conducted in patients with advanced cancer and the modular approach will allow Redx to:

- **Investigate additional responsive patient populations from the all-comers Phase 1a cohort.**

- **Evaluate combination therapies which have the potential to broaden the patient populations likely to benefit from therapy.**

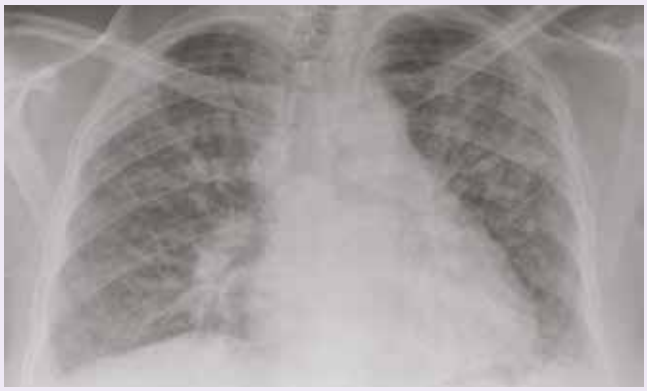
Module 1 Part a	To assess the safety and tolerability of RXC004 in an all-comers cohort of advanced cancer patients.
Module 1 Part b	To assess the efficacy of RXC004 in biomarker selected gastric and pancreatic cancer patient cohorts as well as a biliary cancer cohort.
Module 2	To assess the safety tolerability and efficacy of RXC004 in combination with standard of care therapies including checkpoint inhibitors.

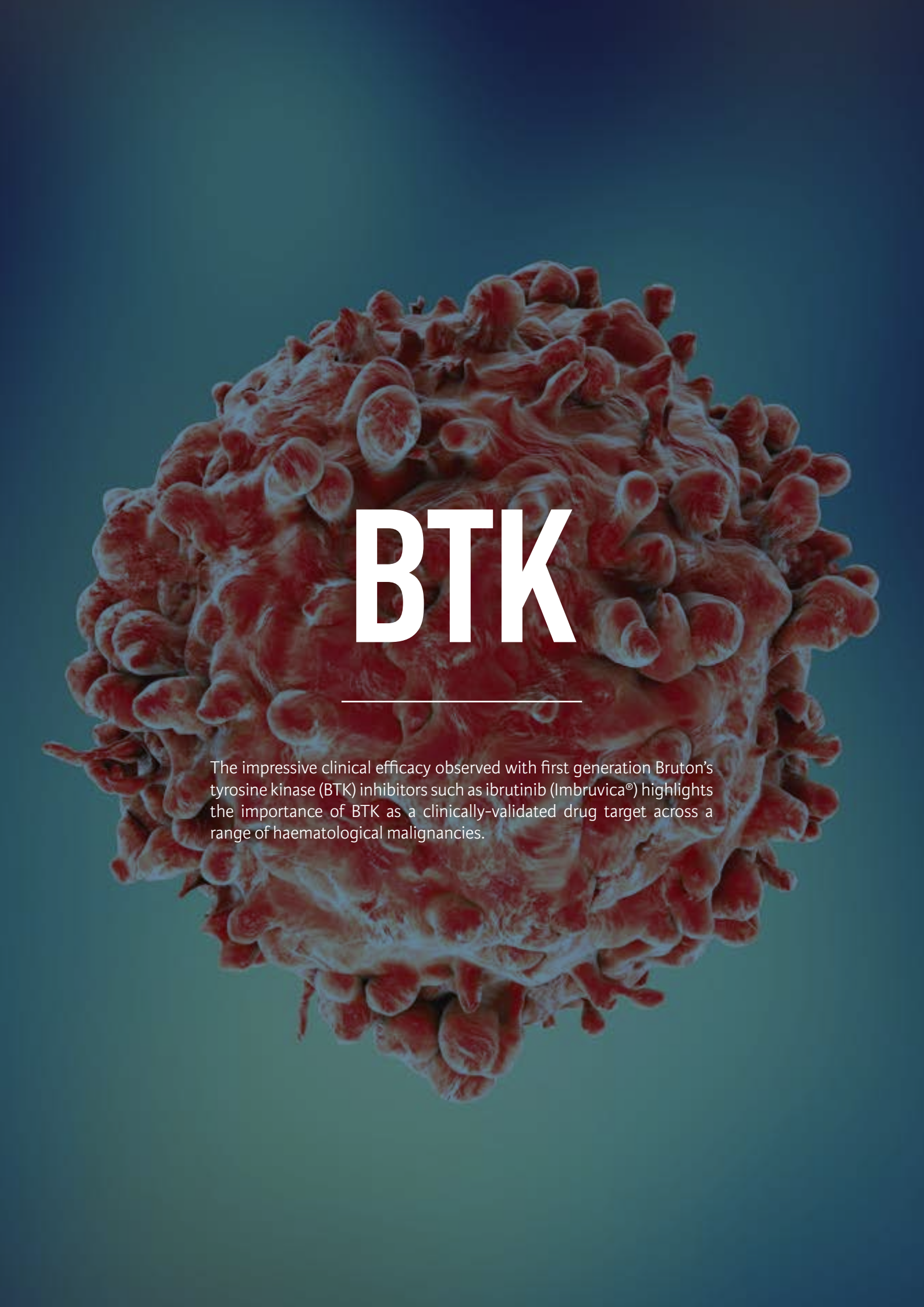
" I am delighted that Redx Pharma has chosen the University of Manchester / The Christie NHS Foundation Trust as the lead site for the first-in-man trial of their porcupine inhibitor RXC004 in 2017. We look forward to working with Redx to advance this compound towards clinical studies in some of the hardest to treat cancers such as pancreatic (as a partner in the Precision-Panc initiative), gastric and biliary cancer."

Juan Valle, Professor and Honorary Consultant in Medical Oncology, The Christie NHS Foundation Trust

Fibrotic Disease

Redx Pharma is also developing a second, distinct chemical series of PORCN inhibitors for development in the area of fibrotic disease. To fully understand the emerging potential for PORCN inhibitors in this area the scientific team are currently evaluating their effects in a range of *in vivo* models of fibrotic disease.





BTK

The impressive clinical efficacy observed with first generation Bruton's tyrosine kinase (BTK) inhibitors such as ibrutinib (Imbruvica®) highlights the importance of BTK as a clinically-validated drug target across a range of haematological malignancies.

The potency of first generation irreversible BTK inhibitors such as ibrutinib, and second generation inhibitor Acalabrutinib and others rely on the formation of a covalent bond with cysteine 481 (C481) at the BTK active site, which leads to an irreversible inhibition of the kinase activity.

As such, any mutation of this cysteine amino acid to a different residue will interfere with the drug binding mode, and thus reduce the effectiveness of irreversible BTK inhibitors. Importantly, C481 mutations in BTK have been reported in patients. These mutations have been linked to cases of resistance that have emerged in patients with chronic lymphocytic leukaemia (CLL) progression following treatment with ibrutinib. The latest studies presented in 2016 estimate that approximately 60% of these resistance patients have a mutation in C481.

Redx's scientists have taken on this challenge by developing **RXC005, which is a novel, potent and highly selective, reversible inhibitor of BTK, which is equally as effective at inhibiting non-mutated BTK (wild-type BTK) and C481-mutated BTK.**

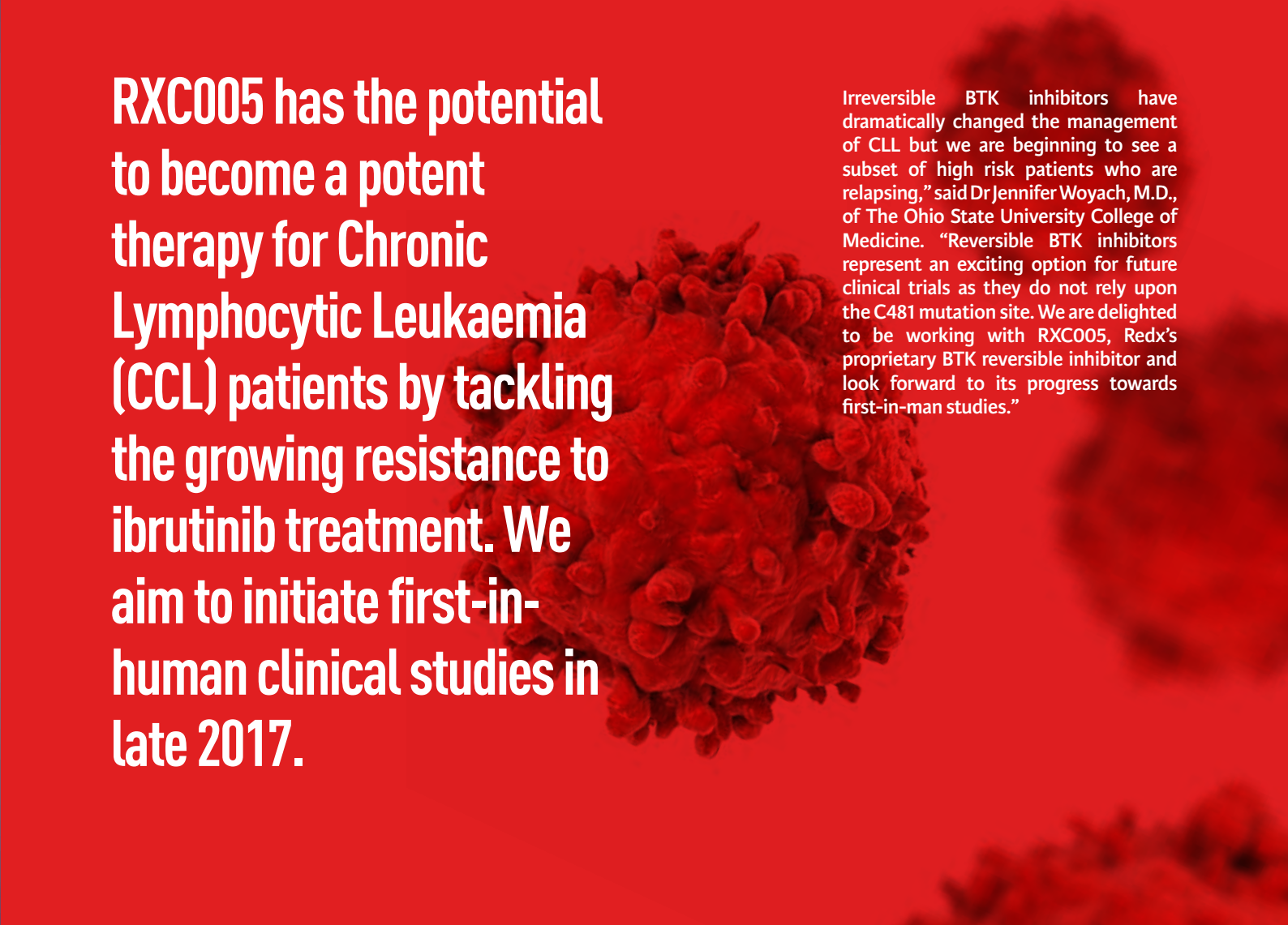
As such, RXC005 aims to overcome the resistance mechanisms to first and second generation inhibitors, whilst retaining activity where irreversible inhibitors such as ibrutinib are active.

RXC005 was successfully nominated as a drug candidate in October 2016 and the pre-clinical data supporting this decision were presented at the 58th American Society of Hematology (ASH) Annual Meeting in December 2016 where Redx scientists revealed the impressive efficacy of RXC005 in a relevant pre-clinical xenograft model. Additionally, our team at Redx have been working in collaboration with Prof. Jennifer Woyach at Ohio State University, and have demonstrated inhibition of BTK with our compound in CLL patient samples, which we also reported at the ASH meeting in December.

"Many patients with progressive CLL following ibrutinib treatment have mutations in BTK at the time of clinical relapse. RXC005, a reversible BTK inhibitor, therefore represents an opportunity for future clinical trials to target this emerging resistance mechanism. We look forward to advancing this compound towards clinical studies in CLL patients with Redx Pharma."

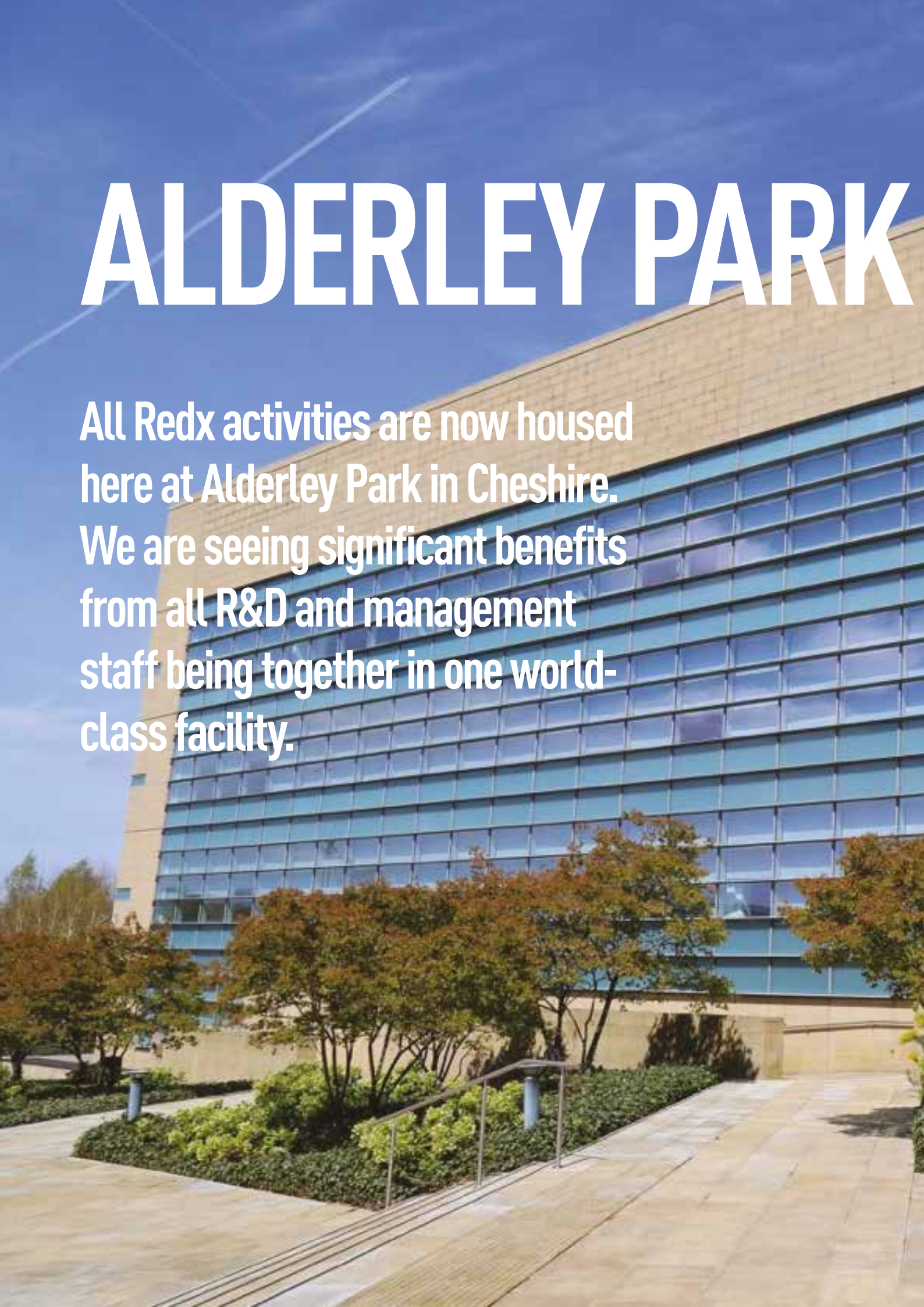
Dr Jennifer Brown, MD, PhD, Director, Chronic Lymphocytic Leukemia Center, Institute Physician, Associate Professor of Medicine, Harvard Medical School, Dana Farber Cancer Institute

RXC005 has the potential to become a potent therapy for Chronic Lymphocytic Leukaemia (CCL) patients by tackling the growing resistance to ibrutinib treatment. We aim to initiate first-in-human clinical studies in late 2017.

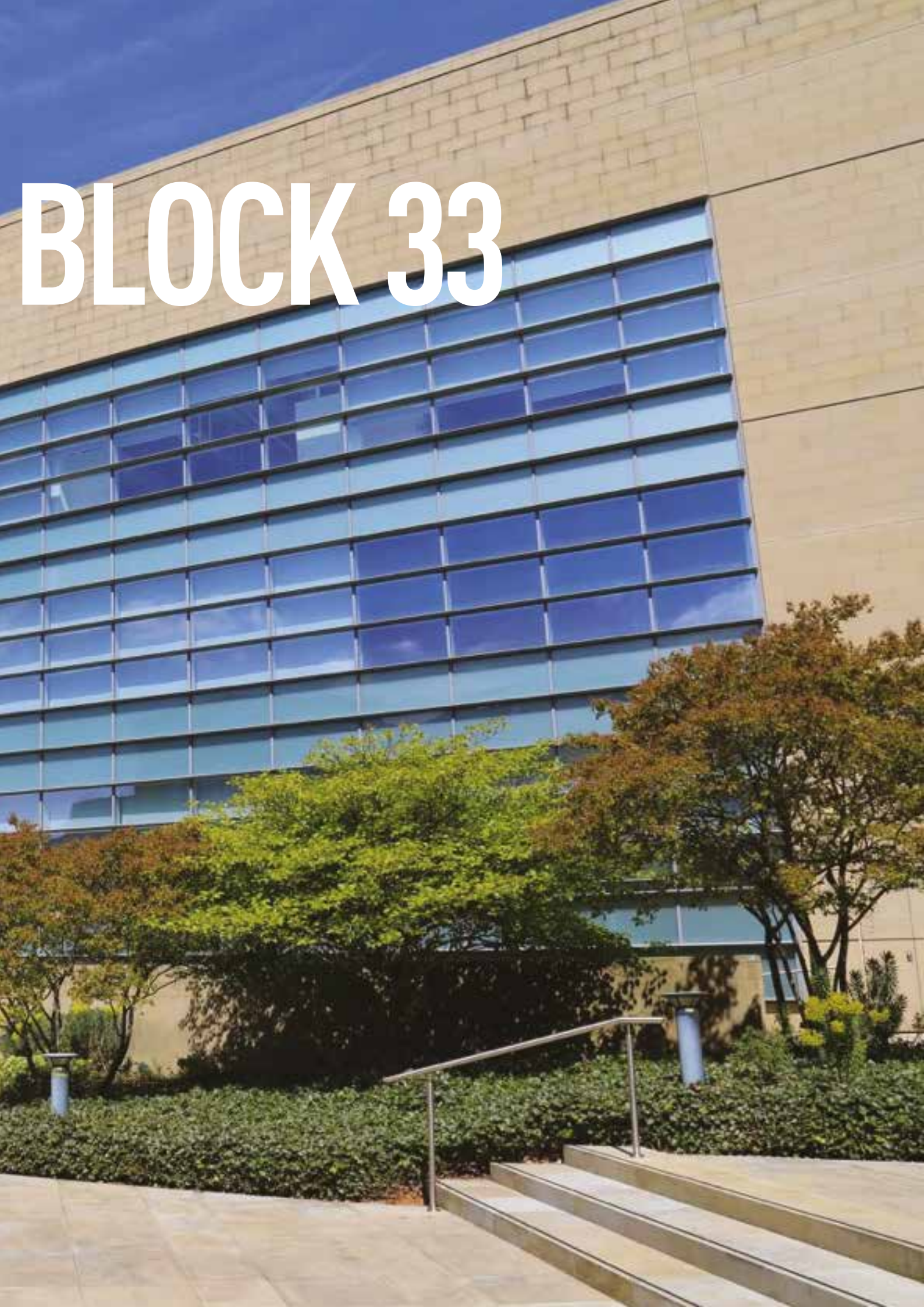


Irreversible BTK inhibitors have dramatically changed the management of CLL but we are beginning to see a subset of high risk patients who are relapsing," said Dr Jennifer Woyach, M.D., of The Ohio State University College of Medicine. "Reversible BTK inhibitors represent an exciting option for future clinical trials as they do not rely upon the C481 mutation site. We are delighted to be working with RXC005, Redx's proprietary BTK reversible inhibitor and look forward to its progress towards first-in-man studies."

ALDERLEY PARK



All Redx activities are now housed here at Alderley Park in Cheshire. We are seeing significant benefits from all R&D and management staff being together in one world-class facility.


BLOCK 33

BOARD OF DIRECTORS

Dr Frank Armstrong
Non-Executive Chairman

Frank joined the Company on 1 September 2014. Frank has previously led Medical Science and Innovation (MSI) in R&D at Merck Serono, Worldwide Development at Bayer and the Worldwide Medical Organisation at Zeneca.

He has also been the CEO of a number of life sciences companies and has extensive experience of medical and product development, leading successful product approvals in the US and EU.

Frank has been the CEO of five biotechnology companies (public and private) and was CEO of Fulcrum Pharma, before it was sold to private equity. In 2007, he led the sale of 454 Life Sciences for CuraGen to Roche for a consideration of $154 million.

Frank has experience acting as Chairman and Non-Executive Director in the UK and USA with both private companies and a NASDAQ listed company as well as being chairman of a charitable institution. Frank has been Non-Executive Chairman of AIM listed Summit Plc (LSE: SUMM) since June 2013 and is also a Non-Executive Director of Mereo BioPharma Plc.

Dr Neil Murray
CEO

Neil co-founded the Company in 2010 and has over 25 years' experience in the pharmaceutical industry with experience of drug development, business growth and general management.

He has held a variety of senior operational, commercial and R&D positions including as Global Director for Sales and Marketing with Solutia's Pharmaceutical Services business.

Prior to joining Solutia he was Director of Chemical Development at Vernalis (formerly Vanguard Medica) with additional responsibility for management of the company's research portfolio.

Neil was also European Business Development Director for SigmaAldrich before which he was External Projects Director at GlaxoWellcome with responsibility for the company's external development science.

He has extensive experience of drug discovery and development and commercialisation in large and small companies across a wide range of therapeutic areas.

Dr Peter Jackson
Non-Executive Director

Peter is a co-founder of the Company and previously served as Executive Chairman before becoming a Non-Executive Director in September 2014.

In 2007, Peter founded the Company's predecessor company Bradford Pharma. From 2005 until 2010, Peter was founder and CEO of Reaxa, exploiting chemical catalyst technology for the production of drugs with lower levels of impurities to meet stricter quality standards.

He is founder and Non-Executive Director of two other biopharma ventures, ADC Biotechnology focused on production of new antibody-based cancer therapeutics, and Yprotech Ltd (formally Yorkshire Process Technology), focused on development of new chemical processes for pharmaceuticals and agrochemicals.

Peter has over 25 years' experience in the sector, holding senior executive roles as commercial Director then head of Avecia's Pharmaceutical Products business unit, following senior commercial and R&D positions at Zeneca and ICI.

Mr Norman Molyneux
Non-Executive Director

Norman was previously the CFO of the Company before becoming a Non-Executive Director in September 2014.

Norman is a qualified Chartered Management Accountant and has 15 years' experience in arranging early stage business angel and venture capital funding. Following training in accountancy with GKN, he joined PriceWaterhouseCoopers, working on many consultancy assignments with both SME and multinational companies.

Following this, he returned to industry with Director roles in the paper manufacturing and food manufacturing sectors in the UK.

In 2000, Norman founded Acceleris Capital Limited, an FCA regulated fund management and corporate finance firm specialising in EIS-led investment transactions. Norman holds numerous Directorships fulfilling both executive and non-executive positions.

Mr Peter McPartland
Non-Executive Director

Peter has been a Non-Executive Director of the Company since October 2010.

A graduate pharmacologist, he worked for six years as an investment analyst before joining Schroder Ventures (now Permira) in 1988.

In 1994 Peter became a co-founder and general partner of SV Life Sciences (SVLS). From 1998 he began to develop his own personal interests while maintaining a part-time role at SVLS, leaving that firm in 2007 to become an independent venture capital consultant.

During his spell at SV/SVLS he was a Director of a number of leading companies in the field, including Shire Pharmaceuticals, Chiroscience and Triangle Pharmaceuticals.

Dr Bernhard Kirschbaum
Non-Executive Director

Bernd joined the Board in January 2016.

Bernd has over 25 years' experience in pharmaceutical research and drug development, having held leadership roles at Merck/Merck Serono, Sanofi-Aventis, Aventis and Hoechst Marion Roussel. He has expertise in a broad range of disease areas including oncology, immuno-oncology, immunology, neurological disorders and cardiometabolic diseases.

In the eight years to 2013, he worked at Merck/Merck Serono, becoming a member of the Board and Executive Vice-President, Global Research & Early Development. He was responsible for a budget of 1 billion euros and a global team of over 2,500 associates. In his last three years at Merck Serono, he led the successful growth of the company's R&D portfolio, with over 70 programs, doubling the number of phase II assets in this period.

Dr Kirschbaum is currently a board member of BioMedX, Protagen Diagnostics, OMEICOS Therapeutics and KAHR Therapeutics.

Mr David Lawrence
Non-Executive Director

David joined the Board in May 2016 and has over 25 years' experience in the biotech and pharmaceutical industries with a strong track record in strategy, business development and commercial management, including working with a number of investors, biotech start-ups and SMEs.

David is currently a Non-Executive Director at Synpromics Ltd, a synthetic biology company that he co-founded. In 2014-2015 he was CEO of Sentintext Therapeutics, a biotech focused on the development of vaccines for enteriviruses. He was also a Director of QSpine Limited, which designs, manufactures and distributes surgical spine medical devices.

David has been Chairman of Ambicare Health Limited, CEO of Tayside Flow Technologies Ltd and formerly worked at Chiron Vaccines (now part of Novartis), Acambis Plc (now part of Sanofi), and GlaxoSmithKline.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 30 September 2016.

DIRECTORS

The Directors who were in office during the year and up to the date of signing the financial statements, unless stated, were:

Executive

Dr Neil Murray
Dr Derek Lindsay – Resigned 6 May 2016
Philip Tottey – Resigned 30 September 2016

Non-Executive

Dr Frank Armstrong
Dr Peter Jackson
Norman Molyneux
Peter McPartland
Dr Bernhard Kirschbaum – Appointed 1 January 2016
David Lawrence – Appointed 6 May 2016

The Company maintained Directors' and officers' liability insurance cover throughout the year.

Principal activities of the Group

Details of current and future trading as well as the principal risks and uncertainties are included in the Strategic Report.

Business review

The review of the business and future developments are covered in the Strategic Report.

Financial results and dividend

The Group's loss for the year was £15.521m (2015 loss £8.175m). The Directors do not recommend the payment of a dividend. (2015 £nil).

Directors' interest in share options

Details of the Directors interests, share options and service contracts are shown in the Directors' Remuneration report.

Research and development

The Group is continuing to research products within its chosen area of therapeutic focus.

Employee involvement

Employee involvement in the overall performance of the Group is encouraged through both formal and informal meetings which deal with a whole range of issues from the Group's financial performance and future developments to health and safety issues. Copies of both the Annual Report and Interim Report are made available to all employees.

Information given to the Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- the Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information..

Independent auditors

RSM UK Audit LLP have expressed their willingness to continue in office as auditors for the year. A resolution to reappoint them will be proposed at the forthcoming AGM.

Annual General Meeting

The Annual General Meeting of the Company will be held at 9.30am on 20 April 2017 at Redx Pharma Plc, Mereside, Alderley Park, Macclesfield SK10 4TG.

Approved by the Board of Directors and signed on behalf of the Board.

Dr Neil D. Murray
Chief Executive Officer

20 March 2017

Redx Pharma Plc
c/o Acceleris Capital Ltd
Floor 9, Lowry House,
17 Marble Street
Manchester M2 3AW

Company registration number: 7368089

CORPORATE GOVERNANCE REPORT

The Board believes in the importance of corporate governance and is aware of their responsibility for overall corporate governance, and for supervising the general affairs and business of the Company and its subsidiaries.

The Company is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. Although Redx is not required to comply with the UK Corporate Governance Code by virtue of being an AIM-listed company, the Board seeks to apply the QCA Corporate Governance Code (as devised by the QCA in consultation with a number of significant institutional small company investors) to the extent appropriate and practical for a Company of its nature and size. This section provides general information on the Group's adoption of the QCA Corporate Governance Code.

The Board

At 30 September 2016, the Board comprised six Non-Executive Directors, and one Executive Director.

Directors' biographies are on pages 14 and 15.

The Board is responsible to the shareholders for the proper management of the Group and meets regularly to set the overall direction and strategy of the Group, to review scientific, operational and financial performance, and to advise on management appointments. The Board has also convened by telephone conference during the year to review the strategy and activities of the business. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

There is a clear separation of the roles of Chief Executive Officer and Non-Executive Chairman. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day to day business activities of the Group.

The Board considers there to be sufficient independence on the Board and, that all the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board, and bring considerable experience in scientific, operational and financial development of biopharmaceutical products and companies.

All of the Directors are subject to election by shareholders at the first Annual General Meeting ('AGM') after their appointment to the Board. Executive Directors will continue to seek re-election at least once every three years.

Performance Evaluation

The Board has a process for evaluation of its own performance, that of its committees and individual Directors, including the Chairman. These evaluations are carried out at least annually.

Board Committees

The Company has established audit, nomination and remuneration committees of the Board with formally delegated duties and responsibilities.

Audit Committee

The members of the Audit Committee are Mr Norman Molyneux, Mr Peter McPartland and Mr David Lawrence. Mr Norman Molyneux is the chair of the Audit Committee. The responsibilities of the committee include the following:

- Monitoring the integrity of the financial statements of the Group.
- Reviewing accounting policies, accounting treatment and disclosures in the financial reports.
- Reviewing the Group's internal financial controls and risk management systems.
- Overseeing the Group's relationship with external auditors, including making recommendations to the Board as to the appointment or re-appointment of the external auditors, reviewing their terms of engagement, and monitoring the external auditors' independence, objectivity and effectiveness.

Remuneration Committee

The members of the Remuneration Committee are Mr Peter McPartland, Dr Frank Armstrong and Mr Norman Molyneux. Mr Peter McPartland is the chair of the Remuneration Committee. The responsibilities of the committee include the following:

- Determining and agreeing with the Board on the remuneration policy for all Directors.
- Within the terms of the agreed policy, determining the total individual remuneration package for Executive Directors.
- Overseeing the evaluation of executive officers.
- Determining bonuses payable under the Group's cash bonus scheme.
- Determining the vesting of awards under the Group's long-term incentive plans and exercise of share options.

The Directors' Remuneration Report is presented on pages 19 to 21.

Nominations and Corporate Governance Committee

The members of the Nominations and Corporate Governance Committee are Dr Frank Armstrong, Mr Peter McPartland and Mr Norman Molyneux. Dr Frank Armstrong is the Chair of the Nominations and Corporate Governance Committee. The responsibilities of the committee include the following:

- Identifying individuals qualified to become members of the Board of Directors.
- Recommending Directors to be appointed to the Committees.
- Overseeing the annual evaluation of the Board and its Committees.

CORPORATE GOVERNANCE REPORT CONT.

- Reviewing and making recommendations to the Board on Board leadership structure.
- Reviewing and making recommendations to the Board on management succession planning.
- Developing and recommending to the Board appropriate corporate governance principles.

Attendance at Board meetings

The Directors attended the following Board meetings during the year:

Dr Frank Armstrong	14/15
Dr Neil Murray	15/15
Dr Derek Lindsay	9/11 (resigned 6 May 2016)
Mr Philip Tottey	13/15 (resigned 30 September 2016)
Dr Peter Jackson	8/15
Mr Norman Molyneux	12/15
Mr Peter McPartland	12/15
Dr Bernd Kirschbaum	11/12 (appointed 1 January 2016)
Mr David Lawrence	3/4 (appointed 6 May 2016)

Risk Management and Internal Control

The Board is responsible for the systems of internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews the effectiveness of these systems annually by considering the risks potentially affecting the Group.

The Group does not consider it necessary to have an internal audit function due to the small size of the administrative function. Instead there is a detailed monthly review and authorisation of transactions by the Chief Financial Officer and Chief Executive Officer.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis and discussed in detail.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis

Corporate Social Responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interest of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business.

Employment

The Board recognises its legal responsibility to ensure the well-being, safety and welfare of its employees and maintain a safe and healthy working environment for them and for its visitors.

Relations with shareholders

The Board recognises the importance of communication with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. Our website, ***RedxPharma.com***, has a section dedicated to investor matters and provides useful information for the Company's owners. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Chairman and Chief Executive Officer ensure that the views of the shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. Fully audited Annual Reports are published, and Interim Results statements notified via Regulatory Information Service announcements. All financial reports and statements are available on the Company's website.

Shareholders are welcome to attend the Group's AGM, where they have the opportunity to meet the Board. All shareholders will have at least 21 days' notice of the AGM at which the Directors will be available to discuss aspects of the Group's performance and question management in more detail.

DIRECTORS' REMUNERATION REPORT

This report sets out the remuneration policy operated by Redx in respect of the Executive and Non-Executive Directors. The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. No Director is involved in discussions relating to their own remuneration.

Remuneration policy for Executive Directors

The Remuneration Committee sets a remuneration policy that aims to align Executive Directors remuneration with shareholders' interests and attract and retain the best talent for the benefit of the Group.

The remuneration of the Executive Directors during the year 2015/16 is set out below:

Basic salary

Basic salaries are reviewed annually. The review process is managed by the Remuneration Committee with reference to market salary data, and the Executives' performance and contribution to the Company during the year.

Bonuses

Annual bonuses are based on achievement of Group strategic and financial targets, and personal performance objectives.

The Non-Executive Directors believe that bonuses are an incentive to achieve the targets and objectives, and represent an important element of the total compensation awards to the Executive Directors.

Longer term incentives

In order to further incentivise the Executive Directors and employees, and align their interests with shareholders, the Company granted new share options during the year. The share options will vest at various future dates as described in the table on page 21.

Pension

The Group operates a defined contribution pension scheme which is available to all employees. The assets of the scheme are held separately from those of the Company in independently administered funds.

Executive Directors service contracts and termination provisions

The service contracts of Executive Directors are approved by the Board. The service contract may be terminated by either party giving six months' notice to the other. The details of the Directors' contracts are summarised as follows:

	Date of Contract	Notice period
Dr Neil Murray	26 March 2015	12 months

Non-Executive Directors' service contracts and remuneration

The remuneration of the Non-Executive Directors is determined by the Remuneration Committee, with regard to market comparatives, and independent advice is sought to ensure parity is maintained with similar businesses.

The Non-Executive Directors do not receive any pension, or bonus or benefits from the Company. The contracts of the Non-Executive Directors are reviewed by the Board annually. Current contracts are summarised below:

	Date of Contract	Initial term
Frank Armstrong	26 March 2015	1 Year
Peter Jackson	26 March 2015	1 Year
Norman Molyneux	26 March 2015	1 Year
Peter McPartland	26 March 2015	1 Year

Directors' shareholdings

The Directors who served during the year, together with their beneficial interest in the shares of the Company are as follows:

Ordinary shares of 1p each	**At 30 September 2016**	At 1 October 2015
Executive		
N Murray	**1,293,671**	1,265,085
D Lindsay	**2,016,711**	2,002,425
P Tottey	**-**	-
Non-Executive		
F Armstrong	**46,586**	11,765
P Jackson	**3,345,428**	3,268,374
N Molyneux	**283,436**	248,615
P McPartland	**80,782**	77,925

DIRECTORS' REMUNERATION REPORT CONT.

Directors' remuneration

The Directors received the following remuneration during the year:

Executive	Salaries, bonuses and fees £	Compensation for loss of office £	Pension contributions £	**Total 2015/16 £**	Salaries, bonuses and fees £	Pension contributions £	Total 2014/15 £
Dr N Murray	165,625	-	9,271	**174,896**	318,368	8,199	326,567
Dr D Lindsay	59,599	-	9,285	**68,884**	151,731	19,093	170,824
P Tottey	149,132	30,000	7,762	**186,894**	77,858	2,250	80,108
Non-Executive							
F Armstrong	66,000	-	-	**66,000**	14,558	-	14,558
P Jackson	38,000	-	-	**38,000**	33,000	-	33,000
N Molyneux	46,000	-	-	**46,000**	33,000	-	33,000
P McPartland	46,000	-	-	**46,000**	17,596	-	17,596
Dr B Kirschbaum	34,500	-	-	**34,500**	-	-	-
D Lawrence	15,297	-	-	**15,297**	-	-	-
	620,153	30,000	26,318	**676,471**	646,111	29,542	675,653

Dr D Lindsay resigned as a director on 6 May 2016.

P Tottey resigned as a director on 30 September 2016.

Dr B Kirschbaum was appointed as a director on 1 January 2016.

D Lawrence was appointed as a director on 6 May 2016.

In addition to N. Molyneux's remuneration in 2014/15 and 2015/16 disclosed above, amounts were paid to Norman Molyneux Consulting Ltd and Acceleris Capital Ltd both related parties as detailed in note 23.

In addition to P. Jackson's remuneration in 2014/15 disclosed above, fees were paid to Intelia Consulting Ltd, a related party as detailed in note 23. No amounts were paid in 2015/16.

In addition to Frank Armstrong's remuneration in 2014/15 and 2015/16 disclosed above, fees were paid to Dr Frank M. Armstrong Consulting Ltd, a related party as detailed in note 23.

No compensation for loss of office was paid in the year ended 30 Septemeber 2015.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary Shares in the Company granted to or held by the Directors. Details of these options are as follows:

Director	Date of grant	At 1 October 2015	Granted during the period/ (exerc'd)	**At 30 September 2016**	Price per share (p)	Date from which exercisable	Expiry date
N Murray	26-March-15	25,050	-	**25,050**	85.0	27-March 15	26-March-25
	26-March-15	24,975	-	**24,975**	85.0	27-March-16	26-March-25
	26-March-15	24,975	-	**24,975**	85.0	27-March-17	26-March-25
		75,000	-	**75,000**			
F Armstrong	26-March-15	78,875	-	**78,875**	56.0	27-March-15	26-March-25
	26-March-15	78,875	-	**78,875**	56.0	1-Sept-15	26-March-25
	26-March-15	78,875	-	**78,875**	56.0	1-Sept-16	26-March-25
	26-March-15	78,875	-	**78,875**	85.0	27-March-15	26-March-25
	26-March-15	78,875	-	**78,875**	85.0	27-March-16	26-March-25
	26-March-15	78,875	-	**78,875**	85.0	27-March-17	26-March-25
		473,250	-	**473,250**			
P Jackson	26-March-15	551,325	-	**551,325**	85.0	27-March-15	26-March-25
	26-March-15	24,975	-	**24,975**	85.0	27-March-16	26-March-25
	26-March-15	24,975	-	**24,975**	85.0	27-March-17	26-March-25
		601,275	-	**601,275**			
N Molyneux	26-March-15	200,475	-	**200,475**	85.0	27-March-15	26-March-25
	26-March-15	24,975	-	**24,975**	85.0	27-March-16	26-March-25
	26-March-15	24,975	-	**24,975**	85.0	27-March-17	26-March-25
		250,425	-	**250,425**			
P Tottey	26-March-15	36,675	-	**36,675**	50.0	27-March-15	26-March-25
	26-March-15	36,675	-	**36,675**	50.0	17-June-16	26-March-25
	26-March-15	36,675	-	**36,675**	50.0	17-June-17	26-March-25
	26-March-15	8,325	-	**8,325**	85.0	27-March-15	26-March-25
	26-March-15	8,325	-	**8,325**	85.0	27-March-16	26-March-25
	26-March-15	8,325	(8,325)	**-**	85.0	27-March-17	26-March-25
	01-April-16	-	35,294	**35,294**	42.5	01-April-16	26-March-25
		135,000	26,969	**161,969**			

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

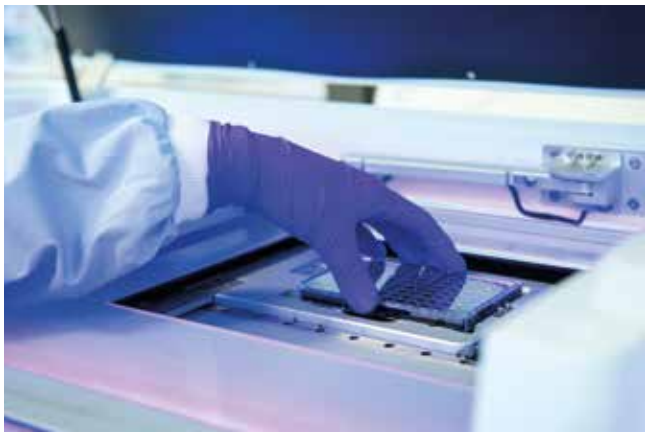
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and the Group for that period.

In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- state, with regard to the parent company financial statements, whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Redx Pharma Plc website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDX PHARMA PLC

We have audited the Group and parent company financial statements ("the financial statements") on pages 24 to 59. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: http://www.frc.org.uk/auditscopeukprivate

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Graham Bond FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

20 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	**Year ended 30 September 2016 £'000**	Year ended 30 September 2015 £'000
CONTINUING OPERATIONS			
Operating expenses	5	**(16,527)**	(11,471)
Non recurring relocation costs	5	**(556)**	-
Share based compensation	2	**(245)**	(608)
Other operating income	3	**2,380**	2,648
Loss from operations		**(14,948)**	(9,431)
Gain on disposal of subsidiary undertaking	1	**-**	895
Finance costs	4	**(526)**	(348)
Finance income	4	**67**	59
Loss before taxation		**(15,407)**	(8,825)
Income tax	6	**(114)**	650
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(15,521)**	(8,175)
LOSS PER SHARE (PENCE) FROM CONTINUING OPERATIONS			
Basic & diluted	7	**(19.8)**	(14.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

Company No. 7368089

	Notes	2016 £'000	2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**533**	353
Intangible assets	10	**309**	309
Other receivables	12	**605**	750
Total non-current assets		**1,447**	1,412
Current assets			
Trade and other receivables	13	**1,553**	1,407
Cash and cash equivalents	14	**5,758**	9,436
Current tax		**637**	1,501
Total current assets		**7,948**	12,344
Total assets		**9,395**	13,756
LIABILITIES			
Current liabilities			
Trade and other payables	15	**5,675**	4,056
Borrowings	16	**2,000**	-
Total current liabilities		**7,675**	4,056
Non-current liabilities			
Non-current borrowings	16	**-**	2,000
Total liabilities		**7,675**	6,056
Net assets		**1,720**	7,700
EQUITY			
Share capital	19	**936**	650
Share premium	20	**22,526**	13,516
Share-based compensation		**867**	622
Capital redemption reserve		**1**	1
Retained deficit		**(22,610)**	(7,089)
Equity attributable to shareholders		**1,720**	7,700

The financial statements were approved and authorised for issue by the Board on ***20 March 2017*** and were signed on its behalf by Dr Neil D. Murray, Chief Executive Officer.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Share Capital £'000	Share Premium £'000	Share-based payment £'000	Capital Redemption Reserve £'000	Retained Deficit £'000	Total Equity £'000
AT 1 OCTOBER 2014	7	12,313	152	-	(10,652)	1,820
Share issue	177	14,823	-	-	-	15,000
Exercise of share options	-	14	(138)	-	138	14
Share issue costs	-	(1,567)	-	-	-	(1,567)
Cancellation of share premium	-	(11,600)	-	-	11,600	-
Creation of capital redemption reserve	(1)	-	-	1	-	-
Bonus issue	467	(467)	-	-	-	-
Transactions with owners in their capacity as owners	643	1,203	(138)	1	11,738	13,447
Loss and total comprehensive income for the period	-	-	-	-	(8,175)	(8,175)
Share-based compensation	-	-	608	-	-	608
Movement in year	643	1,203	470	1	3,563	5,880
AT 30 SEPTEMBER 2015	**650**	**13,516**	**622**	**1**	**(7,089)**	**7,700**
Share issue	286	9,714	-	-	-	10,000
Share issue costs	-	(704)	-	-	-	(704)
Transactions with owners in their capacity as owners	286	9,010	-	-	-	9,296
Loss and total comprehensive income for the year	-	-	-	-	(15,521)	(15,521)
Share-based compensation	-	-	245	-	-	245
Movement in year	286	9,010	245	-	(15,521)	(5,980)
AT 30 SEPTEMBER 2016	**936**	**22,526**	**867**	**1**	**(22,610)**	**1,720**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
NET CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		**(15,521)**	(8,175)
Adjustments for:			
Income tax		**114**	(650)
Finance costs (net)		**459**	289
Gain on disposal of subsidiary undertaking		**-**	(895)
Depreciation and amortisation		**262**	139
Share-based compensation		**245**	608
Movements in working capital			
(Increase)/Decrease in trade and other receivables		**(124)**	1,194
Increase in trade and other payables		**1,272**	815
Decrease in items held for sale		**-**	21
CASH USED IN OPERATIONS		**(13,293)**	(6,654)
Tax credit received		**750**	97
Interest received		**36**	19
NET CASH USED IN OPERATIONS		**(12,507)**	(6,538)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of property, plant and equipment		**2**	-
Purchase of property, plant and equipment		**(444)**	(362)
NET CASH USED IN INVESTING ACTIVITIES		**(442)**	(362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue less costs		**10,000**	15,014
Share issue costs		**(704)**	(1,567)
Interest paid		**-**	(3)
Loan granted		**(25)**	-
NET CASH FROM FINANCING ACTIVITIES		**9,271**	13,444
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,678)**	6,544
Cash and cash equivalents at beginning of the year		**9,436**	2,892
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	14	**5,758**	9,436

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

BASIS OF PREPARATION

Redx Pharma plc ("Redx" or "the Company") is a public limited company incorporated in the UK as Redx Pharma Ltd on 7 September 2010, and domiciled in the UK. Its shares are listed on AIM, a market operated by The London Stock Exchange. The principal activity of the Group is drug discovery, pre-clinical development and licensing. The Group financial statements are presented in pounds Sterling, which is the Group's presentational currency, and all values are rounded to the nearest thousand (£000) except where indicated otherwise.

They have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with those parts of the Companies Acts 2006 applicable to entities reporting under IFRS.

New standards, amendments and interpretations adopted during the year ended 30 September 2016

The IASB and IFRIC have issued the following standards and interpretations which have been adopted during the year. The adoption of these standards and interpretations has not had a material impact on the Group.

Annual IFRS Improvements Process (2014)
The 2014 annual improvements cycle covered amendments to IFRS 5: Non-current assets held for sale and discontinued operations, IFRS 7: Financial Instruments: Disclosures, IAS 19: Employee benefits and IAS 34: Interim Financial Reporting.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2015 and not early adopted.

The IASB and IFRIC have issued the following standards and interpretations with effective dates as noted below:

IFRS 9, Financial Instruments
The standard is the first standard issued as part of a wider project to replace IAS 39. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics of the instrument. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Effective date (for annual periods beginning on or after)
1 January 2018

IFRS 15, Revenue from Contracts with Customers
The standard specifies how and when a company will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based, five-step model to be applied to all contracts with customers.

Effective date (for annual periods beginning on or after)
1 January 2018

IFRS 16, Leases
The standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right of use asset.

Effective date (for annual periods beginning on or after)
1 January 2019

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and, has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of

the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Going concern

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

The Group incurred a net loss of £15.5m during the year; however, the Directors are satisfied, based on detailed cash flow projections and after the consideration of reasonable sensitivities, that sufficient working capital is available to meet the Group's needs as they fall due for the foreseeable future and at least 12 months from the date of signing the accounts.

The detailed cash flow assumptions are based on the Group's annual budget, prepared and approved by the Board, which reflects a number of key assumptions in respect of costs and revenue forecasts, underpinned by the current pipeline. The Board have also taken into consideration the effects of the successful post year end fundraise of £12m (gross), and the cost savings expected from the restructuring explained elsewhere in the Financial Statements. Sensitivity analysis has been performed on both cost and revenue forecasts to reflect a variety of opportunities, risks and mitigating actions, both in timing and quantum. These projections are reviewed by the Board on a regular basis.

Within the revenue forecasts, and as discussed in the Principal Risks and Uncertainties section of the Strategic Report, there are inherent judgements regarding the commercial and technical risk of programs. Whilst acknowledging the uncertainties in the operating environment and their resultant impact on revenues, the Directors have identified a number of further opportunities to manage working capital, to mitigate against any deteriorations and uncertainties in trading conditions.

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

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.

The Group has therefore determined that it has only one reportable segment under IFRS8.

Currencies

(a) Functional and presentational currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which the Group operates ("the functional currency") which is UK sterling (£). The Financial Information is presented in UK sterling.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or at an average rate for a period if the rates do not fluctuate significantly. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement.

of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Revenue

Income received as a contribution to on-going costs, together with grant income, is treated as Other operating income within the Income Statement.

Government grants are recognised as Other operating income on a systematic basis over the periods in which the associated expenses are recognised. Grants that are receivable as compensation for expenses or losses previously incurred or for the purpose of giving immediate financial support with no future related costs are recognised in the period in which they become receivable.

Current and deferred tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current tax

Current tax is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the period that have been enacted by the reporting date.

(b) Deferred tax

Deferred tax is calculated at the latest tax rates that have been substantially enacted by the reporting date that are expected to apply when settled. It is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.
Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a right to offset current tax assets and liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Impairment of non-current assets

At each reporting date, the Directors review the carrying amounts of property, plant and equipment assets and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. Furthermore the Director's review at each reporting date the carrying value of Goodwill in accordance with IAS 36. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Such assets acquired in a business combination are initially recognised at their fair value at acquisition date.

Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

- Laboratory Equipment - 2 or 3 years
- Computer Equipment - 2 or 3 years
- Leasehold improvements – over the term of the lease

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

The minimum term of the lease is estimated if it is not clear.

Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All on-going development expenditure is currently expensed in the period in which it is incurred. Due to the regulatory and other uncertainties inherent in the development of the Group's programs, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the Group. The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

Development costs are capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- Technical feasibility of the completed intangible asset has been established;
- It can be demonstrated that the asset will generate probable future economic benefits;
- Adequate technical, financial and other resources are available to complete the development;
- The expenditure attributable to the intangible asset can be reliably measured; and
- The Group has the ability and intention to use or sell the asset.

Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as such.

The cost of a purchased intangible asset is the purchase price plus any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered.

Pension costs

The Group operates a defined contribution pension scheme for the benefit of its employees. The Group pays contributions into an independently administered fund via a salary sacrifice arrangement. The costs of providing these benefits are recognised in the statement of comprehensive income and consist of the contributions payable to the scheme in respect of the period.

Share-based compensation

The Group issues share-based payments to certain employees and Directors. Equity-settled share-based payments are measured at fair value at the date of grant and if material are expensed immediately or on a straight-line basis over any vesting period, along with a corresponding increase in equity.

At each reporting date, the Directors revise their estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of any revision is recognised in the statement of comprehensive income, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black-Scholes model, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest. The cost of each option is spread evenly over the period from grant to expected vesting.

When options expire or are cancelled, a corresponding credit is recognised.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Trade and other payables

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

Critical accounting estimates and judgements

Details of significant accounting judgements and critical accounting estimates are set out in this Financial Information and include:

(a) Share based compensation

The Group has issued a number of share options to certain employees. The Black-Scholes model was used to calculate the appropriate charge for the period of issue and subsequent periods.

The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised and further information on share options can be found in Notes 2 and 21.

(b) Government grant accrued income

The recognition of grant income (and hence the related accrued income balances) requires the Directors to make assumptions in relation to the allocation of resources to date and the likelihood of a successful claim. A potential contingent liability exists with regard to the repayment of certain grant income, which is discussed in detail in note 25.

(c) Capitalisation of research and development expenditure

The decision on whether to capitalise any expenditure relating to research and development in accordance with IAS 38 requires the Directors to make judgements as to whether certain key criteria have been met.

1. GAIN ON DISPOSAL OF SUBSIDIARY UNDERTAKING AND ASSETS HELD FOR SALE

The sale of the subsidiary Redx Crop Protection Ltd to Redag Ltd, a related party by virtue of common Directors, completed on 9 October 2014, on which date control passed to the acquirer.

The gain on the disposal of subsidiary represents cash consideration of £1 and a loan of £714,000 received for the disposal of net liabilities of £181,000.

2. SHARE-BASED COMPENSATION

Share options have been issued to certain Directors and staff during the period, and the charge arising is shown below. The fair value of the options granted has been calculated using a Black Scholes model.

	2016 NUMBER	2015 NUMBER
Options granted and vested in period	**35,294**	1,581,075
Options cancelled in period	**(226,282)**	(90,800)
Options granted and vesting in future periods	**1,362,997**	1,244,700
	1,172,009	2,734,975

	£'000	£'000
Charge to Statement of Comprehensive Income in period	**245**	608

Assumptions used were an option life of 5 years, a risk free rate of 2% and no dividend yield. Other inputs were as follows:

Volatility	40%	40%
	£	£
Assumed share price at grant date	0.415 to 0.85	0.85
Exercise price	0.33 to 0.85	0.70
Fair value of each option	0.161 to 0.472	0.38

The assumptions used in the previous period reflect a 74 for 1 bonus issue in March 2015.

3. OTHER OPERATING INCOME

	2016 £'000	2015 £'000
Reimbursement of costs	**162**	1,390
Government grants receivable	**2,218**	1,258
	2,380	2,648

4. FINANCE EXPENSE AND FINANCE INCOME

Finance expense	**2016 £'000**	2015 £'000
Loan interest	**346**	345
Fair value adjustment	**180**	-
Other interest and similar charges	**-**	3
	526	348
Finance income		
Bank and other short term deposits	**32**	23
Loan interest	**35**	36
	67	59

5. LOSS BEFORE TAXATION

The following items have been included in arriving at loss before taxation	2016 £'000	2015 £'000
Research and development	**8,067**	5,086
Staff costs – Note 8 (excluding share based compensation & relocation costs)	**7,120**	5,394
Establishment and general:		
Depreciation of owned property, plant and equipment	**262**	139
Operating leases on land and buildings	**824**	715
Operating leases – other	**212**	101
Amounts payable to RSM UK Audit LLP and their associates by the Company and its subsidiaries amounted to:-		
Audit of subsidiaries	**15**	12
Audit of parent Company and consolidation	**17**	15
Tax compliance	**-**	-
Tax consultancy	**-**	-
Other services – interim review	**10**	9
	16,527	11,471

In 2015 RSM corporate finance LLP charged fees of £96k in relation to the IPO.

During the year, the group relocated certain aspects of its operations from Liverpool to Alderley Park. The total non recurring costs (which included staff benefit packages and site removal costs) associated with this were £556,000, (2015: £Nil).

6. INCOME TAX

Current income tax	2016 £'000	2015 £'000
UK corporation tax (R&D tax credits)	**-**	(507)
Research and Development Expenditure credit	**(637)**	(307)
Prior year adjustment	**751**	164
Income tax credit per the income statement	**114**	(650)

The Group is in continuing discussions with HMRC regarding the impact of RGF funding on the recoverability of R&D tax credits. Whilst the directors remain confident that such credits are recoverable, they consider it prudent not to provide on such a basis at the present time. Amounts due under Research and Development Expenditure credit are unaffected.

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

6. INCOME TAX CONT.

	2016 £'000	2015 £'000
Loss before tax	**(15,407)**	(8,825)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.5%)	**(3,081)**	(1,809)
Effects of:		
Income not chargeable for tax purposes	**-**	(183)
R&D expenditure credits	**159**	79
Expenses not deductible for tax purposes	**94**	129
Group relief surrendered/(claimed)	**-**	(12)
R&D enhanced tax credit	**-**	(402)
Adjustment in respect of previous periods	**751**	164
Losses surrendered for R&D tax credits	**-**	717
RDEC recognised in tax account	**(637)**	(307)
R&D tax credit recoverable	**-**	(507)
Deferred tax not recognised	**2,828**	1,481
Total taxation	**114**	(650)

The taxation credit arises on the enhanced research and development tax credits and research and development expenditure credits accrued to the respective periods.

7. LOSS PER SHARE

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

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

The basic and diluted calculations are based on the following:

	2016 £'000	2015 £'000
Loss for the period attributable to the owners of the Company	**(15,521)**	(8,175)
	NUMBER	NUMBER
Weighted average number of shares – basic and diluted	**78,360,552**	58,021,962
	PENCE	PENCE
Loss per share - basic and diluted	**(19.8)**	(14.1)

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.*

8. EMPLOYEES AND KEY MANAGEMENT

	2016 £'000	2015 £'000
Staff costs (including Directors) comprise		
Wages and salaries	**6,591**	4,618
Social security costs	**641**	461
Pension costs	**296**	217
Non-Executive Director fees	**-**	98
Share-based payments	**245**	608
	7,773	6,002

	2016 NUMBER	2015 NUMBER
Number of employees		
Average number of employees (including Directors)		
Management & Admin	**29**	20
R&D – Chemistry	**85**	67
R&D – Biology	**52**	37
R&D – Analytical	**33**	21
	199	145

	2016 £'000	2015 £'000
Directors & Key management		
Short term remuneration	**1,069**	799
Compensation for loss of office	**30**	-
Social security costs	**128**	99
Pension costs	**53**	30
Share-based payments	**166**	504
	1,446	1,432

Key management are considered to be the Directors and other members of the Executive Management Team. Payments to Directors consist of basic salaries, fees and pension.

The amounts in respect of the highest paid Director are as follows:

	2016 £'000	2015 £'000
Short term employment benefits	**149**	318
Compensation for loss of office	**30**	-
Pension contributions	**8**	8
	187	326

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements £'000	Laboratory Equipment £'000	Computer Equipment £'000	Total £'000
COST				
At 1 October 2014	-	552	144	696
Additions	-	327	35	362
At 30 September 2015	-	879	179	1,058
At 1 October 2015	-	879	179	1,058
Additions	114	199	131	444
Disposals	-	(6)	-	(6)
At 30 September 2016	**114**	**1,072**	**310**	**1,496**
DEPRECIATION				
At 1 October 2014	-	451	115	566
Charge for the year	-	111	28	139
At 30 September 2015	-	562	143	705
At 1 October 2015	-	562	143	705
Charge for the year	2	228	32	262
Disposals	-	(4)	-	(4)
At 30 September 2016	**2**	**786**	**175**	**963**
Net book value				
At 30 September 2016	**112**	**286**	**135**	**533**
At 30 September 2015	-	317	36	353
At 1 October 2014	-	101	29	130

10. INTANGIBLE ASSETS (GOODWILL)

	2016 £'000	2015 £'000
Cost		
At 1 October and 30 September	**309**	309
Accumulated Impairment		
At 1 October and 30 September	**-**	-
Net carrying value at 30 September	**309**	309

The goodwill arose on the original purchase of the business and assets of Bradford Pharma. The Board considers the goodwill to be intrinsic to the whole Group's on-going business, and as such the calculations have been made based on forecasts and predictions relating to the Group as a single entity.

The Directors undertook a detailed review by preparing a discounted cash flow model, using the agreed budgets and forecasts for the coming years. The key variables that were used included:

A terminal growth rate thereafter of 2%.

A pre-tax discount rate of 11.5%, which the Directors believe to be prudent.

Based on the results of the above detailed testing, the Board do not believe that any impairment under IAS 36 is required.

11. SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 4 to the Company's separate financial statements.

12. OTHER NON-CURRENT RECEIVABLES

	2016 £'000	2015 £'000
Loan	**605**	750
	605	750

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 repayable on the sale, listing, or change of control of Redag Crop Protection ltd.

12. OTHER NON-CURRENT RECEIVABLES CONT.

The Directors expectation is that the loan will be fully recovered, but that none of the repayment terms are likely to be fulfilled in the short term, and that it is therefore appropriate to classify the loan as a non-current receivable. A discount rate of 12% has been applied in calculating the carrying value.

The Directors believe that the carrying value represents the fair value of the asset. An impairment review has been undertaken by the Directors, which did not indicate that any impairment was required.

13. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
VAT recoverable	**132**	133
Other receivables	**151**	117
Accrued income	**469**	452
Prepayments	**801**	705
	1,553	1,407

The Directors believe that the carrying value of trade and other receivables represents their fair value.

Details of the Group's credit risk management policies are shown in note 17. The Group does not hold any collateral as security for its trade and other receivables.

14. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Cash at bank and in hand	**5,758**	3,436
Short-term deposits	**-**	6,000
	5,758	9,436

No interest is earned on immediately available cash balances. Short-term deposits are made for varying periods of up to 90 days, and earn interest at the respective short-term deposit rates.

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

15. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	**1,632**	1,601
Employee taxes and social security	**235**	131
Other payables	**180**	117
Accruals	**3,628**	2,207
	5,675	4,056

Trade and other payables principally consist of amounts outstanding for trade purchases and on-going costs. They are non-interest bearing and are normally settled on 30 to 45 day terms.

The Directors consider that the carrying value of trade and other payables approximates to their fair value.

16. FINANCIAL LIABILITIES - BORROWINGS

	2016 £'000	2015 £'000
Current		
Convertible loan due within one year	**2,000**	-
	2,000	-
Non-current		
Convertible loan due between two and five years	**-**	2,000
	-	2,000
Total	**2,000**	2,000

A convertible loan facility of £2m was agreed with Liverpool City Council in June 2012. The maturity date of the loan is 31 March 2017. Interest is charged at 12% per annum and is payable upon repayment of the loan. The lender has an option to convert into ordinary shares. The loan is secured by a fixed and floating charge over the assets of the business and is denominated in sterling.

17. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings, cash and cash equivalents and various items such as other receivables and trade and other payables arising directly from the Group's operations. The main purpose of these financial instruments is to finance the Group's operations.

Classes and fair values of financial instruments are as follows:

	Carrying value 2016 £'000	Carrying value 2015 £'000
Loans and receivables		
Loan	**605**	750
Other receivables	**620**	569
Cash and cash equivalents	**5,758**	9,436
	6,983	10,755
Financial liabilities measured at amortised cost		
Non-current borrowings	**-**	2,000
Current borrowings	**2,000**	-
Trade payables	**1,632**	1,601
Other payables	**180**	117
	3,812	3,718

The Group compared fair value to carrying value for each class of financial asset and liability. No difference was identified.

The principal financial risks faced by the Group are:

Currency risk

The Group's exposure to foreign currency risk is limited; most of its invoicing and payments are in sterling. Accordingly no sensitivity analysis is presented in this area as it is immaterial.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In the year, both these risks are considered to have been minimal.

Credit risk

The Group gives careful consideration to which organisations it uses for banking in order to minimise credit risk. The Group holds cash with one large bank in the UK, an institution with an A credit rating (long term, as assessed by Moody's). The amounts of cash held with that bank at the reporting date can be seen in the financial assets table above. All of the cash and cash equivalents held with the bank were denominated in sterling.

Liquidity risk and capital management

Liquidity risk

The Directors manage liquidity risk by regularly reviewing the Group's cash requirements by reference to short term cashflow forecasts and medium term working capital projections.

Capital management

The Group considers capital to be its non-current liabilities and equity. The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern. The Group is currently meeting this objective. In order to maintain or adjust the capital structure the Group may issue new shares or sell assets to reduce debt.

Financial risk factors

Accounts receivable and accounts payable, arising from normal trade transactions, are expected to be settled within normal credit terms.

The contractual maturity of the Group's financial liabilities is as follows:

	Loans £'000	Trade payables £'000	Other payables £'000	Total £'000
Timing of cash flows				
Within one year	2,000	1,632	180	3,812
Between two and five years	-	-	-	-
At 30 September 2016	**2,000**	**1,632**	**180**	**3,812**
Timing of cash flows				
Within one year	-	1,601	117	1,718
Between two and five years	2,000	-	-	2,000
At 30 September 2015	2,000	1,601	117	3,718

18. DEFERRED TAX

	Accelerated capital allowances £'000	Other £'000	Total £'000
Liabilities			
At 30 September 2015 and 2016	-	-	-

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2015:20%).

Deferred tax assets carried forward of £6.1m, (2015: £3.4m) have not been recognised on the grounds that there is insufficient evidence of sufficient taxable trading profits arising in the future to allow recovery.

19. SHARE CAPITAL

	2016 NUMBERS	2015 NUMBERS
Number of shares in issue		
Ordinary Shares of £0.01	**93,552,638**	64,981,209

	2016 £'000	2015 £'000
Share Capital at par, fully paid		
Ordinary Shares of £0.01	**936**	650
Movement in year		
Ordinary shares of £0.01	**286**	644
Ordinary B shares of £0.01	**-**	(1)
Total movement in year	**286**	643

Share issues

On 4 April, 14 April and 15 April 2016 respectively, the Company issued 6,180,197 , 285,714 , and 22,105,518 Ordinary shares at £0.35 each pursuant to a placing and admission to trading on AIM. The gross proceeds of the issue were £10m.

20. SHARE PREMIUM

	2016 £'000	2015 £'000
Brought forward	**13,516**	12,313
Bonus issue	**-**	(467)
Share issue	**9,714**	14,823
Share issue costs	**(704)**	(1,567)
Exercise of share options	**-**	14
Reduction of share premium	**-**	(11,600)
	22,526	13,516

Description of other reserves:

Share premium	Amount subscribed for share capital in excess of nominal value.
Share-based payment	The share based payment reserve arises as the expense of issuing share-based payments is recognised over time (share option grants).
Capital redemption reserve	A statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.
Retained deficit	The retained deficit records the accumulated profits and losses less any subsequent elimination of losses, of the Group since inception.

21. SHARE-BASED PAYMENTS

Movements on share options during the period were as follows:

Exercise price per share	30 September 2015	Granted	Exercised	Lapsed/ Cancelled	30 September 2016	Date from which exercisable	Expiry date
50p	36,675	-	-	-	36,675	27.03.2015	26.03.2025
50p	36,675	-	-	-	36,675	17.06.2015	26.03.2025
50p	36,675	-	-	-	36,675	17.06.2016	26.03.2025
50p	221,650	-	-	(30,000)	191,650	26.03.2016	26.03.2025
50p	221,650	-	-	(60,000)	161,650	26.03.2017	26.03.2025
50p	221,650	-	-	(60,000)	161,650	26.03.2018	26.03.2025
50p	110,025	-	-	-	110,025	26.03.2015	26.03.2025
56p	78,875	-	-	-	78,875	27.03.2015	26.03.2025
56p	78,875	-	-	-	78,875	01.09.2015	26.03.2025
56p	78,875	-	-	-	78,875	01.09.2016	26.03.2025
85p	1,239,950	-	-	-	1,239,950	27.03.2015	26.03.2025
85p	187,100	-	-	-	187,100	27.03.2016	26.03.2025
85p	187,100	-	-	(8,325)	178,775	27.03.2017	26.03.2025
33.2p	-	1,145,350	-	(50,310)	1,095,040	01.05.2019	26.02.2026
42.5p	-	66,666	-	-	66,666	01.04.2017	26.03.2025
42.5p	-	66,667	-	-	66,667	01.04.2018	26.03.2025
42.5p	-	66,667	-	-	66,667	01.04.2019	26.03.2025
42.5p	-	35,294	-	-	35,294	01.04.2016	26.03.2025
42.5p	-	17,647	-	(17,647)	-	01.04.2017	26.03.2025
Total	**2,735,775**	**1,398,291**	-	**(226,282)**	**3,907,784**		

During the prior year:

Exercise price per share	1 October 2014	Granted	Exercised	Lapsed/ Cancelled	30 September 2015	Date from which exercisable	Expiry date
1p	20,516	-	(20,516)	-	-	20.12.2012	
3750p	800	-	-	(800)	-	04.02.2014	04.02.2024
50p	-	36,675	-	-	36,675	27.03.2015	26.03.2025
50p	-	36,675	-	-	36,675	17.06.2015	26.03.2025
50p	-	36,675	-	-	36,675	17.06.2016	26.03.2025
50p	-	251,650	-	(30,000)	221,650	26.03.2016	26.03.2025
50p	-	251,650	-	(30,000)	221,650	26.03.2017	26.03.2025
50p	-	251,650	-	(30,000)	221,650	26.03.2018	26.03.2025
50p	-	110,025	-	-	110,025	26.03.2015	26.03.2025
56p	-	78,875	-	-	78,875	27.03.2015	26.03.2025
56p	-	78,875	-	-	78,875	01.09.2015	26.03.2025
56p	-	78,875	-	-	78,875	01.09.2016	26.03.2025
85p	-	1,239,950	-	-	1,239,950	27.03.2015	26.03.2025
85p	-	187,100	-	-	187,100	27.03.2016	26.03.2025
85p	-	187,100	-	-	187,100	27.03.2017	26.03.2025
Total	**21,316**	**2,825,775**	**(20,516)**	**(90,800)**	**2,735,775**		

The Group has accounted for the charge arising from the issue of share options as below:

The total charge recognised in the year to 30 September 2016 is £245,000 (2015: £608,000). The fair values of the options granted have been calculated using a Black-Scholes model.

Assumptions used were an option life of 5 years, a risk free rate of 2 per cent, a volatility of 40 per cent and no dividend yield. Other inputs are shown in note 2.

The share options are exercisable with no further conditions to be met.

22. OPERATING LEASE ARRANGEMENTS – MINIMUM LEASE PAYMENTS

	PROPERTY		PLANT & EQUIPMENT	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:				
Within one year	**1,000**	505	**160**	90
In the second to fifth years	**5,512**	2,647	**-**	10
In greater than five years	**5,413**	-	**-**	-
	11,925	3,152	**160**	100

Operating lease commitments relate to buildings and to plant and equipment.

23. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and other related parties are disclosed below:

Trading transactions

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

Intelia Consulting Ltd – owned by P. Jackson
Acceleris Capital Ltd – of which N. Molyneux is a Director
Norman Molyneux Consultancy Ltd – owned by N. Molyneux
Dr Frank M Armstrong Consulting Ltd – owned by F. Armstrong

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

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

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

Redag Crop Protection Ltd – of which N. Molyneux is a Director. A loan has also been granted as part of the sale of this company.

The amounts outstanding are unsecured.

23. RELATED PARTIES CONT.

As detailed in note 12 the Group has a loan of £605,000 due from Redag Crop Protection Ltd. N. Molyneux, N. Murray, D. Lindsay, P. Jackson and P. McPartland are all shareholders in Redag Crop Protection Ltd.

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.

Purchases from/(charges to) related parties	**2016 £'000**	2015 £'000
Intelia Consulting Ltd	**-**	84
Redag Crop Protection Ltd	**(163)**	(91)
Acceleris Capital Ltd	**88**	59
Acceleris Capital Ltd (fundraising items)	**309**	295
Norman Molyneux Consultancy Ltd	**10**	18
Dr Frank M Armstrong Consulting Ltd (fees)	**-**	32
Dr Frank M Armstrong Consulting Ltd (expenses)	**5**	-
Mrs J Murray	**24**	18
	273	415

Amounts owed to/(by) related parties	**2016 £'000**	2015 £'000
Intelia Consulting Ltd	**-**	25
Redag Crop Protection Ltd	**(33)**	(21)
Redag Crop Protection Ltd - loan	**(605)**	(750)
Acceleris Capital Ltd	**18**	3
AMR Centre Ltd – short term loan	**(25)**	-
Norman Molyneux Consultancy Ltd	**-**	6
Dr Frank M Armstrong Consulting Ltd	**1**	9
Mrs J Murray	**2**	-
	(642)	(728)

Amounts owed to/by related parties are disclosed in other receivables (note 13), other non current receivables (note 12), and within trade payables (note 15).

24. CAPITAL COMMITMENTS

At 30 September 2016 the Group had no capital commitments (30 September 2015: nil).

25. CONTINGENT LIABILITIES

The Group has continued to receive Regional Growth Fund grants administered by the Department of Business, Energy and Industrial Strategy of the UK Government in support of its research programs around early stage proprietary small molecule therapeutics. At the end of the year the Group had received total grants carried forward as follows:

	2016 **£'000**	2015 £'000
RGF 2	**5,920**	5,920
RGF 3	**4,700**	4,700
RGF 5	**2,630**	470
	13,250	11,090

Receipt of these grant monies is subject to various performance criteria, the most significant of which are the obligation to defray specific operational expenditure in relation to the research programs before the claims were made (considered to be the funded expenditure); and the requirement to confirm the reasonable belief that funded expenditure will lead to the creation or safeguarding of a specific average number of jobs connected with those programs to the end of the monitoring periods which are for RGF2 31 March 2017, for RGF3 17 April 2019 and 31 March 2020 for RGF5 (considered to be the long term results). If the Group fails to create or safeguard an average number of jobs connected with the research programs through to the end of the monitoring periods, which are 160 for RGF2, 99 for RGF3 and 70 for RGF5, it may be required to repay £37,000, £47,475 and £58,756 in relation to RGF2, RGF3 and RGF5 respectively for each job not created or safeguarded. The Group has never been asked to make any such repayment in the past and believes it has satisfied the Monitoring Officer appointed by the Department of Business, Energy and Industrial Strategy The Group has therefore made no provision for such repayment. There were no other contingent liabilities at the year end.

26. EVENTS AFTER THE REPORTING PERIOD

On 11 October 2016, pursuant to the exercise of options, 145,319 Ordinary shares were issued (110,025 at £0.50 each and 35,294 at £0.425 each). On 15 February 2017, the Company issued 5,999,999 Ordinary shares at £0.375 each pursuant to a placing and admission to trading on AIM. On 1 March 2017 the Company issued a further 26,779,958 Ordinary shares pursuant to a placing and open offer, and admission to trading on AIM. The gross amount raised being £12m.

As part of this transaction, and Pursuant to a Subscription Agreement with the Company, Lanstead Capital agreed to subscribe for 11,500,000 Subscription Shares at the Issue Price representing gross proceeds of £4,312,500. £646,875 of the Subscription proceeds (being 15 per cent. of the gross proceeds of the Subscription) were retained by the Company and £3,665,625 (being 85 per cent. of the gross proceeds of the Subscription) were pledged to Lanstead under a Sharing Agreement pursuant to which Lanstead will make monthly settlements (subject to adjustment upwards or downwards, as measured against a Benchmark Price of 50 pence per Ordinary Share) to the Company over 18 months.

As a result of entering into the Sharing Agreement the aggregate amount received by the Company under the Subscription and the related Sharing Agreement may be more or less than £4,312,500.

On 20 March 2017 the Board of directors agreed a proposal to undertake a restructuring of the Group, which is likely to lead to a significant reduction in headcount across all areas of operation. In line with the proposed strategic refocus, we envisage making an estimated fixed cost saving of £4.2m, which is of course subject to consultation. The Group proposes to continue it's Anti-Infectives research under external collaborations.
The Board has also received notification from two directors, Dr Frank Armstrong, and Peter McPartland that they will not be seeking re-election at the forthcoming Annual General Meeting.
Dr Peter Jackson, Non-Executive Director, co-founder of Redx and Executive Chairman up to August 2014, will be stepping down from the Board on 31 March 2017.

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2016

Company registration number 7368089

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Intangible assets	2	**217**	232
Tangible assets	3	**207**	3
Investments	4	**206**	118
		630	353
CURRENT ASSETS			
Debtors	5	**30,388**	18,700
Cash at bank and in hand		**5,472**	7,706
TOTAL CURRENT ASSETS		**35,860**	26,406
Creditors: amounts falling due within one year	6	**(6,197)**	(5,827)
NET CURRENT ASSETS		**29,663**	20,579
NET ASSETS		**30,293**	20,932
CAPITAL AND RESERVES			
Share capital	7	**936**	650
Share premium	8	**22,526**	13,516
Capital redemption reserve		**1**	1
Share-based payments reserve		**867**	622
Profit and loss account	8	**5,963**	6,143
SHAREHOLDERS' FUNDS	9	**30,293**	20,932

The financial statements were approved and authorised for issue by the Board and signed on its behalf by:

Dr Neil D. Murray
Director

20 March 2017

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF REDX PHARMA PLC

1. ACCOUNTING POLICIES

(i) Basis of preparation

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

(ii) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

(iii) Going concern

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

The Directors are satisfied, based on detailed cash flow projections and after the consideration of reasonable sensitivities, that sufficient working capital is available to meet the Company's needs as they fall due for the foreseeable future and at least 12 months from the date of signing the accounts.

The detailed cash flow assumptions are based on the Company's annual budget, prepared and approved by the Board, which reflects a number of key assumptions in respect of cost and revenue forecasts, underpinned by the current pipeline. The Board have also taken into consideration the effects of the successful post year end fundraise of £12m (gross), and the cost savings expected from the restructuring explained elsewhere in the Financial Statements. Sensitivity analysis has been performed on both cost and revenue forecasts to reflect a variety of opportunities, risks and mitigating actions, both in timing and quantum. These projections are reviewed by the Board on a regular basis.

Within the revenue forecasts, and as discussed in the Principal Risks and Uncertainties section of the Strategic Report, there are inherent judgements regarding the commercial and technical risk of programs. Whilst acknowledging the uncertainties in the operating environment and their resultant impact on revenues, the Directors have identified a number of opportunities to manage working capital, to mitigate against any deteriorations and uncertainties in trading conditions.

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

1. ACCOUNTING POLICIES CONT.

(iv) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

The minimum term of the lease is estimated if it is not clear.

(v) Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2010, is being amortised evenly over its estimated useful life of twenty years.

(vi) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the assets to its working condition for its intended use. Finance costs are not included.

Depreciation is calculated on the straight-line method to write off the cost of assets to their residual values over their estimated useful lives as follows.

– Laboratory equipment: 2 or 3 years
– Computer equipment: 2 or 3 years
– Leasehold improvements: Over the term of the lease

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

(vii) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

(a) Trade and other receivables and Group debtors

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(c) Trade and other payables and Group creditors

Trade and other payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the "effective interest rate" to the carrying amount of the liability.

(viii) Profit and loss account

The Company has taken advantage of s408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's result for the year was a loss of £180,000 (2015: £Nil).

(ix) Investments

Investments in subsidiaries are stated at cost less provision for impairment in value, and are detailed in note 4.

(x) Share-based compensation

The Company issues share-based payments to certain employees and Directors. Equity-settled share-based payments are measured at fair value at the date of grant and if material are expensed immediately or on a straight-line basis over any vesting period, along with a corresponding increase in equity.

Where such payments are made to employees of subsidiary undertakings, but relate to the shares of the parent, they are recognised as additional capital contributions to the subsidiary, along with a corresponding increase in equity.

At each reporting date, the Directors revise their estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of any revision is recognised in statement of comprehensive income, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black-Scholes model, taking into consideration the best estimate of the expected life of the option and the estimated number of shares that will eventually vest. The cost of each option is spread evenly over the period from grant to expected vesting.

When options expire or are cancelled, a corresponding credit is recognised.

Critical accounting estimates and judgements

Details of significant accounting judgements and critical accounting estimates are set out in this Financial Information and include:

(a) Share-based compensation
The Company has issued a number of share options to certain employees. The Black-Scholes model was used to calculate the appropriate charge for the period of issue and subsequent periods.

The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised and further information on share options can be found in Notes 2 and 21 to the Consolidated Financial Statements.

2. INTANGIBLE FIXED ASSETS

	Goodwill £'000	Total £'000
Cost		
At 30 September 2015	309	309
At 30 September 2016	**309**	**309**
Amortisation		
At 30 September 2015	77	77
Charge for the year	15	15
At 30 September 2016	**92**	**92**
Net book value at 30 September 2016	**217**	**217**
Net book value at 30 September 2015	232	232

3. TANGIBLE FIXED ASSETS

	Laboratory Equipment £'000	Computer Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost				
At 30 September 2015	66	11	-	77
Additions	13	84	114	211
At 30 September 2016	**79**	**95**	**114**	**288**
Depreciation				
At 30 September 2015	66	8	-	74
Charge for the year	-	5	2	7
At 30 September 2016	**66**	**13**	**2**	**81**
Net book value				
At 30 September 2016	**13**	**82**	**112**	**207**
Net book value at 30 September 2015	-	3	-	3

4. INVESTMENTS IN SUBSIDIARIES

During the year the Company made additional capital contributions to subsidiary undertakings by way of share-based compensation to employees of those companies.

	2016 £'000	2015 £'000
At 1 October	**118**	-
Additional capital contribution – Redx Oncology Ltd	**20**	70
Additional capital contribution – Redx Anti-Infectives Ltd	**50**	48
Additional capital contribution – Redx Immunology Ltd	**18**	-
At 30 September	**206**	118

At 30 September 2016 the Company held share capital in the following subsidiaries:

Name	Country of incorporation	Percentage held	Nature of business	Direct/Indirect holding
Redx Oncology Limited	England & Wales	100%	Pre clinical drug development licensing	Direct
Redx Anti-Infectives Limited	England & Wales	100%	Pre clinical drug development licensing	Direct
Redx Immunology Limited	England & Wales	100%	Pre clinical drug development licensing	Direct
Redx MRSA Limited	England & Wales	100%	Dormant	Indirect

5. DEBTORS

	2016 £'000	2015 £'000
Amounts falling due within one year:		
VAT recoverable	**22**	12
Amounts due from Group undertakings	**29,509**	17,759
Other debtors	**147**	109
Prepayments	**105**	70
	29,783	17,950
Amounts falling due after more than one year		
Other Debtor - Loan	**605**	750
Total	**30,388**	18,700

The loan of £714k was granted to Redag Crop Protection Limited 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 repayable on the sale, listing, or change of control of Redag Crop Protection Limited.

The Directors expectation is that the loan will be fully recovered, but that none of the repayment terms are likely to be fulfilled in the short term, and that it is therefore appropriate to classify the loan as a non-current receivable. A discount rate of 12% has been applied in calculating the carrying value.

The Directors believe that the carrying value represents the fair value of the asset. An impairment review has been undertaken by the Directors, which did not indicate that any impairment was required.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	**394**	137
Social security and other taxes	**84**	25
Amounts owed to Group undertakings	**5,226**	5,226
Other creditors	**151**	101
Accruals	**342**	338
	6,197	5,827

7. SHARE CAPITAL

	2016 NUMBERS	2015 NUMBERS
Number of shares in issue		
Ordinary Shares of £0.01	**93,552,638**	64,981,209

	2016 £'000	2015 £'000
Share Capital at par, fully paid		
Ordinary Shares of £0.01	**936**	650
Movement in year		
Ordinary shares of £0.01	**286**	**644**
Ordinary B shares of £0.01	**-**	**(1)**
Total movement in year	**286**	**643**

Share issues

On 4 April, 14 April and 15 April 2016 respectively, the Company issued 6,180,197 , 285,714 , and 22,105,518. Ordinary shares at £0.35 each pursuant to a placing and admission to trading on AIM. The gross proceeds of the issue were £10m.

8. RESERVES

	Share premium £'000	Profit & loss account £'000	Share-based payments reserve £'000	Capital redemption reserve £'000	Total £'000
As at 1 October 2015	13,516	6,143	622	1	20,282
Loss for the year	-	(180)	-	-	(180)
On issue of shares	9,010	-	-	-	9,010
Share-based compensation	-	-	245	-	245
As at 30 September 2016	**22,526**	**5,963**	**867**	**1**	**29,357**

9. RECONCILIATION IN MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2016 £'000	2015 £'000
Opening shareholders' funds	**20,932**	6,725
Loss for the year	**(180)**	-
On issue of shares	**9,296**	13,433
Exercise of share options	**-**	14
Share-based payments	**245**	760
Closing shareholders' funds	**30,293**	20,932

10. OPERATING LEASE ARRANGEMENTS – MINIMUM LEASE PAYMENTS

	Property		Plant and equipment	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:		-	**38**	38
Within one year	**-**	-	**-**	-
In the second to fifth years	**4,480**	-	**-**	-
In greater than five years	**5,413**			
	9,983	-	**38**	38

11. POST BALANCE SHEET EVENTS

On 11 October 2016, pursuant to the exercise of options, 145,319 Ordinary shares were issued (110,025 at £0.50 each and 35,294 at £0.425 each). On 15 February 2017, the Company issued 5,999,999 Ordinary shares at £0.375 each pursuant to a placing and admission to trading on AIM. On 1 March 2017 the Company issued a further 26,779,958 Ordinary shares pursuant to a placing and open offer, and admission to trading on AIM. The gross amount raised being £12m.

As part of this transaction, and Pursuant to a Subscription Agreement with the Company, Lanstead Capital agreed to subscribe for 11,500,000 Subscription Shares at the Issue Price representing gross proceeds of £4,312,500. £646,875 of the Subscription proceeds (being 15 per cent. of the gross proceeds of the Subscription) were retained by the Company and £3,665,625 (being 85 per cent. of the gross proceeds of the Subscription) were pledged to Lanstead under a Sharing Agreement pursuant to which Lanstead will make monthly settlements (subject to adjustment upwards or downwards, as measured against a Benchmark Price of 50 pence per Ordinary Share) to the Company over 18 months.

As a result of entering into the Sharing Agreement the aggregate amount received by the Company under the Subscription and the related Sharing Agreement may be more or less than £4,312,500.

On 20 March 2017 the Board of directors agreed a proposal to undertake a restructuring of the Group, which is likely to lead to a significant reduction in headcount across all areas of operation. In line with the proposed strategic refocus, we envisage making an estimated fixed cost saving of £4.2m, which is of course subject to consultation. The Group proposes to continue it's Anti-Infectives research under external collaborations.
The Board has also received notification from two directors, Dr Frank Armstrong, and Peter McPartland that they will not be seeking re-election at the forthcoming Annual General Meeting.
Dr Peter Jackson, Non-Executive Director, co-founder of Redx and Executive Chairman up to August 2014, will be stepping down from the Board on 31 March 2017.

12. CAPITAL COMMITMENTS

At 30 September 2016 the Company had no capital commitments (30 September 2015: nil).

13. CONTINGENT LIABILITIES

The Company had no contingent liabilities at 30 September 2016 (30 September 2015: nil).

14. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

15. FIRST YEAR ADOPTION

This is the first year in which the financial statements have been prepared under FRS102. The Directors have concluded that there are no measurement differences between old UK GAAP and FRS102 and accordingly no balances have been restated. The Directors continue to believe that the 20 year amortisation policy for goodwill is appropriate.

COMPANY INFORMATION

Directors

Dr Frank Armstrong FRCPE, FFPM (Non-Executive Chairman)
Dr Neil Murray (Chief Executive)
Dr Peter Jackson (Non-Executive Director)
Norman Molyneux (Non-Executive Director)
Peter McPartland (Non-Executive Director)
Dr Bernhard Kirschbaum (Non-Executive Director)
David Lawrence (Non-Executive Director)

Secretary

Simon Thorn

Company number

7368089

Registered office

c/o Acceleris Capital Ltd, Floor 9, Lowry House
17 Marble Street
Manchester
M2 3AW

Principal place of business

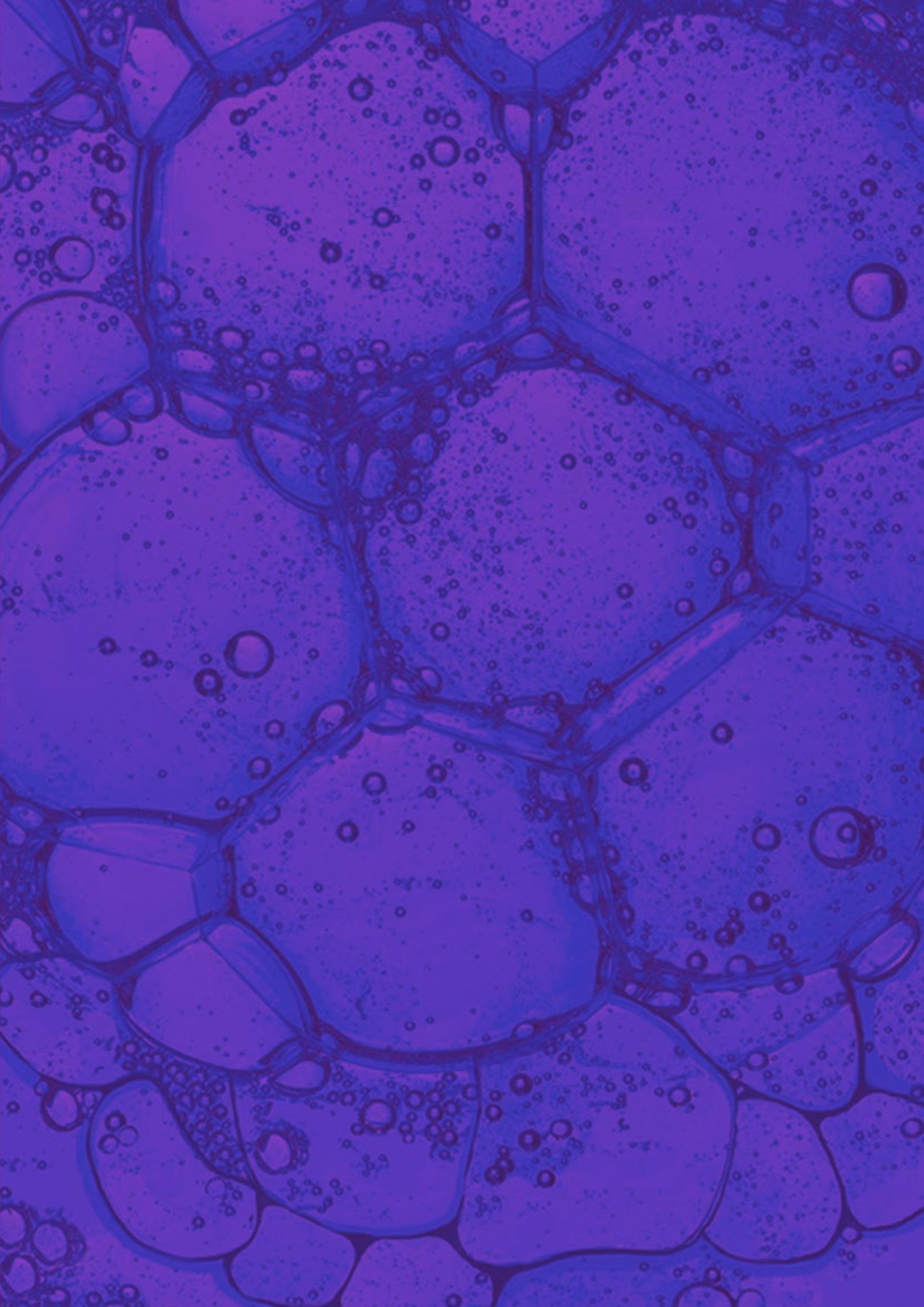
Block 33
Mereside
Alderley Park
Macclesfield
SK10 4TG

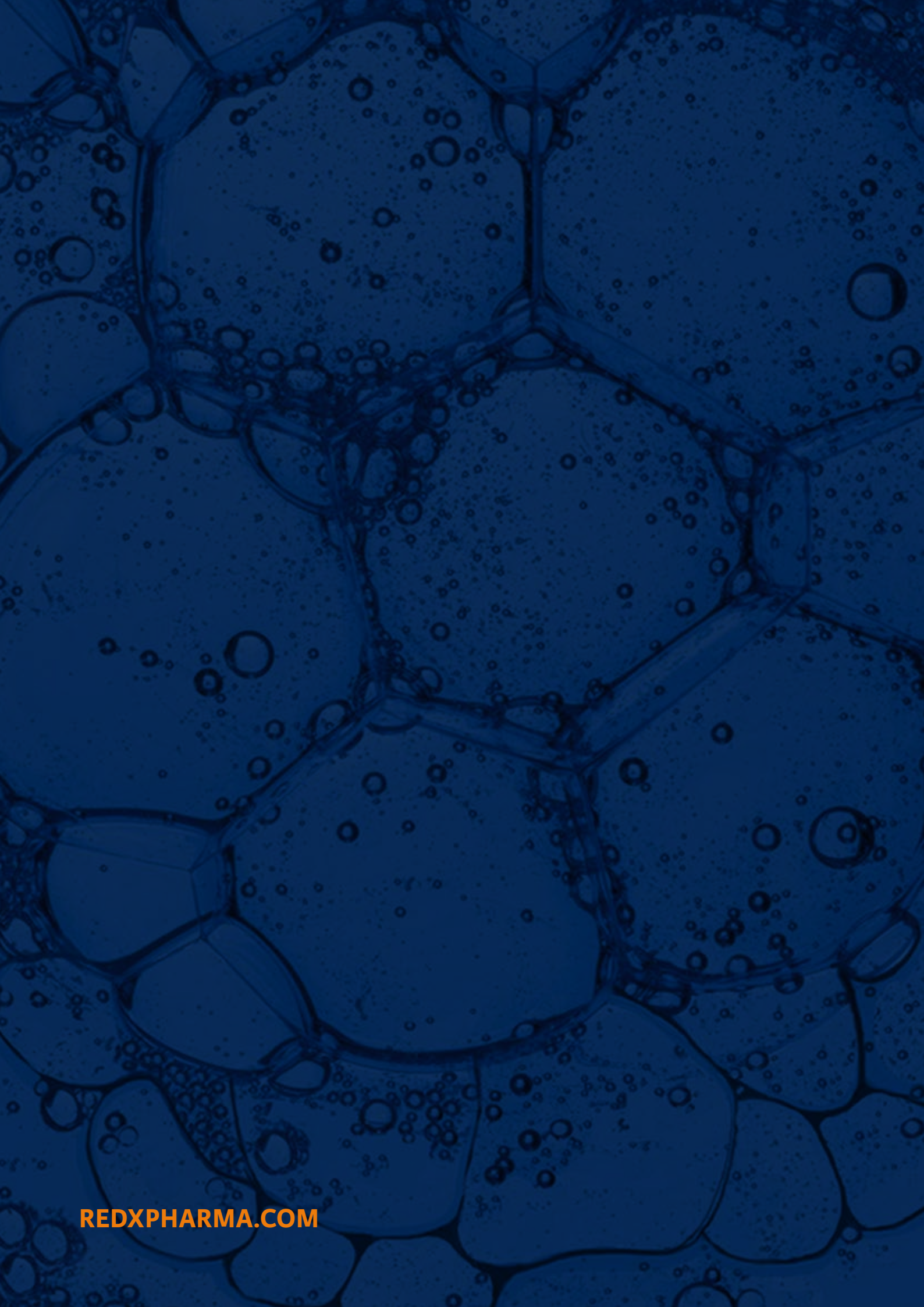
Auditor

RSM UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

Annual General Meeting

The Annual General Meeting of the Company will be held at ***9.30am*** at ***Redx Pharma Plc, Mereside, Alderley Park, Macclesfield SK10 4TG*** on ***20 April 2017.***





REDXPHARMA.COM