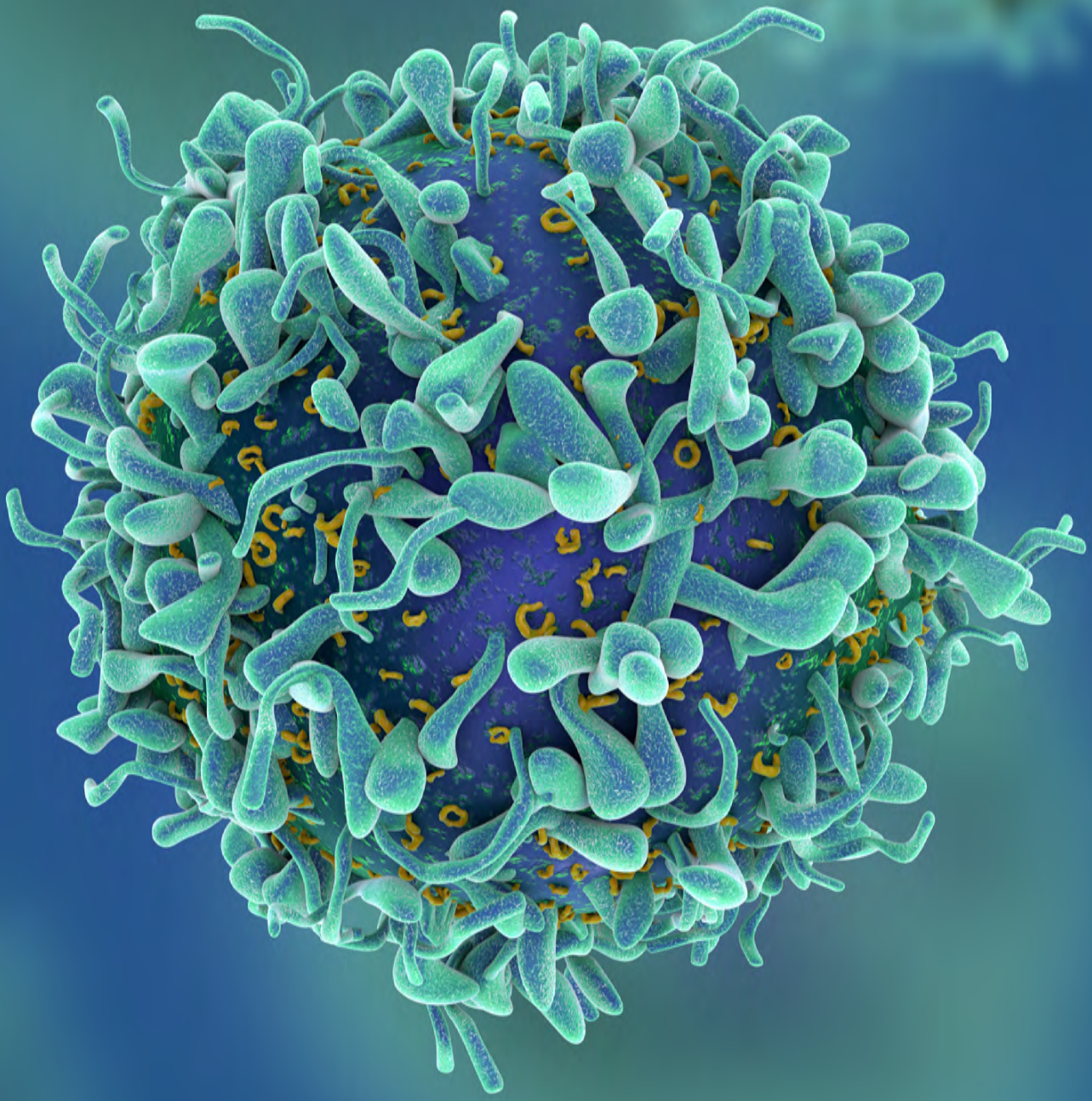
Redx Pharma

ANNUAL REPORT

For the year ended 30 September 2018

Registered number: 07368089



Contents

Key Events & Results

Financial results

Revenue: £0.1m

Operating Expenditure: £10.6m

R&D Expenditure: £5.7m

Loss after tax: £8.8m

Closing Cash: £6.5m

Research & Development

6 February 2018

The first patient is dosed in Phase 1/2a of the Clinical trial of the oral Porcupine inhibitor RXC004.

22 March 2018

The Group signs an option and license agreement with Deinove for its NBTI anti-infective programme.

29 March 2018

RXC004 Clinical trial is temporarily suspended.

4 September 2018

The Group announces MHRA agreement in principal to restart the Phase 1/2a Clinical trial of RXC004.

Corporate

6 November 2017 – Following 5 months in Administration the share suspension from trading on AIM was lifted and a revised strategy announced under the leadership of a new Board of Directors comprising:

- Mr Iain Ross, Executive Chairman
- Mr Dominic Jackson, Chief Financial Officer
- Mr Peter Presland, Non-Executive Director, Chairman of the Audit, Risk & Disclosure Committee
- Dr Bernd Kirschbaum, Non-Executive Director, Chairman of Remuneration and Science Committees

22 January 2018 – Dr Andrew Saunders is appointed as Chief Medical Officer.

1 June 2018 – Following an extensive worldwide search Lisa Anson is appointed as Chief Executive Officer and Iain Ross reverts to the position of Non-Executive Chairman.

Post Year-end Events

14 November 2018 – RXC006 selected as Redx's first development candidate in fibrosis and now expects to be in clinical trials in 2020.

19 November 2018 – Announcement of appointment of new full time Chief Financial Officer, Dr James Mead, effective 1 February 2019 when current interim Chief Financial Officer will step down.

Iain G Ross
Chairman of the Board of Directors

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

Chairman's Statement

Dear Shareholder

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

New Leadership

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

Clear Strategy

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

Finance

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

Strong Board and Governance

The Directors continue to acknowledge the importance of high standards of corporate governance and I would refer you to the Chairman's Corporate Governance Statement on page 31of this report. Given the Group's size and the constitution of the Board, the Directors have decided to adopt the principles set out in the QCA Corporate Governance Code for small and mid-sized companies published in April 2018 ("QCA Code") in advance of the requirement to adopt the code under AIM rule 50. In addition, we continue to operate a robust framework of systems and controls to maintain high standards throughout the Group and Company and more details can be found in the Directors' report. The Board believes that effective corporate governance assists us in the delivery of our corporate strategy, the sustainable generation of shareholder value and the safeguarding of our stakeholders' long-term interests.

Outlook

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

Iain G Ross,
Chairman of the Board of Directors

Lisa Anson
Chief Executive Officer

"Taken together our scientific strength, our focused strategy, our new management team, and our streamlined organisation put us in a good position to deliver against our ambitions in the coming year."

Chief Executive's Report

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

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

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

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

Streamlined Organisation and new management team in place

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

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

Clear, Focused Strategy

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

Oncology is a crowded area for drug development. However, it is also one where there is significant unmet need. In particular we believe that the role of precision medicines remains critical to unlocking the full potential of modulating critical pathways such as the Wnt pathway. This pathway can drive tumour growth and is increasingly implicated in shaping the immune environment around the tumour. As experts in this pathway, Redx is well positioned to unlock this potential. Fibrosis is an area where there are few treatments and a large and growing unmet need. Redx's medicinal chemistry strengths combined with its depth of biology expertise, make it competitive to develop novel precision therapies to tackle the underlying fibrosis in major diseases of the lung, liver, kidney and bowel.

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

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

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

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

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

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

Lead asset RXC004 in Phase 1 Clinical Development

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

RXC004 entered the clinic for the first time in February 2018 (NCT03447470). The trial was subsequently suspended due the emergence of on-target side-effects (dysgeusia (distortion of taste), diarrhoea and bone fragility) which were expected to be seen at higher doses than the initial 10mg start dose. Pharmacokinetic analysis of the exposure data indicated a much longer half-life than had been predicted from preclinical studies. Whilst the suspension of the trial and the resulting delay was initially disappointing, there were several positive observations, namely that RXC004 was well absorbed and had good pharmacokinetic parameters, no off-target side-effects were seen and that strong target engagement in skin tissue was achieved. Redx held a scientific advice meeting with the MHRA in July 2018 where an amended protocol proposal was discussed. This included employing a lower start dose and escalation for the trial and the provision of enhanced safety entry criteria and safety monitoring. The MHRA agreed in principle with the new proposals and an amended protocol has been submitted for approval. Redx and its clinical investigators believe that the required RXC004 exposures can be achieved at lower doses (0.5-3mg) and reformulation work has been undertaken to allow the safety and tolerability phase 1a part of the trial in cancer 'all comers' to restart in 1H19. On this timeline, Redx anticipates initial safety and tolerability results from the study during 2H19 with full results in 2020.

Porcupine is a key enzyme in the oncogenic Wnt signalling pathway. This pathway is implicated in a range of hard-to-treat cancers with poor prognosis such as colorectal, pancreatic, biliary and gastric cancers. Aberrant Wnt signalling pathway activity has been demonstrated to enhance tumour growth both directly and by weakening the host anti-cancer immune response. Redx's Porcupine inhibitor, RXC004, is a potent and selective inhibitor of this enzyme and therefore the Wnt signalling pathway. Inhibition of this pathway, via Porcupine results in strong direct tumour growth inhibitory effect in a variety of cancer models. In addition, when administered either alone or together with an anti-

PD1 immune checkpoint inhibitor (ICI), RXC004 enhances anti-tumour immune effects. These data were presented at the prestigious AACR Oncology meeting[1] and is in keeping with the external strong scientific evidence for a role of the Wnt signalling pathway in resistance to ICI[2,3].

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

Promising Fibrosis Portfolio Progressing Towards Clinic

Fibrosis is an internal scarring process, which can occur in response to injury, where excess connective tissue is deposited in an organ or tissue, thereby impairing its function. Most chronic inflammatory diseases will result in fibrosis, with progressive injury resulting in organ failure. Fibrotic disease can occur in nearly any tissue in the body and is a contributory factor in up to 45% of deaths in the developed world[4]. Solid organ fibrosis can occur as a result of many different diseases, for example inflammatory bowel disease (IBD). Current therapeutic options are limited for these chronic and often life-threatening diseases.

Redx's experienced team of scientists has considerable expertise in understanding the molecular mechanisms underlying fibrosis and hence the druggable targets on which to focus. Redx are developing cutting edge therapies that aim to stop and reverse the formation of fibrotic tissue. By targeting pathways involved in the progression of these devastating diseases, these drugs are designed to be disease modifying rather than simply providing symptomatic relief. Redx is targeting lung, liver and intestinal fibrosis with its lead projects which are all multi-billion-dollar addressable markets.

The lead fibrosis programme, is a **Porcupine inhibitor targeted as a treatment of idiopathic pulmonary fibrosis (IPF)**, a life-threatening lung disease with a prognosis worse than many cancers.

REDX06109 has demonstrated excellent antifibrotic activity in a range of fibrosis disease models including fibrosis of the kidney, liver and lung. Successful completion of Preclinical Development Candidate nomination work post reporting period has allowed REDX06109 to be nominated as the Group's sixth development candidate, **RXC006** and its first in Fibrosis. This represents a major milestone for the Group and RXC006 will now progress into preclinical manufacturing and safety studies during 2019 with the aim to enter first in man clinical trials during 2020.

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

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

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

Research Into Next Generation Therapies

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

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

As a result of decisions to focus research investment, we have made a number of stop decisions.

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

Partnering Activity

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

In September, Redx agreed to license the Novel Tricyclic Topoisomerase (NTTI) program through an option agreement with Kyrulem, a company focused upon the development of novel agents for the treatment of bacterial infections.

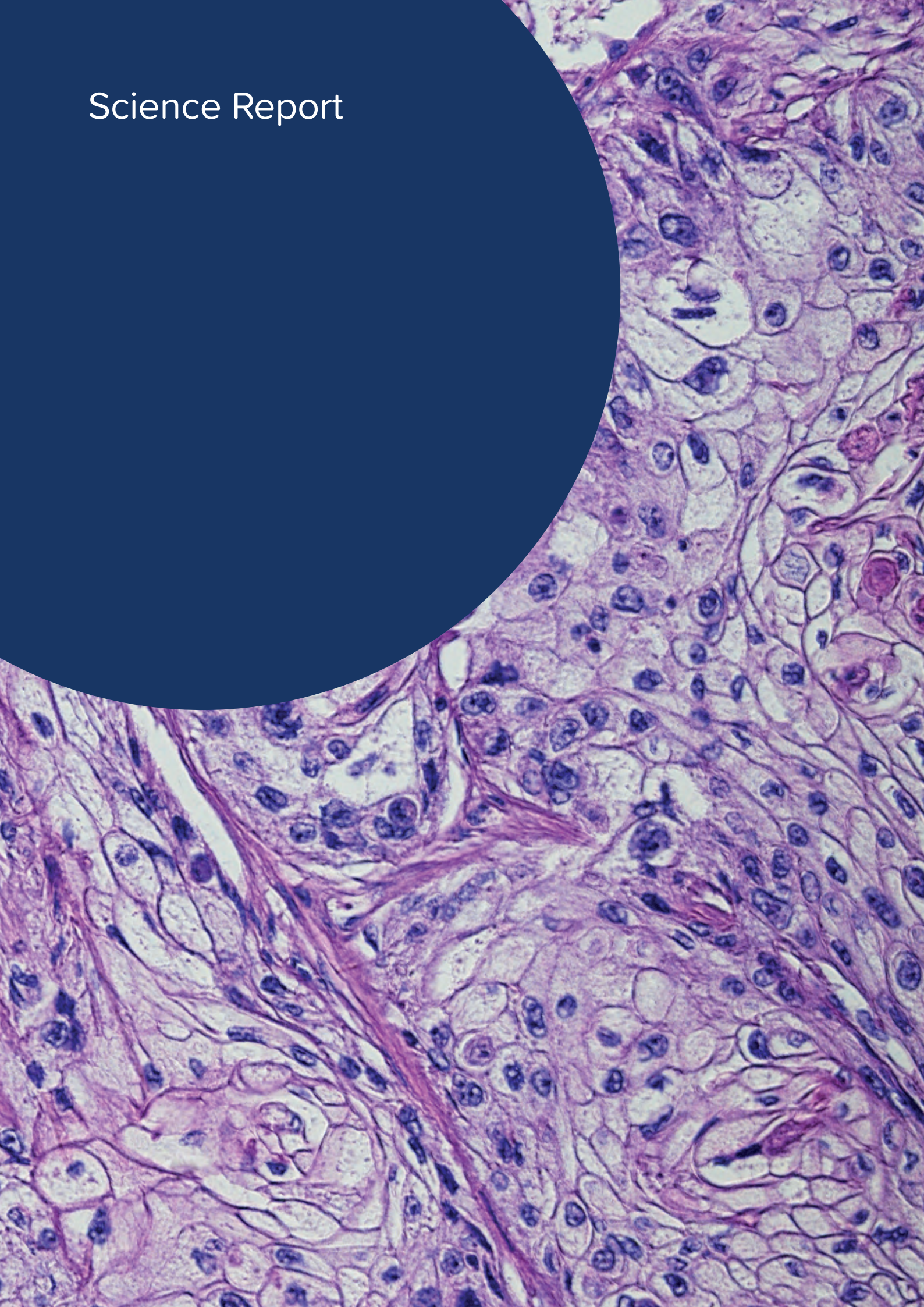
Following this re-prioritisation Redx has made the decision to partner its pan-RAF programme rather than progress internally.

Conclusion

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

Lisa Anson
Chief Executive Officer

Science Report



Science Report: Oncology

RXC004 – our lead cancer asset

Aberrant activation of the Wnt signalling pathway is involved in the initiation and progression of cancer. Activation of the Wnt signalling pathway is also associated with poor prognosis and resistance of cancers to current therapies, including immune checkpoint inhibitors (ICIs). The pathway is initiated by the binding of Wnt ligands to Frizzled (Fzd) receptors resulting in disruption of the destruction complex, this allows β-catenin to accumulate, translocate to the nucleus and induce the transcription of multiple target genes, including Axin2 (**Fig. 1**). Porcupine is a key enzyme required for the release of all active Wnt ligands. Preclinical data demonstrates that RXC004, a potent and selective inhibitor of Porcupine, has significant anti-cancer effects in models of Wnt-ligand dependent cancer. These models include genetically-defined tumours harbouring upstream pathway alterations (i.e. RNF43 mutant and RSPO-fusion in vitro and in vivo models), and models of immune resistance.

RXC004 Clinical investigators:

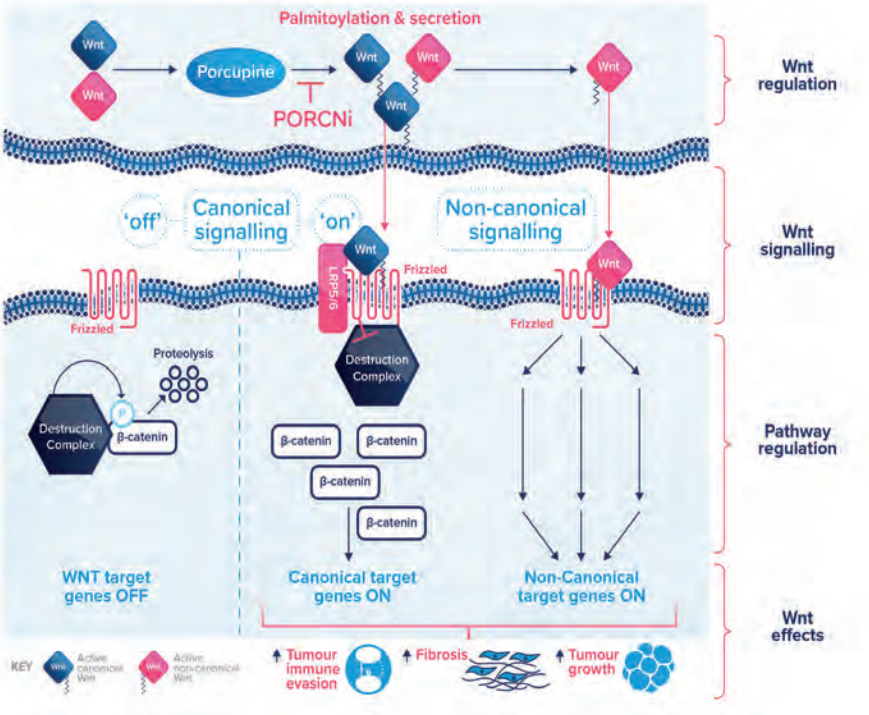
Professor Sarah P Blagden, PhD, FRCP
Associate Professor of Experimental Cancer Medicines & Consultant Medical Oncologist/ Director of Early Phase Cancer trails unit & Oxford ECMC lead, University of Oxford, Department of Oncology.

Dr. Natalie Cook, MBchB, MRCP, PhD
Senior Clinical Lecturer in Experimental Cancer Medicine and Honorary Consultant, Christie Hospital.

Professor Ruth Plumber, MA, DPhil, BMBch, MD, FRCP
Clinical Professor of Experimental Cancer Medicine, Northern Institute of Cancer Research, Newcastle University.

Figure 1: The Wnt signalling pathway

Signalling through the Wnt pathway is highly regulated at the level of ligand (Wnt), receptor (Fzd/LRP) and downstream components (e.g. destruction complex – APC/Axin/GSK3β). Pathway activation stabilises β-catenin, allowing its translocation to the nucleus and the expression of target genes.



RXC004 clinical trial due to restart in 1H2019

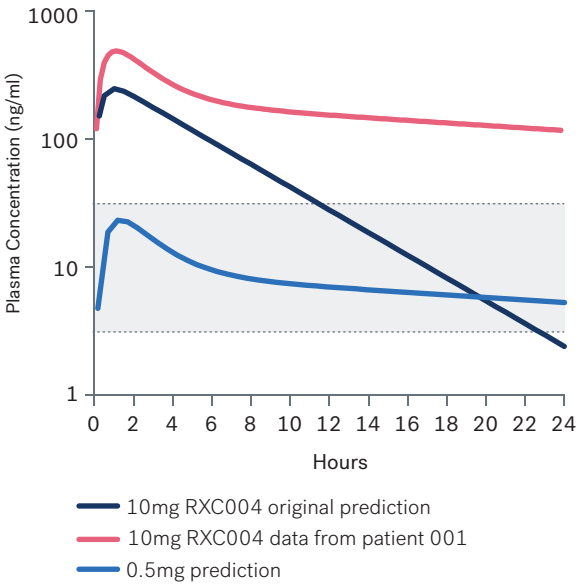
In February 2018, RXC004 entered the clinic for the first time in a Phase 1 clinical trial (NCT03447470). The trial was subsequently suspended due the emergence of on-target side-effects (dysgeusia (distortion of taste), diarrhoea and bone fragility) which were expected to be seen at higher doses than the initial 10 mg start dose. Pharmacokinetic analysis of the exposure data indicated a much longer half-life than had been predicted from preclinical studies (**Fig. 2**). Whilst the suspension and resulting delay was initially disappointing, there were several positive observations, namely:

- RXC004 was well absorbed and had good pharmacokinetic parameters
- No off-target side-effects were seen
- Strong target engagement was achieved in tissue

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

Phase 1 (Module 1 Part A) trial of RXC004 will be conducted in patients with advanced cancer and will allow Redx to select a suitable dose and schedule for both Module 1 Part B and Module 2 Combinations (NCT03447470).

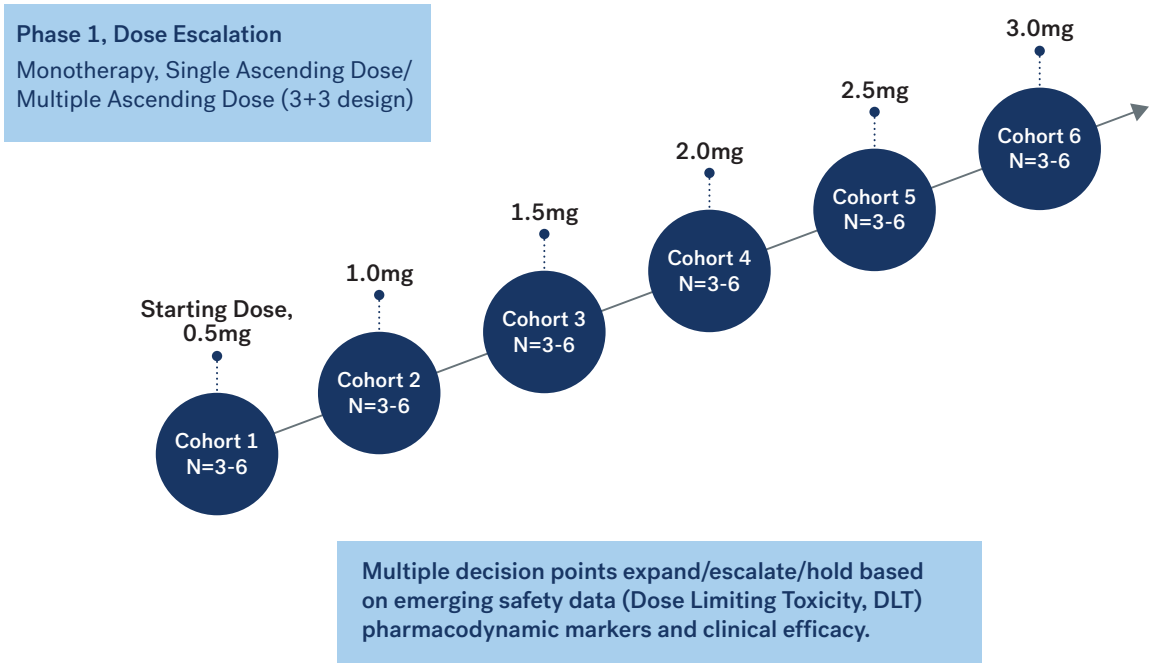
Figure 2: RXC004 Plasma Concentration



Comparison of predicted drug exposure of RXC004 based on preclinical models (black line) with actual exposure achieved in patient 001 (orange line). Predicted exposure of proposed new starting dose 0.5 mg RXC004 based on patient 001 (blue line). Grey box depicts the concentration range predicted to give efficacy in patients.

Figure 3: RXC004 Phase 1/2a Trial Design

Phase 1 (Part A) trial of RXC004 will be conducted in patients with advanced cancer and will allow Redx to select a suitable dose and schedule for both Module 1 Part B and Part 2a (NCT03447470).



Phase 1 Part a	Dose escalation cohorts: To assess the safety and tolerability of RXC004 in an all-comers cohorts of advanced cancer patients. 3-5 UK sites; 12-18 months.
Phase 1 Part b	Dose expansion cohorts: To assess the efficacy of RXC004 monotherapy in biomarker selected patients (eg CRC, gastric and pancreatic cancer patient cohorts) 3-5 UK sites.
Phase 2a	To assess the safety, tolerability and efficacy of RXC004 in combination with standard of care therapies, including ICIs, in e.g. CRC.

Enhancing immune-checkpoint response with RXC004

Immune checkpoint inhibitors (ICIs) such as anti-PD-1 and anti-PD-L1 antibodies, have revolutionised the treatment of cancer, but they do not work in all patients. Many tumours that are not responsive to ICI therapy are described as "cold" in that the tumour-killing immune cells are not present at the tumour site.

The role of the Wnt signalling pathway in immune evasion by tumours (i.e. promoting "cold" tumours) has been the subject of several recent high-profile reviews[2,3]. Activation of the Wnt signalling pathway has been described to:

- Drive critical mechanisms for tumour immune evasion
- Inhibit multiple cell types required for an anti-tumour immune response

There is strong preclinical evidence to support that RXC004 will block activation of the Wnt signalling pathway and restore the ability of the immune system to fight the tumour. RXC004 will have the ability to make "cold" tumours "hot" by facilitating entry of tumour fighting immune cells into the tumour microenvironment.

In addition to this strong preclinical data, Novartis recently presented (AACR, 2018) the first clinical demonstration of their porcupine inhibitor, WNT974 (LGK974), promoting a tumour fighting microenvironment as a monotherapy. This is in line with our internal preclinical mouse model data on RXC004[1]. In response to these data Novartis have now refocused the development of WNT974 as an immune-oncology agent which is currently recruiting for phase 1 both as monotherapy and in combination with Novartis' anti-PD-1 inhibitor, Spartalizumab (ClinicalTrials.gov Identifier: NCT01351103).

Redx scientists have demonstrated the ability of RXC004 to enhance the immune system response to cancer in preclinical models[1] . These data suggest RXC004 alone or in combination with ICIs (such as anti-PD-1, anti-PD-L1 antibodies) may help to address the shortcomings of this exciting class of therapies by increasing the response rates and the duration of the response. In line with these data, Redx is exploring clinical opportunities for a RXC004 combination approach with ICIs, with the ultimate aim of increasing patient response rates to immuno-oncology therapy.

Extract from a recent high impact review from (Wang *et al.* 2018), Trends in Pharmacological Sciences, highlighting the opportunity for Wnt signalling pathway inhibitors, such as RXC004 as potential cancer immunotherapy agents.

'Despite some success with checkpoint inhibitors in cancer patients, cancer immunotherapy has met challenges regarding the low response rates in major cancer patients and tumour relapse after initial response. As a well-known therapeutic target of cancer, Wnt signalling pathway is focused mainly on tumor cells. Increasing evidence highlights the essential role of Wnt signalling pathway in the cancer immunity system.

By directly controlling the expression of critical regulators of dendritic cells, effector T cells, regulatory T cells, T helper cells, and tumor cells, abnormal activation of Wnt signalling pathway disrupts the tumor-immune cycle and facilitates cancer development. Combination therapy with modulation of Wnt signalling pathway is expected to overcome the primary, adaptive, and acquired resistance to cancer immunotherapy'

RXC004 in preclinical immune-oncology models

RXC004 monotherapy inhibited tumour growth and improved survival of mice in a melanoma model (**Fig. 4**) by reducing the proportion of immune supressing myeloid derived suppressor cells (MDSCs) in the tumour microenvironment. (**Fig. 5**) Anti-PD-1 alone had no effect on this immunologically "cold" model.

In a mouse colorectal cancer model (CT26) RXC004, in combination with anti-PD-1, improved anti-tumour immune response by increasing the ratio of cytotoxic (tumour fighting) to regulatory (immune suppressive) T-cells. (**Fig. 6**) The model for this mechanism of action is shown in (**Fig. 7**).

Figure 4: Survival: B16F10 tumours

RXC004 increased survival of mice implanted with the B16F10 melanoma tumour cell line.

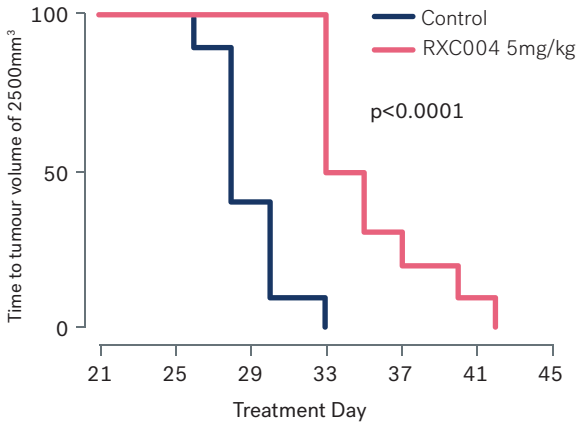


Figure 5: Model of RXC004 impact on immune cells

Working model of RXC004 effects on MDSC tumour infiltrate. MDSCs are known to suppress T cell immune responses *via* multiple mechanisms; through reducing tumour MDSCs, we propose RXC004 increases immune response to the tumour.

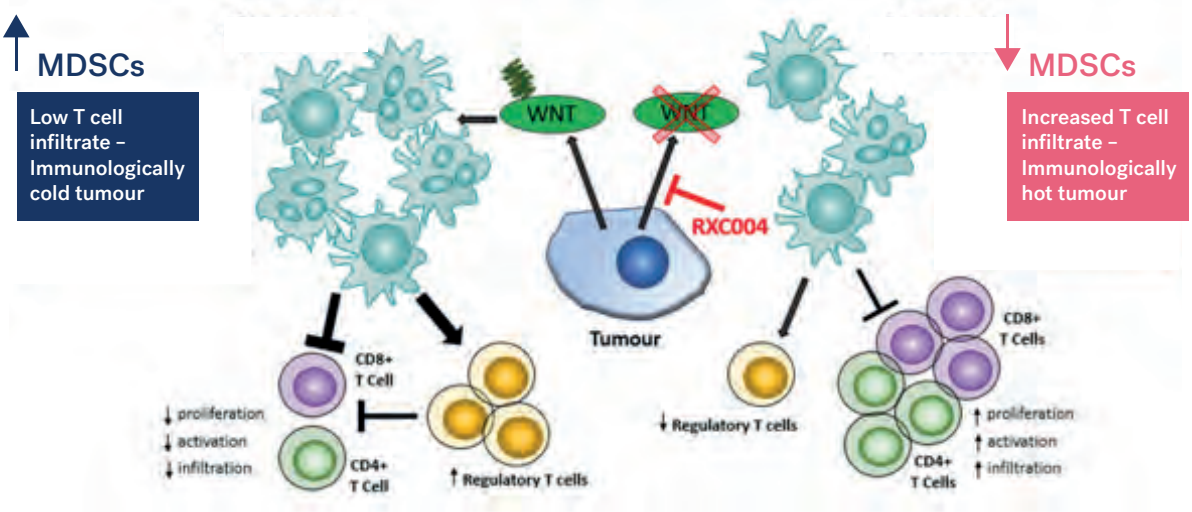
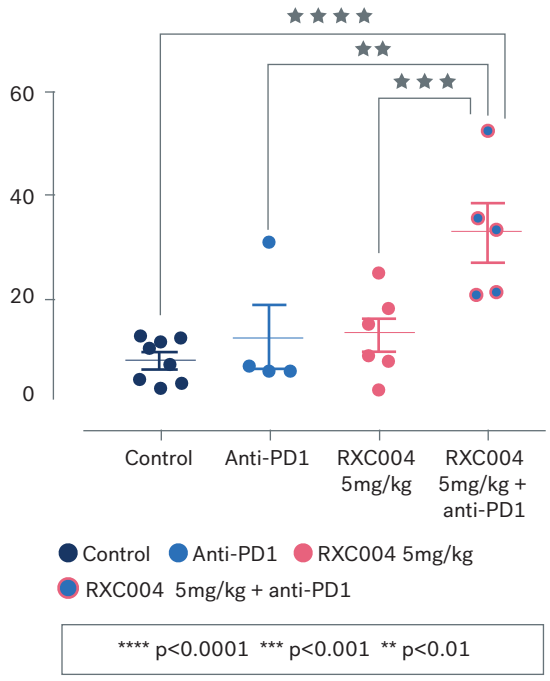


Figure 6: Cytotoxic/Regulatory T Cell Ratio



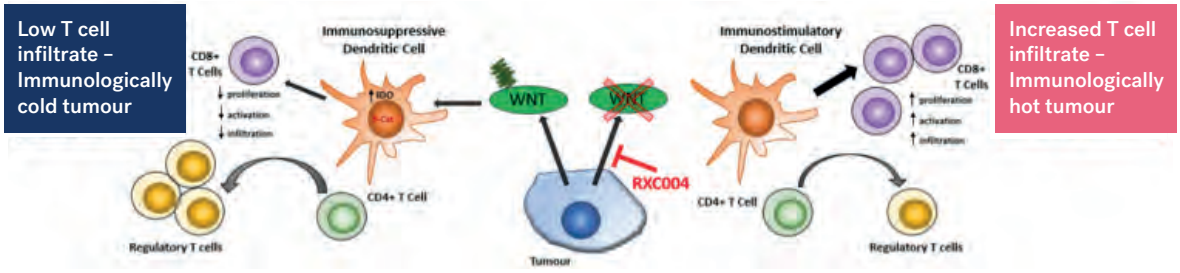
RXC004 combines with anti-PD-1 to enhance the anti-tumour immune environment. Flow cytometry of day 14 tumour infiltrate shows significant increase in the ratio of cytotoxic T-cells to regulatory T-cells when RXC004 and anti-PD-1 are combined.

Redx is currently working with Prof Aurélien Marabelle MD, PhD, Clinical Director of Cancer Immunotherapy at the Gustave Roussy Institute, to further refine our clinical plan for RXC004 trials in combination with checkpoint inhibitors.

"I look forward to continue to work with the Redx Pharma team to help optimise the immuno-oncology clinical development plan for RXC004. With the recent excitement around Wnt signalling pathway being an important immune checkpoint inhibitor resistance mechanism, I believe that with an appropriate clinical trial design, inhibition of Porcupine by RXC004, would be a very interesting approach to exploit these scientific breakthroughs as it is a key upstream regulator of the Wnt signalling pathway."

Figure 7: Model of RXC004 effects on Dendritic cells (DC)

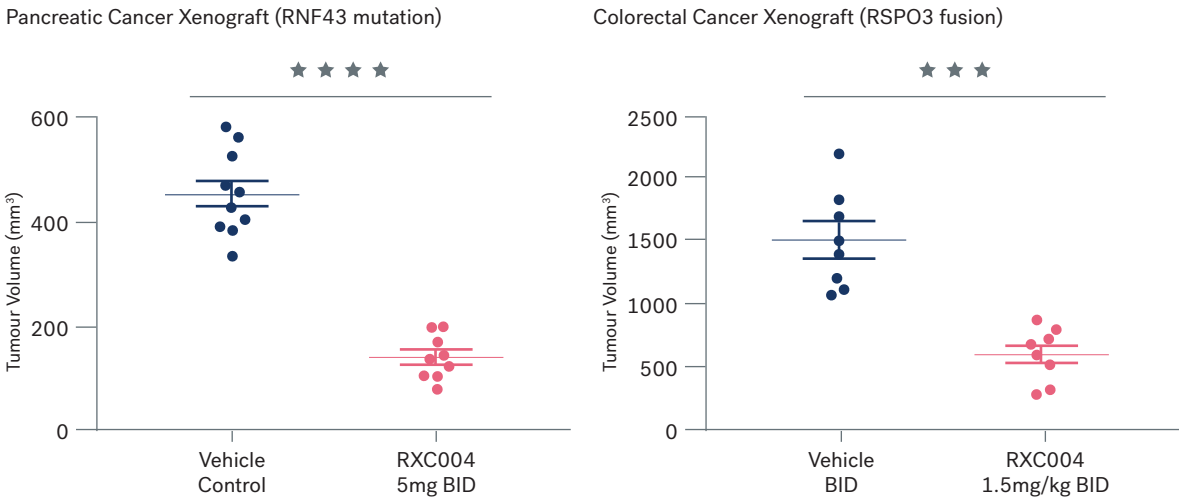
Wnt produced within the tumour microenvironment leads to immunosuppressive dendritic cells, with increased levels of β-catenin and IDO1; causing ↑regulatory T-cells and ↓cytotoxic T-cells (CD8+). RXC004 treatment reduces Wnt, ↓regulatory T-cells and allows DCs to ↑cytotoxic T-cells in the tumour.



RXC004 in genetically-defined cancers

Cancers harbouring genetic alterations upstream in the Wnt signalling pathway have been demonstrated to be sensitive to RXC004 monotherapy *via* a direct tumour targeting (anti-proliferative) mechanism. Loss of function mutations in the RNF43 gene and fusions in RSPO, both result in an increase of Fzd receptors at the cell surface and an increased dependence on Wnt ligand for the tumour cell. These upstream Wnt pathway mutations are present in multiple cancer types including approximately 16% of colorectal cancers. By selecting patients with these genetic alterations, RXC004 has a unique opportunity to both target tumour proliferation directly, in addition to having an immune enhancing effect.

Figure 8: RXC004 causes tumour growth inhibition in tumour models with both RNF43 mutation and RSPO fusions.



Science Report: Fibrosis

Porcupine inhibitor RXC006 for the treatment of IPF

Idiopathic pulmonary fibrosis (IPF) is a life-threatening lung disease with a prognosis worse than many cancers (**Fig. 9**). There is considerable evidence supporting a pathogenic role for Wnt signalling in IPF. IPF patients show a re-activation of the Wnt signalling pathway accompanied by an increased expression of Wnt target genes. An increase in Wnt7B expression has also been correlated with IPF lung impairment and the Wnt co-receptors Lrp5/6, markers of disease progression and severity in humans with IPF, have been associated with increased mortality rate[5,6]. Overall, increased Wnt signalling pathway expression is associated with poor patient prognosis in IPF.

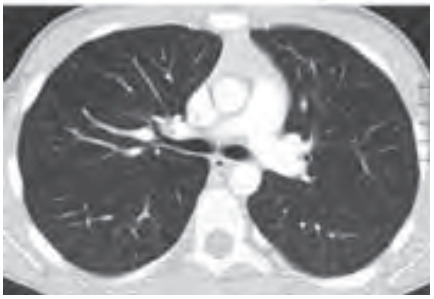
RXC006 is Redx's lead porcupine inhibitor of the Wnt signalling pathway for the treatment of IPF. RXC006 has demonstrated excellent antifibrotic activity in a range of fibrosis disease models including fibrosis of the kidney, liver and lung. An example of this is shown in (**Fig. 10**).

Successful completion of Preclinical Development Candidate nomination work has resulted in the nomination of REDX06109 as the Company's sixth development candidate, RXC006. RXC006 will now progress into preclinical manufacturing and safety studies during 2019 with the aim to enter first in man clinical trials during 2020. RXC006 is from a different chemical series compared to RXC004 and is protected by a separate composition of matter patent.

Figure 9: Images from CT scan of normal lungs and lungs from a patient with IPF

In the normal lung the black image indicates healthy tissue, filled with air. In the IPF lung scarring forms a typical 'honeycomb' pattern, showing fibrotic areas and restricted lung capacity[9].

Normal lung



IPF lung

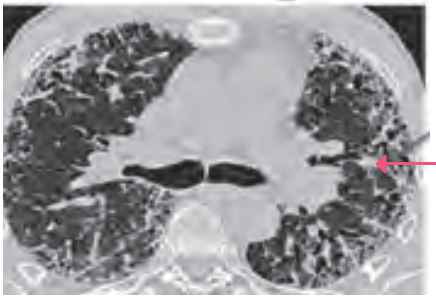
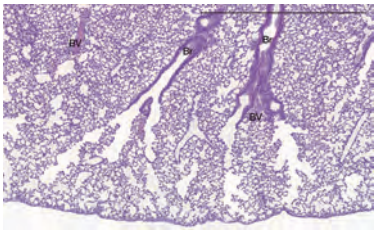


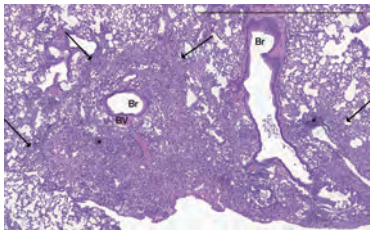
Figure 10: Redx Porcupine inhibitor RXC006 suppresses fibrosis in a murine model of IPF

Small region of dense collagenous connective tissue (fibrosis; black arrows demarcate) and lymphocyte infiltrates/aggregates (*) are present following bleomycin injury. Therapeutic treatment with RXC006 reduced fibrosis areas. Bronchiole (Br) and blood vessels (BV) are indicated.

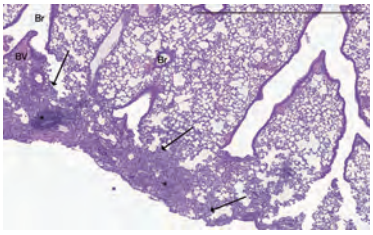
Untreated



Bleomycin + vehicle



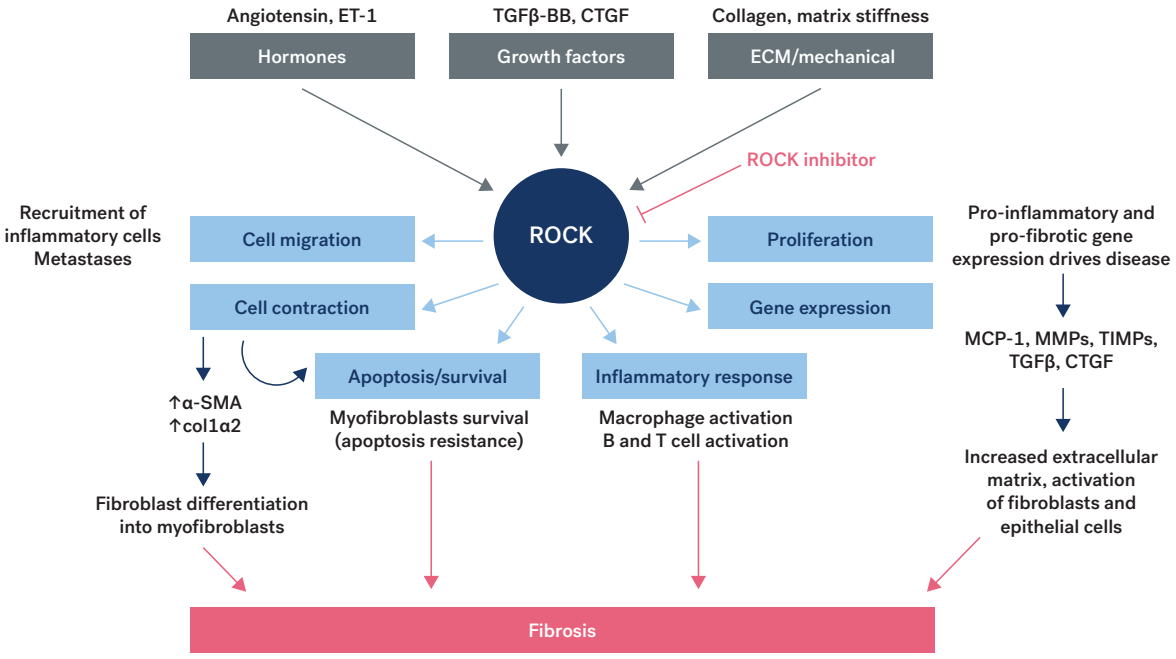
Bleomycin + RXC006 25mg/kg QD



ROCK as a therapeutic target for fibrosis

The Rho associated coiled-coil containing protein kinase (ROCK) serine/threonine kinases, ROCK1 and ROCK2, are signalling proteins central to the regulation of various cellular responses that are often inappropriately activated in fibrosis pathology (**Fig. 11**). These pathways include cell migration, proliferation, apoptosis, cytokine expression, gene transcription and integrin-mediated cell-to-cell adhesions. Aberrant wound healing, tissue remodelling and fibrosis processes have been shown to be highly dependent on ROCK signalling with pan-ROCK inhibitors able to suppress tissue injury and fibrosis in a number of animal models including models of liver, lung and kidney fibrosis.

Figure 11: ROCK is a central node in signalling pathways associated with fibrosis



GI-Targeted ROCK inhibitor for the treatment of Crohn's associated fibrosis

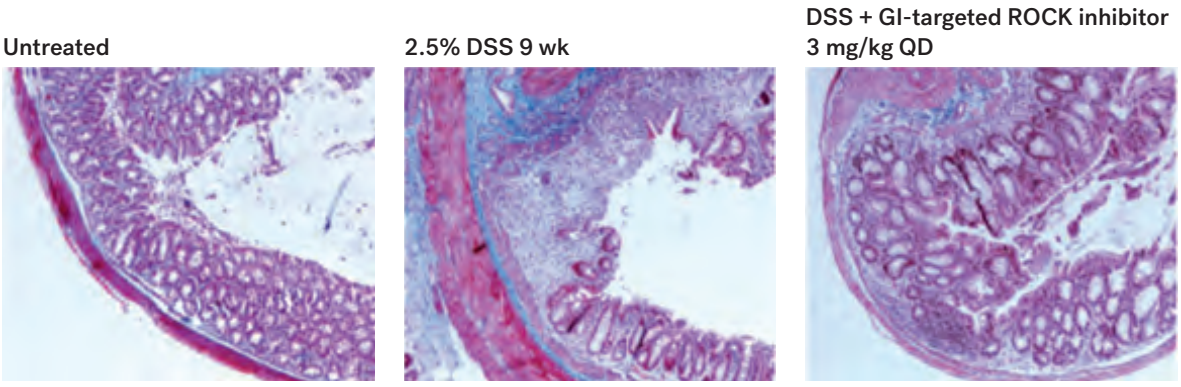
The GI-targeted ROCK project is aimed at treating intestinal fibrosis associated with Crohn's disease. Fibrotic tissue can cause stricture formation and obstruction of the intestine often requiring invasive surgical intervention. Fibrosis commonly recurs in these patients, necessitating further surgeries that can ultimately result in short bowel syndrome. Approximately 1.5m people globally suffer from Crohn's disease of which 50% will develop strictures or complications at some point.

There is currently no pharmaceutical therapy available to treat intestinal fibrosis associated with Crohn's disease, and furthermore anti-inflammatory agents used in Crohn's disease do not halt the progression of fibrosis. We believe that Redx's compounds would be first-in-class agents.

Redx's GI-targeted ROCK inhibitors are restricted to the gastrointestinal tract due to their limited absorption and rapid enzymatic metabolism of any absorbed material. They have demonstrated very strong anti-fibrotic effects in GI fibrosis disease models (**Fig. 12**) along with a good general and cardiovascular safety profile[7]. A first in class Preclinical Development Candidate is due to be selected in 1H19.

Figure 12: Redx GI-targeted ROCK inhibitor reduces collagen deposition in a murine model of Crohn's fibrosis.

Increase of collagen expression, shown in blue with Trichrome Stain, in the DSS treated animals. Treatment with GI-targeted ROCK inhibitor at 3 mg/kg reduced the deposition of collagen seen as a reduction in staining.



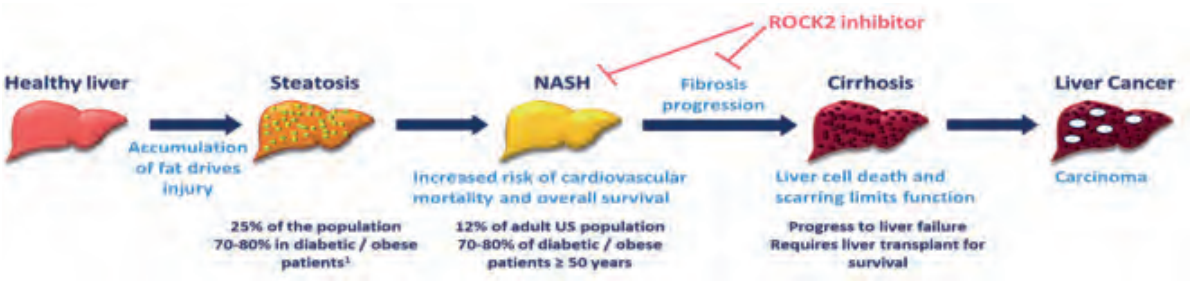
ROCK2 selective inhibitor for the treatment of NASH

ROCK2 has been shown to be upregulated in acute inflammation and in metabolic and fibrotic diseases. A specific role for ROCK2 in the pathogenesis of fibrosis has been demonstrated in mouse models, where heterozygous ROCK2 knockout mice have reduced disease severity. ROCK2 specific inhibitors also show anti-fibrotic effects in a number of murine fibrosis models.

Redx's ROCK2 selective inhibitor programme is aimed at treating liver fibrosis associated with the growing obesity and diabetes epidemic. The build-up of lipids and inflammation in the liver leads to a condition known as non-alcoholic steatohepatitis (NASH) which progressively leads to liver fibrosis and ultimately life-threatening liver cirrhosis (**Fig. 13**). Redx has developed highly selective ROCK2 compounds that have an improved profile compared to competitor ROCK2 selective compounds. The lead compounds have demonstrated good pharmacokinetic and pharmacodynamic effects in preclinical models and in October 2018 Redx scientists presented the encouraging project progress at a major US scientific conference[8]. Lead compounds are currently undergoing proof of concept testing in a range of fibrosis disease models with data expected early in 2019 and the best in class Preclinical Development Candidate is due to be selected 2H19.

Figure 13: Liver injury induced by western diet leads to a fatty liver where fat accumulates in the liver and causes inflammation and injury (steatosis).

As this injury continues this leads to scarring and fibrosis and the development of NASH. NASH is a progressive disease and if untreated the scarring process may continue to cirrhosis where the liver is no longer functional and the only treatment at this point is liver transplant. We believe our ROCK2 inhibitor will reduce fibrosis progression and reverse liver inflammation and fibrosis in NASH patients.



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9 IPF Webinar for the British Lung Foundation 2012: Dr. Helen Parfrey

Redx team working in their laboratory at Alderley Park, Cheshire, UK

Operational Review

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

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

New Management Team

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

Key Performance Indicators (KPIs)

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

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

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

	2018 £m	2017 £m	2016 £m	2015 £m
Total operating expenditure	10.6	15.8	16.5	11.4

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

	2018 £m	2017 £m	2016 £m	2015 £m
Net cash flow (including certain one-off payments)	(17.3)	18.0	(3.7)	6.5

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

	2018 %	2017 %	2016 %	2015 %
R & D expenditure (as a proportion of total operating expenditure)	70	76	84	83

The Group's continuing focus is to maximise the amount of operating expenditure spent on research and development activities, defined as direct R&D expenditure per note 10 plus scientific staff costs (excluding Board & key management). More recent years have been affected by increased accommodation costs, which as noted in the Financial Review, the Board is taking steps to address. The above is prepared on a comparable basis to prior years, however going forward more costs can be attributed to projects and it is anticipated that this percentage will rise in future.

Financial Review

Financial position

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

Cost savings

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

Accommodation (Alderley Park)

The Group also set itself the target of re-aligning its accommodation with its reduced headcount, with a view to further reduce costs. Agreement in heads of terms, subject to final contract has been reached with landlords to reduce the footprint occupied, without cash penalty through a warrant agreement, from 72,000 sq ft to 31,000 sq ft., a 57% reduction. As a result, an onerous lease provision of £752k has been established as described further in note 21. Establishment of the provision has no cash flow consequences in the current financial year. Significantly, future lease obligation have been reduced From £13.4m to £6.7m (note 27), and the benefit of these savings, together with associated savings in rates and service charges, which will benefit the Group going forward.

Impact of Administration

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

Option agreement for Anti-infectives programme

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

Cashflows

Overall negative net cash flow for the year was £17.3m, (2017: £18.0m inflow). 2017 saw significant inflow, generated from the BTK sale and the share issue. As previously noted, a significant proportion of the current year's outflow is with regard to finalising legacy issues caused by the Administration and took place prior to control being returned to the Directors in November 2017.

Reorganisation

A major reorganisation of the Group took place in spring 2017, resulting in a significant reduction in staff numbers. The cost of this was £0.8m. Average headcount reduced to 131 in 2017 falling further to 52 over the year to 30 September 2018. Actual headcount at 30 September 2018 was 51. A reorganisation of the Board following the Group's exit from Administration resulted in further non-recurring costs of £0.2m.

Taxation

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

Principal Risks and Uncertainties

Redx is a biopharmaceutical Group 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 2018 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 numbers of 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 that competition may have a material adverse impact on the Group.

Clinical Trials

The Group does not know whether any future clinical trials with any of its product candidates will be completed on schedule, or at all, or whether its ongoing or planned clinical trials will begin or progress on the time schedule it anticipates. 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 the Group's 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;
- further protocol amendments;
- 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, the Group's clinical trials may be suspended or terminated at any time by the MHRA, other regulatory authorities, or by the Group itself. Any failure to complete or significant delay in completing clinical trials for the Group's product candidates could harm the commercial prospects for its product candidates, and therefore, its financial results.

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 largely 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 its success.

Financial

The Group has a limited operating history, has incurred significant losses other than in the prior year, and does not currently 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 future profits. The Group may not be able to raise additional funds that may 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.

The Board continually monitors these risks and uncertainties and takes corrective action if considered necessary.

This report was approved by the Board on 18 November 2018 and signed on its behalf by

Lisa Anson
Chief Executive Officer

Governance

Introduction

It is the Chairman's responsibility, working with Board colleagues, to ensure that good standards of corporate governance are embraced throughout the Group. As a Board, we set clear expectations concerning the Group's culture, values and behaviours.

The Directors acknowledge the importance of high standards of corporate governance and, given the Group's size and the constitution of the Board, have decided to adopt the principles set out in the Corporate Governance Code for small and mid-sized companies published by the QCA in April 2018 ("QCA Code") in advance of the requirement to adopt the code under AIM rule 50.

The Board comprises five Directors: an independent Non-Executive Chairman, two full time Executive Directors and two Non-Executive Directors (both being independent), reflecting a blend of different experiences and backgrounds. The function of the Chairman is to supervise and manage the Board and to ensure its effective control of the business. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Group's challenges and opportunities as a public Company, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making.

The Board meet regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Board has established the following committees to fulfil specific functions – Audit, Risk & Disclosure committee (the "Audit Committee") and a Remuneration committee (the "Remuneration Committee") with formally delegated duties and responsibilities. Each of these committees meet on a regular basis and at least two times a year. The Board has elected not to constitute a dedicated nomination committee, instead retaining such decision-making with the Board as a whole. This approach is considered appropriate to enable all Board members to take an active involvement in the consideration of Board candidates and to support the Chair in matters of nomination and succession.

From time to time, separate committees may also be set up by the Board to consider specific issues when the need arises.

Board of Directors

Mr Iain Ross
(Chairman)

Iain was appointed Non-Executive Chairman of Redx in May 2017 assuming the role of Interim Executive Chairman in October 2017 which he held until the appointment of Lisa Anson on 1 June 2018, at which time he reverted to the role of Non-Executive Chairman. In addition, he is Chairman of e-Therapeutics Plc (AIM:ETX), Kazia Ltd (ASX: KZA / NASDAQ:KZIA) and Biomer Technology Limited. He is a qualified Chartered Director, and a Former Vice Chairman of the Council of Royal Holloway, London University.

Previously, he has held significant roles in multi-national companies including Sandoz, Hoffman La Roche, Reed Business Publishing and Celltech Group Plc. He has advised banks and private equity Groups on numerous company turnarounds. These include, as CEO of Quadrant Healthcare, taking the Company public, signing numerous collaborations before selling the business to Elan in 2001. As Chairman and Chief Executive Officer at Allergy Therapeutics, he re-structured the Company balance sheet to position Allergy Therapeutics as a virtually debt free cash generative company prior to its subsequent IPO. As Executive Chairman at Silence Therapeutics Plc (formerly SR Pharma Plc), he turned the business around through M&A and established collaborations with Pfizer, AstraZeneca and Dainippon Sumitomo before completing a merger with Intradigm Inc.

Mrs Lisa Anson
(CEO)

Lisa has been President of AstraZeneca UK since 2012 and has significant leadership experience in pharmaceuticals. Over a 20 year career at AstraZeneca Plc, Lisa has held a number of senior management roles in both the US and the UK including Global Vice President, Oncology and as Vice President of emerging brands where she worked closely with the Research and Development teams.

Lisa holds an MBA (awarded with distinction) from INSEAD, France and a First Class honours degree in Natural Sciences from Cambridge University in the UK. Upon graduating she joined KPMG in London as a management consultant and then moved to California where she worked for Salick Health Care (now Aptium), a California based cancer disease management company, prior to joining Zeneca Pharmaceuticals (USA) in 1998 as a business development manager. Lisa has also been President of the Association of the British Pharmaceutical Industry (ABPI), a position from which she stepped down in 2018 in order to assume her current role. She was a Board member of the ABPI from 2012 during which time she has chaired a number of UK industry committee's and worked closely with the UK Government. In 2018 she was elected to the Board of the Bio Industry Association (BIA).

Mr Dominic Jackson
(Chief Financial Officer – Interim)

Dominic has worked in private equity since 2007 (DIC Europe, Merrill Lynch Global Private Equity and latterly for multiple financial sponsors) and in M&A prior to that (Deutsche Bank, PricewaterhouseCoopers).

He has been seconded into portfolio companies as CFO on numerous occasions to stabilise distressed core businesses and implement value initiatives. Within the healthcare space, Dominic has completed a variety of deals as principal including the £450m sale of IDH to Carlyle, the carve-out and €485m sale of Euromedic's Dialysis division to Fresenius Medical Care (14x EBITDA), and the refinancing and syndication of €565m term debt tranches within Euromedic's diagnostic imaging business. Dominic has extensive situational distressed experience having acquired Peverel (UK's largest property manager, now Knight Square) for £65m out of Administration, following which his secondment into the business contributed to its successful turnaround and sequential refinancings with Electra Partners and RBS. He was also heavily involved in the private equity portfolio of a recent landmark bank work-out as well as the $8bn restructuring of a Middle Eastern sovereign wealth fund. Dominic qualified as a Chartered Accountant with PricewaterhouseCoopers and is a member of the Chartered Institute of Securities and Investment and the Institute for Turnaround.

Dr James Mead
(Chief Financial Officer Designate)

James will be appointed on 1 February 2019. James has held a variety of highly relevant Finance leadership roles over a 16 year career with AstraZeneca Plc. As Chief Financial Officer of AstraZeneca Netherlands – a $200 million turnover business – he was a core member of a management team accountable for delivery of stretching annual P&L targets and other balanced scorecard objectives during a period of significant change. As R&D Portfolio Finance Director he was responsible for financial analysis of the entire R&D portfolio in order to support decision-making at the CEO-chaired AZ Portfolio Investment Board. He has been the Finance Director of multiple clinical development project teams, guiding assessment of the valuation impact of key decisions such as clinical trial design, commercial launch strategy and product lifecycle management. Additionally, James has gained capital markets experience through positions in AstraZeneca's Investor Relations and Corporate Finance teams. James holds a PhD in Molecular Biology and a First Class honours degree in Biochemistry, both awarded by Cardiff University. He is also an Associate Member of the Chartered Institute of Management Accountants.

Mr Peter Presland
(Independent Non-Executive Director)

Peter has over 45 years' experience in business, much of that at the highest levels of management within both public and private companies. A law graduate at King's College, London, he also qualified as a Chartered Accountant with Arthur Andersen. In 1980, he joined C E Heath Plc, a major publicly quoted international insurance Group, as Group Accountant/ Treasurer and became in 1985 the youngest ever PLC Director when appointed Group Finance Director at the age of 34. He was promoted to become Heath's Group Chief Executive in 1990, and in 1996, he devised the demerger of C E Heath's computer services operations into a separate publicly listed company, Rebus Group Plc, becoming its Chief Executive and in 1999 its Executive Chairman. Shareholders doubled their money in three years. Since 2001, Peter has pursued a portfolio non-executive career. These appointments include the Chairmanship in 2003 of LINK, the UK ATM network, where he led a major corporate governance change and completed the merger of LINK with Voca, the provider of the BACS service, becoming Chairman of VocaLink in 2007. From 2012 to 2015, he served as Chairman of the Audit and Governance Committee of East Kent Hospitals NHS Trust and has recently joined the Audit and Governance Committee of The Lord's Taverners, a high-profile charity.

Dr Bernhard Kirschbaum
(Independent 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. Bernd is currently a board member of BioMedX, Protagen Diagnostics, OMEICOS Therapeutics, Enlivex Therapeutics and an advisor to the board of KAHR Therapeutics and FutuRx.

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 2018. The Corporate Governance Statement on pages 31 – 35 and the governance section on page 26 also forms part of this report.

Directors

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

Executive

Lisa Anson – Appointed 1 June 2018

Dominic Jackson – Appointed 3 November 2017

Dr Neil Murray – Resigned 3 November 2017

Non-Executive

Iain Ross*

Dr Bernhard Kirschbaum

Peter Presland – Appointed 3 November 2017

Norman Molyneux – Resigned 3 November 2017

* Mr Ross was appointed Interim Executive Chairman on 3 November 2017 and returned to a non-executive capacity on 1 June 2018

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 on pages 5 – 25.

Business review

The Strategic Report on pages 5 – 25 provides a review of the business, the Group's trading for the year ended 30 September 2018, key performance indicators and an indication of future developments and risks and forms part of this Directors' Report.

Financial results and dividend

The Group's loss after tax for the year was £8.845m (2017 profit £1.528m). The Directors do not recommend the payment of a dividend. (2017 £nil).

Financial instruments

Information regarding Financial instruments can be found in note 22.

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 areas 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.

Strategic report

The Company has chosen in accordance with Companies Act 2006, section 414C (11) to set out in the Company's strategic report on pages 5 to 25 information required to be contained in the Directors' Report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report.

Independent Auditor

RSM UK Audit LLP have expressed their willingness to continue in office as Auditors for the financial year under review. A resolution to appoint Auditors will be proposed at the forthcoming Annual General Meeting.

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

Lisa Anson
Chief Executive Officer
18 November 2018

Redx Pharma Plc
Block 33, Mereside, Alderley Park
Macclesfield, SK10 4TG

Company registration number: 07368089

Directors' Responsibilities Statement

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 group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

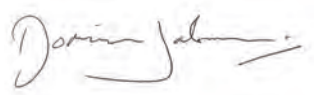
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company 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 financial statements may differ from legislation in other jurisdictions.

Lisa Anson
Chief Executive Officer



Dominic Jackson
Chief Financial Officer

Corporate Governance Statement

The Board believes in the importance of corporate governance and is aware of its 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. The Board has adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the QCA in April 2018 ("QCA Code"). This section provides general information on the Group's adoption of the QCA Corporate Governance Code.

Our Strategy, business model and approach to risk

The Group's strategy is the commercialisation of novel medicines for indications for which there are no existing or only inadequate therapies. The Group's current focus is on indications in the field of oncology and fibrotic diseases.

The Group invests its efforts and financial resources into the process of identifying suitable pharmaceutical product candidates which it then intends to take through an extensive development process. The nature of this work is inherently risky. There is no certainty that any of its product candidates will progress successfully through preclinical and clinical trials and become marketable products. Redx's internal development expertise and unique knowledge of the therapeutic areas in which it operates should however allow it to identify and develop valuable products in a manner that will substantially reduce, but which cannot eliminate, this risk in the future. All of the Group's activities involve an ongoing assessment of risks and the Group seeks to mitigate such risks where possible.

The Board has undertaken an assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency and liquidity. In addition, the Board has considered the longer-term viability of the Group including factors such as the prospects of the Group and its ability to continue in operation for the foreseeable future. The Board considers that the disclosures outlined in the Group's Strategic Report on pages 5 to 25, are appropriate given the stage of development of the business. The Board considers that these disclosures provide the information necessary for shareholders to assess the Group's future viability and potential requirements for further capital to fund its operations.

Having carried out a review of the level of risks that the Group is taking in pursuit of its strategy, the Board is satisfied that the level of retained risk is appropriate and commensurate with the financial rewards that should result from achievement of its strategy.

Board of Directors

During the year under review there were a number of changes to the composition of the Board as set out on page 29. Following the Group's exit from Administration on 2 November 2017 the Board was re-structured. On 3 November 2017 Neil Murray, Executive Director and CEO and Norman Molyneux non-executive director both resigned and concurrently Non-Executive Chairman, Iain Ross was appointed interim Executive Chairman until Lisa Anson's appointment as Executive Director and Chief Executive Officer on 1 June 2018, at which time he reverted to being Non-Executive Chairman. On 3 November 2017 Dominic Jackson was appointed as an Executive Director and Chief Financial Officer. Bernd Kirschbaum remained as an independent Non -Executive director throughout the period under review and on 3 November 2017, Peter Presland was appointed as an independent Non-Executive Director.

As of the date of this Report the Board comprises five Directors in total: an independent Non-Executive Chairman, two Executive Directors and two Non-Executive Directors (both being independent), reflecting a blend of different experiences and backgrounds. The skills and experience of the Board are set out in their biographical details on pages 27-28. The experience and knowledge of each of the Directors give them the ability to challenge strategy constructively and to scrutinize performance.

The Board is responsible to the shareholders for the proper management of the Group and meets typically bi-monthly 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, when necessary, 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. The number of meeting attended by each Director can be found on page 33.

There is a clear separation of the roles of Chief Executive Officer (CEO) 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.

Time Commitments

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the terms and conditions of their appointment and, in particular, the time commitment expected of them. A potential Director candidate (whether an Executive Director or Non-Executive Director) is required to disclose all significant outside commitments prior to their appointment. The Board is satisfied that both the Chairman and the other Non-Executive Directors are able to devote sufficient time to the Group's business.

Independence of Directors

The Directors acknowledge the importance of the principles of the QCA Code which recommends that a company should have at least two independent Non-Executive Directors. The Board considers it has 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. Specifically the Board has considered and determined that since the date of their respective appointments Bernd Kirschbaum and Peter Presland are independent in character and judgement and that they:

- Have not been employees of the Company within the last five years;
- Have not, or have not within the last three years, a material business relationship with the Group;
- Have no close family ties with any of the Group's advisers, Directors or senior employees
- Do not hold cross directorships or have significant links with other Directors through involvement in other companies or bodies
- Do not represent a significant shareholder.

The Company Secretary maintains a register of outside interests and any potential conflicts of interest are reported to the Board. The Non-Executive Directors have regular opportunities to meet without Executive Directors being present (including time after Board and Committee meetings).

Professional Development

Throughout their period in office, the Directors are continually updated on the Group's business, the competitive and regulatory environments in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as whole by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a Director of an AIM-Listed company both in writing and in face to face meetings with the Company Secretary and Nominated Adviser ("NOMAD").

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

Board Committees

In view of the events of the prior year the Board Committees were streamlined on exit from Administration on 2 November 2017.

As was stated in the 2017 Annual Report there is no longer a separate Nominations and Corporate Governance Committee as these matters are deemed sufficiently important such that the full Board will address these matters going forward.

The full terms of reference of the Board committees are published on the Group's website at www. Redxpharma.com.

Audit Risk & Disclosure Committee

During the year under review, and with effect from the exit from Administration on 2 November 2017, the members of the Audit, Risk & Disclosure Committee were Mr Peter Presland, Mr Iain Ross and Mr Bernd Kirschbaum. Mr Peter Presland is the Chairman of the 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.

During the year, the Committee met to review audit planning and findings with regard to the Annual Report, and planning and findings from the review of the interim Financial Statements. In addition it reviewed the appointment of auditors, and after a tender process involving a number of firms, agreed unanimously to re-elect RSM UK Audit LLP.

Remuneration Committee

During the year under review, and with effect from the exit from Administration on 2 November 2017, the members of the Remuneration Committee were Dr Bernd Kirschbaum, Mr Iain Ross and Mr Peter Presland. Dr Bernd Kirschbaum is the Chairman 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.

During the year it met to discuss staff remuneration, options packages, bonus schemes and remuneration packages for new Directors.

The Directors' Remuneration Report is presented on pages 36 to 38.

Attendance at meetings

The Board meets regularly on a bi-monthly basis, together with further meetings as required. The Audit and Remuneration committees meet as required, but with a minimum of two meetings each year.

The Directors attended the following meetings during the year:

	Board*	Audit	Remuneration
Mr Iain Ross	10/10	6/6	7/7
Mrs Lisa Anson (appointed 1 Jun 2018)	2/2		
Mr Dominic Jackson (appointed 3 Nov 2017)	9/10		
Dr Bernd Kirschbaum	10/10	6/6	7/7
Mr Peter Presland (appointed 3 Nov 2017)	10/10	6/6	7/7
Dr Neil Murray (resigned 3 Nov 2017)	Nil		
Mr Norman Molyneux (resigned 3 Nov 2017)	Nil		

* No Board meetings were held during the period of Administration ending on 2 November 2017.

Risk Management and Internal Control

The Board is responsible for the systems of internal controls 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.

Redx is an entrepreneurial company with strong financial and management controls within the business. Examples of control procedures include:

- an annual budget set by the Board with regular review of progress;
- monthly management accounts;
- dual bank signatories for all payments with pre-determined authority limits for specific Directors and employees;
- regular meetings of Executive Directors and Senior management to review management information and follow up on operational issues or investigate any exceptional circumstances:
- a risk register;
- clear levels of authority, delegation and management structure;
- Board review and approval of significant contracts and overall project spend;
- a Quality Management System to support the clinical trial activities the Company conducts, ensuring compliance with clinical trial legislation and guidelines;
- annual audits and other contractor management procedures to ensure good vendor performance;
- restriction of user access to IT systems; and ongoing review of the need for IP protection of core assets and processes.

The Company's system of internal control is designed to safeguard the Company's assets and to ensure the reliability of information used within the business. The system of controls manages appropriately, rather than eliminates, the risk of failure to achieve business objectives and provides reasonable, but not absolute, assurance against material misstatement or loss.

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.

The independent Auditor does not perform a comprehensive review of internal control procedures, but reports to the Audit Committee on the outcomes of its annual audit process. The Board confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

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.

Board effectiveness and performance evaluation

The Board is mindful that it needs to continually monitor and identify ways in which it might improve its performance and recognises that board evaluation is a useful tool for enhancing a board's effectiveness. Alongside the formal annual evaluation, the Chairman routinely assesses the performance of the Board and its members and discusses any problems or shortcomings with the relevant Directors. As a consequence, during the period, the Board has undertaken a rigorous and formal annual evaluation of its own performance, balance of skills, experience, independence, diversity (including gender diversity) and other factors relevant to its effectiveness (and also of that of its Committees) and the performance of its individual Directors. During the review, the Chairman undertook a formal discussion with the other Non-Executive Directors regarding the performance of the Board and its Committees and the other Non-Executive Directors' own individual contributions and performance. In preparation, the Chairman solicited the views of the other Directors, including the completion by each Director of a confidential questionnaire.

With regard to the evaluation of the Board itself, the discussions focused in particular on:

- Board roles and responsibilities;
- the Board's contribution to developing and testing strategy and to risk management;
- the composition of the Board (i.e. mix of skills, experience and expertise);
- the effectiveness of internal and external relationships and communication;
- the effectiveness in anticipating and responding to challenges and crises;
- the effectiveness of Board Committees; and the flexibility of the Board in dealing with a wide range issues.

The evaluation of the performance of individual Directors encompassed:

- preparation and meeting attendance;
- preparedness to understand key Company issues;
- quality of contribution at Board and Committee meetings;
- contribution to the development of strategy and risk management;
- use of previous experience to contribute to key issues and strategy;
- effectiveness in challenging assumptions, in maintaining own views and opinions and in following up main areas of concern;
- building successful relationships with other Board members, management and advisers; and communication with and influence on other Board members, management and key Shareholders.

In addition to the above, the Chairman was evaluated on his:

- effective leadership of the Board;
- management of relationships and communications with Shareholders;
- identification of development needs of individual Directors with a view to enhancing the overall effectiveness of the Board as a team;
- promotion of the highest standards of corporate governance; and management of Board meetings and ensuring effective implementation of Board decisions.

Following the reviews, the Chairman shared his observations and any actions arising, where appropriate, with the other Non-Executive Directors and the Executive Directors. These individual evaluations aim to confirm that each Director continues both to contribute effectively and to demonstrate commitment to the role (including the allocation of necessary time for preparation and attendance at Board and Committee meetings and any other duties).

The Chief Executive Officer reports to the Board and the Chairman reviews her performance on behalf of the Board. The Chief Executive Officer reviews the performance of the other Executive Director. The Executive Directors and the other Non-Executive Directors are responsible for evaluating the performance of the Chairman.

Following the 2018 evaluation process, the Company considers that the Board and its individual members continue to perform effectively, that the Chairman performs his role appropriately and that the process for evaluation of his performance has been conducted in a professional and rigorous manner.

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 Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake and thereafter to develop and incentivise staff.

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. The website, www.redxpharma.com, has a section dedicated to investor matters and provides useful information for the Company's shareholders. 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.

During the period under review the Board believes that the communication with the Shareholders has been effective in that Iain Ross and/or Lisa Anson have had meetings and/or calls with the majority of institutional shareholders, high net worth shareholders and during the period there have been several shareholder briefing sessions involving Directors and senior managers.

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. The Board is committed to continued engagement with its shareholders.

The Board believes that the Group has a strong governance culture and this has been re-inforced by the adoption of the QCA Code and recognition of the 12 principles of corporate governance set out in the QCA Code, which the Board continually considers in a manner appropriate for a company of its size.

Iain G. Ross
Chairman

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 2017/18 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 Executive Directors' performance and contribution to the Group 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 has granted share options in the current and previous years. The share options will vest at various future dates as described in the table on page 38. There are no conditions attached to vesting other than service conditions.

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 Group 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 notice to the other. The details of the Directors' contracts are summarised below:

	Date of Contract	Notice period
Lisa Anson	1 June 2018	6 months
Dominic Jackson	3 November 2017	3 months

Mrs Lisa Anson was appointed CEO and an Executive Director on 1 June 2018. She is paid £300,000 per annum and qualifies for employee benefits including participation in the annual performance bonus and option schemes.

Mr Dominic Jackson was appointed CFO and an Executive Director, on 3 November 2017. He is paid £100,000 per annum and qualifies for employee benefits including participation in the annual performance bonus and option schemes.

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, bonus, benefits or option grants from the Group. The Non-Executive Directors Letters of Appointment are reviewed by the Board annually.

Directors' remuneration

The Directors received the following remuneration during the year:

	Salaries, bonuses and fees £	Pension contributions £	Share based payments £	Total 2017/18 £	Salaries, bonuses and fees £	Pension contributions £	Share based payments £	Total 2016/17 £
Executive								
L Anson[1]	100,000	8,787	62,875	171,662	-	-	-	-
D Jackson[2]	91,667	4,583	22,708	118,958	-	-	-	-
Dr N Murray[3]	243,974	949	-	244,923	200,000	10,000	4,021	214,021
Non-Executive								
Iain Ross[4]	*[1]250,000	-	-	250,000	*[2]83,333	-	-	83,333
Dr B Kirschbaum	46,000	-	-	46,000	46,000	-	-	46,000
P Presland[5]	41,250	-	-	41,250	-	-	-	-
N Molyneux[6]	3,833	-	-	3,833	*[2]71,000	-	4,021	75,021
F Armstrong[7]	-	-	-	-	33,000	-	12,699	45,699
P Jackson[8]	-	-	-	-	19,000	-	4,021	23,021
P McPartland[9]	-	-	-	-	23,000	-	-	23,000
D Lawrence[10]	-	-	-	-	32,604	-	-	32,604
	776,724	14,319	85,583	876,626	507,937	10,000	24,762	542,699

1 L. Anson was appointed as a Director on 1 June 2018.
2 D. Jackson was appointed as a Director on 3 November 2017.
3 Dr N. Murray resigned as a Director on 3 November 2017, payments reflect contractual obligations.
4 I. Ross was appointed as a Director on 1 May 2017.
5 P. Presland was appointed as a Director on 3 November 2017.
6 N. Molyneux resigned as a Director on 3 November 2017.
7 F. Armstrong resigned as a Director on 20 April 2017.
8 P. Jackson resigned as a Director on 31 March 2017.
9 P. McPartland resigned as a Director on 20 April 2017.
10 D. Lawrence resigned as a Director on 14 August 2017.
*1 Includes additional payments as detailed below totalling £120,000 relating to the period as Executive Chairman, and a bonus of £50,000 paid on 30 June 2018 relating to the successful appointment of, and handover to the new CEO.
*2 In addition to their non-executive Directors' fees, Mr I Ross and Mr N Molyneux received one-off bonuses of £50,000 and £25,000 respectively to recognise the additional work undertaken whilst the Company was in Administration. These amounts are included in the remuneration table above.

In addition to Mr N. Molyneux's remuneration in 2016/17 and 2017/18 disclosed above, £6,000 (2017: £90,000) was paid for consultancy and secretarial services to Acceleris Capital Ltd, a related party (note 28).

In addition to Dr F. Armstrong's remuneration in 2016/17 disclosed above, expenses of £2,000 were paid to Dr Frank M. Armstrong Consulting Ltd, a related party as detailed in note 28.

No compensation for loss of office was paid in the years ended 30 September 2018 or 30 September 2017.

Consequential arrangements upon exiting Administration on 2 November 2017

Dr Neil Murray resigned from the Board and his contractual obligations were met. For the avoidance of doubt, he did not receive an annual bonus for 2016/17 nor did he receive any compensation for loss of office.

Mr Norman Molyneux resigned from the Board and did not receive any compensation for loss of office.

On 3 November 2017 Iain Ross was appointed Interim Executive Chairman and was paid an additional monthly fee of £15,000 up until one month following the appointment of the CEO. Mr Ross then reverted to being non-executive Chairman.

Mr Ross, Mr Presland and Dr Kirschbaum will not participate in the Group Option Scheme.

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 2018	At 1 October 2017
Executive		
L Anson	-	-
D Jackson	-	-
N Murray	*1,293,655	1,293,655
Non-Executive		
I Ross	600,000	-
P Presland	120,000	-
B Kirschbaum	50,000	-
N Molyneux	*283,436	283,436

*As at the date of resignation on 3 November 2017.

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. There are no performance conditions attached to the vesting of these options other than service conditions. Details of the options are as follows:

Director	Date of grant	At 1 October 2017	Granted during the period/ (exerc'd)	At 30 September 2018	Price per share (p)	Date from which exercisable	Expiry date
L Anson	1-June-18	-	600,000	600,000	13.75	2-June-20	1-June-28
	1-June-18	-	600,000	600,000	20.0	2-June-20	1-June-28
	1-June-18	-	600,000	600,000	27.0	2-June-20	1-June-28
	1-June-18	-	600,000	600,000	35.0	2-June-20	1-June-28
	1-June-18	-	600,000	600,000	42.5	2-June-20	1-June-28
	1-June-18	-	600,000	600,000	50.0	2-June-20	1-June-28
		-	3,600,000	3,600,000			
D Jackson	21-Dec-17	-	166,666	166,666	22.0	22-Dec 19	21-Dec-27
	21-Dec 17	-	166,667	166,667	33.0	22-Dec 19	21-Dec-27
	21-Dec 17	-	166,667	166,667	50.0	22-Dec 19	21-Dec-27
		-	500,000	500,000			
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			
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			

The options held by N. Murray and N. Molyneux remain for a period of 5 years from their date of resignation.

Bernd Kirschbaum
Chairman of the Remuneration Committee

Independent Auditor's report to the members of Redx Pharma Plc

Opinion

We have audited the financial statements of Redx Pharma Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies, the company statement of financial position, the company statement of changes in equity and notes to the company financial statements, including a summary of significant accounting policies. 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the accounting policy on going concern on page 49 of the financial statements, which indicates that the cash flow forecast prepared by the directors estimate that the Group has sufficient funds to support the current level of activities into the second quarter of 2019 and therefore needs to raise additional funds. As stated in the accounting policy on going concern, these events or conditions, along with the other matters as set forth on page 49 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Onerous lease provision

(Refer to page 50 regarding the accounting policy in respect of provisions, page 52 in respect of critical judgements and estimates applied by the Directors and note 21 to the financial statements on page 60).

The risk

As disclosed in note 21 the Group has made a provision at the period end in respect of an onerous leave provision due to the Group vacating certain leased units. As a consequence, there is a significant judgement in respect of the value of this provision at the period end. At the 30 September 2018, the carrying value of the provision amounted to £782k (2017: £nil) in the Consolidated Statement of Financial Position.

Our response

We obtained management's onerous lease provision assessment and underlying calculations prepared to support the carrying value of the financial provision. We have audited these costs, where applicable, by checking back to the existing lease agreements. In addition, we reviewed and challenged the assumptions made by the directors in respect of the overall expected future lease costs, proposed discount rate and assumed vacancy.

Carrying value of intra-group balances in the company balance sheet

(Refer to page 52 regarding the accounting policy in respect of Trade and other receivables and Group debtors, page 52 in respect of critical judgements and estimates applied by the Directors and note 9 to the financial statements on page 55).

The risk

The Company has material receivables from subsidiary undertakings that are currently loss making. As a consequence, there is a significant risk that these are impaired and need to be written down. At the 30 September 2018, the carrying value of amounts due from group undertakings amounted to £13,835k (2017: £4,330k) in the Company Statement of Financial Position.

Our response

We identified amounts due from each subsidiary undertaking and discussed with management whether each balance was recoverable taking into account the strategic plans established by the board in respect of each subsidiary undertaking.

We also obtained management's impairment review and underlying calculations prepared to support the carrying value of the financial assets. We reviewed forecasts and considered whether they were consistent with the forecasts prepared by management in relation to going concern. In addition, we reviewed and challenged the assumptions utilised in the model and as many of these were based on publicly available information, we agreed a sample of these back to supporting information.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £286,000, which was updated during the course of our audit to £307,000. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The audit was scoped to ensure that the audit team obtained sufficient and appropriate audit evidence in relation to significant operations of the Group during the year ended 30 September 2018. This included the performance of full statutory audits on each of the subsidiary undertakings. As part of our planning we assessed the risk of material misstatement including those that required significant auditor consideration at the component and group level. Procedures were designed and performed to address the risk identified and for the most significant assessed risks of material misstatement, the procedures performed are outlined above in the key audit matters section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

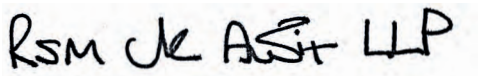
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.



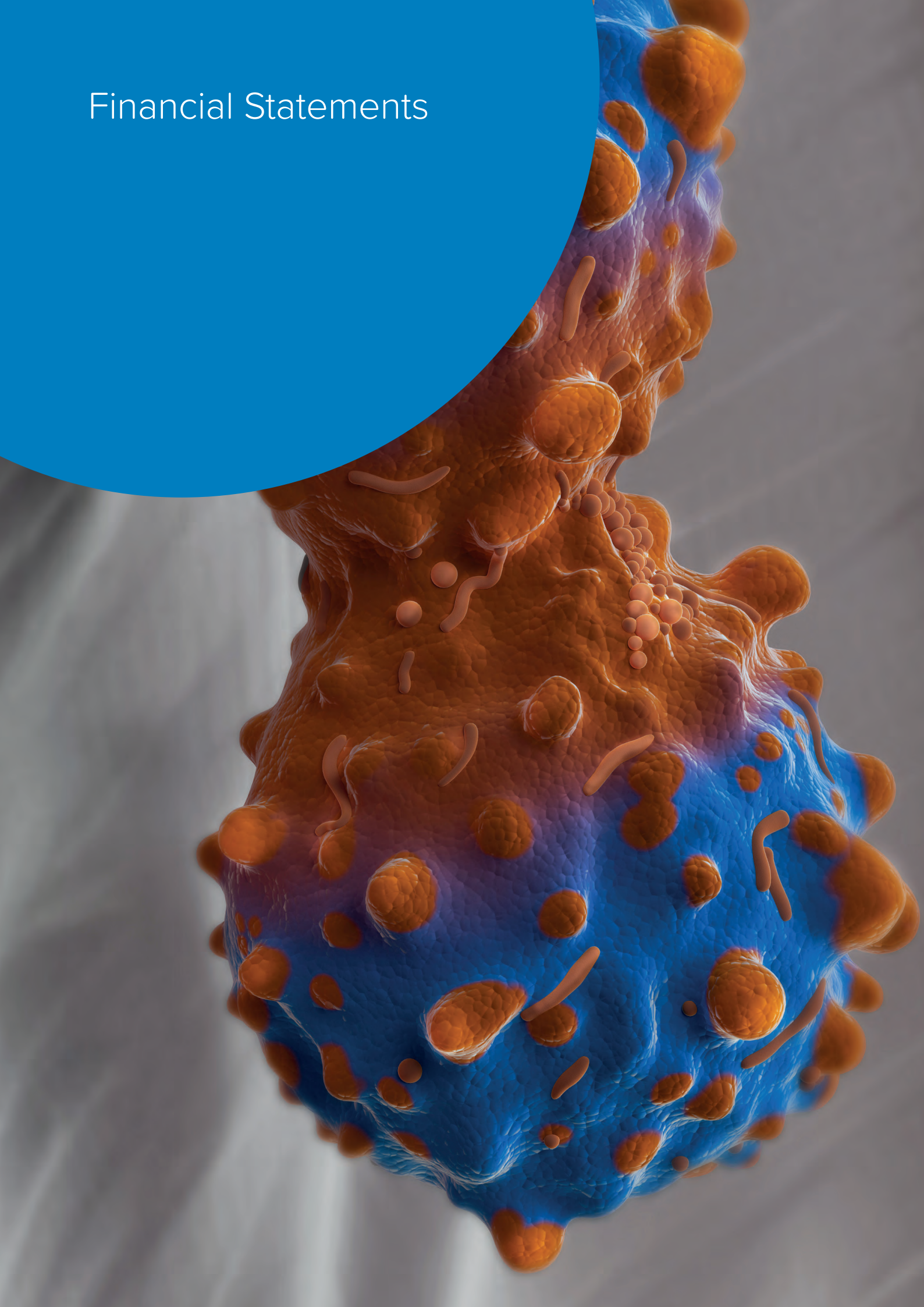
Graham Bond FCA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

18 November 2018

Financial Statements



Consolidated Statement of Comprehensive Income

For the year ended 30 September 2018

Continuing operations	Note	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Revenue	2	129	30,474
Operating expenses	10	(10,606)	(15,768)
Onerous lease charge	21	(752)	-
RGF clawback	3	-	(6,086)
Costs of Administration			
Write-off of derivative instrument	6	-	(3,560)
Other Administration costs	1	(177)	(2,930)
Non-recurring reorganisation costs	4	(215)	(791)
Derecognition of non-current asset	17	-	(641)
Release of accrued accommodation expenses	5	548	-
Share based compensation	7	(282)	(13)
Other operating income	8	1,186	1,291
(Loss)/profit from operations		(10,169)	1,976
Finance costs	9	(1)	(368)
Finance income	9	24	38
(Loss)/profit before taxation		(10,146)	1,646
Income tax	11	1,301	(118)
Total comprehensive (loss)/profit for the year attributable to owners of Redx Pharma Plc		(8,845)	1,528
(Loss)/earnings per share (pence) From continuing operations			
Basic	12	(7.0)	1.4
Diluted	12	(7.0)	1.4

Consolidated Statement of Financial Position

At 30 September 2018 Company No. 7368089

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	191	222
Intangible assets	15	423	430
Total non-current assets		614	652
Current assets			
Trade and other receivables	18	2,023	2,588
Current tax		1,211	643
Cash and cash equivalents	19	6,471	23,806
Total current assets		9,705	27,037
Total assets		10,319	27,689
Liabilities			
Current liabilities			
Trade and other payables	20	3,803	13,362
Provisions	21	147	-
Total current liabilities		3,950	13,362
Non-current liabilities			
Provisions	21	605	-
Total liabilities		4,555	13,362
Net assets		5,764	14,327
Equity			
Share capital	24	1,265	1,265
Share premium	25	33,263	33,263
Share-based compensation		1,162	880
Capital redemption reserve		1	1
Retained deficit		(29,927)	(21,082)
Equity attributable to shareholders		5,764	14,327

The financial statements were approved and authorised for issue by the Board on 18 November 2018 and were signed on its behalf by:

Lisa Anson
Director

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

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

Consolidated Statement of Cash Flows

For the year ended 30 September 2018

	Note	Year ended 30 September 2018 £'000	Year ended 30 September 2017 £'000
Net cash flows from operating activities			
(Loss)/profit for the year		(8,845)	1,528
Adjustments for:			
Income tax		(1,301)	118
Finance costs		1	368
Finance income		(24)	(38)
Depreciation and amortisation		164	327
Share based compensation		282	13
Onerous lease provision		752	-
Release of accrued accommodation expenses		(548)	-
Derecognition of non-current asset		-	641
Write-off of derivative asset		-	3,560
Profit on disposal of assets		(17)	(107)
Movements in working capital			
Decrease/(increase) in trade and other receivables		572	(1,185)
(Decrease)/increase in trade and other payables		(8,963)	8,871
Cash (used in)/generated by operations		(17,927)	14,096
Tax credit received		727	-
Interest received		23	2
Net cash (used in)/generated by operations		(17,177)	14,098
Cash flows from investing activities			
Purchase of Intangible assets		-	(121)
Sale of property, plant and equipment		23	124
Purchase of property, plant and equipment		(132)	(33)
Net cash (used in) investing activities		(109)	(30)
Cash flows from financing activities			
Proceeds from share issue		-	12,364
Share issue costs		-	(1,298)
Purchase of derivative financial instrument		-	(3,666)
Receipt from derivative financial instrument		-	106
Interest paid		(49)	(1,551)
Loan repaid by AMR Centre		-	25
LCC loan repaid		-	(2,000)
Net cash (used in)/from financing activities		(49)	3,980
Net (decrease)/increase in cash and cash equivalents		(17,335)	18,048
Cash and cash equivalents at beginning of the year		23,806	5,758
Cash and cash equivalents at end of the year	19	6,471	23,806

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

Notes to the Financial 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 years 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 2018.

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

Standard	Key requirements
Amendments to IAS 7, Disclosure Initiative	The amendments require additional disclosures to be made regarding changes in liabilities arising from financing activities to enable users of financial statements to better understand changes in the Group's debt. Having reviewed the Group's liabilities, the Directors do not expect adoption of these amendments to have a material impact on the Group.
Amendments to IAS 12, Recognition of Deferred Tax	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of unrealised losses on debt instruments measured at fair value. As the Group currently has no debt instruments measured at fair value, the Directors do not expect adoption of these amendments to have an impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2017 and not early adopted.

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

Standard	Key requirements	Effective date (for annual periods beginning on or after)
IFRS 9, Financial Instruments	This standard replaces IAS 39. Whilst the standard changes the basis of measurement of financial assets, introduces a new impairment model and changes the hedge accounting provisions the directors do not expect the implementation of the new standard to have a material impact on our reported results or financial position.	1 January 2018
Annual IFRS Improvements Process (2015-17)	The 2017 Annual improvements cycle covered amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IAS 28 Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities.	1 January 2019
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. Having considered the impact of the new standard on the recognition of the income from the sale of the BTK programme, the directors do not expect the implementation of the new standard to have a material impact on how it is recognised and measured revenue in the current period.	1 January 2018

Standard	Key requirements	Effective date (for annual periods beginning on or after)
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. The group is still assessing the impact of this standard on the financial statements and have not yet quantified this.	1 January 2019
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	The amendment clarifies how to account for certain types of share-based payment transactions and provide requirements on the accounting for: – the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; – share-based payment transactions with a net settlement feature for withholding tax obligations; and – a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of a related asset, expense or income on the derecognition of a non-monetary asset or liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. As the Group has not been involved in any transactions including advance consideration in foreign currencies, the Directors do not expect adoption of this interpretation to have an impact on the Group.	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatment	The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.	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. During the period of Administration, Redx Pharma Plc retained control of all its' subsidiary undertakings within the elements of control listed above.

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

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

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

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

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

Segmental information

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

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

Currencies

(a) Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company and its subsidiaries operate ("the functional currency") which is UK sterling (£). The Financial Statements are accordingly 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 Consolidated Statement of Comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenues from the sale of intellectual property, where there are no obligations subsequent to delivery, are recognised when significant risks and rewards have transferred which is considered to be the point at which all patents and other information in accordance with the substance of the agreement are handed over.

Revenues from the grant of an option over a license agreement, where there are no obligations subsequent to the granting of the option, are recognised as soon as all information in accordance with the substance of the agreement is handed over.

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

Government grants

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.

Provisions

Where, at the reporting date, the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

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 Consolidated 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 any deferred tax assets or liabilities are settled. It is charged or credited in the Consolidated 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.

Deferred tax liabilities are 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 in future accounting periods 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 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, Intellectual property (IP) and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. 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. Furthermore, the Directors review at each reporting date the carrying value of Goodwill in accordance with IAS 36.

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 Consolidated 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 Consolidated 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 programmes, 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.

Purchased intangible assets are capitalised even if they have not yet demonstrated technical feasibility. The intangible asset relating to intellectual property rights for the programme purchased from Amakem in 2017 is estimated to have a useful life of 20 years, and is amortised over this period.

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 Consolidated 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 Consolidated 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 Consolidated 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) Other receivables

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 Consolidated 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 and at bank, 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

The Directors consider there to be no significant accounting judgements, however critical accounting estimates are set out in the 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 7 and 26.

(b) Goodwill

The goodwill arose on the original purchase of the business and assets of Bradford Pharma in 2012. The Directors consider the goodwill to be intrinsic to the whole Group's on-going business. Goodwill is not amortised but each year the Directors undertake a review for potential impairment, which requires them to make assumptions about key variables and forecasts.

(c) Onerous lease provision

As a result of a change in the accommodation occupied by the Group, the Directors consider that a provision is required in respect of an onerous lease (note 21). In calculating the provision required, using a discounted cash flow model, the Directors were required to make assumptions regarding an appropriate discount rate and likely occupancy levels which could be achieved by way of sub-let or license.

1. Administration

On 24 May 2017, two companies within the Group, Redx Pharma Plc and Redx Oncology Limited were placed into Administration as a result of the default on repaying a loan from Liverpool City Council, which was subsequently repaid in full together with accrued interest in August 2017 (see the Consolidated Statement of Cash Flows). FRP Advisory LLP were appointed as Administrators. As at 30 September 2017 those companies remained in Administration. They exited Administration on 2 November 2017, when control was returned to the Directors. The costs directly associated with the Administration, principally Administrators' costs, legal costs and taxation costs, have been separately disclosed on the face of the Consolidated Statement of Comprehensive income, and total £0.18m. (2017: £2.93m).

2. Revenue

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

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

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

3. Clawback of Regional Growth Fund grant funding

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

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

Under the terms of the grant awards, clawback amounts totalling £9.7m became repayable on Redx Pharma Plc entering Administration. During the course of the Administration, a full and final settlement was reached in the sum of £6.1m. This amount is included within Trade and Other Payables, Note 20. It was repaid in October 2017, as part of the exit from Administration.

4. Reorganisation costs

In March 2017, the Board of Directors agreed a proposal to undertake a restructuring of the Group, leading to a significant reduction in headcount across all areas of operation. The non- recurring costs relating to Directors, incurred in the restructuring of the Board were £215,000. The 2017 costs of £791,000 related to the wider restructuring of the Group.

5. Release of accrued accommodation expenses

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

6. Write off of Derivative financial instrument

On 1 March 2017 the Company issued 11,500,000 new ordinary shares of 0.1p each ("Ordinary Shares") at a price of 37.5p per share to Lanstead Capital for £4,312,500. The Company simultaneously entered into an equity swap with Lanstead for 85 per cent of these shares with a reference price of 50p per share (the "Reference Price"). The equity swap was for an 18-month period ending in October 2018. All 11,500,000 Ordinary Shares were allotted with full rights on the date of the transaction. Of the subscription proceeds of £4,312,500 received from Lanstead, £3,665,625 (85 per cent) was invested by the Company in the equity swap.

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

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

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

7. Share-based compensation

Share options have been issued to certain Directors and staff, and the charge arising is shown below. The fair value of the options granted has been calculated using a Black Scholes model. There are no further conditions attached to the vesting of the options other than employment service conditions. Further information on options is given in Note 26.

	2018 Number	2017 Number
Outstanding at the beginning of the year	2,963,417	3,907,784
Options exercised in period	-	(145,319)
Options forfeited in period	(173,854)	(799,048)
Options granted and vesting in future periods	7,360,000	-
Outstanding at the end of the year	10,149,563	2,963,417

Weighted average exercise price information is given in Note 26.

The weighted average share price at the date of exercise of options in the prior year was 56.43p.

	£'000	£'000
Charge to Statement of Comprehensive Income in period	282	13

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 (based on historic information)	40%	40%
	£	£
Assumed share price at grant date	0.1375 to 0.85	0.415 to 0.85
Exercise price	0.1375 to 0.85	0.33 to 0.85

8. Other operating income

	2018 £'000	2017 £'000
Reimbursement of costs	1,213	278
Government grants receivable	-	377
RDEC income	(27)	636
	1,186	1,291

9. Finance expense and finance income

	2018 £'000	2017 £'000
Finance expense		
Loan interest	-	319
Other interest and similar charges	1	49
	1	368
Finance income		
Bank and other short term deposits	24	2
Loan interest	-	36
	24	38

10. (Loss)/profit before taxation

	2018 £'000	2017 £'000
The following items have been included in arriving at (loss)/profit before taxation		
Research and development	5,732	8,168
Staff costs – Note 13 (excluding share based compensation, reorganisation & relocation costs)	3,296	5,321
Establishment and general:		
Depreciation of owned property, plant and equipment	157	327
Amortisation of intangible assets	7	-
Operating leases on land and buildings	1,365	1,423
Operating leases – other	-	143
Exchange losses on translation	3	329
Amounts payable to RSM UK Audit LLP and their associates by the Company and its subsidiaries amounted to:		
Audit of subsidiaries	13	13
Audit of parent Company and consolidation	23	34
Other services – interim review	10	10
	10,606	15,768

11. Income tax

	2018 £'000	2017 £'000
Current income tax		
Corporation tax	50	124
Research and Development Expenditure credit	-	-
Adjustment in respect of previous periods	(1,351)	(6)
Income tax charge per the Consolidated Statement of Change in Income	(1,301)	118

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

	2018 £'000	2017 £'000
(Loss)/profit before tax	(10,146)	1,646
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.5%)	(1,928)	321
Effects of:		
R&D expenditure credits	50	124
Expenses not deductible for tax purposes	299	1,015
Adjustment in respect of previous periods	(1,351)	(6)
Deferred tax losses not recognised/(utilised)	1,629	(1,336)
Total taxation	(1,301)	118

12. (Loss)/earnings per share

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

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

The basic and diluted calculations are based on the following:

	2018 £'000	2017 £'000
(Loss)/profit for the period attributable to the owners of the Company	(8,845)	1,528

	Number	Number
Weighted average number of shares – basic	126,447,914	113,022,840
Weighted average number of shares – diluted	126,447,914	113,046,401

	Pence	Pence
(Loss)/earnings per share – basic	(7.0)	1.4
(Loss)/earnings per share – diluted	(7.0)	1.4

The loss and the weighted average number of shares used for calculating the diluted loss per share in 2018 are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would therefore not be dilutive under IAS 33 *Earnings per Share*.

13. Employees and key management

	2018 £'000	2017 £'000
Staff costs (including Directors) comprise		
Wages and salaries	2,821	4,538
Social security costs	349	467
Pension costs	126	231
	3,296	5,236
Non-recurring reorganisation costs (Note 4)	215	791
Total employee related costs	3,511	6,027

Notes to the Financial Statements continued

	2018 number	2017 number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	14	23
R&D – Chemistry	15	57
R&D – Biology	17	36
R&D – Analytical	6	15
	52	131

	2018 £'000	2017 £'000
Directors' remuneration		
Short term remuneration	777	508
Pension costs	14	10
	791	518

Retirement benefits are accruing to 3 Directors (2017: 1)

Further information relating to Directors remuneration can be found in the Remuneration Report on page 36.

	2018 £'000	2017 £'000
Key management (including Directors)		
Short term remuneration	1,362	1,243
Social security costs	144	154
Pension costs	45	61
Share based compensation	170	18
	1,721	1,476

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:

	2018 £'000	2017 £'000
Short term employment benefits	250	200
Pension contributions	-	10
	250	210

14. Property, plant and equipment

	Leasehold Improvements £'000	Laboratory equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2016	114	1,072	310	1,496
Additions	-	32	1	33
Disposals	-	(191)	(22)	(213)
At 30 September 2017	114	913	289	1,316
At 1 October 2017	114	913	289	1,316
Additions	-	126	6	132
Disposals	-	(33)	(23)	(56)
At 30 September 2018	114	1,006	272	1,392
Depreciation				
At 1 October 2016	2	786	175	963
Charge for the year	11	243	73	327
Disposals	-	(174)	(22)	(196)
At 30 September 2017	13	855	226	1,094
At 1 October 2017	13	855	226	1,094
Charge for the year	12	82	63	157
Disposals	-	(28)	(22)	(50)
At 30 September 2018	25	909	267	1,201
Net book value				
At 30 September 2018	89	97	5	191
At 30 September 2017	101	58	63	222
At 1 October 2016	112	286	135	533

15. Intangible Assets

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2016	-	309	309
Additions	121	-	121
At 30 September 2017	121	309	430
At 1 October 2017	121	309	430
Additions	-	-	-
At 30 September 2018	121	309	430
Accumulated impairment			
At 1 October 2016	-	-	-
Impairment	-	-	-
At 30 September 2017	-	-	-
At 1 October 2017	-	-	-
Amortisation	7	-	7
At 30 September 2018	7	-	7
Net carrying value			
At 30 September 2018	114	309	423
At 30 September 2017	121	309	430

The goodwill arose on the original purchase of the business and assets of Bradford Pharma in 2012. The Directors consider 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 up to September 2020. 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 given the Groups historic capital costs.

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

Purchased intellectual property is estimated to have a useful life of 20 years. Because of the date of purchase, and the sums involved, the Directors decided to commence amortisation from 1 October 2017.

16. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 8 to the Company's separate financial statements.

17. Derecognition of non-current receivable

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

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

At 30 September 2017, the total amount outstanding (including accrued interest), was £821k. The financial statements reflected that value less a fair value adjustment made at 30 September 2016 amounting to £180k. Following review, and as a result of the conditionality attached to the repayment of the loan, the Directors derecognised it as an asset in accordance with International Accounting Standards. There have been no further changes in the current year.

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

18. Trade and other receivables

	2018 £'000	2017 £'000
VAT recoverable	159	915
Other receivables	772	712
Accrued income	46	-
Prepayments	1,046	961
	2,023	2,588

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

Details of the Group's credit risk management policies are shown in Note 22. The Group does not hold any collateral as security for its other receivables.

Included within Other receivables is an amount of £219,000 which is past due, the Directors continue to consider that it is recoverable.

19. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	6,471	23,806
	6,471	23,806

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.

At 30 September 2017, £23.7m of the above amount was held in bank accounts operated by FRP Advisory LLP. All cash from these accounts was returned to the control of the Directors of the relevant companies on exit from Administration.

20. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	1,685	3,991
Employee taxes and social security	177	201
Other payables	30	151
RGF Clawback (see Note 3)	-	6,085
Accruals	1,911	2,934
	3,803	13,362

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.

21. Onerous lease provision

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

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

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

In total, agreement in the Heads of Terms, has been reached to reduce the footprint leased by the Group, without cash penalty through a warrant agreement, from 72,000 sq ft to 31,000 sq ft., a 57% reduction. Total future lease obligations have been reduced from £13.4m to £6.7m (note 27), and the benefit of these savings, together with associated savings in rates and service charges, which will benefit the Group going forwards.

22. Financial instruments

The Group's financial instruments comprise 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 2018 £'000	Carrying value 2017 £'000
Loans and receivables		
Other receivables	279	200
Cash and cash equivalents	6,471	23,806
	6,750	24,006
Financial liabilities measured at amortised cost		
Trade payables	1,685	3,991
Other payables	30	151
RGF clawback	-	6,085
	1,715	10,227

The principal financial risks faced by the Group are:

Currency risk

The Group's exposure to foreign currency risk is limited; as most of its invoicing and payments are denominated in Sterling. Accordingly, no sensitivity analysis is presented in this area as it is considered immaterial. In the prior year, revenue generated from the disposal of the BTK programme was originally denominated in US$. It was converted to Sterling by the Administrators at the rate ruling on the day of receipt.

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. 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 cash flow forecasts and medium term working capital projections.

Capital management

The Group considers capital to be its 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.

All of the Group's financial liabilities have a contractual maturity within one year. (2017: all within one year).

23. Deferred tax

	Accelerated capital allowances £'000	Other £'000	Total £'000
Liabilities			
At 30 September 2017 and 2018	-	-	-

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2017:17%). Deferred tax assets in relation to losses carried forward of £6.8m, (2017: £5.1m) which represent trading losses carried forward, have not been recognised on the grounds that there is insufficient evidence of sufficient taxable trading profits arising in the future to allow recovery.

24. Share Capital

	2018 Numbers	2017 Numbers
Number of shares in issue		
Ordinary Shares of £0.01	126,477,914	126,477,914
	£'000	**£'000**
Share Capital at par, fully paid		
Ordinary Shares of £0.01	1,265	1,265
Movement in year		
Ordinary shares of £0.01	-	329
Total movement in year	-	329

Share issues

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). The weighted average share price on this date was £0.56.

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 £12.36m.

25. Share premium

	2018 £'000	2017 £'000
Brought forward	33,263	22,526
Share issue	-	11,966
Share issue costs	-	(1,298)
Exercise of share options	-	69
	33,263	33,263

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.

26. Share based payments

Movements on share options during the period were as follows:

Exercise Price per share	30 September 2017	Granted	Exercised	Lapsed/ Cancelled	30 September 2018	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	131,650	-	-	-	131,650	26.03.2016	26.03.2025
50p	131,650	-	-	-	131,650	26.03.2017	26.03.2025
50p	131,650	-	-	-	131,650	26.03.2018	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	1,223,300	-	-	-	1,223,300	27.03.2015	26.03.2025
85p	187,100	-	-	-	187,100	27.03.2016	26.03.2025
85p	178,775	-	-	-	178,775	27.03.2017	26.03.2025
33.2p	432,642	-	-	(113,854)	318,788	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
22p	-	1,253,320	-	(20,000)	1,233,320	22.12.2019	22.12.2027
33p	-	1,253,339	-	(20,000)	1,233,339	22.12.2019	22.12.2027
50p	-	1,253,341	-	(20,000)	1,233,341	22.12.2019	22.12.2027
13.75p	-	600,000	-	-	600,000	02.06.2020	01.06.2028
20p	-	600,000	-	-	600,000	02.06.2020	01.06.2028
27p	-	600,000	-	-	600,000	02.06.2020	01.06.2028
35p	-	600,000	-	-	600,000	02.06.2020	01.06.2028
42.5p	-	600,000	-	-	600,000	02.06.2020	01.06.2028
50p	-	600,000	-	-	600,000	02.06.2020	01.06.2028
Total	2,963,417	7,360,000	-	(173,854)	10,149,563		
Weighted average exercise price	66.29p	33.27p	-	33.82p	42.90p		

The number of exercisable share options at 30 September 2018 was 2,464,108 and their weighted average exercise price was 72.74p.

Subsequent to the year end a warrant for 750,000 options was issued.

During the prior year:

Exercise Price per share	30 September 2016	Granted	Exercised	Lapsed/ Cancelled	30 September 2017	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	191,650	-	-	(60,000)	131,650	26.03.2016	26.03.2025
50p	161,650	-	-	(30,000)	131,650	26.03.2017	26.03.2025
50p	161,650	-	-	(30,000)	131,650	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	-	-	(16,650)	1,223,300	27.03.2015	26.03.2025
85p	187,100	-	-	-	187,100	27.03.2016	26.03.2025
85p	178,775	-	-	-	178,775	27.03.2017	26.03.2025
33.2p	1,095,040	-	-	(662,398)	432,642	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
Total	3,907,784	-	(145,319)	(799,048)	2,963,417		
Weighted average exercise price	59.59p	-	48.18p	36.80p	66.29p		

The number of exercisable share options at 30 September 2017 was 2,265,791, their weighted average exercise price was 74.95p. The weighted average share price at the date of exercise of options was 56.43p.

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 2018 is £282,000 (2017: £13,000). 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 7. The share options are exercisable with no further conditions to be met.

27. Operating lease arrangements – minimum lease payments

	Property		Plant and equipment	
	2018 £'000	2017 (as restated) £'000	2018 £'000	2017 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:				
Within one year	1,122	2,027	-	-
In the second to fifth years	3,362	5,981	-	-
In greater than five years	2,178	5,418	-	-
	6,662	13,426	-	-

28. Related Parties

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

Trading transactions

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

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

- Acceleris Capital Ltd – of which Mr N. Molyneux is a Director. (Mr Molyneux ceased to be a Director of Redx Pharma on 3 November 2017, at which point Acceleris Capital Ltd ceased to meet the criteria of a related party.)
- Dr Frank M Armstrong Consulting Ltd – owned by Dr F. Armstrong. (Dr Armstrong ceased to be a Director of Redx Pharma on 20 April 2017, at which point Dr Frank M Armstrong Consulting Ltd ceased to meet the criteria of a related party.)
- The Group has also purchased administration services from Mrs. J. Murray, who is the wife of Dr N. Murray. (Dr Murray ceased to be a Director of Redx Pharma on 3 November 2017, at which point Mrs. Murray ceased to meet the criteria of a related party.)

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

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

- Redag Crop Protection Ltd – of which Mr N. Molyneux is a Director. (Mr Molyneux ceased to be a Director of Redx Pharma on 3 November 2017, at which point Redag Crop Protection Ltd ceased to meet the criteria of a related party.)
- AMR Centre Ltd – of which P Jackson is a Director. Mr Jackson ceased to be a Director of Redx Pharma on 31 March 2017, at which point AMR Centre Ltd ceased to meet the criteria of a related party.)

The amounts outstanding are unsecured.

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

Purchases from/(charges to) related parties

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

Amounts owed to/(by) related parties

	2018 £'000	2017 £'000
Redag Crop Protection Ltd (at 3 November 2017)	(73)	(71)
Acceleris Capital Ltd (at 3 November 2017)	15	77
AMR Centre Ltd – short term loan (at 31 March 2017)	-	(25)
AMR Centre Ltd (at 31 March 2017)	-	(1)
Mrs J Murray (at 3 November 2017)	14	12

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

Amounts owed to/by related parties were disclosed in other receivables (Note 18) and within trade payables (Note 20).

29. Capital Commitments

At 30 September 2018, the Group had no capital commitments (30 September 2017: £nil).

30. Contingent liabilities

As at 30 September 2018, the Group had no contingent liabilities.

Company Statement of Financial Position

At 30 September 2018

Company No. 7368089

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	6	301	322
Tangible assets	7	94	150
Investments	8	357	225
		752	697
Current assets			
Debtors	9	14,432	6,490
Cash at bank and in hand		2,633	23,065
Total current assets		17,065	29,555
Creditors: amounts falling due within one year	10	(1,425)	(12,288)
Net current assets		15,640	17,267
Net assets		16,392	17,964
Capital and reserves			
Share capital	11	1,265	1,265
Share premium	12	33,263	33,263
Capital redemption reserve		1	1
Share based payments reserve		1,162	880
Profit and loss account	12	(19,299)	(17,445)
Shareholders' funds		16,392	17,964

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 £1,854,000 (2017 loss: £23,408,000).

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

Lisa Anson
Director
18 November 2018

Company Statement of Changes in Equity

For the year ended 30 September 2018

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Profit & loss account £'000	Total Equity £'000
At 1 October 2016	936	22,526	867	1	5,963	30,293
Share options exercised	1	69	-	-	-	70
Share issue	328	11,966	-	-	-	12,294
Share issue costs	-	(1,298)	-	-	-	(1,298)
Transactions with owners in their capacity as owners	329	10,737	-	-	-	11,066
Profit and total comprehensive income for the year	-	-	-	-	(23,408)	(23,408)
Share based compensation	-	-	13	-	-	13
Movement in year	329	10,737	13	-	(23,408)	(12,329)
At 30 September 2017	1,265	33,263	880	1	(17,445)	17,964
Transactions with owners in their capacity as owners	-	-	-	-	-	-
Loss and total comprehensive income for the period	-	-	-	-	(1,854)	(1,854)
Share based compensation	-	-	282	-	-	282
Movement in year	-	-	282	-	(1,854)	(1,572)
At 30 September 2018	1,265	33,263	1,162	1	(19,299)	16,392

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; and
- 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 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) 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.

(iv) 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. It is reviewed annually by the Directors for potential impairment.

Purchased intangible assets

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. Purchased intangible assets are capitalised even if they have not yet demonstrated technical feasibility. The intangible asset relating to intellectual property rights for the programme purchased from Amakem is estimated to have a useful life of 20 years, and it will be amortised over this period, commencing on 31 October 2017.

(v) Going Concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled ."Guidance on the Going Concern Basis of Accounting and Reporting on Solvency Risks – Guidance for directors of companies that do not apply the UK Corporate Governance Code".

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

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

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

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

(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 and in bank, 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) Investments

Investments in subsidiaries are stated at cost less provision for impairment in value, and are detailed in Note 8.

(ix) 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.

(x) 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 7 and 26 to the Consolidated Financial Statements.

(b) Group balances

The Directors are required to make judgements regarding the recoverability of balances due from subsidiary companies and decide if any impairment is appropriate. In making these judgements they review potential revenue streams and other information, including net present value calculations.

2. Administration

On 24 May 2017, Redx Pharma Plc was placed into Administration as a result of the default on repaying a loan from Liverpool City Council ("LCC") by its subsidiary undertaking Redx Oncology Limited. FRP Advisory LLP were appointed as Administrators by LCC. As at 30 September 2017 the Company remained in Administration. It exited Administration on 2 November 2017, when control was returned to the Directors. Those costs directly associated with the Administration, principally Administrators costs, legal costs and taxation costs are included in the Company's loss for the year, and total £177,000. (2017:£2,814,000).

3. Clawback of Regional Growth Fund grant funding

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

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

Under the terms of the grant awards, clawback amounts totalling £9.7m became repayable by the Company on entering Administration. During the course of the Administration, a full and final settlement was reached in the sum of £6.1m. This amount was disclosed within Creditors – amounts falling due within one year, Note 10. It was repaid in October 2017, prior to the exit from Administration.

4. Write off of derivative financial instrument

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

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

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

In the period to 24 May 2017, £106,000 had been received under the terms of the swap.

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

5. Staff Costs

	2018 £'000	2017 £'000
Staff costs (including Directors) comprise		
Wages and salaries	1,015	1,043
Social security costs	165	126
Pension costs	39	51
	1,219	1,220
Non-recurring reorganisation costs	215	10
Total employee related costs	1,434	1,230

	2018 number	2017 number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	6	10

Directors remuneration is disclosed in note 13 of the Group accounts and the Directors remuneration report beginning on page 36.

6. Intangible fixed assets

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2017	121	309	430
Additions	-	-	-
At 30 September 2018	121	309	430
Amortisation			
At 1 October 2017	-	108	108
Charge for the year	6	15	21
At 30 September 2018	6	123	129
Net book value			
At 30 September 2018	115	186	301
At 30 September 2017	121	201	322

7. Tangible fixed assets

	Laboratory equipment £'000	Computer equipment £'000	Leasehold Improvements £'000	Total £'000
Cost				
At 1 October 2017	87	95	114	296
Additions	-	4	-	4
At 30 September 2018	87	99	114	300
Depreciation				
At 1 October 2017	77	56	13	146
Charge for the year	10	38	12	60
At 30 September 2018	87	94	25	206
Net book value				
At 30 September 2018	-	5	89	94
At 30 September 2017	10	39	101	150

8. 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.

	2018 £'000	2017 £'000
At 1 October	225	206
Additional capital contribution – Redx Oncology Ltd	46	19
Additional capital contribution – Redx Anti-Infectives Ltd	37	-
Additional capital contribution – Redx Immunology Ltd	49	-
At 30 September	357	225

At 30 September 2018 the Company held share capital in the following subsidiaries:

Name	Country of incorporation	Percentage held	Nature of business	Direct/Indirect holding
Redx Oncology Limited Block 33, Mereside, Alderley Park, Macclesfield SK10 4TG	England & Wales	100%	Pre-clinical drug development licensing	Direct
Redx Anti-Infectives Limited Block 33, Mereside, Alderley Park, Macclesfield SK10 4TG	England & Wales	100%	Pre-clinical drug development licensing	Direct
Redx Immunology Limited Block 33, Mereside, Alderley Park, Macclesfield SK10 4TG	England & Wales	100%	Pre-clinical drug development licensing	Direct
Redx MRSA Limited Block 33, Mereside, Alderley Park, Macclesfield SK10 4TG	England & Wales	100%	Dormant	Indirect

9. Debtors

	2018 £'000	2017 £'000
Amounts falling due within one year:		
VAT recoverable	70	644
Amounts due from Group undertakings	13,835	5,578
Other debtors	280	184
Prepayments and accrued income	247	84
	14,432	6,490
Amounts falling due after more than one year		
Other Debtor – Loan	-	-
Total	14,432	6,490

Amounts due from Group undertakings: Following a review by the Directors of the forecasts of one of its Group undertakings, it was considered that the balance owed is unlikely to be recovered in the foreseeable future due to a decision to focus on oncology and immunology assets, as such they have decided to further impair the balance owed in relation to this undertaking in the sum of £1,676,000 taking the total impairment to £11,983,000. (2017: £10,307,000).

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

At 30 September 2017, the total amount outstanding (including accrued interest), was £821k. The financial statements reflected that value less a fair value adjustment made at 30 September 2016 amounting to £180k. Following review, and as a result of the conditionality attached to the repayment of the loan, the Directors derecognised it as an asset in 2017. There have been no further changes in the current year.

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

10. Creditors: Amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	878	2,399
Social security and other taxes	42	64
Amounts owed to Group undertakings	-	2,953
Other creditors	6	127
RGF Clawback (see Note 3)	-	6,085
Accruals	499	660
	1,425	12,288

11. Share Capital

	2018 Number	2017 Number
Number of shares in issue		
Ordinary Shares of £0.01	126,477,914	126,477,914

	£'000	£'000
Share Capital at par, fully paid		
Ordinary Shares of £0.01	1,265	1,265
Movement in year		
Ordinary shares of £0.01	-	329
Total movement in year	-	329

Share issues

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) for a total consideration of £70,262.

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 was £12.36m.

12. Reserves

	Share premium £'000	Profit & loss account £'000	Share based payments reserve £'000	Capital redemption reserve £'000	Total £'000
As at 1 October 2017	33,263	(17,445)	880	1	16,699
Loss for the year	-	(1,854)	-	-	(1,854)
Share-based compensation	-	-	282	-	282
As at 30 September 2018	33,263	(19,299)	1,162	1	15,127

13. Operating lease arrangements – minimum lease payments

	Property		Plant and equipment	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:				
Within one year	747	1,026	-	-
In the second to fifth years	2,987	4,480	-	-
In greater than five years	2,178	4,387	-	-
	5,912	9,893	-	-

14. Related Parties

Related party information disclosed in note 28 to the Group accounts is also applicable to the Company.

15. Contingent liabilities

The Company has agreed to support its subsidiary undertakings for 12 months from the signing of these financial statements. The Directors estimate this support could be in the region of £10m.

16. Ultimate controlling party

There is no ultimate controlling party.

Scientific Abbreviations

AACR: American association for cancer research
BID: Twice daily
CRC: Colorectal cancer
CTGF: Connective tissue growth factor
DC: Dendritic cell
ET-1: Endothelin 1
Fzd: Frizzled receptor
GI: Gastrointestinal
IBD: Inflammatory bowel disease
ICI: Immune checkpoint inhibitor
IPF: Idiopathic pulmonary fibrosis
MCP-1: Monocyte chemoattractant protein 1
MDSC: Myeloid derived suppressor cell
MHRA: Medicines and Healthcare Products Regulatory Agency
MMP: Matrix metalloproteinase
NASH: Non-alcoholic steatohepatitis
NBTI: Novel bacteria topoisomerase inhibitor
NTTI: Novel tricyclic topoisomerase inhibitor
QD: Once daily
ROCK: Rho associated coiled-coil containing protein kinase
RNF43: Ring finger protein 43
RSPO: R-spondin
ð-SMA: Alpha-smooth muscle actin
TGFß: Transforming growth factor beta
TIMP: Tissue inhibitor of metalloproteinase

Company Information

Directors	Iain G Ross (Chairman) Lisa Anson (Chief Executive Officer) Dominic Jackson (Chief Financial Officer) Dr Bernhard Kirschbaum (Non-Executive Director) Peter Presland (Non-Executive Director)
Secretary	Andrew Booth
Company number	07368089
Principal place of business & registered office	Block 33 Mereside Alderley Park SK10 4TG
Auditor	RSM UK Audit LLP 3 Hardman Street Manchester M3 3HF
Nomad	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RB
Broker	W G Partners LLP 85 Gresham Street London EC2V 7NQ

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