Redx Pharma

Annual Report

For the year ended 30 September 2019

Registered number: 07368089

Contents

Key Events & Results

Corporate

19 November 2018 – Dr James Mead is appointed as Chief Financial Officer from 1 February 2019, replacing Mr Dominic Jackson.

6 February 2019 – Recovery of the loan previously granted to Redag Crop Protection Ltd.

28 February 2019 – Completion of an agreement with Alderley Park Ltd to significantly reduce the Group's accommodation footprint.

10 June 2019 – The Group announces the agreement of a £2.5m loan note facility with Moulton Goodies Ltd ("MGL").

10 July 2019 – Sale of the pan-RAF inhibitor programme to Jazz Pharmaceuticals plc.

Research & Development

14 November 2018 – The Group announces its first development compound to treat fibrosis, RXC006.

21 January 2019 – Formal MHRA approval is granted to re-commence the phase 1/2A trial for RXC004.

31 January 2019 – Rights to the NBTI programme are returned to Redx by Deinove.

19 August 2019 – The Group announces the successful completion of dosing of the first cohort of patients in its RXC004 phase 1/2A study.

Financial results – Year ending 30 September 2019

- Revenue: £3.1m
- Operating Expenditure: £10.2m
- R&D Expenditure: £6.2m
- Loss after tax: £4.3m
- Closing Cash: £3.7m

Post Year-end Events

19 November 2019 – Redx and the Medicines Discovery Catapult awarded Innovate UK grant to develop biomarkers in fibrosis.

31 December 2019 - The Group announces loan capitalisation notice for the MGL loan and possible offer for the Company.

9 January 2020 - announcement of development candidate nomination, RXC007, a selective ROCK2 inhibitor for systemic fibrotic conditions.

21 January 2020 – General meeting approves capitalisation of the MGL loan, 52,030,789 ordinary shares issued.

28 February 2020 – The Group announces that the potential offer for the company has been withdrawn, and that a funding package has been agreed with Redmile Group LLC and Sofinnova Partners. Redmile subscribes for 11,500,00 ordinary shares at 11.2p.

Chairman's Statement

Dear Shareholder

The financial year ending 30 September 2019 was a year of strong progress for the Company - strategically and scientifically. In challenging circumstances the Redx team has continued to deliver programmes that are the basis of creating long term shareholder value.

The new management team is now well established with the appointment of James Mead as Chief Financial Officer and Board Director on 1 February 2019. This team, under the leadership of our very experienced and high-profile Chief Executive Officer, Lisa Anson, has pursued a clear and focused strategy aimed at enhancing shareholder value.

Clear Focused Strategy - Redx's ambition is to become a leading biotech company focused on the development of precision medicines in oncology and fibrosis by progressing prioritised programmes to deliver clinical proof of concept. Redx's core strengths of medicinal chemistry expertise and proven ability to design molecules against a validated target, continue to be leveraged to discover the next generation of clearly differentiated drug candidates. The Company aims to partner additional programmes to drive further value, as and when the Board feels that such a course will be in the best interests of shareholders.

2019 has seen significant delivery against this strategy with the following notable achievements:

- **Clinical Progress**: In oncology, 2019 saw the Company achieve its aim to take its lead molecule, RXC004, into Phase 1 trials at a significantly lower dose than previously. Importantly, the first two patient cohorts (0.5mg and 1mg) have been successfully dosed such that a third cohort (1.5mg) has been initiated in October 2019. RXC004 is on track to move into a Phase 1b/2 clinical study in 2020.
- **New fibrosis programmes**: In fibrosis, Redx's 2019 goal was to select development candidates from the Company's portfolio of three promising fibrosis assets and invest in work to enable subsequent clinical development. The first of these selections, a Wnt inhibitor, was made in November 2018 and a second nomination, a ROCK2 selective inhibitor was made in January 2020. The intention is to initiate Phase 1 studies for both in early 2021. This is a strong outcome in terms of success rates.
- **Commercial Partnerships**: The Company has also demonstrated its ability to deliver commercial partnerships with the sale of the research stage Pan-RAF inhibitor programme to Jazz Pharmaceuticals plc on 10 July 2019, with $3.5 million cash received on signing of the agreement, as the first stage in a contract potentially worth up to $203 million in deferred development, regulatory and commercial milestone payments. This is our second such deal, following the sale of Redx's BTK inhibitor programme in 2017 to Loxo Oncology (recently bought by Eli Lilly), which is now progressing well through clinical trials, and further demonstrates the strength and depth of our chemistry expertise.

Financial Prudence - During the period under review, the Board and management have continued to adopt a robust set of financial and governance controls to maintain the highest standards throughout the Company; more details on this can be found in the Corporate Governance Statement. The Board remained committed to strengthening the Group's balance sheet during 2019 and has achieved this by securing a short-term loan from Moulton Goodies Ltd, our largest shareholder, and by completing the Jazz Pharmaceuticals deal.

Chairman's Statement (Cont'd)

Outlook - The last 12 months have been encouraging in terms of delivery on our strategy in that we have demonstrated our clinical and scientific capabilities and the ability to execute commercial deals. However, we remain faced with the ongoing and underlying challenge of securing sufficient investment - a common challenge for many early-stage listed biotech companies - to enable the full pursuit of the potential evident in our pipeline. 2019 has shown that there is not sufficient demand in the UK public market to deliver a successful transaction of the quantum required. As a consequence, the Board undertook active discussions with shareholders, advisers, third party sector specialist investment groups, private equity groups and potential industry partners regarding funding and/or monetisation of early stage programme assets. We announced very recently the successful outcome of this process with the introduction of two well established and well funded investment partners in Redmile Group LLC and Sofinnova Partners. We will continue to provide further details and updates on these funding plans in the near future.

On behalf of the Board, I would like to thank our Management team and employees for their hard work and dedication as well as our suppliers, business partners and shareholders for their continued support over the last year.

Iain G Ross

Chairman of the Board of Directors

Chief Executive's Report

I am pleased to report on the substantial progress we are making in delivering our strategy to create high value precision medicines that aim to treat clear unmet needs in cancer and fibrosis, and thereby create significant shareholder value.

The key strength of Redx remains a distinctive expertise in medicinal chemistry and target selection that sets it apart from many other small biotech companies. This has been evident in our operational achievements for the year – including progress in the clinic with our lead cancer agent RXC004, nomination of two development programmes in fibrosis and delivery of a meaningful commercial partnership. The most significant challenge for the Company was to secure sufficient investment capital to fully realise the potential now evident in these programmes and the innovative science in our Company.

I was delighted to appoint Dr James Mead as Chief Financial Officer (CFO) in February 2019 to complete the Company's new senior leadership team. Together with myself, Dr Richard Armer (CSO) and Dr Andrew Saunders (CMO), I am confident that this team has the appropriate experience, expertise and focus to continue to deliver our strategy and progress our pipeline.

A Clear and Focused Strategy

On appointment as your CEO in 2018, and following a business review, I put in place 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 precision medicines that have the potential to transform the treatment of oncology and fibrosis. Within these areas of focus, the organisation's strategy is first to **progress the lead programmes to deliver clinical proof of concept,** a key value inflection milestone.

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

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

Oncology: Into the Clinic with Porcupine

Our lead programme, RXC004, is a potential best-in-class porcupine inhibitor which is currently in Phase 1 clinical development to treat cancer. Redx is developing RXC004 as a precision oncology treatment for Wnt driven tumours both as a monotherapy (direct tumour targeting) and as an immuno-oncology combination agent, representing a large commercial opportunity. RXC004 has shown compelling animal efficacy data through highly targeted impact on the Wnt pathway and has now demonstrated a safe dose in the first two patient cohorts, with a third cohort initiated at 1.5mg in October 2019. RXC004 is expected to move into the Phase 1b/2 part of the study during 2020.

Oncology is a crowded area for drug development, however, it is also one where there remains significant unmet need. In particular, we believe that precision medicines are the key to unlocking the full potential of modulating critical pathways such as the Wnt pathway. Aberrations in this pathway have been shown to drive tumour growth and are increasingly implicated in shaping the immune environment around the tumour. In particular, the Wnt pathway is implicated in a range of hard-to-treat cancers with poor prognosis such as colorectal, pancreatic, biliary and gastric cancers. At the molecular level, the Wnt pathway has long been viewed as containing potentially "druggable"

Chief Executive's Report (Cont'd)

cancer targets. **Porcupine,** a key enzyme in the pathway, is one such target. It is very encouraging to see that the first-in-class drug that targets Porcupine (WNT974, Novartis), is in phase 2 clinical development, and that the class overall apparently has a viable therapeutic window, with over 110 patients now treated across the class in Phase 1 trials. We believe that the full potential of targeting porcupine as an anticancer therapy will require the generation of efficacy data in **genetically selected patients** (those with upstream Wnt pathway aberrations driving tumour growth, whose tumours are addicted to Wnt) and understanding the clinical effects of longer duration of treatment.

RXC004, is a potent and selective inhibitor of Porcupine and therefore the Wnt pathway which results in strong **direct tumour growth inhibitory effect** in a variety of cancer models. When RXC004 is administered either alone or together with an anti-PD1 immune checkpoint inhibitor (ICI), RXC004 **enhances anti-tumour immune effects**[1]. Redx data are in keeping with the external strong scientific evidence for a role of the Wnt pathway in resistance to ICI[2,3]. This evidence supports Redx's view that **RXC004 has the potential to be used to treat Wnt driven cancers both as a monotherapy and in combination with immuno-oncology** treatments such as ICIs to enhance the response rate of ICIs and to overcome resistance to ICIs in a range of solid tumour types including colorectal cancer (CRC).

RXC004 re-entered the clinic in the first half of 2019 at a significantly lower starting dose of 0.5mg, following reformulation work (NCT03447470). Initial results from this unblinded study are encouraging. The drug was well tolerated in both 0.5mg and 1mg patient cohorts treated so far, and no serious adverse events have been reported. Measured pharmacokinetic parameters were compatible with once daily dosing and importantly, there was strong target engagement detected in markers in skin tissue. The pre-specified protocol of this phase 1a drug safety and tolerability study in cancer 'all comers' dictates continued incremental dose escalation up to 3mg and Redx anticipates full safety and tolerability results from this phase 1a study will be available during 2020. Redx's development plan for RXC004 has been reviewed with leading experts in this field, and is expected to continue in 2020, once safety data and dose selection is available from the ongoing monotherapy phase 1a trial.

Fibrosis: Two exciting Development Compounds Nominated

In fibrosis, the goal for fiscal year ending 30 September 2019 was to select one to two development candidates from the portfolio of three promising fibrosis assets. The first of these selections was made in November 2018 with the announcement of **RXC006 in idiopathic pulmonary fibrosis (IPF)** and a second nomination of RXC007, our **Rho associated protein Kinase 2 (ROCK2) candidate,** post period, in January 2020 for multiple disease indications. This is a strong outcome in terms of success rate.

Fibrosis is an area where there are few treatments and a large and growing unmet need. Redx's medicinal chemistry strengths combined with its depth of biology expertise, make it competitive to develop novel precision therapies to tackle the underlying fibrosis in major diseases of the lung, liver, kidney and bowel. Fibrosis is an internal scarring process, which can occur in response to injury, where excess connective tissue is deposited in an organ or tissue, thereby impairing its function. Most chronic inflammatory diseases will result in fibrosis, with progressive injury resulting in organ failure. Fibrotic disease can occur in nearly any tissue in the body and is a contributory factor in up to 45% of deaths in the developed world[4]. Solid organ fibrosis can occur as a result of many different diseases and current therapeutic options are limited for these chronic and often life-threatening illnesses.

Chief Executive's Report (Cont'd)

RXC006 is a porcupine inhibitor being developed as a treatment for the orphan disease **IPF**, a life-threatening and progressive lung condition with a prognosis worse than many cancers. RXC006 has demonstrated excellent antifibrotic activity in a range of fibrosis disease models including fibrosis of the kidney, liver and lung. There is considerable evidence supporting a pathogenic role for Wnt signalling in IPF and increased Wnt pathway expression is associated with poor patient prognosis in IPF. RXC006 has progressed through preclinical manufacturing and safety studies in 2019 with the aim to enter first in man clinical trials in early 2021 once funding is secured. This programme has been delayed due to funding constraints and priorities.

Redx are also invested in targeting the **ROCK signalling pathway**, a key enzyme in the development of tissue fibrosis. The Redx selective **ROCK2 inhibitor programme** is designed to overcome the systemic limitations of pan-ROCK inhibitors (which inhibit both ROCK1 and ROCK2 and can induce systemic hypotension) enabling potential use in the treatment of systemic fibrotic conditions such as liver fibrosis, IPF and diseases with an element of fibrosis such as Pulmonary Arterial Hypertension (PAH) or chronic graft versus host disease (cGVHD). Developing a selective ROCK2 inhibitor has been a particular technical challenge as evidenced by the lack of competitor programmes behind Kadmon's ROCK2 inhibitor (KD025), which leads the field and is in registration studies for cGVHD. Redx has developed highly selective ROCK2 compounds that have an improved profile compared to this competitor. Our lead compounds have demonstrated good pharmacokinetic and pharmacodynamic profiles in preclinical models as well as strong proof of concept data in a range of fibrosis disease models during the reporting period. As a result, **RXC007** was nominated as a development candidate, post period, in January 2020 with the aim of entering the clinic in early 2021 with a view to developing in IPF and then more broadly into systemic fibrotic conditions.

Significant Commercial Partnering Deal Secured with Jazz Pharmaceuticals

As a result of the portfolio prioritization, Redx made the decision to out-license the pan-RAF inhibitor programme in order to prioritise internal resources on the core Wnt and ROCK pathways. Redx's pan-RAF inhibitor program aims to overcome both resistance mechanisms and safety concerns associated with clinically approved BRAF selective drugs.

On 10 July 2019, the Company signed a deal with Jazz Pharmaceuticals Plc under which Jazz acquired the rights to Redx's pan-RAF inhibitor programme for the potential treatment of RAF and RAS mutant tumours. Jazz will be responsible for all future development, regulatory, manufacturing and commercialisation activities. Redx received a $3.5 million upfront cash payment and is eligible for up to $203 million in development, regulatory and commercial milestone payments as well as incremental tiered royalty payments in mid-single digit percentage, based on future net sales. As part of a separate collaboration agreement, signed in parallel, Jazz will pay Redx to perform research and preclinical development services with the goal of completing IND-enabling studies. This transaction validates Redx's excellence in drug design and its business partnering capability as the company's second oncology deal in the last two years, following the sale of our BTK inhibitor programme (RXC005) to Loxo Oncology in 2017 – which is now being successfully developed by Eli Lilly.

Research into Next Generation Therapies

Redx is committed to continuing research against biologically validated targets in oncology and fibrosis to maintain the pipeline. The Company has focused its research activities on highly selected targets in research, although not all these targets have been publicly disclosed**.** As a result of financial constraints, a number of our research projects have been de-prioritised or paused.

Chief Executive's Report (Cont'd)

The **gastrointestinal (GI) targeted ROCK inhibitor 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. GI-targeted ROCK inhibitors are restricted to the gut due to their limited absorption profile and rapid enzymatic metabolism of any absorbed material. The compounds have demonstrated very strong anti-fibrotic effects in GI fibrosis disease models along with a good general and cardiovascular safety profile. Redx is now ready to develop a full Candidate Nomination package and having taken the decision to do this in partnership, we are currently seeking a partner with the relevant development expertise, relevant formulation experience and resources to take this programme forward.

As a result of decisions to focus research investment, we have made a number of stop decisions, one of which was, by mutual agreement, the research collaboration with AstraZeneca for technical reasons. The anti-infectives business was closed in 2017 for strategic reasons resulting in the Novel Bacterial Topoisomerase Inhibitor (NBTI) programme, which is primarily focused upon combating multi-drug resistant Gram-negative bacteria, being licensed to Deinove in March 2018 as an option and license agreement. Following a nine-month option period to assess the NBTI programme the rights were returned to Redx. These rights were subsequently partnered with the Anti Microbial Research Centre (AMRC) in October 2019.

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.

Financial strategy

Throughout the year we have continued to manage our costs carefully and ensured that our resources are allocated to maximum effect in line with our strategy. Following some further headcount reductions, we now have in place an organisation that is operationally stronger and leaner than in prior years. Our operating expenses of £10.2 million in 2019 are 35 percent lower than 2017 and 4 percent lower than 2018. The reductions seen in 2019 reflect a continuing decrease in overhead expenditure, and were partially offset by increased investment in our research and development activities – particularly on RXC004 as it re-entered the clinic. Despite an agreement with Alderley Park, we are aware that our financial commitments under our historic long term lease remain relatively high and we continue to work with our landlord, now Bruntwood SciTech (a joint venture between Bruntwood and Legal and General) to find ways to reduce and mitigate accommodation costs through sub-lease of excess space.

The last 12 months have been encouraging in terms of delivering on our strategy and demonstrating our clinical and scientific capabilities as well as an ability to deliver commercial partnerships. Throughout the year we faced the underlying challenge of securing sufficient investment to realise the full potential now evident in our pipeline and this impacted some of our programmes. Our Board stated that we would move to strengthen the balance sheet and during the period we extended our operating runway into 2020 through the repayment of the Redag loan, adjusted R&D tax credit to reflect the absence of Regional Growth Fund (RGF) support, receipt of the Jazz upfront payment, securing a grant from Innovate UK and securing a short term loan from Moulton Goodies Ltd., our major shareholder. However, the public markets remain challenging to raise sufficient capital for the Company as a result of the early stage pipeline, the small market capitalisation and broader market conditions. The Board and Executive team held numerous discussions with shareholders, and third-party sector specialist investment groups including private equity with the intention of crystallizing an investment syndicate around the core business plan. These discussions concluded with the recent announcement of Redmile Group and Sofinnova Partners committing to the Company and its business plan. In parallel the team continue to talk to potential industry partners regarding funding and/or monetisation of early stage programme assets.

Chief Executive's Report (Cont'd)

I continue to be excited by the differentiated programmes in our pipeline. Taken together, I believe that with the strength of our science, the proprietary position of our assets and their commercial potential now combined with strong investment partners, we are in a position to deliver against our ambition of delivering meaningful results in the clinic which will drive value for shareholders. I would like to thank our employees for their hard work and commitment to Redx and congratulate them on the scientific and partnering progress achieved.

Lisa Anson
Chief Executive Officer

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 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 activation of both the classical canonical and non-canonical signalling pathways (**Fig. 1**). Porcupine is a key enzyme required for the release of all active Wnt ligands and its inhibition will importantly affect signalling via both canonical and non-canonical pathways which are both involved in disease progression. Preclinical *in vitro* and *in vivo* data has demonstrated that RXC004, a potent and selective inhibitor of Porcupine, has significant anti-cancer effects in genetically-defined cancer cells harbouring upstream Wnt pathway alterations e.g. RNF43 loss of function (LoF) mutations and RSPO-fusions/translocations. RNF43 LoF mutations and RSPO-fusions/translocations both result in increased levels of surface Fzd receptors (see **Fig. 1**), and hence increased Wnt-ligand dependent signalling. Consistent with this, cancer cells carrying RNF43 LoF mutations and RSPO-fusions/translocations are sensitive to RXC004 *in vitro* and *in vivo.*

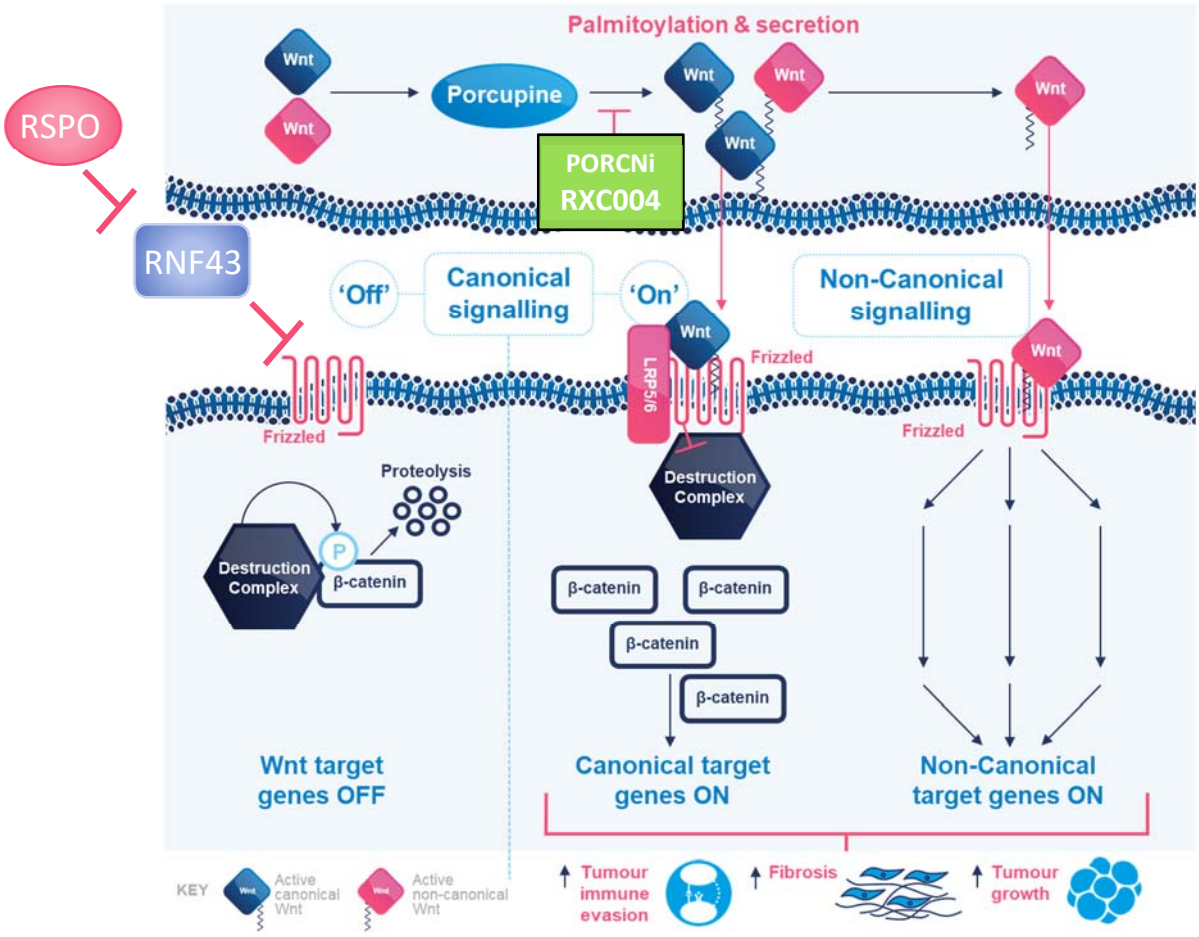

Figure 1: Signalling through the Wnt pathway is highly regulated at the level of ligand (Wnt), receptors (Fzd/LRP) and downstream components. The pathway is initiated by the binding of Wnt ligands to Frizzled (Fzd) receptors resulting in activation of both the classical canonical and non-canonical signalling pathways.

In addition to targeting cancer cell growth directly, RXC004 has shown strong monotherapy efficacy in a mouse *in vivo* model that imitates a checkpoint inhibitor-resistant cancer patient. There is strong preclinical and clinical data linking Wnt pathway activation to immune system avoidance in cancer

patients. Thus, in genetically defined cancer patients, RXC004 will have a dual action; by directly inhibiting cancer cell growth and stimulating the patient's immune system to help fight the cancer.

RXC004 clinical trial update

The porcupine inhibitor class of compounds continue to show a therapeutic window in the clinic with over 110 patients now safely dosed with competitor agents. Dosing in the RXC004 trial restarted in the first half of 2019 at the agreed initial dose of 0.5mg once daily. This dose was well tolerated with no serious adverse events. The pharmacokinetic profile was in line with predictions and good target engagement was also achieved in tissue. Subsequent escalation of the dose to 1mg once daily showed a similar safety profile with good pharmacokinetic correlation. Further monotherapy dose escalations are currently ongoing with a full readout due in 2020 prior to expansion efficacy and ICI combination studies (**Fig. 2**) (NCT03447470).

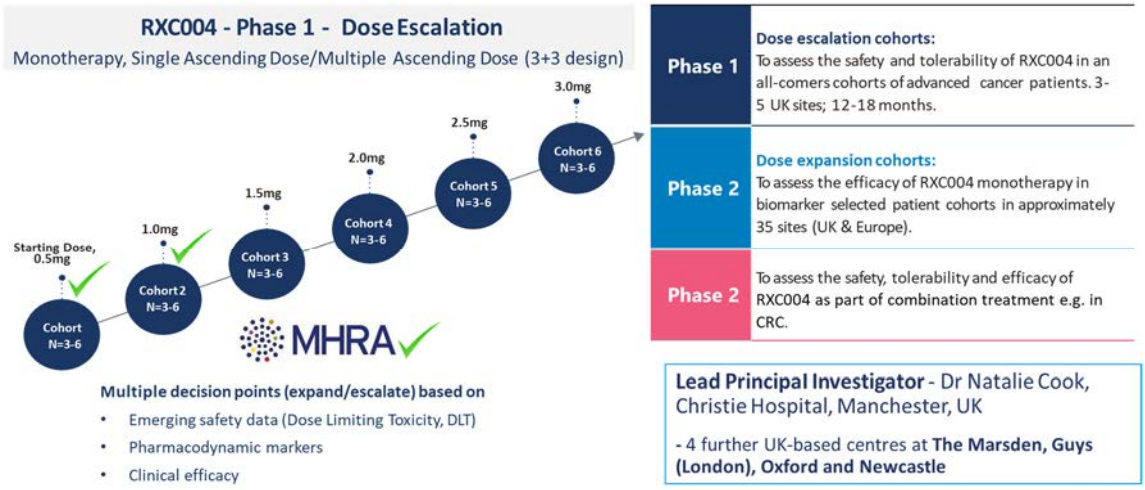

Figure 2: RXC004 Clinical Trial Outline

RXC004 in genetically-defined cancers

Cancers harbouring genetic alterations upstream in the Wnt pathway have demonstrated sensitivity 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. By selecting patients with these genetic alterations, RXC004 has a unique opportunity to target tumour proliferation directly, in addition to having an immune-enhancing effect. Data supporting this effect is shown in Fig 3.

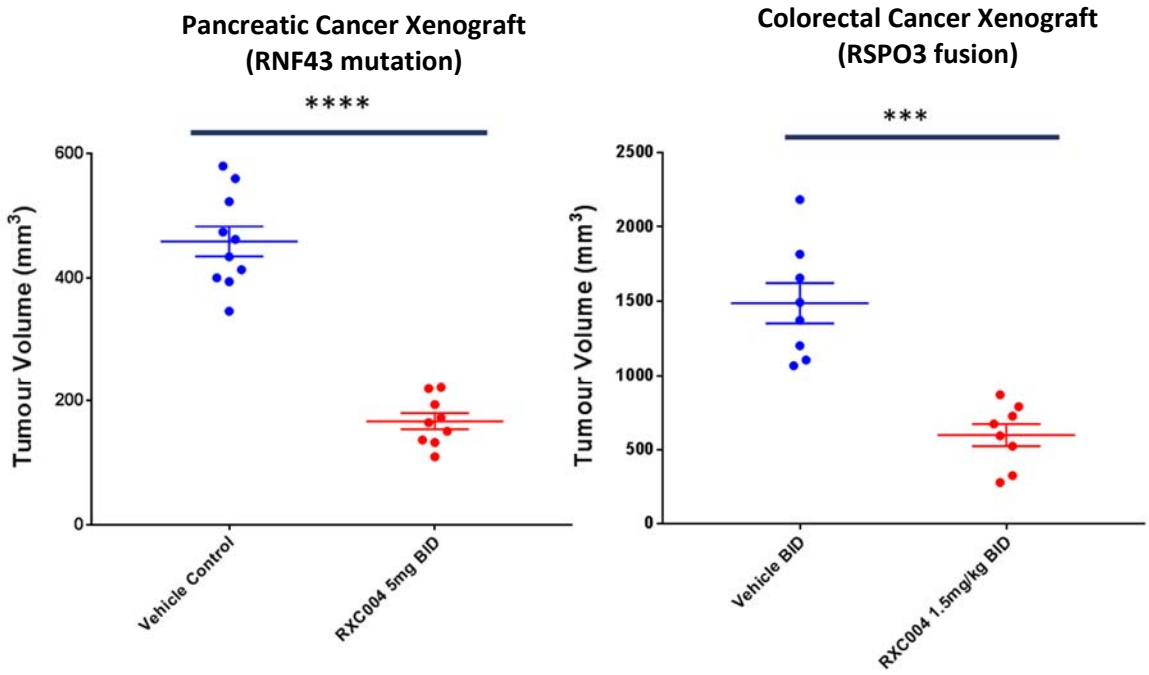

Figure 3: **RXC004 causes tumour growth inhibition in tumour models with both RNF43 mutation and RSPO fusions.**

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 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 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 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 the hypothesis that RXC004 will block activation of the Wnt pathway and restore the ability of the immune system to fight the tumour. RXC004 will have the ability to turn "cold" tumours "hot" by facilitating entry of tumour-fighting immune cells into the tumour microenvironment.

Redx scientists have demonstrated the ability of RXC004 to enhance the immune system response to cancer in preclinical models[1]. These data suggest that RXC004 alone or in combination with ICIs 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.

RXC004 in preclinical immuno-oncology models

RXC004 monotherapy inhibited tumour growth and improved survival of mice in a melanoma (B16F10 tumour), (see Fig 4) model by reducing the proportion of immune-supressing myeloid-derived suppressor cells (MDSCs) in the tumour microenvironment. Anti-PD-1 alone had no effect on this immunologically "cold" model.

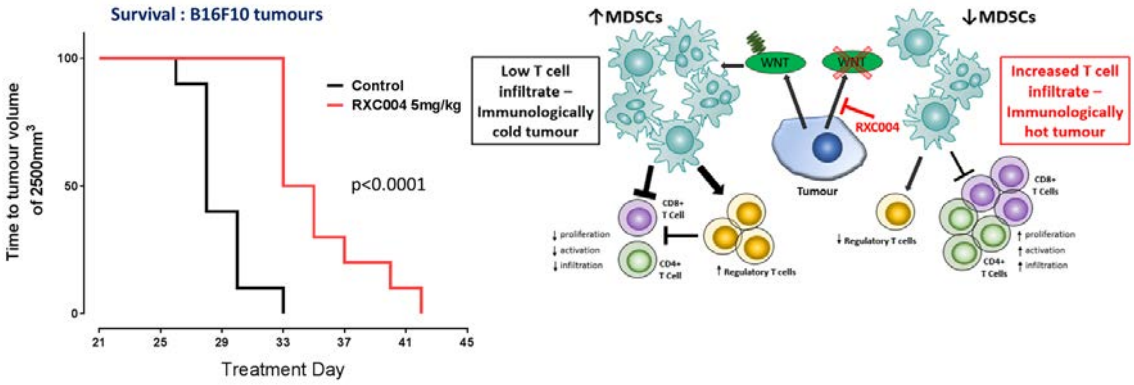

Figure 4: Left: RXC004 increased survival of mice implanted with the B16F10 melanoma tumour cell line. **Right:** Working model of RXC004 effects on MDSC tumour infiltrate. MDSCs are known to suppress T cell immune responses via multiple mechanisms; through reducing tumour MDSCs, we propose RXC004 increases immune response to the tumour.

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 as shown in Fig 5.

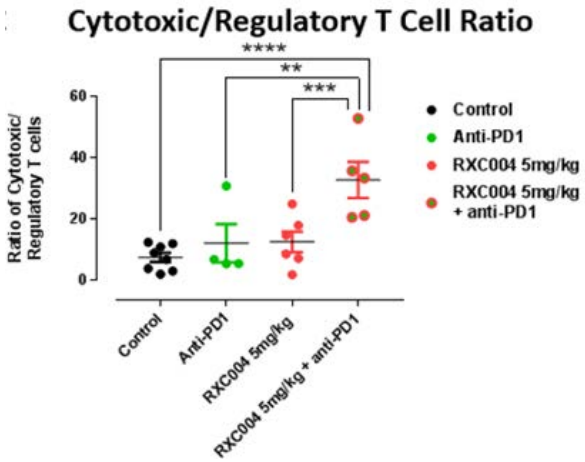

Figure 5: RXC004 combines with anti-PD-1 to enhance the anti-tumour immune environment. Flow cytometry of day 14 tumour infiltrate shows significant increase in the ratio of cytotoxic CD8+ T-cells to regulatory FOXP3+ T-cells when RXC004 and anti-PD-1 are combined**.**

A working model of RXC004 effects on dendritic cells and T cells is shown in **Fig 6.**

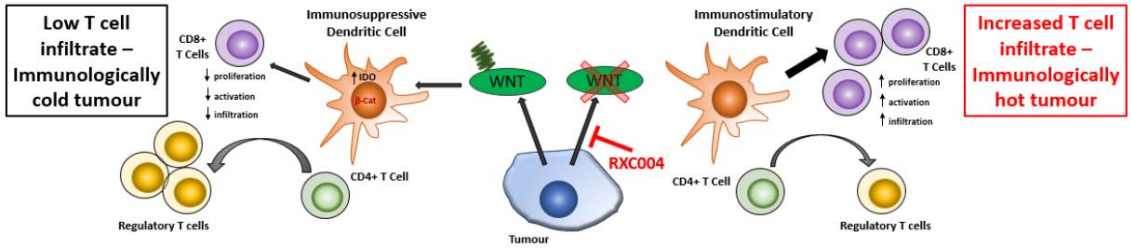

Figure 6: Model of RXC004 effects on Dendritic cells (DC). Wnt produced within the tumour microenvironment leads to immunosuppressive dendritic cells, with increased levels of β-catenin and IDO1; causing ↑Tregs and ↓CD8+. RXC004 treatment reduces Wnt, ↓Tregs and allows DCs to ↑CD8+ in the tumour.

Science Report – Fibrosis

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 disease-related deaths in the developed world[4]. Solid organ fibrosis can occur as a result of many different diseases and current therapeutic options are limited for these chronic and often life-threatening illnesses.

Redx has developed deep expertise in two nodal pathways in fibrosis - Wnt and ROCK. As a result of this focus, Redx has a Porcupine inhibitor, RXC006, in preclinical development and a ROCK2 selective inhibitor, RXC007, recently nominated for preclinical development. Redx has also had success with a third programme – GI-Targeted ROCK which is currently in candidate selection.

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 (see **Fig 7**). 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 pathway expression is associated with poor patient prognosis in IPF.

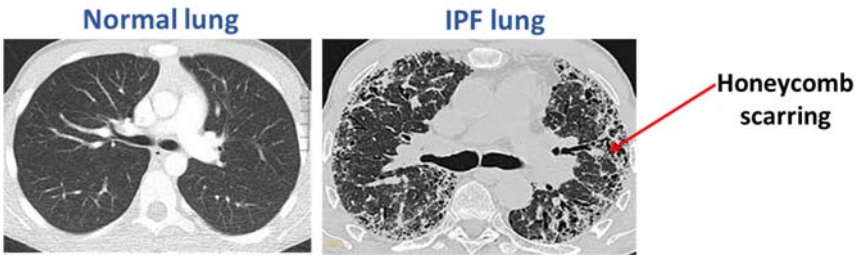

Figure 7. Images from CT scan of normal lungs and lungs from a patient with IPF. In the normal lung (left), the black image indicates healthy tissue, filled with air. In the IPF lung (right), scarring forms a typical 'honeycomb' pattern, showing fibrotic areas and restricted lung capacity.

RXC006 is Redx's lead porcupine inhibitor of the Wnt 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. See **Fig 8** for data in lung model.

RXC006 is currently progressing through preclinical manufacturing and safety studies with the aim to enter first in man clinical trials in 2021. RXC006 is from a different chemical series compared to RXC004 and is protected by a separate composition of matter patent.

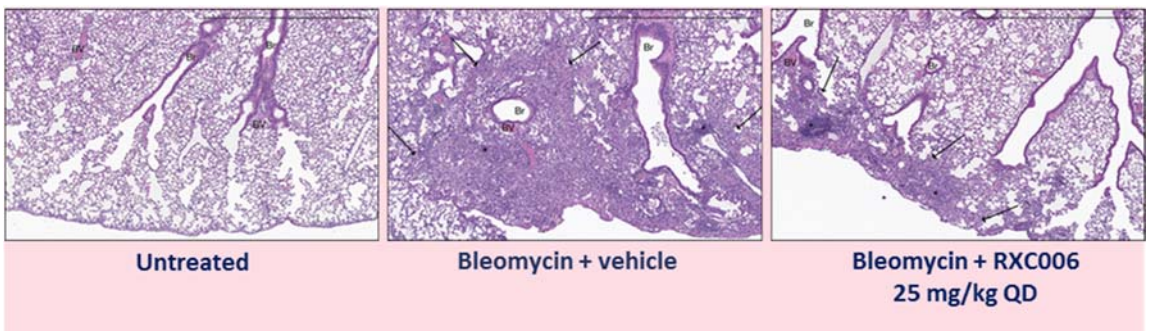

Figure 8. Redx Porcupine inhibitor RXC006 suppresses fibrosis in a murine model of IPF.

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

ROCK as a therapeutic target for fibrosis

The Rho-associated coiled-coil containing serine/threonine protein kinases ROCK1 and ROCK2, are signalling proteins central to the regulation of various cellular responses that are often inappropriately activated in fibrosis pathology (see **Fig 9**). 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.

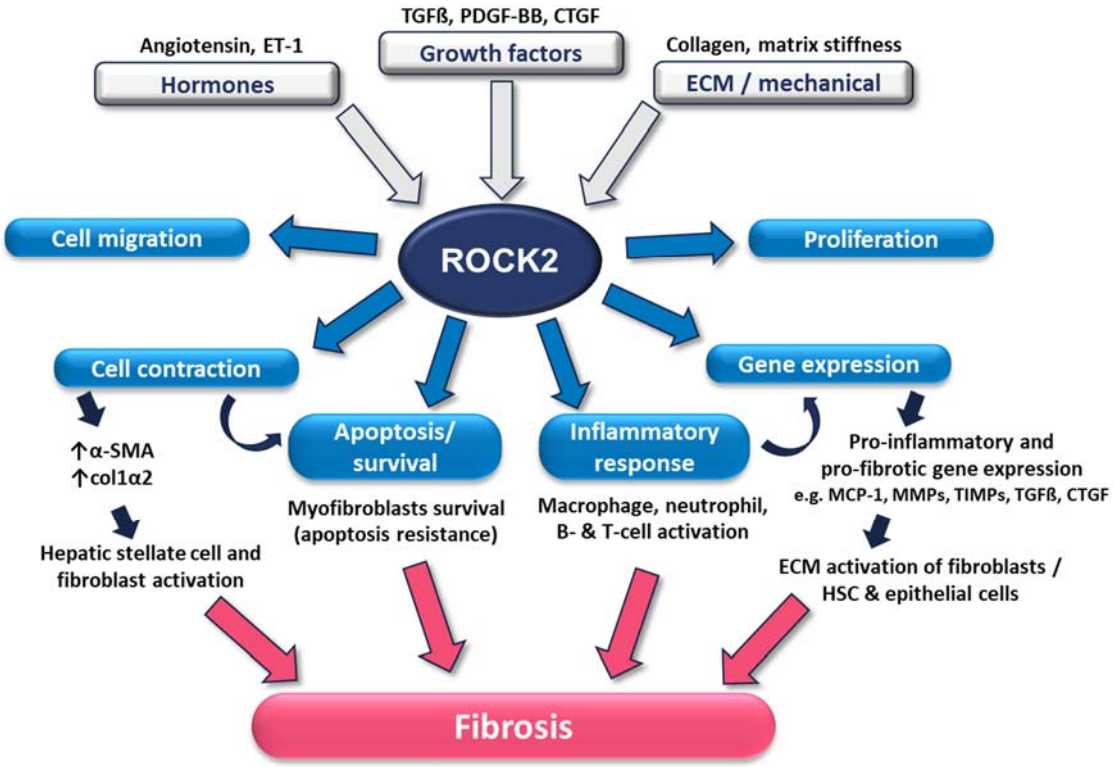

Figure 9. ROCK is a central node in signalling pathways associated with fibrosis.

ROCK2 selective inhibitor

ROCK2 has been shown to be upregulated in acute inflammation and in metabolic and fibrotic diseases[8-10]. 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 has the potential to treat a range of fibrotic diseases affecting critical organs such as the lungs, kidneys and liver by its systemic route of administration. One approach 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 (see **Fig. 10**).

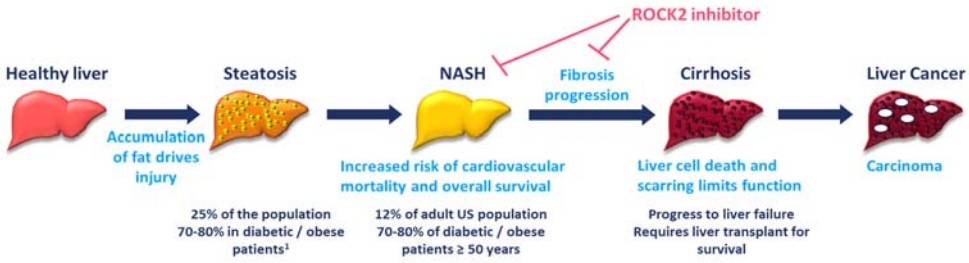

Figure 10. Liver injury induced by western diet leads to fat accumulation in the liver and causes inflammation and injury (steatosis). As this injury continues, this leads to scarring, fibrosis and ultimately the development of NASH. NASH is a progressive disease and if untreated, the scarring process may continue into cirrhosis where the liver is no longer functional and the only treatment at this stage is liver transplant. We believe our ROCK2 inhibitor will reduce fibrosis progression and reverse liver inflammation in NASH patients.

Redx has developed highly selective ROCK2 compounds that have an improved profile compared to competitor inhibitors, with Redx lead compounds demonstrating good pharmacokinetic and pharmacodynamic effects in preclinical models as well as strong proof of concept data in range of fibrosis disease models during the reporting period. Representative data is shown below for the histopathological effects observed in a lung IPF model (**Fig. 11**) and a liver fibrosis model (**Fig. 12**). As a result, **RXC007** was nominated as a candidate for development, post period in January 2020 with the aim of entering the clinic in early 2021.

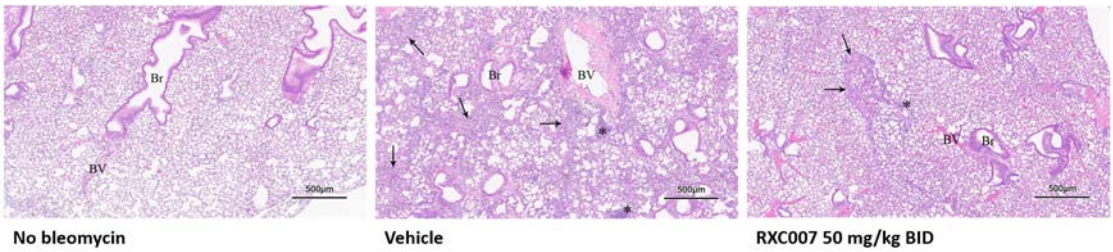

Figure 11: RXC007 suppresses fibrosis in bleomycin-induced murine IPF model
Reductions in tissue damage, fibroblast infiltrate and collagen deposition are observed with RXC007 treatment.

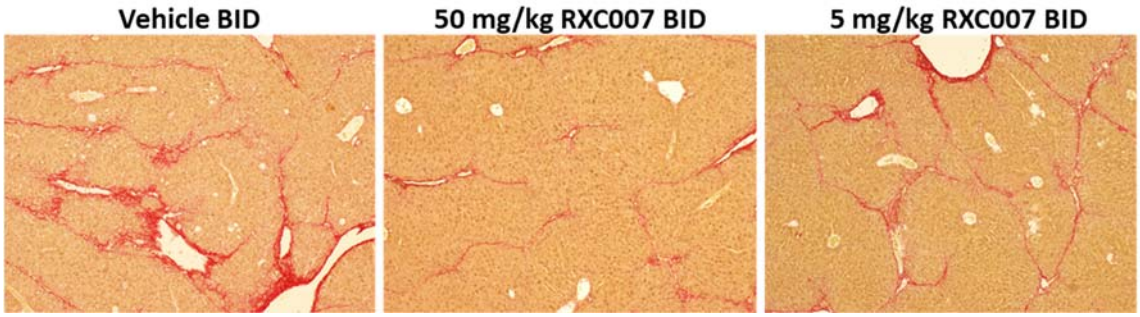

Figure 12: RXC007 suppresses fibrosis in murine CCl_4-induced liver fibrosis model
Significantly reduced collagen deposition (red stained collagen fibres) with Redx's ROCK2 inhibitor RXC007. The percentage of fibrotic tissue affected by fibrosis is also reduced in a dose-dependent manner.

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[11] of which 50% will develop strictures or complications at some point[12].

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 could be first-in-class agents that could provide a safe and effective breakthrough therapy to treat intestinal fibrosis, as well as provide complementary benefit to existing anti-inflammatory treatments

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 (see **Fig 13**) along with a good general and cardiovascular safety profile[7]

One of Redx's scientists is also a member of the **Stenosis Therapy and Anti-Fibrotic Research (STAR) Consortium**, involving other large pharma representatives. The ultimate goal of the STAR Consortium is the successful testing of a specific anti-fibrotic agent in Crohn's disease and is being led by world-leading clinical investigators from the Cleveland Clinic, Mayo Clinic and Robarts Clinical Trials. The STAR Consortium is funded in-part by the Helmsley Charitable Trust to advance anti-fibrotic therapeutic clinical trials and address unmet medical needs of Crohn's disease patients.

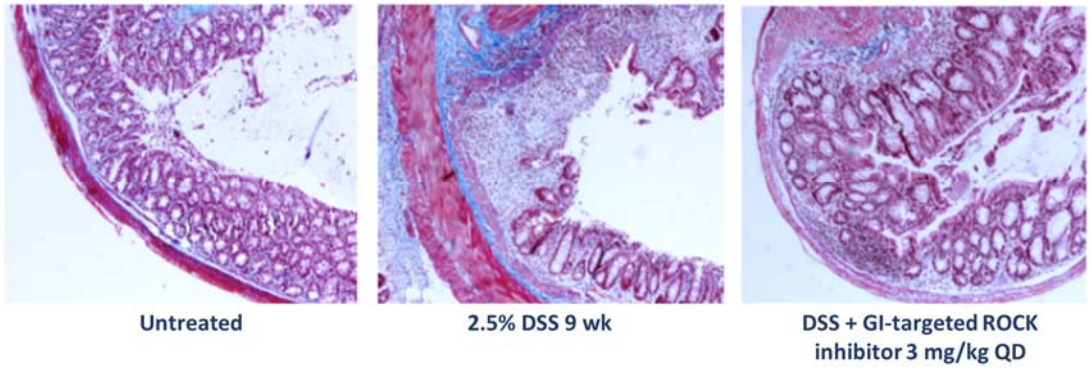

Figure 13. Redx GI-targeted ROCK inhibitor reduces collagen deposition in a murine model of Crohn's fibrosis. Increase of collagen expression, shown in blue with Trichrome Stain, in the DSS-treated animals. Treatment with GI-targeted ROCK inhibitor at 3 mg/kg reduced the deposition of collagen seen as a reduction in staining.

Redx are actively looking to partner this specialist project with a large biotechnology or pharmaceutical company.

Science Report - References:

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Operational Review

The Directors present this Operational Review for the year ended 30 September 2019 and cover issues not covered elsewhere in their Strategic review, namely: Key Performance Indicators, Financial Review and the Principal Risks and Uncertainties.

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

Management Team

Lisa Anson has continued as Chief Executive officer throughout the year, and was elected to serve on the Board of the UK BioIndustry Association from 1 January 2019.
Dr James Mead was appointed Chief Financial Officer on 1 February 2019, taking over from Mr Dominic Jackson. He is an experienced finance professional in the sector, having held a variety of senior roles over a 16-year career at AstraZeneca, including Chief Financial Officer of AstraZeneca Netherlands, Finance Director for multiple clinical development project teams and Director of Investor Relations.
Dr Richard Armer and **Dr Andrew Saunders** continue as Chief Scientific Officer and Chief Medical Officer respectively.

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 programmes are included in the CEO Report and in more detail in the Science Report. Below are the Financial KPIs considered pertinent to the business.

	2019	2018	2017	2016
	£m	£m	£m	£m
Cash at year end	**3.7**	6.5	23.8	5.8

Operating expenditure during the year has been offset by significant tax refunds, the recovery of a previously derecognised loan and the issue of a loan note. A further $3.5m was received as a result of the sale of the pan-RAF programme. 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. Included in the balance is £500k held by the Group as security for the MGL loan in a blocked account. This amount returned to the sole control of the Group on the capitalisation of the loan on 21 January 2020.

	2019	2018	2017	2016
	£m	£m	£m	£m
Total operating expenditure	**10.2**	10.6	15.8	16.5

The Group has again achieved the reduced levels of operating expenditure seen in the prior year, despite an increase in clinical spend due to positive pipeline progress. Continued efforts will be made to maintain rigorous cost control, whilst seeking to prioritise resources for scientific programmes.

	2019	2018	2017	2016
	£m	£m	£m	£m
Net cash flow (including certain one-off payments)	**(2.8)**	(17.3)	18.0	(3.7)

Early 2018 saw significant outflow as legacy issues from the Administration were unwound. Operating cashflows have been bolstered in the current year by significant tax credits received (£2.7m), the recovery of the derecognised loan (£0.9m), $3.5m revenue from the sale of the pan-RAF programme and the issue of £1m loan notes.
With the legacy issue cash flows now settled, the Group continues to make cash conservation a priority and the reduced cash outflow, whilst maintaining a full scientific programme, bears testament to this.

Operational Review (Cont'd)

	2019	2018	2017	2016
	%	%	%	%
R & D expenditure (as a proportion of total operating expenditure)	**82**	70	76	84

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 9) plus scientific staff costs (excluding Board and key management). The above is prepared on a comparable basis to prior years, and as anticipated last year, the percentage has risen favourably.

Financial Review

Financial position

At 30 September 2019, the Group had cash resources of £3.7m (2018: £6.5m). The Group issued £1m of loan notes during the year, and subsequent to the year end has issued a further £1.5m under the facility agreed with Moulton Goodies Ltd ("MGL"). All loan notes (£2.5m) and accrued interest were capitalised on 21 January 2020. Further funding will be required to enable the Group to continue to progress its business plan.

Cost management

Operating expenses continue to be tightly controlled in line with the reductions achieved in the prior year.

Recovery of derecognised asset

As stated in previous Annual reports, the Board have continued to seek full repayment of the loan to Redag Crop Protection Ltd under its terms. As a result of a significant sale of assets by that company, the full loan amount plus all accrued interest was recovered in February 2019, generating a cash inflow of £869k.

Accommodation (Alderley Park)

As noted last year, the Group also set itself the target of re-aligning its accommodation with its reduced headcount, with a view to further reduce costs. Agreement was reached this year with the landlord to reduce the footprint occupied through the historic lease, without cash penalty through a warrant agreement, from 72,000 sq ft to 31,000 sq ft., a 57% reduction. The Board continues to seek ways to manage remaining accommodation costs.

Sale of pan-RAF programme

In July 2019, the Group announced it had reached agreement to sell its pan-RAF programme to Jazz Pharmaceuticals plc. This sale generated an upfront payment of $3.5m (gross) together with the potential for up to $203m in development, regulatory and commercial milestone payments in the future. In addition a revenue generating collaboration agreement was signed for Redx to provide research and preclinical development services for the programme.

Cash flows

Overall negative net cash flow for the year was £2.8m, (2018: £17.3m inflow). See KPI's (page 21) for details.

Going concern

See the accounting policy on page 51 for further details.

Operational Review (Cont'd)

Taxation

As a result of no longer being supported by Regional Growth funding, the Group was able to successfully return to claiming R&D tax credits on most of its expenditure, rather than the less favourable Research and Development expenditure credits, with £2.7m received in the year and with a further £0.9m due at 30 September 2019 (2018: £1.2m).

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 2019 are below.

Research and Development

The Group is at a relatively early stage of development and may not be successful in its efforts 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.

Operational Review (Cont'd)

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 in previous years, 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 are needed to support its product development programmes 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.

Operational Review (Cont'd)

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

This report was approved by the Board on 10 March 2020 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 Corporate Governance Code for small and mid-sized companies published by the QCA in April 2018 (''QCA Code'').

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 Interim Executive Chairman of Silence Therapeutics plc (LON:SLN), and Chairman of Kazia Ltd (ASX: KZA / NASDAQ:KZIA). 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. He continues to consult for private equity groups on biotech and technology company turnarounds.

Mrs Lisa Anson (CEO)
Lisa was appointed CEO of Redx in June 2018, previously she was 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).

Dr James Mead (CFO)
James was appointed CFO of Redx in February 2019. Previously James 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 joined the Board in November 2017 and 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 programmes, doubling the number of phase II assets in this period. Bernd is currently Chairman of OMEICOS Therapeutics and a board member of BioMedX, Enlivex Therapeutics, Amarna Therapeutics as well as an advisor to the board of KAHR Medical.

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 2019. The Corporate Governance Statement on pages 31-36 and the governance section on page 26 also form 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
Dominic Jackson – Resigned 31 January 2019
James Mead – Appointed 1 February 2019

Non-Executive
Iain Ross
Dr Bernhard Kirschbaum
Peter Presland

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 6- 25.

Business review
The Strategic Report on pages 6 – 25 provides a review of the business, the Group's trading for the year ended 30 September 2019, 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 £4.3m (2018 loss £8.8m). The Directors do not recommend the payment of a dividend. (2018 £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.

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 6 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.

Directors' Report (Cont'd)

Post year end events

See note 29 to the Consolidated Financial Statements.

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

10 March 2020

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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

James Mead
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 6 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

There were two changes to the composition of the Board during the year. As planned, Dominic Jackson resigned as a Director on 31 January 2019 and James Mead was appointed as an Executive Director and Chief Financial Officer on 1 February 2019. All other Directors remained throughout the period under review.

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 26-27. The experience and knowledge of each of the Directors give them the ability to challenge strategy constructively and to scrutinize performance.

Corporate Governance Statement (Cont'd)

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 34.

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.

Corporate Governance Statement (Cont'd)

Board Committees

The Board no longer maintains a separate Nominations and Corporate Governance Committee as these matters are deemed sufficiently important such that the full Board will address these matters as required.

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 the members of the Audit, Risk & Disclosure Committee were Mr Peter Presland, Mr Iain Ross and Dr 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 and updated the Group's Financial Reporting Procedures Manual.

Remuneration Committee

During the year under review 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 the new Director.

The Directors' Remuneration Report is presented on pages 37 to 39.

Corporate Governance Statement (Cont'd)

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	17/17	3/3	4/4	
Mrs Lisa Anson	17/17			
Mr Dominic Jackson	3/4			(resigned 31 January 2019)
Dr James Mead	11/12			(appointed 1 February 2019)
Dr Bernd Kirschbaum	17/17	3/3	4/4	
Mr Peter Presland	17/17	3/3	4/4	

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.

Corporate Governance Statement (Cont'd)

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 of 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.

Corporate Governance Statement (Cont'd)

Following the 2019 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 is re-enforced 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.

Further details of how we comply with Corporate Governance Code for small and mid-sized companies can be found on our website, www.redxpharma.com

Iain G. Ross
Chairman of the Board of Directors

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 2018/19 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 39. 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
James Mead	1 February 2019	6 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 James Mead was appointed CFO and an Executive Director, on 1 February 2019. He is paid £145,000 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 Report (Cont'd)

Directors' remuneration

The Directors received the following remuneration during the year:

Executive	Salaries, bonuses and fees £	Pension contributions £	Share based payments £	**Total 2018/19 £**	Salaries, bonuses and fees £	Pension contributions £	Share based payments £	Total 2017/18 £
L Anson[1]	390,000	26,362	22,644	**439,006**	100,000	8,787	62,875	171,662
J Mead[2]	96,667	4,833	5,220	**106,720**	-	-	-	-
D Jackson[3]	33,333	1,667	4,929	**39,929**	91,667	4,583	22,708	118,958
Dr N Murray[4]	-	-	-	**-**	243,974	949	-	244,923
Non-Executive								
Iain Ross	80,000	-	-	**80,000**	*[1] 250,000	-	-	250,000
Dr B Kirschbaum	46,000	-	-	**46,000**	46,000	-	-	46,000
P Presland[5]	45,000	-	-	**45,000**	41,250	-	-	41,250
N Molyneux[6]	-	-	-	**-**	3,833	-	-	3,833
	691,000	32,862	32,793	**756,655**	776,724	14,319	85,583	876,626

[1]L. Anson was appointed as a Director on 1 June 2018.
[2]J. Mead was appointed as a Director on 1 February 2019.
[3]D. Jackson was appointed as a Director on 3 November 2017, and resigned on 31 January 2019.
[4]Dr N. Murray resigned as a Director on 3 November 2017, payments reflect contractual obligations.
[5]P. Presland was appointed as a Director on 3 November 2017.
[6]N. Molyneux resigned as a Director on 3 November 2017.

*[1] Includes additional payments 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.

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

No compensation for loss of office was paid in the years ended 30 September 2019 or 30 September 2018.

Mr Ross, Mr Presland and Dr Kirschbaum do 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 2019**	**At 1 October 2018**
Executive		
L Anson	-	-
D Jackson	-	-
J Mead	-	-
Non-Executive		
I Ross	600,000	600,000
P Presland	120,000	120,000
B Kirschbaum	50,000	50,000

Directors' Remuneration Report (Cont'd)

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 2018	Granted during the period/ (lapsed)	**At 30 September 2019**	Price per share (p)	Date from which exercisable	Expiry date
L Anson	1-Jun-18	600,000	-	**600,000**	13.75	2-Jun-20	1-Jun-28
	1-Jun-18	600,000	-	**600,000**	20.0	2-Jun-20	1-Jun-28
	1-Jun-18	600,000	-	**600,000**	27.0	2-Jun-20	1-Jun-28
	1-Jun-18	600,000	-	**600,000**	35.0	2-Jun-20	1-Jun-28
	1-Jun-18	600,000	-	**600,000**	42.5	2-Jun-20	1-Jun-28
	1-Jun-18	600,000	-	**600,000**	50.0	2-Jun-20	1-Jun-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**			
J Mead	13-Feb-19	-	200,000	**200,000**	13.75	14-Feb-21	13-Feb-29
	13-Feb-19	-	200,000	**200,000**	20.0	14-Feb-21	13-Feb-29
	13-Feb-19	-	200,000	**200,000**	27.0	14-Feb-21	13-Feb-29
	13-Feb-19	-	200,000	**200,000**	35.0	14-Feb-21	13-Feb-29
	13-Feb-19	-	200,000	**200,000**	42.5	14-Feb-21	13-Feb-29
	13-Feb-19	-	200,000	**200,000**	50.0	14-Feb-21	13-Feb-29
		-	1,200,000	**1,200,000**			

The options held by D. Jackson remain for a period of 2 years from his date of resignation.

Dr 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 which comprise the consolidated statement of total 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 2019 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 Going concern policy on page 51 in the financial statements, which indicates that the Group incurred a net loss of £4.3m during the year ended 30 September 2019 and, as of that date, the Group had total equity of £1.5m including an accumulated deficit of £34.1m. The Directors estimate that the cash held by the Group together with known receivables and the equity injection detailed on page 51 will be sufficient to support the current level of activities to the end of April 2020. The Directors have agreed draft heads of terms with a group of investors to provide financial resource to the Group in the form of short-term debt funding, and a convertible loan, and are also in ongoing discussions in respect of other business development opportunities. The short-term debt funding and the convertible loan, including its subsequent conversion, along with ongoing business opportunities are not committed at the date of approval of these financial statements. As stated in the going concern policy on page 51, these events or conditions along with other matters as set forth in the policy, 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.

Independent Auditor's report to the members of Redx Pharma Plc (Cont'd)

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company 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 group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be key audit matters to be communicated in our report.

Group Key Audit matters
There are no additional Key Audit Matters to highlight in this report in respect of the group financial statements.

Parent company key audit matters

Carrying value of intra-group balances in the company balance sheet
(Refer to page 78 regarding the accounting policy in respect of goodwill, page 81 in respect of critical judgements and estimates applied by the Directors and note 8 to the financial statements on page 84)

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 2019, the carrying value of amounts due from group undertakings amounted to £14,911k (2018: £13,835k) in the Company Statement of Financial Position.

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

We also obtained management's impairment reviews and underlying calculations prepared to support the carrying value of the financial assets. We reviewed the 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 where 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. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £130,000, which was not significantly changed during the course of our audit. Materiality for the parent company financial statements as a whole was calculated as £130,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £7,500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
The audit was scoped to obtain sufficient and appropriate audit evidence over the significant operations of the Group during the year ended 30 September 2019. This included the performance of full scope statutory audits on the group and parent company and on each of the subsidiary undertakings which forms part of the group accounts. As part of our planning we assessed the risk of material misstatement and areas that required significant auditor consideration at the component and group level. Procedures were designed and performed to address the most significant assessed risks of material misstatement, as outlined above in the key audit matters section, along with those undertaken on going concern.

Independent Auditor's report to the members of Redx Pharma Plc (Cont'd)

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.

Independent Auditor's report to the members of Redx Pharma Plc (Cont'd)

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

10 March 2020

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2019

	Note	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Continuing operations			
Revenue	**1**	**3,131**	129
Costs of sale of programme	**1**	**(350)**	-
Operating expenses	**9**	**(10,170)**	(10,606)
Onerous lease credit / (charge)	**21**	**146**	(752)
Derivative financial instrument	**20**	**(67)**	-
Administration costs	**2**	**-**	(177)
Non-recurring reorganisation costs	**3**	**-**	(215)
Recovery of derecognised asset	**4**	**869**	-
Release of accrued accommodation expenses	**5**	**-**	548
Share based compensation	**6**	**(45)**	(282)
Other operating income	**7**	**241**	1,186
Loss from operations		**(6,245)**	(10,169)
Finance costs	**8**	**(102)**	(1)
Finance income	**8**	**12**	24
Loss before taxation		**(6,335)**	(10,146)
Income tax	**10**	**2,017**	1,301
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(4,318)**	(8,845)
Loss per share (pence)			
From continuing operations			
Basic	**11**	**(3.4)**	(7.0)
Diluted	**11**	**(3.4)**	(7.0)

Consolidated Statement of Financial Position

At 30 September 2019 **Company No. 07368089**

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**134**	191
Intangible assets	14	**417**	423
Total non-current assets		**551**	614
Current assets			
Trade and other receivables	16	**1,232**	2,023
Current tax		**871**	1,211
Cash and cash equivalents	17	**3,704**	6,471
Total current assets		**5,807**	9,705
Total assets		**6,358**	10,319
Liabilities			
Current liabilities			
Trade and other payables	18	**3,445**	3,803
Borrowings	19	**468**	-
Derivative financial instrument	20	**648**	-
Provisions	21	**306**	147
Total current liabilities		**4,867**	3,950
Non-current liabilities			
Provisions	21	**-**	605
Total liabilities		**4,867**	4,555
Net assets		**1,491**	5,764
Equity			
Share capital	24	**1,265**	1,265
Share premium	25	**33,263**	33,263
Share-based compensation		**1,104**	1,162
Capital redemption reserve		**1**	1
Retained deficit		**(34,142)**	(29,927)
Equity attributable to shareholders		**1,491**	5,764

The financial statements were approved and authorised for issue by the Board on 10 March 2020 and were signed on its behalf by Lisa Anson, Chief Executive Officer.

Consolidated Statement of Changes in Equity

For the year ended 30 September 2019

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Retained Deficit £'000	Total Equity £'000
At 1 October 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 year	-	-	-	-	(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**
Transactions with owners in their capacity as owners						
Loss and total comprehensive income for the year	-	-	-	-	(4,318)	(4,318)
Share based compensation	-	-	45	-	-	45
Release of share options lapsed in the year	-	-	(103)	-	103	-
Movement in year	-	-	(58)	-	(4,215)	(4,273)
At 30 September 2019	**1,265**	**33,263**	**1,104**	**1**	**(34,142)**	**1,491**

Consolidated Statement of Cash Flows

For the year ended 30 September 2019

	Note	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Net cash flows from operating activities			
Loss for the year		**(4,318)**	(8,845)
Adjustments for:			
Income tax		**(2,017)**	(1,301)
Finance costs		**102**	1
Finance income		**(12)**	(24)
Depreciation and amortisation		**91**	164
Share based compensation		**45**	282
Derivative financial instrument		**67**	-
Onerous lease provision		**(146)**	752
Release of accrued accommodation expenses		**-**	(548)
Recovery of derecognised asset		**(869)**	-
Profit on disposal of assets		**(60)**	(17)
Movements in working capital			
Decrease in trade and other receivables		**446**	572
Decrease in trade and other payables		**(711)**	(8,963)
Cash used in operations		**(7,382)**	(17,927)
Tax credit received		**2,701**	727
Interest received		**13**	23
Net cash used in operations		**(4,668)**	(17,177)
Cash flows from investing activities			
Sale of property, plant and equipment		**60**	23
Purchase of property, plant and equipment		**(28)**	(132)
Net cash generated by/ (used in) investing activities		**32**	(109)
Cash flows from financing activities			
Derecognised asset recovered		**869**	-
MGL loan		**1,000**	-
Interest paid		**-**	(49)
Net cash generated by / (used in) financing activities		**1,869**	(49)
Net decrease in cash and cash equivalents		**(2,767)**	(17,335)
Cash and cash equivalents at beginning of the year		**6,471**	23,806
Cash and cash equivalents at end of the year	**17**	**3,704**	6,471
(See note 17 for details of restrictions on certain accounts)			

Reconciliation of liabilities arising from financing activities

MGL loan	**£'000**	£'000
Balance b/fwd	**-**	-
Cash flows	**1,000**	-
Fair value adjustment of derivative element	**67**	-
Accrued interest	**49**	-
Balance c/fwd (disclosed as current borrowings, note 19 and derivative financial instrument, note 20)	**1,116**	-

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 2019.

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
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 implementation of the new standard has not had a material impact on our reported results or financial position.(see note 22)
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 pan-RAF programme, the implementation of the new standard has not had a material impact on how revenue is recognised and measured in the current period.
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.
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 adoption of this interpretation has not had an impact on the Group.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 October 2018 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)
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 Associated and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities.	1 January 2019
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 9: Prepayment Features with Negative Compensation	The amendment will enable entities to measure at amortised cost some prepayable financial assets with so called negative compensation.	1 January 2019
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.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

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.

Notes to the Financial Statements

ACCOUNTING POLICIES (cont'd)

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 £4.3 million during the year, and at 30 September 2019 had total equity of £1.5 million including an accumulated deficit of £34.1 million. As at that date, the Group had cash and cash equivalents of £3.7 million.

At 30 September 2019, the Group's balance sheet included liabilities relating to a capitalisable loan from Moulton Goodies Ltd. totalling £1,116,000 and a further £1.5 million was drawn down under this facility in November 2019. Whilst it was repayable in full on 31 December 2019, MGL exercised during November 2019 its right to request that the Company capitalise the whole of the loan (including, inter alia, all unpaid interest) into new ordinary shares in the Company. This capitalisation duly took place following the passing by shareholders of a number of resolutions at a General Meeting on 21st January 2020.

For a considerable time, the Company has been in discussions with a number of specialist healthcare investors who have a greater understanding of the potential value of the programmes as well as the funding and likely timing of delivering clinical proof of concept data. As announced on 28th February 2020 Redmile Group LLC, a large and well-funded US based specialist healthcare and life sciences investment firm, confirmed to the Board that it is willing to provide funding to Redx comprising (1) an initial equity investment of £1.3 million through an issue of 11,500,000 ordinary shares; (2) a £5,000,000 short-term debt funding; and (3) together with Sofinnova Partners, a £20,100,000 convertible loan. The £5,000,000 short-term debt funding is repayable prior to the issuance of the £20,100,000 convertible loan. The issue of shares was completed on 4th March 2020 whilst heads of terms for the two loans were signed on 28th February 2020. The Directors' expectation is that conversion of the £20.1 million loan would take place before 31st December 2020.

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, which includes the initial equity investment from Redmile, and known receivables will be sufficient to support the current level of activity to the end of April 2020. To further extend the cash runway, the Directors are looking to put in place the two aforementioned loans as soon as possible and secure conversion of the relevant portion of debt into equity by the end of 2020. In addition, the Directors are continuing to explore alternative sources of finance available to the Group through business development opportunities. Based upon all ongoing discussions, the Directors 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.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

Going concern (Cont'd)

Although the Board is greatly encouraged by the positive discussions to date, in particular with Redmile and Sofinnova, there can be no certainty that the Board will reach satisfactory agreement regarding the short-term debt funding, the convertible loan and its conversion into ordinary shares, or ongoing business development opportunities. Because these matters are not therefore concluded at the date of approval of these financial statements, these circumstances represent a material uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain alternative 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 and 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 IFRS 8.

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 contracts to provide scientific research services to third parties are recognised as those services are delivered.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

Revenues (Cont'd)

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.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

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 "*Impairment of assets*".

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.

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.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

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.

It is considered the above criteria are usually met when a drug has passed all stages of clinical trials and is ready for commercial development.

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.

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.

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

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) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the Consolidated Statement of Comprehensive Income for any expected credit losses, as detailed in the impairment of financial assets policy below. 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.

(d) Derivative financial instrument

Derivative financial instruments are recognised initially at fair value. They are subsequently remeasured at fair value at each reporting date using an Option pricing model, with any change in value recognised in the Consolidated Statement of Comprehensive Income.

(e) Borrowings

After Initial recognition, borrowings are subsequently measured at amortised cost.

Impairment of financial assets

The Group recognised a loss allowance for expected credit losses ("ECL") on financial assets. The expected credit losses are estimated by reference to an analysis of the debtors' current financial position. The loss allowance recognised at the end of the year was £nil (2018: £nil).

Notes to the Financial Statements

ACCOUNTING POLICIES (Cont'd)

Critical accounting estimates and judgements

The Directors believe that the correct allocation between debt and derivative financial instrument of the capitalisable loan from Moulton Goodies Ltd is a significant accounting judgement. In calculating the split in accordance with IAS 32, the Directors have employed an Option pricing model to value the derivative element, the balance of the amount received being treated as debt. (see note 20).

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 6 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 as detailed in note 14.

(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.

(d) Valuation of derivative liability

The issuing of a £1m loan note to Moulton Goodies Ltd has, as a result of its terms allowing capitalisation into a variable number of shares, led to the recognition of the conversion feature as an embedded derivative financial instrument (note 20), rather than an equity instrument. In arriving at a fair value for this liability a Black -Scholes model was used. The use of this model to calculate a fair value involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as interest rates, the measurement of the volatility of the company's share price and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the fair value.

Notes to the Financial Statements

1. Revenue

In July 2019, the Group sold its pan-RAF inhibitor drug development programme and related IP to Jazz Pharmaceuticals plc for $3.5m. In parallel, a separate collaboration agreement was signed for Redx to perform research and provide preclinical development services for the programme. Associated costs of sale of £0.35m are disclosed separately on the face of the Consolidated Statement of Comprehensive Income.

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

	2019	2018
	£'000	£'000
Sale of scientific programme and related IP	**2,790**	-
Revenue from collaboration agreement	**341**	-
Option fees	**-**	129
	3,131	129

2. Administration

Residual costs related to the exit from Administration of two group companies, Redx Pharma Plc and Redx Oncology Limited in November 2017 have been separately disclosed on the face of the Consolidated Statement of Comprehensive Income, and total £177k. There were no further costs in 2018/19.

3. Reorganisation costs

In 2018, the Group incurred non-recurring costs relating to Directors, as a result of the restructuring of the Board of £215k.

4. Recovery of derecognised asset

At 30 September 2017, the Group derecognised as an asset a loan due from Redag Crop Protection Ltd "Redag", on the grounds of the conditionality attached to repayment. The loan was in the sum of £715k and accrued interest at 5% per annum. In February 2019, a sale of assets by Redag triggered the conditions necessary for the repayment of the loan, and an amount of £869k was recovered, representing the full amount of the original loan and all interest due up to the date of repayment.

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 £548k was released in 2017/18.

Notes to the Financial Statements

6. 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.

	2019	2018
	Number	Number
Outstanding at the beginning of the year	**10,149,563**	2,963,417
Options exercised in period	**-**	-
Options forfeited in period	**(1,210,600)**	(173,854)
Options granted and vesting in future periods	**1,950,000**	7,360,000
Outstanding at the end of the year	**10,888,963**	10,149,563

Weighted average exercise price information is given in Note 26.

	£'000	£'000
Charge to Statement of Comprehensive Income in period	**45**	282

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	0.1375 to 0.85
Exercise price	0.1375 to 0.85	0.1375 to 0.85

Of the variable assumptions, volatility is considered to be the most important. An increase in volatility from 40% to 60% would increase the balance required on the share based payments reserve to £1.5m, and a decrease to 20% would decrease the balance required to £0.68m.

7. Other operating income

	2019	2018
	£'000	£'000
Reimbursement of costs	**231**	1,213
RDEC income	**(15)**	(27)
Other income	**25**	-
	241	1,186

Notes to the Financial Statements

8. Finance expense and finance income

	2019 £'000	2018 £'000
Finance expense		
Loan interest	**49**	-
Unwind of discount on onerous lease provision	**53**	-
Other interest and similar charges	**-**	1
	102	1
Finance income		
Bank and other short term deposits	**12**	24
	12	24

9. Loss before taxation

	2019 £'000	2018 £'000
The following items have been included in arriving at loss before taxation		
Research and development	**6,166**	5,732
Staff costs – Note 12 (excluding share based compensation, reorganisation & relocation costs)	**3,458**	3,296
Establishment and general:		
Depreciation of owned property, plant and equipment	**85**	157
Amortisation of intangible assets	**6**	7
Operating leases on land and buildings	**389**	1,365
Exchange losses on translation	**16**	3
Amounts payable to RSM UK Audit LLP and their associates by the Company and its subsidiaries amounted to:		
Audit of subsidiaries	**15**	13
Audit of parent Company and consolidation	**24**	23
Other services – interim review	**11**	10
	10,170	10,606

Notes to the Financial Statements

10. Income tax

	2019	2018
	£'000	£'000
Current income tax		
Corporation tax	**(819)**	50
Adjustment in respect of previous periods	**(1,198)**	(1,351)
Income tax credit per the Consolidated Statement of Comprehensive Income	**(2,017)**	(1,301)

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

	2019	2018
	£'000	£'000
Loss before tax	**(6,335)**	(10,146)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**(1,203)**	(1,928)
Effects of:		
R&D expenditure credits	**28**	50
Expenses not deductible for tax purposes	**158**	299
Additional deduction for R&D expenditure	**(725)**	-
Surrender of tax losses for R&D tax credit refund	**263**	-
Adjustment in respect of previous periods	**(1,198)**	(1,351)
Deferred tax losses not recognised	**660**	1,629
Total taxation	**(2,017)**	(1,301)

Notes to the Financial Statements

11. Loss per share

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

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

The basic and diluted calculations are based on the following:

	2019	2018
	£'000	£'000
Loss for the period attributable to the owners of the Company	**(4,318)**	(8,845)
	Number	Number
Weighted average number of shares – basic	**126,447,914**	126,447,914
Weighted average number of shares – diluted	**126,447,914**	126,447,914
	Pence	Pence
Loss per share - basic	**(3.4)**	(7.0)
Loss per share - diluted	**(3.4)**	(7.0)

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

Notes to the Financial Statements

12. Employees and key management

	2019	2018
	£'000	£'000
Staff costs (including Directors) comprise		
Wages and salaries	**3,034**	2,821
Social security costs	**279**	349
Pension costs	**145**	126
	3,458	3,296
Non-recurring reorganisation costs (Note 3)	**-**	215
Total employee related costs	**3,458**	3,511

	2019	2018
Number of employees	**number**	number
Average number of employees (including Directors)		
Management & Admin	**15**	14
R&D – Chemistry	**17**	15
R&D – Biology	**14**	17
R&D – Analytical	**6**	6
	52	52

	2019	2018
Directors' remuneration	**£'000**	£'000
Short term remuneration	**691**	777
Pension costs	**33**	14
	724	791

Retirement benefits are accruing to 3 Directors (2018: 3)

Of the total balance on the share option reserve of £1.1m, £0.09 relates to options granted to Directors. Further information relating to Directors remuneration can be found in the Remuneration Report on page 37.

	2019	2018
Key management (including Directors)	**£'000**	£'000
Short term remuneration	**1,100**	1,362
Social security costs	**138**	144
Pension costs	**54**	45
Share based compensation	**(17)**	170
	1,275	1,721

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.

Notes to the Financial Statements

12. Employees and key management (Cont'd)

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

	2019	2018
	£'000	£'000
Short term employment benefits	**390**	250
Pension contributions	**26**	-
Share based payments	**23**	-
	439	250

13. Property, plant and equipment

	Leasehold Improvements	**Laboratory equipment**	**Computer equipment**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
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
At 1 October 2018	114	1,006	272	1,392
Additions	-	28	-	28
Disposals	-	(133)	(10)	(143)
At 30 September 2019	**114**	**901**	**262**	**1,277**
Depreciation				
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
At 1 October 2018	25	909	267	1,201
Charge for the year	11	70	4	85
Disposals	-	(133)	(10)	(143)
At 30 September 2019	**36**	**846**	**261**	**1,143**
Net book value				
At 30 September 2019	**78**	**55**	**1**	**134**
At 30 September 2018	89	97	5	191

Notes to the Financial Statements

14. Intangible Assets

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2017, 30 September 2018 and 30 September 2019	**121**	**309**	**430**
Accumulated amortisation			
At 1 October 2017	-	-	-
Amortisation	7	-	7
At 30 September 2018	7	-	7
At 1 October 2018	7	-	7
Amortisation	6	-	6
At 30 September 2019	**13**	**-**	**13**
Net carrying value			
At 30 September 2019	**108**	**309**	**417**
At 30 September 2018	114	309	423

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 and estimates thereafter. The key variables that were used included:

A terminal growth rate thereafter of 2%.

A pre-tax discount rate of 12%, which the Directors believe to be prudent given the Groups historic capital costs.

The value in use suggested by the modelling was compared to the carrying value of both intangible and tangible fixed assets. 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.

15. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation, proportion of ownership interest is given in note 7 to the Company's separate financial statements.

Notes to the Financial Statements

16. Trade and other receivables

	2019 £'000	2018 £'000
Trade debtors	**256**	-
VAT recoverable	**110**	159
Other receivables	**143**	772
Accrued income	**46**	46
Prepayments	**677**	1,046
	1,232	2,023

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

The Group measures the loss allowance for trade and other receivables at lifetime expected credit losses ("ECL"). The ECL is estimated using a probability-weighted analysis of all possible outcome with reference to the debtors' financial position and forecasts of future economic conditions. The resultant estimated ECL is not considered material to the financial statements, therefore the Group has recognised a loss allowance of £nil against these receivables.

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.

17. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	**3,704**	6,471
	3,704	6,471

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 2019 £500k of the above was held as security for the MGL loan in an account with restricted access. On the capitalisation of the loan post year end, all restrictions were removed.

18. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	**1,490**	1,685
Employee taxes and social security	**78**	177
Other payables	**54**	30
Accruals	**1,823**	1,911
	3,445	3,803

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.

Notes to the Financial Statements

19. Borrowings

	2019 £'000	2018 £'000
Current		
Capitalisable loan due within one year (after recognition of embedded derivative)	**468**	-
	468	-

In June 2019 a capitalisable loan note facility of up to £2.5m was agreed with Moulton Goodies Ltd ("MGL"). As of 30 September 2019, £1m had been drawn down with associated further liabilities of £116k. The loan is secured by fixed and floating charges over all assets of the Group and its subsidiaries, with the exception of the pan-RAF research programme. Interest is payable at 10 per cent. per annum, with such interest to be paid at the same time as the loan is repaid. The loan (together with all unpaid interest) is repayable in full on 31 December 2019.

MGL can request that the Company capitalise the Loan into new ordinary shares in the Company, either at maturity or in the event that the Company completes an equity financing to raise at least £10 million (or such lesser amount as MGL may determine at its discretion, providing such amount is at least £1 million). In addition, the Company has the right to require MGL to capitalise the Loan on a Financing Round which, inter alia, raises gross proceeds of at least £20 million.

As a result of the terms of capitalisation, the number of shares issued may vary, leading to the recognition of an embedded derivative liability in respect of the capitalisation element in line with IFRS 9 (see note 20). The remainder of the original loan note of £1m is classified as borrowings.

The Loan, together with all associated interest, was capitalised at the request of the lender on 21 January 2020 (see note 29).

20. Derivative financial liability

	2019 £'000	2018 £'000
Current		
Fair value at recognition	**581**	-
Recognised in the year	**67**	-
Carried forward	**648**	-

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into three levels based on the degree to which the fair value is observable as defined by IFRS 13:

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 fair value measurements are those derived from inputs, other than quoted prices included within Level 1, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Notes to the Financial Statements

20. Derivative financial liability (Cont'd)

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The derivative financial instrument included in the Statement of financial position, which is classified as a Level 3 derivative financial instrument, is the fair value of the conversion option of the £1m loan note issued to Moulton Goodies Ltd.

The fair value has been determined using an Option pricing model and is determined at the initial recognition of the liability and then at each subsequent reporting date, using an estimated volatility of 125% and a risk free rate of 1%. Changes to the fair value are recognised in the Consolidated Statement of Comprehensive Income.

The Loan giving rise to the derivative financial instrument, together with all associated interest, was capitalised at the request of the lender on 21 January 2020 (see note 29). At this point the derivative financial liability was extinguished.

21. Onerous lease provision

	2019	2018
	£'000	£'000
Brought forward	**752**	-
(Released)/recognised in the year	**(146)**	752
Unwinding of discount	**53**	-
Amount utilised	**(353)**	-
Carried forward	**306**	752
Current	**306**	147
Non-current	**-**	605
	306	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 IAS 37 "*Provisions, Contingent liabilities and Contingent assets*".

Total potential costs relating to the remaining portion of this lease (rent & service charges) amounted to £1.47m. The Directors estimated that £0.72m of this expenditure could be recovered via existing sub-leases and licenses. Accordingly a provision of £0.75m was recognised. At 30 September 2019 the directors estimate that the total potential costs remaining are £0.31m. There will be no contractual liability beyond 30 September 2020.

Notes to the Financial Statements

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 2019 £'000	Carrying value 2018 £'000
Loans and receivables		
Trade debtors	**256**	-
Other receivables	**9**	279
Cash and cash equivalents	**3,704**	6,471
	3,969	6,750
Financial liabilities measured at amortised cost		
Current borrowings	**468**	-
Trade payables	**1,490**	1,685
Other payables	**54**	30
	2,012	1,715
Financial liabilities measured at fair value		
Derivative financial instrument	**648**	-

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.

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.

Notes to the Financial Statements

22. Financial instruments (Cont'd)

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. (2018: all within one year).

23. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018:17%). Deferred tax assets in relation to losses carried forward of £6.9m, (2018: £6.8m) 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

	2019	2018
	Numbers	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

There has been no movement in share capital during the year (2018: none)

25. Share premium

	2019	2018
	£'000	£'000
At 30 September	**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.

Notes to the Financial Statements

26. Share based payments

Movements on share options during the year were as follows:

Exercise Price per share	30 September 2018	Granted	Exercised	Lapsed/ Cancelled	30 September 2019	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	-	-	(30,000)	101,650	26.03.2016	26.03.2025
50p	131,650	-	-	(30,000)	101,650	26.03.2017	26.03.2025
50p	131,650	-	-	(30,000)	101,650	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	318,788	-	-	(110,600)	208,188	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	1,233,320	-	-	(269,998)	963,322	22.12.2019	22.12.2027
33p	1,233,339	-	-	(270,001)	963,338	22.12.2019	22.12.2027
50p	1,233,341	-	-	(270,001)	963,340	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
13.75p	-	200,000	-	-	200,000	13.02.2021	12.02.2029
20p	-	200,000	-	-	200,000	13.02.2021	12.02.2029
27p	-	200,000	-	-	200,000	13.02.2021	12.02.2029
35p	-	200,000	-	-	200,000	13.02.2021	12.02.2029
42.5p	-	200,000	-	-	200,000	13.02.2021	12.02.2029
50p	-	200,000	-	-	200,000	13.02.2021	12.02.2029
13.75p	-	125,000	-	-	125,000	27.02.2021	26.02.2029
20p	-	125,000	-	-	125,000	27.02.2021	26.02.2029
27p	-	125,000	-	-	125,000	27.02.2021	26.02.2029
35p	-	125,000	-	-	125,000	27.02.2021	26.02.2029
42.5p	-	125,000	-	-	125,000	27.02.2021	26.02.2029
50p	-	125,000	-	-	125,000	27.02.2021	26.02.2029
Total	10,149,563	1,950,000	-	(1,210,600)	10,888,963		
Weighted average exercise price	42.90p	31.46p	-	37.19p	39.48p		

The number of exercisable share options at 30 September 2019 was 2,448,963 and their weighted average exercise price was 71.86p.

Notes to the Financial Statements

26. Share based payments (Cont'd)

During the prior year:

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.

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 2019 is £45,000 (2018: £282,000). 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 6. The share options are exercisable with no further conditions to be met.

Notes to the Financial Statements

27. Operating lease arrangements – minimum lease payments

	Property	
	2019	2018
	£'000	£'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:		
Within one year	**747**	1,122
In the second to fifth years	**2,986**	3,362
In greater than five years	**1,431**	2,178
	5,164	6,662

The impact of IFRS 16 is still being assessed by the Directors, but is likely to be material.

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 met that criteria. Where this was 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 purchased services, in the prior year, in the normal course of business from the following companies related to individuals who were Directors of the Group at that time:

- 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.)

- The Group had 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 provided services in the prior year in the normal course of business to the following companies related to individuals who 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.)

In June 2019 the Group issued a loan note of £1m to Moulton Goodies Limited, a significant shareholder in Redx Pharma Plc. Full details of the transaction can be found in note 19. Interest accruing on this loan note is included in finance costs (note 8).

Notes to the Financial Statements

28. Related Parties (Cont'd)

Purchases from/(charges to) related parties	**2019 £'000**	2018 £'000
Moulton Goodies Ltd - loan interest	**49**	-
Redag Crop Protection Ltd (to 3 November 2017)	**-**	(20)
Acceleris Capital Ltd (to 3 November 2017)	**-**	6
Mrs J Murray (to 3 November 2017)	**-**	2
	49	(12)

Amounts owed to/(by) related parties	**2019 £'000**	2018 £'000
Moulton Goodies Ltd	**1,116**	-
Redag Crop Protection Ltd (at 3 November 2017)	**-**	(73)
Acceleris Capital Ltd (at 3 November 2017)	**-**	15
Mrs J Murray (at 3 November 2017)	**-**	14

2018 balances relate to 3 November 2017.

Amounts owed to/by related parties were disclosed in other receivables (Note 16), borrowings (note 19), trade creditors and accruals (Note 18) and derivative financial liabilities (Note 20).

In addition, a loan of £nil (2018 £857k) including accrued interest was due from Redag Crop Protection Ltd. This asset was derecognised in the 2017 financial statements, but was recovered in full in 2019.

29. Events after the reporting period

On 13 November 2019 The Group drew down the remaining £1.5m available to it under the loan note agreement with Moulton Goodies Ltd ("MGL").

On 31 December the Group announced that it had received written notice on 29 November 2019 from MGL requesting that it capitalise the entire outstanding loan and accrued interest pursuant to the terms of the loan notes. The capitalisation price was set at 5.25 pence per share.

The capitalisation was approved at a General meeting of shareholders on 21 January 2020 at which date the amount outstanding was £2,731,616. Accordingly, 52,030,789 new ordinary shares were issued. These were admitted to trading on 22 January 2020. AS MGL would hold greater than 30% of the issued share capital post capitalisation, and with the agreement of the Takeover Panel, shareholders also approved a waiver from the necessity to make an offer for the entire issued share capital of the Company.

Notes to the Financial Statements

29. Events after the reporting period (Cont'd)

On 31 December 2019 the Group further announced that it was in discussions with Yesod Bio-Sciences Ltd in relation to a possible cash offer for the entire issued share capital of Redx Pharma plc. In accordance with the Takeover Code A deadline of 28 January 2020 was set by which time the bidder was obliged to announce either a firm intention to make an offer for Redx or confirm that it does not intend to do so. With the Agreement of the Takeover Panel, extensions were granted to 14 February 2020 and then further to 28 February 2020. On 28 February 2020 it was announced that Yesod Bio-Sciences Ltd did not intend to make such an offer.

On 28 February 2020, the Company also announced that it had agreed a funding package with Redmile Group LLC and Sofinnova Partners, under the terms of which Redmile had agreed to immediately subscribe for 11,500,000 ordinary shares at 11.2p. These shares were duly issued and admitted to trading on 4 March 2020. In addition, terms had been agreed in principle for Redmile Group LLC to provide a £5m term loan and together with Sofinnova Partners a £20.1m convertible loan to the Company.

Company Statement of Financial Position

At 30 September 2019
Company registration number 07368089

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	5	**279**	301
Tangible assets	6	**80**	94
Investments	7	**368**	357
		727	752
Current assets			
Debtors	8	**15,508**	14,432
Cash at bank and in hand		**3,390**	2,633
Total current assets		**18,898**	17,065
Creditors: amounts falling due within one year	9	**(2,390)**	(1,425)
Net current assets		**16,508**	15,640
Net assets		**17,235**	16,392
Capital and reserves			
Share capital	11	**1,265**	1,265
Share premium		**33,263**	33,263
Capital redemption reserve		**1**	1
Share based payments reserve		**1,104**	1,162
Profit and loss account		**(18,398)**	(19,299)
Shareholders' funds		**17,235**	16,392

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 profit of £901,000 (2018 loss: £1,854,000).

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

Lisa Anson
Executive Director
10 March 2020

Company Statement of Changes in Equity

For the year ended 30 September 2019

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Profit & loss account £'000	Total Equity £'000
At 1 October 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 year	-	-	-	-	(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**
Transactions with owners in their capacity as owners						
Loss and total comprehensive income for the period	-	-	-	-	901	901
Share based compensation	-	-	45	-	-	45
Release of share options lapsed in the year	-	-	(103)	-	-	(103)
Movement in year	-	-	(58)	-	901	843
At 30 September 2019	**1,265**	**33,263**	**1,104**	**1**	**(18,398)**	**17,235**

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.

Notes to the individual Financial Statements of Redx Pharma Plc

1. Accounting Policies (Cont'd)

(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 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 £4.3 million during the year, and at 30 September 2019 had total equity of £1.5 million including an accumulated deficit of £34.1 million. As at that date, the Group had cash and cash equivalents of £3.7 million.

At 30 September 2019, the Group's balance sheet included liabilities relating to a capitalisable loan from Moulton Goodies Ltd. totalling £1,116,000 and a further £1.5 million was drawn down under this facility in November 2019. Whilst it was repayable in full on 31 December 2019, MGL exercised during November 2019 its right to request that the Company capitalise the whole of the loan (including, inter alia, all unpaid interest) into new ordinary shares in the Company. This capitalisation duly took place following the passing by shareholders of a number of resolutions at a General Meeting on 21st January 2020.

For a considerable time, the Company has been in discussions with a number of specialist healthcare investors who have a greater understanding of the potential value of the programmes as well as the funding and likely timing of delivering clinical proof of concept data. As announced on 28th February 2020 Redmile Group LLC, a large and well-funded US based specialist healthcare and life sciences investment firm, confirmed to the Board that it is willing to provide funding to Redx comprising (1) an initial equity investment of £1.3 million through an issue of 11,500,000 ordinary shares; (2) a £5,000,000 short-term debt funding; and (3) together with Sofinnova Partners, a £20,100,000 convertible loan. The £5,000,000 short-term debt funding is repayable prior to the issuance of the £20,100,000 convertible loan. The issue of shares was completed on 4th March 2020 whilst heads of terms for the two loans were signed on 28th February 2020. The Directors' expectation is that conversion of the £20.1 million loan would take place before 31st December 2020.

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, which includes the initial equity investment from Redmile, and known receivables will be sufficient to support the current level of activity to the end of April 2020. To further extend the cash runway, the Directors are looking to put in place the two aforementioned loans as soon as possible and secure conversion of the relevant portion of debt into equity by the end of 2020. In addition, the Directors are continuing to explore alternative sources of finance available to the Group through business development opportunities. Based upon all ongoing discussions, the Directors 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.

Although the Board is greatly encouraged by the positive discussions to date, in particular with Redmile and Sofinnova, there can be no certainty that the Board will reach satisfactory agreement regarding the short-term debt funding, the convertible loan and its conversion into ordinary shares, or ongoing business development opportunities. Because these matters are not therefore concluded at the date of approval of these financial statements, these circumstances represent a material uncertainty as to the Group's ability to continue as a going concern. Should the Group be unable to obtain alternative 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 and to provide for further liabilities that might arise.

Notes to the individual Financial Statements of Redx Pharma Plc

1. Accounting Policies (Cont'd)

(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.

(d) Derivative financial instrument

Derivative financial instruments are recognised initially at fair value. They are subsequently remeasured at fair value at each reporting date using an Option pricing model, with any change in value recognised in the profit and loss account. Mechanisms specific to individual instruments are considered, and an appropriate classification is made between equity and debt on a case by case basis.

Notes to the individual Financial Statements of Redx Pharma Plc

1. Accounting Policies (Cont'd)

(viii) **Investments**

Investments in subsidiaries are stated at cost less provision for impairment in value, and are detailed in Note 7.

(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 6 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.

(c) Derivative financial instruments

The Directors believe that the correct allocation between debt and derivative financial instrument of the capitalisable loan from Moulton Goodies Ltd is a significant accounting Judgement.

Notes to the individual Financial Statements of Redx Pharma Plc

1. Accounting Policies (Cont'd)

Critical accounting estimates and judgements (Cont'd)

In calculating the split in accordance with FRS 102 section 22 "*liabilities and equity*", the Directors have employed a Black Scholes model to value the derivative element, the balance of the amount received being treated as debt. (see note 10). The use of this model to calculate a fair value involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as interest rates, the measurement of the volatility of the company's share price and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the fair value.

2. Administration

Residual costs related to the exit from Administration of Redx Pharma Plc in November 2017 totalled £177k and were included in the Company's loss for the year in 2018/19. There were no further costs.

3. Recovery of derecognised asset

At 30 September 2017, the Company derecognised as an asset a loan due from Redag Crop Protection Ltd "Redag", on the grounds of the conditionality attached to repayment. The loan was in the sum of £715k and accrued interest at 5% per annum. In February 2019, a sale of assets by Redag triggered the conditions necessary for the repayment of the loan, and an amount of £869k was recovered, representing the full amount of the original loan and all interest due up to the date of repayment. This amount is included in the Company's profit for the year.

4. Staff Costs

	2019	2018
	£'000	£'000
Staff costs (including Directors) comprise		
Wages and salaries	**1,093**	1,015
Social security costs	**130**	165
Pension costs	**53**	39
	1,276	1,219
Non-recurring reorganisation costs	**-**	215
Total employee related costs	**1,276**	1,434

	2019	2018
Number of employees	**number**	number
Average number of employees (including Directors)		
Management & Admin	**6**	6

Directors remuneration is disclosed in note 12 of the Group accounts and the Directors remuneration report beginning on page 37.

Notes to the individual Financial Statements of Redx Pharma Plc

5. Intangible fixed assets

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2018	121	309	430
Additions	-	-	-
At 30 September 2019	**121**	**309**	**430**
Amortisation			
At 1 October 2018	6	123	129
Charge for the year	6	16	22
At 30 September 2019	**12**	**139**	**151**
Net book value			
At 30 September 2019	**109**	**170**	**279**
At 30 September 2018	115	186	301

6. Tangible fixed assets

	Laboratory equipment £'000	Computer equipment £'000	Leasehold Improvements £'000	Total £'000
Cost				
At 1 October 2018	87	99	114	300
Additions	-	-	-	-
Disposals	(7)	-	-	(7)
At 30 September 2019	**80**	**99**	**114**	**293**
Depreciation				
At 1 October 2018	87	94	25	206
Charge for the year	-	3	11	14
Disposals	(7)	-	-	(7)
At 30 September 2019	**80**	**97**	**36**	**213**
Net book value				
At 30 September 2019	**-**	**2**	**78**	**80**
At 30 September 2018	-	5	89	94

Notes to the individual Financial Statements of Redx Pharma Plc

7. 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.

	2019	2018
	£'000	£'000
At 1 October	**357**	225
Additional capital contribution – Redx Oncology Ltd	**11**	46
Additional capital contribution – Redx Anti-Infectives Ltd	**-**	37
Additional capital contribution – Redx Immunology Ltd	**-**	49
At 30 September	**368**	357

At 30 September 2019 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

8. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	**256**	-
VAT recoverable	**66**	70
Amounts due from Group undertakings	**14,911**	13,835
Other debtors	**70**	280
Prepayments and accrued income	**205**	247
	15,508	14,432

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 £154,000 taking the total impairment to £12,137,000. (2018: £11,983,000).

Notes to the individual Financial Statements of Redx Pharma Plc

9. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Financial liability at fair value (see note 10)	**1,116**	-
Trade creditors	**723**	878
Social security and other taxes	**38**	42
Other creditors	**28**	6
Accruals	**485**	499
	2,390	1,425

10. Financial liability at fair value

	2019 £'000	2018 £'000
Current		
Fair value at recognition	**1,000**	-
Fair value movement in the year	**67**	-
Accrued interest	**49**	-
Carried forward	**1,116**	-

In June 2019 a capitalisable loan note facility of up to £2.5m was agreed with Moulton Goodies Ltd ("MGL"). As of 30 September 2019, £1m had been drawn down with associated further liabilities of £116k. The loan is secured by fixed and floating charges over all assets of the Group and its subsidiaries, with the exception of the pan-RAF research programme. Interest is payable at 10 per cent. per annum, with such interest to be paid at the same time as the loan is repaid. The loan (together with all unpaid interest) is repayable in full on 31 December 2019.

MGL can request that the Company capitalise the Loan into new ordinary shares in the Company, either at maturity or in the event that the Company completes an equity financing to raise at least £10 million (or such lesser amount as MGL may determine at its discretion, providing such amount is at least £1 million). In addition, the Company has the right to require MGL to capitalise the Loan on a Financing Round which, inter alia, raises gross proceeds of at least £20 million.

As a result of the terms of capitalisation, the number of shares issued may vary, leading to the recognition of the loan as a derivative financial instrument.

The Loan giving rise to the financial instrument, measured at fair value, was capitalised at the request of the lender on 21 January 2020 (see note 16). At this point the derivative financial liability was extinguished.

Notes to the individual Financial Statements of Redx Pharma Plc

10. Financial liability at fair value (Cont'd)

The fair value has been determined using an Option pricing model and is determined at the initial recognition of the liability and then at each subsequent reporting date, using an estimated volatility of 125% and a risk free rate of 1%. Changes to the fair value are recognised in the Consolidated Statement of Comprehensive Income.

11. Share Capital

	2019	2018
	Number	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

There was no movement in share capital in the year (2018: none).

12. Operating lease arrangements – minimum lease payments

	Property	
	2019	2018
	£'000	£'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:		
Within one year	**747**	747
In the second to fifth years	**2,986**	2,987
In greater than five years	**1,431**	2,178
	5,164	5,912

13. Related Parties

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

14. 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 £5.4m.

15. Ultimate controlling party

There is no ultimate controlling party.

Notes to the individual Financial Statements of Redx Pharma Plc

16. Post balance sheet events

On 13 November 2019 The Group drew down the remaining £1.5m available to it under the loan note agreement with Moulton Goodies Ltd ("MGL").

On 31 December the Group announced that it had received written notice on 29 November 2019 from MGL requesting that it capitalise the entire outstanding loan and accrued interest pursuant to the terms of the loan notes. The capitalisation price was set at 5.25 pence per share.

The capitalisation was approved at a General meeting of shareholders on 21 January 2020 at which date the amount outstanding was £2,731,616. Accordingly, 52,030,789 new ordinary shares were issued. These were admitted to trading on 22 January 2020. AS MGL would hold greater than 30% of the issued share capital post capitalisation, and with the agreement of the Takeover Panel, shareholders also approved a waiver from the necessity to make an offer for the entire issued share capital of the Company.

On 31 December 2019 the Group further announced that it was in discussions with Yesod Bio-Sciences Ltd in relation to a possible cash offer for the entire issued share capital of Redx Pharma plc. In accordance with the Takeover Code A deadline of 28 January 2020 was set by which time the bidder was obliged to announce either a firm intention to make an offer for Redx or confirm that it does not intend to do so. With the Agreement of the Takeover Panel, extensions were granted to 14 February 2020 and then further to 28 February 2020. On 28 February 2020 it was announced that Yesod Bio-Sciences Ltd did not intend to make such an offer.

On 28 February 2020, the Company also announced that it had agreed a funding package with Redmile Group LLC and Sofinnova Partners, under the terms of which Redmile had agreed to immediately subscribe for 11,500,000 ordinary shares at 11.2p. These shares were duly issued and admitted to trading on 4 March 2020. In addition, terms had been agreed in principle for Redmile Group LLC to provide a £5m term loan and together with Sofinnova Partners a £20.1m convertible loan to the Company.

COMPANY INFORMATION

Directors	Iain G Ross (Chairman) Lisa Anson (Chief Executive Officer) Dr James Mead (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 5 Churchill Place Canary Wharf London E14 5HU
Broker	W G Partners LLP 85 Gresham Street London EC2V 7NQ

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