Annual Report and Accounts

for the year ended 30 September 2021

Redx
Discovering Targeted Medicines

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Redx is a clinical-stage biotechnology company focused on discovering and developing novel, small molecule, highly targeted therapeutics for the treatment of cancer and fibrotic disease.

Key Events & Results

Research & Development

3 June 2021
The Group announces the first subject dosed in the Phase 1 study evaluating RXC007, its ROCK2 inhibitor.

17 June 2021
The Group announces the triggering of a milestone payment of $4 million from AstraZeneca in connection with its RXC006 programme.

27 July 2021
The Group announces the selection of 2 mg once daily as the dose for the planned Phase 2 monotherapy clinical trials of RXC004, its Porcupine inhibitor.

2 September 2021
The Group announces the triggering of a milestone payment of $3 million from Jazz Pharmaceuticals in connection with its pan-RAF inhibitor programme.

20 September 2021
Data from the Group's RXC004 Phase 1 monotherapy study is presented at the European Society of Medical Oncology ("ESMO") Congress.

Corporate

27 November 2020
The appointment of Dr Jane Robertson as Chief Medical Officer from 1 March 2021 is announced.

2 December 2020
The Group announces a Placing to raise £25.5m and Open Offer to raise up to £2.2m. Conversion of £3.3m and £1.8m of loan notes by Redmile and Sofinnova respectively, at 15.5 pence per share, in connection with the transaction is also announced.

21 December 2020
The Placing, Open Offer and conversion are approved by shareholders, raising £25.7m before costs.

2 March 2021
The Group announces that James Mead will step down as a Director with immediate effect, remaining as Chief Financial Officer until a new appointment is made, and thereafter transitioning to the position of Chief Operating Officer.

7 April 2021
Redx Inc. is incorporated in the United States.

5 May 2021
The Group announces the appointment of Peter Collum as Chief Financial Officer.

19 May 2021
The appointment of Natalie Berner, to represent Redmile Group on the Board of Directors, is announced.

1 June 2021
The resignation of Iain Ross as a Director and Chairman with immediate effect is announced. It is further announced that Peter Presland, a Non-Executive Director, has been appointed as interim Chairman, also with immediate effect.

Post Year-end Events

11 October 2021
The Group holds an R&D Day with leading experts and provides an update on its lead programmes, RXC004 and RXC007.

1 November 2021
The Group announces the appointment of Dr Jane Griffiths as Non-Executive Chair, with effect from 1 December 2021.

15 November 2021
The first subject dosed in the Phase 2 trial of RXC004, the Group's Porcupine inhibitor, is announced.

9 December 2021
The Group announces it is to receive a $10m milestone payment from Jazz Pharmaceuticals in connection with its MAPK research collaboration.

23 December 2021
The Group announces it is to receive a $9m milestone payment from AstraZeneca in connection with its RXC006 programme.

Strategic Report

Chair's Statement

Dear Shareholder

Over the last 12 months, Redx has made substantial progress in all aspects of its pipeline, now with two clinical stage assets, and in raising significant funds to further support the development of its lead therapeutic programmes. We have deployed our resources wisely, thereby allowing the Company's management to continue to pursue its clear strategy under the excellent leadership of its Chief Executive Officer, Lisa Anson.

During the financial year ended 30 September 2021, despite the ongoing challenges of COVID-19, we saw continued positive momentum in shareholder value, building on the strong foundational work of 2019 and 2020. We did this by delivering clinical and scientific progress, securing new investment and building on our organisational capabilities. The Company has ended the period in a strong financial position, enabling it to continue to progress its differentiated pipeline in oncology and fibrosis.

Clear strategy

Redx's ambition is to become a leading biotechnology company through the development of novel and differentiated targeted medicines in cancer and fibrotic disease and to progress highly differentiated product candidates that will transform the lives of patients. 2021 has seen significant delivery against the Company's strategy with the following notable achievements:

- RXC004 progressed to Phase 2: The Company has continued to progress its lead product candidate, RXC004, a Porcupine inhibitor being developed as a targeted therapy for Wnt-ligand driven cancer, in clinical trials. During the period, the monotherapy module of the Phase 1 clinical trial was completed and the data was subsequently presented at the European Society for Medical Oncology (ESMO) Congress. Following completion of this trial, a recommended dose was selected for the monotherapy Phase 2 trial. In parallel, the combination module of the Phase 1 trial, of RXC004 with nivolumab (an anti PD1 antibody), initiated during 2021, is ongoing with results expected in the first half of 2022 (calendar year). The RXC004 Phase 2 programme initiated post fiscal year end and we expect to see topline results from this in the first half of the calendar year 2023.
- First clinical programme in fibrosis: RXC007 is a selective ROCK2 inhibitor, being developed as a treatment for idiopathic pulmonary fibrosis (IPF), a life-threatening orphan disease. During the period, the Company completed the necessary toxicology and manufacturing processes to submit a Clinical Trial Application (CTA) and in June 2021 initiated a Phase 1 clinical trial in healthy volunteers. We believe this programme could have strong commercial potential in an area of limited competition. The RXC007 Phase 1 data is expected to be available in the first half of 2022.
- Investment in our Redx discovery engine: During the year, we continued to leverage Redx's core strengths in medicinal chemistry, designing molecules against validated targets in order to discover the next generation of product candidates for our pipeline. We have built a core team of 60 scientists pursuing several programmes with the aim of submitting three new investigational new drug applications (INDs) by 2025.
- Progress with partnered assets: In previous years, the Company chose to partner two of its product candidates: the preclinical stage Porcupine inhibitor programme, RXC006, to AstraZeneca in August 2020, and the pan-RAF programme to Jazz Pharmaceuticals in July 2019. Both programmes remain in active development and Redx received milestone payments on both during the financial year. In addition, the 2020 research collaboration with Jazz Pharmaceuticals remains active with a milestone of $10 million earned post fiscal year end, which further demonstrates the strength, depth and value of Redx's expertise in medicinal chemistry.

Chair's Statement continued

Strengthened financial position

During the year under review, the Board and management team 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 in our Annual Report. The Board strengthened the financial position of the Company by securing new investment with a placing for £25.7 million (gross) in December 2020, which received strong support from existing investors and broadened the Company's shareholder register with the addition of healthcare specialist Polar Capital.

Outlook

The last 12 months have been very encouraging as we have continued to deliver on our strategy, which consistently demonstrates our drug discovery and development capabilities and our ability to progress our in-house pipeline. Whilst we have been encouraged by the recent financing and the support from our investors including Redmile Group, Sofinnova Partners and Polar Capital, we are aware that we continue to face the ongoing funding challenge faced by many early stage listed biotech companies: to secure further investment to develop their pipelines, and that further funding will be required in the coming year. The Board continue to review the best options for the Company to further strengthen our financial position beyond 2022 so that we can drive forward our two promising clinical programmes and preclinical research at pace.

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

At the start of 2021, Redx was poised to enter a growth phase with a strengthened financial position and support from new investors combined with our long-term shareholders. Over the year, we have been able to build on our strong scientific foundation, and to enter into this growth phase, with good progress in the pipeline and an expanding clinical portfolio.

As the Chair role has transitioned we remain committed to support Redx to maintain its momentum over the next 12 months as we work to deliver on the Company's strategic plans.

Peter Presland
Interim Chair,
to 30 November 2021

Dr Jane Griffiths
Chair,
from 1 December 2021

Chief Executive's Report

During my first two years with the Company we established a strong foundation, building on the core scientific strength with a clear strategy, strengthened organisation and partnering deals. I am pleased to report that during my third year with the Company we have entered a chapter of growth as we continue to transition from a discovery powerhouse to a clinical stage biotechnology company. The full year results for the 12 months to 30 September 2021 reflect the significant recent progress we have made on our ambitious journey. With the backing of leading specialist healthcare investors, we have been able to grow our scientific organisation and progress our pipeline: we now have two wholly owned clinical stage assets and have recently initiated our first-ever Phase 2 programme.

The hallmark of our productivity to date has been our discovery engine, driven by a core team of experts in medicinal chemistry and translational science who have worked together for several years and have been able to produce five compounds that have progressed to preclinical and clinical development. Today, this integrated team of chemists and biologists utilises cutting edge technologies optimal for each specific programme rather than being tied to a single technology platform. This capability continues to underpin many of our operational highlights over the year and allows us to continue to move at pace with our pipeline. Our promising lead oncology asset, the selective Porcupine inhibitor, RXC004, has moved into Phase 2, having generated encouraging Phase 1 data which was presented at the prestigious European Society of Medical Oncology (ESMO) Congress in September. We also commenced a second clinical programme during the year, with our selective ROCK2 inhibitor RXC007, for fibrosis. Our major business partnering deals with AstraZeneca and Jazz Pharmaceuticals are both progressing well, as evidenced by a $4 million milestone payment from AstraZeneca in June, and a $3 million milestone payment from Jazz Pharmaceuticals in September. Post fiscal year end, we also earned a $10 million milestone from Jazz Pharmaceuticals and a $9 million milestone from AstraZeneca, connected to progress in the respective programmes.

We have continued to build our senior management team with the addition of two highly experienced senior executives during the period. Dr Jane Robertson joined as Chief Medical Officer on 1 March 2021 and Peter Collum joined as Chief Financial Officer on 1 May 2021, our first US-based employee.

In December 2020 we raised £25.7 million (gross) of funds that are now being deployed to further support and augment the research and development pipeline, of the Company and its subsidiaries (the "Group") reflecting the strong support from our key investors. As we grow, we will continue to face the industry-wide challenge of securing sufficient investment capital in order to fund R&D and allow us to fully realise the potential of our programmes and innovative science. Our cash burn rate has risen significantly during the last 12 months, as we have two wholly owned assets in the clinic and an expanded scientific team. We have sufficient cash runway, on current plans, to last through Q4 of the calendar year 2022. Further fundraising will therefore be required in the coming year.

A Clear Strategy

Our ambition is to become a leading biotechnology company through the development of novel and differentiated targeted medicines in cancer and fibrotic disease and to progress highly differentiated product

Chief Executive's Report continued

candidates that will transform the lives of patients. The key elements of our strategy are:

- Advance the development of our lead candidate, RXC004, a Porcupine inhibitor, through clinical trials in our initial indications and then for the potential treatment of additional Wnt-ligand dependent tumours;
- Advance the development of RXC007, a selective ROCK2 inhibitor, initially in clinical trials in idiopathic pulmonary fibrosis (IPF) and potentially in additional fibrotic indications;

  Invest in our Redx discovery engine to expand our pipeline; we plan to submit three new INDs by 2025
- Maximise the full potential of our product pipeline by either retaining commercial rights or considering attractive development and commercialization partnerships.

RXC004, an Oral Porcupine Inhibitor for the Treatment of Wnt-Ligand Dependent Tumours

Our lead product candidate, **RXC004**, is a clinical stage, highly potent and selective, orally active once-daily Porcupine inhibitor being developed as a targeted therapy for Wnt-ligand driven cancer. Wnt signaling is a heavily investigated pathway. Aberrations contribute directly to tumour growth and play an important role in immune resistance to treatments with immuno-oncology agents such as anti-PD1 checkpoint inhibitors. Previous approaches to drug targets within the Wnt pathway have largely failed due to either toxicity or lack of efficacy potentially due to redundancy in the pathway. Porcupine is a key enzyme situated at the top of the Wnt signaling pathway and we designed RXC004 as an inhibitor of Porcupine to specifically target this pathway and maximise efficacy while avoiding redundancy and off-target toxicity. By genetically selecting patients with tumours that have high Wnt-ligand dependency, such as those with loss of function, (LoF), mutations in the Ring Finger 43 (RNF43) gene and fusions in the R-spondin (RSPO) gene family, Porcupine inhibitors have the potential to directly target tumours, in addition to having an immune-enhancing effect. We believe RXC004, if approved, has the potential to be used as monotherapy and in combination with immunotherapies in Wnt-ligand dependent tumours.

In July 2021, we selected 2 mg once daily as the recommended dose of RXC004 for our Phase 2 monotherapy, proof of concept clinical trials based on the safety, pharmacokinetic and target exposure profile observed in our Phase 1 clinical trial. The clinical trial data from the **Phase 1 monotherapy** module was presented at the ESMO Congress in September 2021 and included differential activity in Wnt-ligand dependent tumours, the patient population of interest. This was the first time Redx reported clinical results and showcased a breakthrough in the therapeutic potential of the Wnt pathway. In the read-out from the Phase 1 study, RXC004 monotherapy was well tolerated at doses demonstrated to inhibit the pathway in patients and showed a differentiated level of activity in Wnt-ligand dependent patients. This Phase 1 efficacy signal supports our strategy to prescreen patients in our ongoing Phase 2 trials and select only those with specific genetic mutations that define the tumour as highly dependent on the Wnt ligands. This enables us to more precisely target patient populations who we believe can benefit from RXC004, either as monotherapy, as observed in our Phase 1 clinical trial, or in combination with immune checkpoint inhibitors, which could be applicable in over 25 different tumour types where activation of the Wnt pathway has been linked to immune evasion.

We are also evaluating RXC004 in a second module of our **Phase 1 clinical trial in combination** with nivolumab, an anti-PD1 antibody. The primary objective of this module is to evaluate the safety and tolerability of this combination in patients with unselected advanced malignancies. The results from this combination trial are expected in the first half of 2022 and will be used to define a dose of RXC004 to be used in combination with standard dose nivolumab as part of the Phase 2 clinical trial. A third module, in which patients are given RXC004 monotherapy on an intermittent dose levels schedule, is expected to be initiated in the first half of 2022.

Post period we initiated two **Phase 2 proof-of-concept clinical trials** in genetically selected patients with microsatellite stable metastatic colorectal cancer, or MSS mCRC, as monotherapy and in combination with anti-PD1 immunotherapy, as well as in genetically selected patients with pancreatic cancer and unselected biliary cancer as monotherapy. The first trial, PORCUPINE, evaluates RXC004 as a monotherapy and in combination with an anti-PD1 checkpoint immunotherapy in genetically selected MSS mCRC. The monotherapy arm in CRC initiated in November 2021 and the second arm, in combination with anti-PD1, is expected to

initiate in the first half of 2022 following dose selection. The second trial, PORCUPINE2, evaluates RXC004 as monotherapy in genetically selected pancreatic cancer and in unselected biliary cancer, given biliary cancer is a highly Wnt-ligand driven cancer. This second trial initiated in January 2022.These indications have significant unmet medical need given poor survival outcomes and limited safe and effective treatment options. The addressable patient population for these initial indications aggregates to approximately 74,000 new cases per year in the United States, the five major markets in Europe, or EU5, and Japan. We expect to report topline data from the Phase 2 clinical trials in the first half of 2023.

We remain confident that our RXC004 programme can unlock the therapeutic potential of the Wnt pathway as a means to tackle unmet need in a number of difficult to treat cancers.

RXC007, an Oral Selective ROCK2 Inhibitor for the Treatment of Fibrotic Diseases

Our second product candidate, **RXC007**, is a clinical stage, highly selective and orally available small molecule inhibitor of Rho-Associated Protein Kinase 2, or ROCK2, a clinically validated target that has been shown to sit at a key junction that regulates various cell signaling pathways central to fibrosis. Our initial development focus for RXC007 is IPF, given the strong evidence of the upregulation of ROCK2 in IPF, along with supportive preclinical data in various lung fibrosis models and compelling data in human precision cut lung slices (PCLS), which we believe makes RXC007 particularly well-suited for development in IPF as a lead indication. IPF is an orphan disease with high unmet need and with a very poor survival and a prognosis similar to many severe cancers, with median survival of three to five years following diagnosis. By 2029, the growing IPF market is projected to reach $3.6 billion in the United States, EU5 and Japan, with approximately 170,000 patients.

Following successful completion of preclinical studies, RXC007 entered a Phase 1 clinical trial in healthy volunteers in the first half of 2021, with IPF being targeted as the first indication for clinical development. The primary endpoint of the Phase 1 trial is to assess the safety, tolerability, pharmacokinetic (PK) profile and some pharmacodynamic (PD) properties of RXC007. In October 2021, we reported initial data from the single ascending dose, or SAD, arm of this trial in which we observed that RXC007 was well tolerated and exhibited a PK profile potentially suitable for once-daily dosing. We achieved biologically relevant exposures at higher doses and the half-life was around 11 hours at the 40 mg dose, potentially suitable for once-daily dosing. We expect to report topline data in the first half of 2022.

Our **Phase 2 programme for RXC007 in IPF will initiate in 2022** and will be a staged approach based on the learnings from what we have observed from recent trials in the field. Initially, we plan to start a Phase 2a clinical trial to assess the safety, tolerability, and early efficacy of RXC007 in IPF patients as monotherapy and in combination with standard of care. The Phase 2a will inform the subsequent Phase 2b dose and in that Phase 2b study we will dose RXC007 over 12 months in combination with standard of care to assess changes in lung function as the primary endpoint.

Our Redx Discovery Engine

We continue to leverage our extensive industry experience and know-how with our Redx discovery engine that integrates our extensive in-house capabilities in medicinal chemistry and translational biology with a network of external specialist contractors and high profile academic collaborations. This engine enables us to identify validated targets so that we can create potentially differentiated small molecule new chemical entities (NCEs), typically intended for oral administration and designed to have high potency, high exposure and other optimized drug properties.

To date, our approach has successfully delivered five patented compounds, all of which remain in active development and four of which are now in clinical development. Our approach involves the following:

1. **Target:** With the goal of de-risking our programmes we select biologically or clinically validated targets where we believe there is an opportunity to successfully apply our drug discovery capabilities in diseases with high unmet medical need.

2. **Design:** Design molecules with differentiated properties, leveraging our design frameworks and our strength and experience in medicinal chemistry and translational biology to optimise a novel differentiated molecule for the target.

3. **Deliver:** Focus our differentiated, targeted small molecules towards commercially attractive markets in which we believe we can be successful.

Chief Executive's Report continued

The Redx discovery engine's approach is strengthened by the experienced management team and our renowned chemistry and biology groups, who have collectively brought 18 product candidates into clinical development. Our group of 60 scientists are deployed in integrated chemistry and biology teams that utilise cutting edge technologies as is optimal for each programme, rather than being tied to a single technology platform. The teams each have the ability to exchange specific expertise between themselves and to access additional flexible capacity through our global network of contract scientists, partners and contract research organisations, or CROs.

We aim to submit three new INDs by 2025 from our current discovery portfolio of wholly owned research programmes, which are outlined below:

Oncology

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

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

Immuno-oncology is an approach that uses the patient's own immune system to identify and kill the tumour. Recent advances in immuno-oncology have been transformative, producing long-lasting, robust responses for certain patients. These advances include the immune checkpoint inhibitor class of therapies, such as anti-PD1/PD-L1 antibodies. Despite these breakthroughs, there remains a significant proportion of patients whose tumours are unresponsive or develop resistance to such treatments, and therefore fail to benefit from these lifesaving therapies. Our programmes in immuno-oncology aim to combine our compounds with existing immune checkpoint inhibitors to improve response rates in these resistant patient populations.

Redx's oncology research portfolio currently includes three genetically targeted oncology programmes in early discovery and an immuno-oncology kinase target programme also in early discovery.

Fibrosis

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

In fibrosis research, the Company continues to progress its **gastrointestinal targeted ROCK, (GITR), inhibitor research project** aimed at treating intestinal fibrosis associated with Crohn's disease, which leads to strictures and resection surgery for patients. There is currently limited pharmaceutical therapy available to manage this condition and we believe that Redx's compounds could potentially be first-in-class agents. GITR 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. The Redx GITR inhibitor programme has a compound in preclinical toxicology evaluation and a go/no-go decision to nominate a development candidate is expected in the first half of 2022.

During the period, Redx moved a new fibrosis programme into the lead optimisation phase. **Discoidin Domain Receptors (DDRs)** have recently gained

traction as new targets with potential to treat multiple fibrotic conditions. DDRs are receptor tyrosine kinases containing a discoidin homology domain in their extracellular region. There are two DDR receptors, DDR1 and DDR2, which act as non-integrin collagen receptors. On binding of collagen, the DDR autophosphorylates, which initiates various downstream signaling pathways that drive clustering, upregulation and further collagen synthesis. DDR expression is increased in many fibrotic diseases and preclinical proof of concept for small molecule inhibitors has been demonstrated in preclinical models of lung and kidney fibrosis. We have developed both dual DDR1/ DDR2 and selective DDR1 series of potent inhibitors with drug-like characteristics that are now in lead optimisation.

Partnered Asset Portfolio Makes Progress Towards Clinic

During the year, Redx-designed molecules continued to make strong progress with partners, as detailed below:

- In July 2019, we entered into an asset sale to Jazz Pharmaceuticals of our pan-RAF inhibitor, which is currently in IND enabling preclinical testing. During the reporting period, in September 2021, we earned a milestone payment of $3.0 million for this programme.

- In August 2020, Redx entered into an exclusive license agreement with AstraZeneca AB for our Porcupine inhibitor RXC006 for development and potential commercialisation. RXC006 (AZD5055) has completed IND enabling preclinical testing and is now in a Phase 1 clinical trial. Under the terms of the RXC006 License Agreement, we received an upfront payment of $4.0 million. A second milestone payment of $4.0 million was received in July 2021 with a further milestone of $9 million earned in December 2021 as a result of the initiation of a Phase 1 clinical trial. In addition, we are eligible to receive up to a further $105.0 million of aggregate payments related to development, regulatory and commercial milestones for the first indication, and additional milestone payments aggregating $105.0 million for a second and third indication. We are also eligible to receive aggregate sales-based milestones of $150.0 million and mid-single digit percentage tiered royalties on net sales.

- In September 2020, Redx entered an oncology research collaboration agreement with Jazz Pharmaceuticals Ireland to discover and develop drug candidates for two cancer targets on the Ras/Raf/MAP kinase (MAPK) pathway. Under the terms of the agreement we received an upfront payment of $10 million with a development milestone of $10 million earned on 9 December 2021, post the reporting period. Following delivery of an IND-ready molecule, we will be eligible to receive up to a further $200 million from Jazz in development, regulatory and commercial milestone payments for each programme. The first milestone is payable upon successful IND submission and all subsequent milestones are contingent on successful completion of the relevant stages of development. In addition, for both programmes, we are eligible to receive tiered royalties in mid-single digit percentages based on any future net sales.

  These transactions continue to underscore Redx's excellence in drug design and its business partnering capability. There are few biotech companies of our size that have completed four major deals as Redx has done in a three year period starting with the sale of our BTK inhibitor programme (RXC005) to Loxo Oncology in 2017. This molecule is now being developed by Eli Lilly in several Phase 3 clinical studies as pirtobrutinib/LOXO-305 and showing potential in a range of B cell malignancies including those resistant to first generation BTK inhibitors.

Significantly Strengthened Financial Position

Throughout the year we have worked hard to secure sufficient investment to realise the full potential evident in our pipeline. The investment by Redmile Group, Sofinnova Partners and Polar Capital has given us greater security from a cash perspective, allowing the Company to proceed with an ambitious, but measured, business plan going forward. The Company ended the period with a cash balance of £29.6 million (30 September 2020: £27.5 million) as a result of a number of financial transactions throughout the year.

During the year the Company strengthened its balance sheet by completing a gross fundraise of £25.7 million which was approved by shareholders on 21 December 2020 and served to add Polar Capital and other investors to our shareholder register and extend our cash runway through Q4 of the calendar year 2022.

In addition, the Company added further to its financial security by generating new revenue from partnership deals including the receipt of a $4 million milestone

Chief Executive's Report continued

payment from AstraZeneca earned in June 2021, followed by a $3 million milestone payment from Jazz Pharmaceuticals earned in September 2021.

During the period we have continued to manage our costs carefully whilst ensuring that optimal resources are allocated to maximum effect in line with our strategy. As a result of our transformation into a clinical stage company, our operating expenses excluding share based compensation, of £27.1 million have nearly doubled (£14.1 million in 2020) as we continue to invest in and advance our pipeline and our programmes move into more cash intensive clinical stages.

Notwithstanding our strong closing cash position, the level of required investment in our pipeline and programmes going forward will necessitate the raising of additional capital in the coming year. Whilst we believe our clinical programmes and pipeline provide an attractive opportunity to raise additional capital, we acknowledge that our ultimate ability to raise sufficient capital on acceptable terms is out of our control. The associated uncertainty is discussed in more detail in the basis of preparation of the Consolidated Financial Statements on page 53.

Outlook

During the period, whilst navigating our way through various financial scenarios and the COVID-19 global pandemic, we made strong progress in advancing our pipeline. Our lead oncology asset, RXC004, entered Phase 2; our lead fibrosis asset, RXC007, entered Phase 1; and all our partnered assets have progressed.

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

I would like to pay tribute to our former Chairman, Mr. Iain Ross, who stood down and left the Company on 31 May 2021 after four years in the role. Iain's leadership and tenacity are recognized by all on the Board and management team as a key reason that Redx continues to make strong progress. Our thanks also go to Mr. Peter Presland who stepped up as Interim Chair from 1 June 2021 as we initiated a search for a new Chair. This was subsequently successfully concluded and we were delighted to announce the appointment of Dr Jane Griffiths who assumed the role on 1 December 2021. The Board look forward to benefitting from her expertise and experience to guide the Company through this next stage of the Redx story.

On a personal note, I want to thank the whole Board, management team and shareholders for their support during what has been an exciting period in the Company's history, as we now look to growth and transformation. I look forward to continuing the job I came here to do, which is to build a world-class biotech company. Most importantly, I would like to thank our employees for their hard work, resilience and commitment to Redx and to congratulate them on the strong research and clinical progress achieved in another success-filled year.

Lisa Anson
Chief Executive Officer

Directors' Duties – Section 172 Statement

The Directors acknowledge their duty under section 172 of the Companies Act 2006 and consider that they have, both individually and collectively, acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of all shareholders. In doing so, the Directors have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of the Company's employees;
- The need to foster the Company's business relations with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The Company's reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

In 2018, the Group adopted the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance (the "QCA Code"). The QCA code is an appropriate code of conduct for the Group's size and stage of development. Details of how the Group applies the ten principles of the QCA Code are set out on pages 29 to 34. The Chair's and Chief Executive Officer's statements describe the Group's activities, strategy and future prospects including considerations for **long-term decision making** on pages 3 and 5. The Group's strategy, business model and approach to risk is also discussed within the Corporate Governance Statement on page 29. The Board considers the Group's major stakeholders to be its shareholders, employees, suppliers, collaboration partners and patients involved in clinical trials.

During the year, the Directors were involved in a number of significant decisions affecting the Company's stakeholders. In December 2020, The Placing and Open Offer of shares, raising £25.7m (gross), had significant impact on shareholders and employees, securing ongoing liquidity, and strengthening the balance sheet. The agreement with Redmile and Sofinnova to convert £5.1m of the outstanding convertible loan notes as part of the same transaction had a similar significant impact. The Board met frequently during this period, with 8 meetings in the first half of the financial year.

In addition, there was close cooperation and frequent communication with advisors, principally brokers, lawyers and Nomad. Throughout, the Board was mindful of the need to act in the best interests of all shareholders, and to ensure full and accurate communication.

Later in the year, important decisions were taken regarding the progress of the Groups two principal assets, RXC004 and RXC007, including selecting the Phase 2 dose for RXC004, and initiating Phase 1 studies for RXC007. Regular portfolio reviews take place, involving employees and outside experts, to ensure that Directors are aware of all factors impacting such decisions.

The resignation in May 2021 of Iain Ross as Chairman and non-Executive Director was also an event potentially affecting all stakeholders. The Directors acted swiftly in appointing an experienced interim Chairman in Peter Presland, keeping all stakeholders informed. The process to identify a permanent replacement was enacted immediately, and on 1 November 2021 the Group announced the appointment of Dr Jane Griffiths, a highly experienced non-Executive Director, as Chair with effect from 1 December 2021.

Employees

The Group is a relatively small organisation and Executive Directors have regular day-to-day contact with employees at all levels, both formal and informal. The CEO regularly briefs employees on developments in the business and conducts question and answer sessions at these times.

Suppliers

The Board takes a close interest in relations with key suppliers whose performance is crucial to the Group's success. The Group endeavours to maintain good relationships with its suppliers and seeks to pay them promptly in accordance with the contracted terms. Where appropriate, the activities of suppliers are subject to audit.

Community and environment

The Board is mindful of the potential social and environmental impacts of the Group's activities. The Board is committed to minimising the environmental effect of the Group's activities wherever possible and seeks rigorous compliance with relevant legislation.

Directors' Duties – Section 172 Statement continued

Business reputation

The Group operates in a highly regulated sector and the Board is committed to maintaining the highest standards of conduct and corporate governance. Further details of the group's rigorous approach can be found within the Corporate Governance Statement on page 29, and within the investor section of the Group's website at www.redxpharma.com

The need to act fairly as between members of the Company

The Group's intention is to behave responsibly towards all its shareholders and treat them fairly and equally, so that they too may benefit from the successful delivery of the Company's strategic objectives. The Group's website www.redxpharma.com has a section dedicated to investor matters that details, amongst other things, all financial reports, press releases and other regulatory filings.

Operational Review

The Directors present this Operational Review for the year ended 30 September 2021 and cover issues not covered elsewhere in their Strategic review, namely: Key Performance Indicators, Financial Review and the Principal Risks and Uncertainties.

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

Management Team

Lisa Anson (Chief Executive Officer), and **Dr Richard Armer** (Chief Scientific Officer) have continued in their positions throughout the year. **Peter Collum** took up the post of Chief Financial Officer on 1 May 2021 at which time **Dr James Mead** took up the new post of Chief Operating Officer. **Dr Jane Robertson** joined as Chief Medical Officer in March 2021, following the departure of Dr Andrew Saunders.

Key Performance Indicators (KPIs)

The Group's KPIs include a range of financial and non-financial measures. The Board considers pipeline progress, and in particular progress towards the clinic, to be the main KPI, and updates about the progress of our research programmes are included in the Chief Executive's Report. Below are the Financial KPIs considered pertinent to the business.

	2021 £m	2020 £m	2019 £m	2018 £m
Cash at year end	29.6	27.5	3.7	6.5

Further progress has been made during the year in securing funding for the business plan going forward, principally via a Placing and Open Offer which raised gross proceeds of £25.7m and by the receipt of $4m of milestone income.

	2021 £m	2020 £m	2019 £m	2018 £m
Total operating expenditure (excluding share-based payment costs)	27.1	14.1	10.2	10.6

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

	2021 £m	2020 £m	2019 £m	2018 £m
Net increase in cash and cash equivalents (including certain one-off payments)	2.0	23.8	(2.8)	(17.3)

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

Financial Review

Financial position

At 30 September 2021, the Group had cash resources of £29.6m (2020: £27.5m). In December 2020, the Group raised £25.7m (gross) via a Placing and Open Offer. At the same time, RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP converted £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares, reducing debt and further strengthening the Group position.

The partnership with AstraZeneca generated a further £2.8m ($4m) in milestone payments and exercising of share options by current and former staff generated £0.3m.

Post financial year end a further £2.2m ($3m) milestone payment was received from Jazz Pharmaceuticals, together with the triggering of further $9 million and $10 million milestones from AstraZeneca and Jazz Pharmaceuticals respectively.

This funding is sufficient to allow the Group to fund its business plan through Q4 of the calendar year 2022, based on currently budgeted levels of expenditure and including certain forecast milestone receipts.

This cash runway and the need for further funding beyond this leads to a material uncertainty regarding going concern, which is discussed in detail on page 53 of the financial statements.

Revenue

During the year, the Group continued to derive revenue from the outlicensing agreement with AstraZeneca (via milestone payments) and both the research collaboration with, and provision of research and preclinical development services to, Jazz Pharmaceuticals. Milestone income from AstraZeneca is recognised as received as it relates to contingent consideration on the license previously granted.

Operational Review continued

In accordance with IFRS 15 "Revenue from Contracts with Customers", the funds received in advance for the collaboration agreement with Jazz Pharmaceuticals are recognised as revenue as the obligations under the contract are performed (being predominantly the underlying development services). The stage of completeness of the Jazz collaboration is assessed at each reporting date, and revenue recognised based on the percentage of total expected costs incurred to date. The expected timing of further recognition is detailed in note 16. Revenue from other research agreements is invoiced and recognised as the work is undertaken.

Cost management

Operating expenses continue to be tightly controlled in the context of an expanding research organisation and programmes progressing through more cost intensive clinical stages.

Finance costs

Finance costs have risen considerably as a consequence of the charging of a full years "effective interest" (calculated in valuing the lease liability and convertible loan note liability under IFRS), on the convertible loan notes in the current financial year (2020: 2 months). This has been partially offset by the removal of interest charges on the earlier loans from Moulton Goodies Ltd and Redmile in 2020.

There was no actual interest paid in 2021 (2020: £0.4m).

Cash flows

Overall positive net cash flow for the year was £2.0m (2020: £23.8m). See KPI's (page 13) for details.

Taxation

The acquisition of a significant proportion of the Group's shares by Redmile has meant that the SME tax status previously enjoyed is no longer applicable. The Group has therefore prepared these financial statements on the basis that going forward it will be claiming Research and Development expenditure credits rather than R&D tax credits. Claims for prior years are not affected, and every effort will be made to ensure that the Group receives the maximum amounts to which it is entitled.

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 2021 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.

Revenue from licensing and collaboration deals is dependent on future progression of programmes through development and into the market. Once these programmes transfer to a partner for progression, there is a risk that a licensing deal may not deliver all the indicated milestones and terms due to product failure or a partner de-prioritising a product.

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades

becomes insolvent, this could have an adverse impact on the revenues and profitability of 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 agencies;
- a limited number of, and competition for, suitable patients with particular types of cancer for enrolment in our clinical trials;
- delays or failures in obtaining regulatory approval to commence a clinical trial;
- delays or failures in obtaining sufficient clinical materials;
- delays or failures in obtaining approval from independent institutional review boards to conduct a clinical trial at prospective sites; or
- delays or failures in reaching acceptable clinical trial agreement terms or clinical trial protocols with prospective sites.

The completion of the Group's clinical trials could be substantially delayed or prevented by several factors, including:

- delays or failures to raise additional funding;
- slower than expected rates of patient recruitment and enrolment (including delays arising from COVID-19);
- 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;
- inability to monitor patients adequately during or after treatment; or
- the insolvency of a significant partner or sub-contractor in the running of the clinical trial.

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, so that it can stop others from making, using or selling its inventions or proprietary rights. The Group owns a portfolio of patents and patent applications and is the authorised licensee of other patents and patent applications.

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.

Operational Review continued

Legal standards relating to patents covering pharmaceutical or biotechnological inventions and the scope of claims made under these patents are continuously evolving. The policy regarding the breadth of claims allowed in biotechnology and pharmaceutical patents is subject to changes as the law evolves. The Group's patent position is therefore highly uncertain and involves complex legal and factual issues.

Information Technology (IT) & Assets

The Group depends on the performance, reliability and availability of its plant, equipment and information technology systems. Any damage or unauthorised access to, or failure of, its equipment and/or systems could result in disruptions to the Group's operations. The Group's security and disaster recovery plans (which are currently in place for financial systems and IT systems) may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group's business, financial position or prospects.

Financial

The Group has incurred significant losses in previous years, and does not currently have any approved or marketed products although it periodically generates revenue through asset sales, outlicensing and collaborations. 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, including share options, 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.

United Kingdom's exit from the European Union

Following the United Kingdom's exit from the European Union on 31 January 2020 ("Brexit") and the completion of the transition period, there are still many uncertainties regarding the United Kingdom's future relationship with the EU which could have a significant negative impact on the Group. The extent of the impact will depend in part on the arrangements now in place between the UK and the EU and the extent to which the UK continues to apply laws that are based on EU legislation from 1 January 2021. In addition, the macroeconomic effect of Brexit on the Group's business is unknown. As such, it is not yet possible to state the impact that Brexit will have on the Group.

It could also potentially make it more difficult for the Group to operate its business in the EU as a result of more burdensome regulations being imposed on UK companies (such as changes in applicable legislation affecting the regulatory pathway of the Group's products, both in Europe and in the UK). This could restrict the Group's future prospects and adversely impact its financial condition.

COVID-19

The global economic outlook is facing uncertainty due to the current COVID-19 pandemic, which has been having, and will likely continue to have, a significant impact on global capital markets, commodity prices and foreign exchange.

To date, beyond the six -month delay in trial recruitment to RXC004, the COVID-19 pandemic has not had any direct material impact on the Group's ability to operate. However, any infections occurring on the Group's premises could result in the Group's operations being suspended, which may have an adverse impact on the Group's operations as well as adverse implications on the Group's future cash flows, profitability and financial condition. Supply chain disruptions resulting from the COVID-19 pandemic and measures implemented by governmental authorities around the world to limit the transmission of the virus (such as travel bans and quarantining) may, in addition to the general level of economic uncertainty

caused by the COVID-19 pandemic, also adversely impact the Group's operations, financial position and prospects. The Group has implemented a COVID-19 mitigation plan in order to minimise the risk of infection for individuals and will continue to review and update its COVID-19 mitigation plan and update its plan based on the latest guidance from health professionals and the government as the situation develops.

The Board continually monitors these risks and uncertainties via regular reviews of its Risk Register and takes corrective action if considered necessary.

This report was approved by the Board on 26 January 2022 and signed on its behalf by

Lisa Anson
Chief Executive Officer

Governance

Introduction

It is the Chair'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 Corporate Governance statement is set out on page 29.

The Board comprises seven Directors: an independent Non-Executive Chair, one full time Executive Director and five Non-Executive Directors (three being independent, with Dr Thomas Burt representing Sofinnova Crossover 1 SLP and Mrs. Natalie Berner representing Redmile Group), reflecting a blend of different experiences and backgrounds. The function of the Chair 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 meets regularly to review, formulate and approve the Group's strategy, budgets and 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 meets on a regular basis and at least twice a year, and are both chaired by independent Non-Executive Directors. 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

Dr Jane Griffiths

(Chair – appointed 1 December 2021)

Jane has enjoyed a long and successful career in the pharmaceutical sector at Johnson & Johnson. During her tenure there she held executive roles in clinical research, international and strategic marketing, product management and operational management. In her last role before retiring in December 2019, Jane was Global Head of Actelion, where she led the integration of the Swiss biotech business following its acquisition by Johnson & Johnson. Prior to that Jane had been Company Group Chair of Janssen EMEA, the group's research based pharmaceutical arm. During her time with Johnson & Johnson, Jane led its Corporate Citizen Trust in EMEA and sponsored its Women's Leadership Initiative. Jane was also sponsor of Janssen's Global Pharmaceuticals Sustainability Council.

Currently, Jane is a Non-Executive Director of the FTSE 100 companies, Johnson Matthey plc, and BAE Systems plc, and is a member of the board of directors of TB Alliance, a not-for-profit organisation dedicated to the delivery of affordable tuberculosis drugs. She also sits on the advisory board of the PE company Inflexion. Jane is a past Chair of the Executive committee of the European Federation of Pharmaceutical Industries and Associations, past Chairwoman of the PhRMA Europe Committee and a former member of the Corporate Advisory Board of the UK Government backed 'Your Life' campaign, aimed at encouraging more people to study STEM subjects.

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 with Redx. 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 UK Bio Industry Association (BIA).

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 in 2019 was asked to become Chairman of the Governance and Finance 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 GeneQuine Biotherapeutics and a board member of BioMedX, Enlivex Therapeutics, Amarna Therapeutics as well as an advisor to the board of KAHR Medical.

Board of Directors continued

Mrs Sarah Gordon Wild

(Independent Non-Executive Director)

Sarah joined Redx as a Non-Executive Director on 1st July 2020. She brings extensive investment experience in the biotechnology sector to her role at Redx. She currently also serves as a Non-Executive Director of Oxford Nanopore Technologies and Evox Therapeutics, as well as being a Board Member of Lone Pine Capital LLC's Offshore Funds.

Between 1998-2003 Sarah was Managing Director, Management Committee Member and Senior Healthcare Analyst at Lone Pine Capital LLC. Before this, for over 15 years, Sarah was a senior biotechnology/healthcare analyst on Wall Street at Amerindo Investments Advisors and Hambrecht & Quist and in London at the brokerage firms Kleinwort Grieveson and Greig Middleton. She graduated from Aberdeen University with a BSc (Hons) in Zoology and with an MSc from Imperial College, London in Social & Economic Aspects of Science and Technology in Industry.

Dr Thomas Burt

(Non-Executive Director)

Tom joined Redx as a Non-Executive Director on 4th August 2020. He has been a Partner in the Crossover fund at Sofinnova Partners since its inception in 2017. Prior to this, he was a Research Analyst covering UK healthcare and life science equities at Peel Hunt, joining in 2015 after six years as an Investment Director at specialist life science investors, Ares Life Sciences and Novo Holdings. Before this, he spent four years in the Healthcare Investment Banking team at Piper Sandler & Co. Tom holds an Engineering Doctorate from UCL in Biochemical Engineering & Bioprocess Leadership, an MSc in Biochemical Engineering and a BSc in Biotechnology.

Mrs Natalie Berner

(Non-Executive Director)

Natalie joined Redx as a Non-Executive Director on 18th May 2021 and brings extensive experience in the healthcare sector to the Board. She is a Managing Director focusing on Therapeutics at Redmile, which she joined in 2016. Prior to Redmile, Natalie was a Research Associate at the New York University School of Medicine. Natalie received a BA in Community Health from Brown University and a Certificate in Premedical Sciences from Columbia University.

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 2021. The Corporate Governance Statement on pages 29 to 34 and the governance section on page 19 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
Mrs Lisa Anson
Dr James Mead – resigned 2 March 2021

Non-Executive
Dr Jane Griffiths – appointed 1 December 2021
Mr Iain Ross – resigned 31 May 2021
Dr Bernhard Kirschbaum
Mr Peter Presland
Mrs Sarah Gordon Wild
Dr Thomas Burt
Mrs Natalie Berner – appointed 18 May 2021

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

Principal activities of the Group and Company

Details of current and future trading as well as the principal risks and uncertainties are included in the Strategic Report on pages 3 to 17.

Business review

The Strategic Report on pages 3 to 17 provides a review of the business, the Group's trading for the year ended 30 September 2021, 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 £21.5m (2020: £9.2m). The Directors do not recommend the payment of a dividend. (2020: £nil).

Financial instruments

Information regarding financial instruments can be found in note 19.

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 the Companies Act 2006, section 414C (11) to set out in the Company's strategic report on pages 3 to 17 information required to be contained in the Directors' Report by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report.

Going concern

The Board have adopted the going concern basis in preparing these accounts after assessing the Group's cash flow forecasts and principal risks.

At September 30, 2021 the Group held £29.6 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £21.5 million for the year ended September 30, 2021 and an accumulated deficit of £64.2 million. Operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programs within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £2.0 million for the year ended September 30, 2021 primarily from the proceeds of the placing and open offer in December 2020, in which the Group closed the sale of 45,833,641 Ordinary shares, resulting in gross proceeds of £25.7 million. As at December 31, 2021, the Group held sufficient cash and cash equivalents to provide a cash runway through to January 31, 2023 at currently budgeted levels of expenditure and including certain forecast milestone receipts.

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to January 31, 2023 (the going concern period). Accounting standards require that the review period covers at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. Under its base case, the Group plans to raise significant further finance within the next 12 months, either from existing or new investors. Further funding is required under the Board's plans to continue to develop its product candidates and conduct clinical trials. Given these plans and requirements, a review period of 12 months is considered appropriate and the Group and Company plan to raise further funding within this period to continue with its current strategy.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. Raising further capital is outside the control of the directors. Accordingly, the downside risks include a severe but plausible scenario where external fund raising is not successful and is coupled with underperformance against the business plan. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. Even if its mitigating actions are successful, the Group and Company will need to raise further capital.

Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors represents a material uncertainty regarding the Group's ability to continue as a going concern.

Notwithstanding the existence of the material uncertainty, the Board believes that the adoption of the going concern basis of accounting is appropriate for the following reasons:

- based on plans and discussions with its advisors and investors the directors have an expectation that further funding will be obtained.
- the Group has a track record and reasonable near-term visibility of meeting expectations under its collaboration agreements and receiving the associated milestone payments.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend, as necessary.

While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful now or in the future. If the Group is unable to secure the planned additional financing, it may not be able to generate sufficient cash flows to support its current level of activities beyond the going concern period. In the event financing is not obtained, the Group will need to consider

- new commercial relationships to help fund future clinical trial costs (i.e., licensing and partnerships); and/or
- reducing and/or deferring discretionary spending on one or more research and development programs; and/or
- restructuring operations to change its overhead structure.

The Group's future liquidity needs, and ability to address those needs, will largely be determined by the success of its product candidates and key development and regulatory events and its decisions in the future. Such decisions could have a negative impact on the Group's business operations and financial condition.

Directors' Report continued

The accompanying consolidated financial statements do not include any adjustments that would be required if they were not prepared on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Group will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Post year end events

See note 26 to the Consolidated Financial Statements.

Independent Auditor

Following the conclusion of a competitive tender process led by the Company's Audit Committee, Ernst & Young LLP were appointed on 3 June 2021 as the Company's Auditor for the financial year ending 30 September 2021.

A resolution to appoint Ernst & Young as Auditor for the subsequent financial year 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

26 January 2022

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

Company registration number: 07368089

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS"), and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). 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 and the company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and in respect of the parent company financial statements, Section 10 of FRS 102 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements, FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether *applicable UK Accounting Standards, including FRS 102,* have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union), give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the

Directors' Responsibilities Statement continued

consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Lisa Anson
Chief Executive Officer

Corporate Governance Statement

The Board believes in the importance of good 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 and complied with 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 development and commercialisation of novel medicines for indications for which there are no existing or only inadequate therapies. The Group's current focus continues to be 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 3 to 17 are appropriate given the stage of development of the business. The Board also 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 three changes to the composition of the Board during the year. James Mead resigned as a Director on 2 March 2021, and Iain Ross resigned as a Director on 31 May 2021. Natalie Berner was appointed as an Non-Executive Director on 18 May 2021, representing Redmile Group, and is therefore not considered to be independent. All other Directors remained throughout the period under review. Post year end, Dr Jane Griffiths was appointed as an independent Non-Executive Director on 1 December 2021.

As of the date of this Report the Board comprises seven Directors in total: an independent Non-Executive Chair, one Executive Director and five Non-Executive Directors (three 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 20 to 23. The experience and knowledge of each of the Directors give them the ability to challenge strategy constructively and to scrutinize performance.

The Board is responsible to the shareholders for the proper management of the Group and meets typically six-weekly to set the overall direction and strategy of the Group, to review scientific, operational and financial performance, and to advise on management appointments. Whilst, as a result of restrictions caused by COVID-19 measures, the majority of these meetings have been held virtually via video conferencing, there has been no reduction in their frequency, nor, in the opinion of the Board, their effectiveness. 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 meetings attended by each Director can be found on page 31.

Corporate Governance Statement continued

There is a clear separation of the roles of Chief Executive Officer (CEO) and Non-Executive Chair. The Chair 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 Chair 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 Dr Bernhard Kirschbaum, Mr Peter Presland and Mrs Sarah Gordon Wild 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 had 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; and
- do not hold a significant shareholding or represent any shareholder.

Whilst share options have been granted to the independent Non-Executive Directors during the year, these are not considered to be material in affecting their independence.

Dr Thomas Burt represents Sofinnova Crossover 1 SLP on the Board of Directors under the terms of a share subscription agreement, and is therefore not considered to be independent. Ms Natalie Berner represents Redmile Group on the Board of Directors and is similarly not considered to be independent.

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 a whole by written briefings and meetings with senior executives. Directors are also advised on appointment of their legal and other duties and obligations as a Director of an AIM-Listed company both in writing and in face-to-face meetings with the Company Secretary and Nominated Adviser ("NOMAD").

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

Board Committees

The Board does not maintain a separate Nominations Committee or 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

Mr Peter Presland, Dr Bernd Kirschbaum and Mrs Sarah Gordon Wild remained as members of the Audit, Risk & Disclosure Committee throughout the period under review. Mr Peter Presland is the Chairman of the committee. During the period from 31 May 2021 to 1 December 2021, Mr Peter Presland also served as Non-Executive Interim Chairman of the Company. The Board believes it remained appropriate for him to remain as Chair of the Audit Committee during this time due to the temporary nature of the interim appointment and his financial expertise. 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; and
- 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 to review the interim Financial Statements. In addition, it conducted a tendering process with regard to the provision of independent audit services to the Group, and on 3 June 2021, recommended the appointment of Ernst & Young LLP to the position.

Remuneration Committee

Dr Bernd Kirschbaum, Mr Peter Presland and Mrs Sarah Gordon Wild remained as members of the Remuneration Committee throughout the period under review. Dr Bernd Kirschbaum is the Chairman of the Remuneration Committee. The responsibilities of the Committee include the following:

- Determining and agreeing with the Board 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; and
- 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 Directors and Chair.

The Directors' Remuneration Report is presented on pages 35 to 37.

Attendance at meetings

The Board meets regularly on a six-weekly 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	9/10			Resigned 31 May 2021
Mrs Lisa Anson	15/15			
Dr James Mead	7/7			Resigned 2 March 2021
Dr Bernd Kirschbaum	15/15	4/4	7/7	
Mr Peter Presland	15/15	4/4	7/7	
Mrs Sarah Gordon Wild	15/15	4/4	7/7	
Dr Thomas Burt	15/15			
Mrs Natalie Berner	6/6			Appointed 18 May 2021

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.

Corporate Governance Statement continued

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 controls 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 significant transactions by the Chief Financial Officer and Chief Executive Officer at monthly review meetings.

The Independent Auditor does not perform a comprehensive review or audit 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 controls, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

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

Board effectiveness and performance evaluation

The Redx 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 Chair 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 that of its committees) and the performance of its individual Directors. During the review, the Chair undertook a formal discussion with each of the Directors regarding the performance of the Board and its committees and the other Directors' own individual contributions and performance to the effectiveness of the Board. In preparation, the Chair solicited the views of the other Directors, including the completion by each Director of a confidential questionnaire.

Whilst Executive officers other than the CEO are not members of the Board, they attend and contribute to all Board meetings.

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 Chair 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 Chair shared his observations and any actions arising, where appropriate, with the other 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 Chair reviews her performance on behalf of the Board. The Chief Executive Officer reviews the performance of any other Executive Director. The Executive Directors and the other Non-Executive Directors are responsible for evaluating the performance of the Chairman.

Following the 2021 evaluation process, the Company considers that the Board and its individual members continue to perform effectively, that the Chair performs their role appropriately and that the process for evaluation of his performance has been conducted in a professional and rigorous manner. Actions the Board intends to focus upon and where necessary strengthen in the next 12 months were identified as follows:

- **Contingency Planning** - In light of the recent COVID-19 pandemic and the ramifications thereof, it was agreed that in such circumstances the Board and its Committees should pro-actively consider, review and assess contingency scenarios on a regular basis.
- **Strategy** - as the Company's intention is to expand its assets and capabilities it was agreed that more emphasis at Board meetings should be put on strategic discussions and risk analysis and that in addition an Annual Strategy session for the Board should be held in addition to regular Board meetings.

Corporate Governance Statement continued

- **Succession Planning** - as the Company expands it was agreed that the Board needs to formalise its approach to Board and management succession planning in terms of skills, geography and diversity.

Corporate social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interests 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 Chair 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 Mr Iain Ross (prior to resignation), Mr Peter Presland and/or Mrs Lisa Anson have had meetings and/or calls with the majority of institutional and high net worth shareholders and during the period there have been several shareholder briefing sessions involving Directors and senior managers.

Normally, shareholders are welcome to attend the Group's AGM, where they have the opportunity to meet the Board. Due to the restrictions surrounding COVID-19 measures, shareholder meetings have been conducted as closed meetings. However, all shareholders will have at least 21 days' notice of the AGM and are encouraged to vote by proxy. The Board is committed to continued engagement with its shareholders, and contact details can be found on the website.

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 10 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 the Corporate Governance Code for small and mid-sized companies can be found on our website, www.redxpharma.com

Peter Presland - Interim Chair of the Board of Directors – to 30 November 2021

Dr Jane Griffiths - Chair of the Board of Directors – from 1 December 2021

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 2020/21 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, set annually in advance by the Remuneration Committee, and personal performance objectives.

The Remuneration Committee 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 and retain the Executive Directors and employees, and align their interests with those of 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 37. Certain of the options as detailed below have performance conditions relating to the vesting of these options based on scientific, clinical and commercial milestones. The remaining options have 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 contract of the Executive Director is approved by the Board. The service contract may be terminated by either party giving notice to the other. The details of the Director's contract are summarised below:

	Date of Contract	Notice period
Lisa Anson	1 June 2018	6 months

Mrs Lisa Anson was appointed CEO and an Executive Director on 1 June 2018. She is paid £340,000 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. No remuneration is paid to Non-Executive Directors who are not considered to be independent.

The Non-Executive Directors have not received any pension, bonus, or benefits from the Group. Their Letters of Appointment are reviewed by the Board annually.

Directors' Remuneration Report continued

Directors' remuneration

The Directors received the following remuneration during the year:

	Salaries, bonuses and fees £	Pension contrib's £	Share based payments £	Total 2020/21 £	Salaries, bonuses and fees £	Pension contrib's £	Share based payments £	Total 2019/20 £
Executive								
L Anson	615,297	29,438	1,413,587	2,058,322	481,133	27,241	110,733	619,107
Dr J Mead[1]	129,435	3,236	78,238	210,909	188,500	7,431	41,723	237,654
Non-Executive								
P. Presland[2]	58,333	-	16,078	74,411	45,000	-	-	45,000
Dr B Kirschbaum	46,000	-	16,078	62,078	46,000	-	-	46,000
S Gordon Wild[3]	40,000	-	16,078	56,078	10,000	-	-	10,000
I. Ross[4]	53,333	-	-	53,333	80,000	-	-	80,000
Dr T Burt[5]	-	-	-	-	-	-	-	-
N. Berner[6]	-	-	-	-	-	-	-	-
	942,398	32,674	1,540,059	2,515,131	850,633	34,672	152,456	1,037,761

[1]Dr J. Mead resigned as a Director on 2 March 2021.
[2]P. Presland was appointed as interim Chairman on 31 May 2021.
[3]S. Gordon Wild was appointed as a Director on 1 July 2020.
[4]I. Ross resigned as a Director on 31 May 2021.
[5]Dr T. Burt was appointed as a Director on 4 August 2020 under the terms of the subscription agreement with Sofinnova Crossover 1 SLP, he is considered to be a non-independent Director and receives no remuneration.
[6]N. Berner was appointed as a Director on 18 May 2021, she represents Redmile Group and is considered to be a non-independent Director and receives no remuneration.

Share based payments remuneration represents the relevant proportion for each Director of the total charge to Comprehensive Income made in the year.

Dr Burt and Mrs Berner 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 2021	At 1 October 2020
Executive		
L Anson	129,284	-
Dr J Mead	-	-
Non-Executive		
S Gordon Wild	892,858	-
P Presland	146,225	118,849
Dr B Kirschbaum	-	-
I Ross	-	215,870

Executive Directors share options

Of the options granted, a number have performance conditions relating to the vesting of these options based on scientific, clinical and commercial milestones. There are no performance conditions attached to the vesting of the remaining options other than service conditions.

Non-Executive Directors share options

During the year, the Board agreed to the adoption of the Redx Pharma plc Directors Share Option Scheme, and options were granted to Independent Non-Executive Directors. There are no performance conditions attached to the vesting of the options other than service conditions.

Details of the options are as follows:

Director	Date of grant	At 1 October 2020	Granted during the period	At 30 September 2021	Price per share (p)	Date from which exercisable	Expiry date
Executive							
L Anson	1-Jul-20	1,000,000		1,000,000	15.5	1-Jul-21	1-Jul-30
	1-Jul-20	1,000,000		1,000,000	15.5	1-Jul-22	1-Jul-30
	1-Jul-20	1,000,000		1,000,000	15.5	1-Jul-23	1-Jul-30
	1-Jul-20	*5,300,000		*5,300,000	15.5	1-Jul-23	1-Jul-30
	2-Dec-20	-	451,145	451,145	56	2-Dec-21	2-Dec-30
	2-Dec-20	-	451,145	451,145	56	2-Dec-22	2-Dec-30
	2-Dec-20	-	451,144	451,144	56	2-Dec-23	2-Dec-30
	2-Dec-20	-	*2,030,152	*2,030,152	56	2-Dec-23	2-Dec-30
		8,300,000	3,383,586	11,683,586			
*vesting subject to performance conditions							
Non-Executive							
P Presland	1-Jul-21	-	66,666	66,666	61.5	1-Jul-2022	1-Jul-31
	1-Jul-21	-	66,667	66,667	61.5	1-Jul-2023	1-Jul-31
	1-Jul-21	-	66,667	66,667	61.5	1-Jul-2024	1-Jul-31
		-	200,000	200,000			
Dr B Kirschbaum	1-Jul-21	-	66,666	66,666	61.5	1-Jul-2022	1-Jul-31
	1-Jul-21	-	66,667	66,667	61.5	1-Jul-2023	1-Jul-31
	1-Jul-21	-	66,667	66,667	61.5	1-Jul-2024	1-Jul-31
		-	200,000	200,000			
S Gordon Wild	1-Jul-21	-	66,666	66,666	61.5	1-Jul-2022	1-Jul-31
	1-Jul-21	-	66,667	66,667	61.5	1-Jul-2023	1-Jul-31
	1-Jul-21	-	66,667	66,667	61.5	1-Jul-2024	1-Jul-31
		-	200,000	200,000			

Dr Bernd Kirschbaum
Chairman of the Remuneration Committee

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

Opinion

In our opinion:

- Redx Pharma plc's group financial statements and parent company financial statements (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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

We have audited the financial statements of Redx Pharma plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2021 which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 September 2021	Statement of financial position as at 30 September 2021
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 14 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 26 to the 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 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 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 in relation to going concern

We draw attention to the accounting policies note in the financial statements, which indicates the group and parent company need to raise further capital from either existing or new investors within the next 12 months or shortly thereafter. The group's ability to raise further funding is uncertain which, along with the other matters as set forth in the accounting policies note, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the group's financial close process, we confirmed our understanding of management's going concern assessment process and also performed our own risk assessment over going concern to ensure the management assessment was appropriate.
- We checked the mathematical integrity of management's going concern assessment, including the cash forecast for the going concern period which covers a period to 31 January 2023 (the going concern review period).
- We assessed whether the group had modelled sufficiently severe downside scenarios in their cash forecasts which included where further external funding is not obtained within 12 months and mitigating actions are taken to preserve cash necessary to extend the group's liquidity to the end of the going concern review period.
- We considered the appropriateness of the methods used to calculate the cash forecasts and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the entity.
- We considered the mitigating factors included in the cash forecasts that are within control of the group. This includes review of the group's non-operating cash outflows and evaluating the group's ability to control these outflows as mitigating actions if required.
- We reviewed the group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have identified a material uncertainty relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 January 2023 as described above and in the accounting policies note to the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's or group's ability to continue as a going concern.

Going concern has been determined to be a key audit matter.

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

Overview of our audit approach	
Audit scope	• We performed an audit of the complete financial information of three components and audit procedures on specific balances for a further one component. • The components where we performed full or specific audit procedures accounted for 99% of Loss before tax, 99% of Operating expenses and 100% of Total assets.
Key audit matters	**Group** • Revenue recognition on long-term contracts • Research and development contract accrued expenses • Convertible loan accounting • Going concern **Parent company** • Recoverability of investments in subsidiaries and intercompany receivables
Materiality	• Overall group materiality of £560,000 which represents 2% of Operating expenses (excluding share based payments).

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and changes in the business environment.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the five reporting components of the Group, we selected four components covering entities within the United Kingdom and United States, which represent the principal business units within the Group.

Of the four components selected, we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining specific scope components, we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% of the Group's Loss before tax, 99% of the Group's Operating expenses and 100% of the Group's Total assets. The full scope components contributed 99% of the Group's Loss before tax, 99% of the Group's Operating expenses and 98% of the Group's Total assets. The specific scope component contributed less than 1% of the Group's Loss before tax and Operating expenses and 2% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Changes from the prior year

This is the first year as the group auditor having been appointed in June 2021.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition on long-term contracts (2021: £2,751k; 2020: £516k) For the fiscal year ended 30 September 2021, revenue from the group's long term research collaboration contract amounted to £2,751k. As at 30 September 2021, related contract liabilities, representing deferred revenue, amounted to £4,318k. Revenue recorded in respect of long term contracts is significant and requires estimates of total contract costs and the transaction price, as disclosed in the accounting policies note of the consolidated financial statements. We believe that the measurement of revenue and related contract assets and liabilities on the group's long-term research collaboration contract is a key audit matter, because of the degree of required estimates and judgments which significantly impact the determination of the extent of progress towards completion. Key judgments and estimates related to contract costs at completion are forecasts for labour hours and costs, consumables, specific costs, and the probability of additional costs from delays.	As part of our audit, we obtained an understanding of the Group's controls for managing and monitoring its long-term contract. More specifically, we assessed the design and operating effectiveness of internal controls related to the measurement of revenues and costs and the stage of completion. In auditing the contract, we • Obtained an understanding of contract performance through discussion with project managers; • Examined the terms and conditions of the contract and assessed management's proposed accounting treatment of the contract with reference to IFRS 15, Revenue; • Performed inquiries of project managers with respect to the reasons for deviations between planned and actual costs, and corroborated such information by comparing to other available information; • Assessed, through discussions with project managers, the past performance of the contract to determine the accuracy of management's forecasting;	Based on the procedures performed, we concluded that the revenue recorded on the group's long term contract for the year ended 30 September 2021 is materially correct.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Key judgments and estimates related to the transaction price relate to the achievement of future milestones not yet achieved which are considered to be highly probable by management. We have determined the risk of improper estimation of costs and related misstatement of revenue recorded is a fraud and significant risk.	• Assessed the inclusion of certain forecast milestones in the contract price by comparing the basis for their inclusion against historical scientific records. • Recalculated stage of completion of the contract based on costs incurred to date and estimated total costs; • Evaluated the information presented in notes 2 and 16 of the notes to the consolidated financial statements.	
Convertible loan accounting (2021: £14,247k; 2020: £16,758k) In the period, the note holders converted a proportion of convertible loan notes into ordinary shares. A proportion of the liability at the date of conversion is derecognised and is recognised as equity. No gain or loss on conversion has been recorded. The partial conversion of the loan note in period represents a significant transaction for which the accounting treatment is complex. The presentation and disclosure of equity amounts is subject to judgement.	We understood and recorded the process over the group's accounting for the partial conversion. We challenged management's proposed accounting treatment and analysis prepared to determine if it is in accordance with IFRS which included consultation with our technical accounting group. We read and inspected underlying agreements to substantiate the accounting treatment proposed by management and obtained external confirmation of the principal converted and other key terms impacting the accounting entries. We performed an independent recalculation of the expected liability and entries to be recorded on conversion.	Based on the procedures we performed and after consideration of adjustments identified by us and recorded by management, we consider the carrying amount of the remaining convertible loan note and the amounts transferred to equity to be fairly stated.
Research and development contract accrued expenses (2021: £634k; 2020: £nil) Certain of the Group's R&D expenses paid to Contract Research Organisations (CROs) require estimation. The related accruals and any prepayments include estimates of the amount of work performed by third parties as at the period end. There is a risk that estimates made by management in respect of the level of service rendered at period end are incorrect.	We performed full scope audit procedures over this risk area in two locations, which covered 100% of the risk amount. We obtained an understanding, of the design effectiveness of controls in place over the Group's process to record costs of R&D contracts.	Based on procedures performed, R&D contract costs, including accrued balances, are fairly stated.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
We have determined the risk of improper estimation and recording of accrued expenses incurred related to research and development expenses that have not yet been invoiced or paid is a significant risk.	Our audit procedures, among others, included: • reviewing the disclosures made in the annual report and the group's press releases on the progress of clinical trials to help inform our work on assessing the completeness of CRO costs. • making inquiries of internal clinical personnel outside of finance to understand the status and progress related to all ongoing and expected clinical trials and to corroborate assumptions used in management estimates. • inspecting correspondence between the Group and the third parties involved in the clinical trials as to specific services rendered through the balance sheet date. • performing a test of detail by obtaining a sample of underlying invoices received during the year and agreeing to the Group's analysis. We also inspected vendor invoices received subsequent to year-end and compared to the Group's accruals for completeness. • obtaining external confirmations from the Group's key vendors, and compared total spend as reported by the vendors to the amount recorded by the Group.	
Recoverability of investments in subsidiaries and intercompany receivables At the 30 September 2021, the carrying value of investments in subsidiary undertakings amounted to £653k (2020: £411k), and amounts due from group undertakings amounted to £42,636k (2020: £19,513k) in the Company Statement of Financial Position.	We understood and recorded the process over the Company's assessment of the carrying value of investments and receivable balances. We obtained management's impairment reviews and underlying calculations prepared to support the carrying value of the Company's assets. We tested the integrity of management's calculations and reconciled inputs to the general ledger.	No impairment of amounts due from subsidiaries was identified by management. We concurred with the management's assessment. We are satisfied that the disclosures in the Annual Report and financial statements are appropriate.

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The subsidiary undertakings are currently, and have been historically, loss making. As a consequence, there is a significant risk that the investments or related receivables are impaired and need to be written down.	We reviewed the forecasts and challenged the assumptions therein and considered whether they were consistent with our understanding of the business of the group and its future strategic plans. We compared the results of the calculations prepared by management to the market capitalisation of the group to determine if the results were reasonable. We assessed the completeness and appropriateness of management's disclosures in the Parent company's financial statements in accordance with FRS 102.	

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £560,000, which is approximately 2% of Operating expenses (excluding share based payment charges). We believe that operating expenses provides us with an appropriate basis considering the group is loss making and generates only modest revenues such that common earnings-based measures are not appropriate to determine materiality as these would result in an amount that does not appropriately reflect what we believe users of the financial statements would consider important. Considering the fact that the group incurs operating expenses, associated primarily with research and development which are financed by equity contributions from its investors, we believe that an activity-based measure is a more appropriate basis for determining materiality. We determined materiality for the Parent Company to be £149,000, which is 2% of operating expenses (excluding share based payments).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £280,000 (Parent company: £148,000). We have set performance materiality at this percentage due to the fact that this is our first year as auditor of the group.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for

each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £209,000 to £84,000.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £28,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 37, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. 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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 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 its 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 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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 27, 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 and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

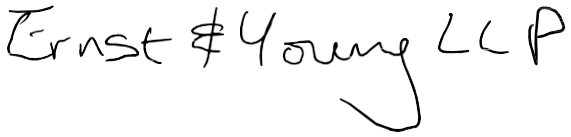
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (IFRS and UK GAAP), the Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which the company operates.
- We understood how Redx Pharma plc is complying with those frameworks by making enquiries of management and those responsible for legal and compliance, including external legal counsel. We corroborated these enquiries through our review of board meeting minutes. We assessed management's entity level controls to understand the company culture of honest and ethical behaviour, including the emphasis on fraud prevention.
- We assessed the susceptibility of the group's and parent company's financial statements to material misstatement, including how fraud might occur through our discussions with management through various parts of the business to understand where there is susceptibility for fraud. We also considered management performance targets and how these could influence any attempts to manage earnings. We also gained an understanding of internal controls designed by the company to prevent, deter and detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved testing journal entries, with an emphasis placed on manual journal entries recorded to revenue, obtaining independent confirmations to verify the existence of significant contracts and balances with third parties, and testing any other large or unusual transactions to gain reasonable assurance that the accounts were free from fraud and error. Furthermore, we performed procedures to conclude on the compliance of disclosures made in the annual report and accounts with all applicable requirements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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.



Adrian Bennett (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

26 January 2022

Financial Statements

Consolidated Statement of Comprehensive Loss

For the year ended 30 September 2021

	Note	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Continuing operations			
Revenue	2	10,035	5,685
Research and Development expenses	3	(24,445)	(10,460)
General and Administrative expenses	3	(6,455)	(4,238)
Other operating income	5	1,120	812
Loss from operations		**(19,745)**	**(8,201)**
Finance income	6	13	7
Finance costs	6	(1,711)	(974)
Loss before taxation		**(21,443)**	**(9,168)**
Income tax	7	(133)	(45)
Loss attributable to owners of Redx Pharma Plc		**(21,576)**	**(9,213)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange difference from translation of foreign operations		**29**	-
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(21,547)**	**(9,213)**
Loss per share			
From continuing operations			
Basic & diluted (pence)	8	(8.4)	(5.4)

Consolidated Statement of Financial Position

At 30 September 2021 Company No. 07368089

	Note	2021 £'000	As restated 2020 £'000	1 October 2019 £'000
Assets				
Non-current assets				
Property, plant and equipment	10	3,325	3,048	3,648
Intangible assets	11	405	411	417
Total non-current assets		**3,730**	**3,459**	**4,065**
Current assets				
Trade and other receivables	13	6,231	1,923	1,232
Current tax		32	32	871
Cash and cash equivalents	14	29,552	27,513	3,704
Total current assets		**35,815**	**29,468**	**5,807**
Total assets		**39,545**	**32,927**	**9,872**
Liabilities				
Current liabilities				
Trade and other payables	15	4,699	3,362	2,784
Contract liabilities	16	4,318	7,069	-
Borrowings		-	-	468
Lease liabilities	18	575	503	463
Derivative financial instrument		-	-	648
Provisions		-	-	306
Total current liabilities		**9,592**	**10,934**	**4,669**
Non-current liabilities				
Borrowings	17	14,247	16,758	-
Lease liabilities	18	2,574	3,209	3,712
Total liabilities		**26,413**	**30,901**	**8,381**
Net assets		**13,132**	**2,026**	**1,491**
Equity				
Share capital	21	2,753	1,952	1,265
Share premium	22	66,299	37,184	33,263
Share-based payment	22	4,752	1,191	1,104
Capital redemption reserve	22	1	1	1
Exchange translation reserve	22	29	-	-
Convertible note reserve	17	3,524	4,572	-
Retained deficit	22	(64,226)	(42,874)	(34,142)
Equity attributable to shareholders		**13,132**	**2,026**	**1,491**

The financial statements were approved and authorised for issue by the Board on 26 January 2022 and were signed on its behalf by

Lisa Anson
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 30 September 2021

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Exchange translation Reserve £'000	Convertible Note Reserve £'000	As restated Retained Deficit £'000	As restated Total Equity £'000
At 1 October 2019	**1,265**	**33,263**	**1,104**	**1**	**-**	**-**	**(34,142)**	**1,491**
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(9,213)	(9,213)
Transactions with owners of the Company								
Issue of ordinary shares	687	4,144	-	-	-	-	-	4,831
Transaction costs on issue of ordinary shares	-	(93)	-	-	-	-	-	(93)
Transaction costs on the conversion of loan instruments into ordinary shares	-	(130)	-	-	-	-	-	(130)
Recognition of equity element of convertible loan notes	-	-	-	-	-	4,815	-	4,815
Transaction costs on the issue of convertible loan notes	-	-	-	-	-	(243)	-	(243)
Share based compensation	-	-	568	-	-	-	-	568
Release of share options lapsed in the year	-	-	(481)	-	-	-	481	-
Movement in year	687	3,921	87	-	-	4,572	(8,732)	535
At 30 September 2020	**1,952**	**37,184**	**1,191**	**1**	**-**	**4,572**	**(42,874)**	**2,026**
Loss for the year	**-**	**-**	**-**	**-**		**-**	**(21,576)**	**(21,576)**
Other comprehensive income	**-**	**-**	**-**	**-**	**29**	**-**	**-**	**29**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**29**	**-**	**(21,576)**	**(21,547)**
Transactions with owners of the Company								
Issue of ordinary shares	**473**	**25,508**	**-**	**-**	**-**	**-**	**-**	**25,981**
Transaction costs on issue of ordinary shares	**-**	**(1,051)**	**-**	**-**	**-**	**-**	**-**	**(1,051)**
Partial conversion of the convertible loan notes	**328**	**4,658**	**-**	**-**	**-**	**(1,048)**	**-**	**3,938**
Share based compensation	**-**	**-**	**3,785**	**-**	**-**	**-**	**-**	**3,785**
Release of share options lapsed in the year	**-**	**-**	**(224)**	**-**	**-**	**-**	**224**	**-**
Movement in year	**801**	**29,115**	**3,561**	**-**	**29**	**(1,048)**	**(21,352)**	**11,106**
At 30 September 2021	**2,753**	**66,299**	**4,752**	**1**	**29**	**3,524**	**(64,226)**	**13,132**

Consolidated Statement of Cash Flows

For the year ended 30 September 2021

	Note	Year ended 30 September 2021 £'000	Year ended 30 September 2020 £'000
Net cash flows from operating activities			
Loss for the year		(21,576)	(9,213)
Adjustments for:			
Income tax		133	45
Finance costs		1,711	974
Finance income		(13)	(7)
Depreciation and amortisation		633	665
Share based compensation		3,785	568
Derivative financial instrument		-	(67)
Onerous lease provision		-	(6)
Profit on disposal of assets		-	(4)
Movements in working capital			
Increase in trade and other receivables		(4,651)	(905)
(Decrease)/increase in trade and other payables and contract liabilities		(1,414)	7,330
Cash used in operations		**(21,392)**	**(620)**
Tax credit received		-	1,008
Interest received		13	7
Net cash (used in) / generated by operations		**(21,379)**	**395**
Cash flows from investing activities			
Sale of property, plant and equipment		-	4
Purchase of property, plant and equipment		(754)	(59)
Net cash used in investing activities		**(754)**	**(55)**
Cash flows from financing activities			
Proceeds of share issues		25,980	2,099
Share issue costs		(1,051)	(223)
Short term loan		-	5,000
Loan notes issued		-	23,680
Loan note costs		-	(1,117)
Repayment of short term loan		-	(5,000)
Payment of lease liabilities		(786)	(788)
Interest paid		-	(182)
Net cash generated by financing activities		**24,143**	**23,469**
Net increase in cash and cash equivalents		**2,010**	**23,809**
Cash and cash equivalents at beginning of the year		27,513	3,704
Foreign exchange difference		29	-
Cash and cash equivalents at end of the year	14	**29,552**	**27,513**

Notes to the Financial Statements

For the year ended 30 September 2021

Accounting Policies

General information

Redx Pharma Plc ("Redx" or "the Company") is a public company limited by shares incorporated in England and Wales as Redx Pharma Ltd on 7 September 2010, and domiciled in the UK. The registered office is located at Block 33, Mereside, Alderley Park, Macclesfield, SK10 4TG. Redx shares are listed on AIM, a market operated by The London Stock Exchange. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The principal activity of the Group is drug discovery, pre-clinical development and licensing.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006. They were authorised for issue by the Company's Board of Directors on 26 January 2022.

The consolidated financial statements are presented in GBP, which is the Group's presentational currency, and all values are rounded to the nearest thousand (£000) except where indicated otherwise.

Going concern

The Board have adopted the going concern basis in preparing these accounts after assessing the Group's cash flow forecasts and principal risks.

At September 30, 2021 the Group held £29.6 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £21.5 million for the year ended September 30, 2021 and an accumulated deficit of £64.2 million. Operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programs within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £2.0 million for the year ended September 30, 2021 primarily from the proceeds of the placing and open offer in December 2020, in which the Group closed the sale of 45,833,641 Ordinary shares, resulting in gross proceeds of £25.7 million. As at December 31, 2021, the Group held sufficient cash and cash equivalents to provide a cash runway through to January 31, 2023 at currently budgeted levels of expenditure and including certain forecast milestone receipts.

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to January 31, 2023 (the going concern period). Accounting standards require that the review period covers at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. Under its base case, the Group plans to raise significant further finance within the next 12 months, either from existing or new investors. Further funding is required under the Board's plans to continue to develop its product candidates and conduct clinical trials. Given these plans and requirements, a review period of 12 months is considered appropriate and the Group and Company plan to raise further funding within this period to continue with its current strategy.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. Raising further capital is outside the control of the directors. Accordingly, the downside risks include a severe but plausible scenario where external fund raising is not successful and is coupled with underperformance against the business plan. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. Even if its mitigating actions are successful, the Group and Company will need to raise further capital.

Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors represents a material uncertainty regarding the Group's ability to continue as a going concern.

Notwithstanding the existence of the material uncertainty, the Board believes that the adoption of the going concern basis of accounting is appropriate for the following reasons:

- based on plans and discussions with its advisors and investors the directors have an expectation that further funding will be obtained.
- the Group has a track record and reasonable near-term visibility of meeting expectations under its collaboration agreements and receiving the associated milestone payments.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend, as necessary.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

Accounting Policies – continued

While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful now or in the future. If the Group is unable to secure the planned additional financing, it may not be able to generate sufficient cash flows to support its current level of activities beyond the going concern period. In the event financing is not obtained, the Group will need to consider

- new commercial relationships to help fund future clinical trial costs (i.e., licensing and partnerships); and/or
- reducing and/or deferring discretionary spending on one or more research and development programs; and/or
- restructuring operations to change its overhead structure.

The Group's future liquidity needs, and ability to address those needs, will largely be determined by the success of its product candidates and key development and regulatory events and its decisions in the future. Such decisions could have a negative impact on the Group's business operations and financial condition.

The accompanying consolidated financial statements do not include any adjustments that would be required if they were not prepared on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a basis that assumes the Group will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention and in accordance with IFRS in conformity with the requirements of the Companies Act 2006.

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.

New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on October 1, 2020:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19-Related Rent Concessions (Amendment to IFRS 16)

The adoption of these amendments has had no material effect on the Group's consolidated financial statements.

Standards and amendments to existing standards that are not yet effective

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

Prior year restatement

The Group has identified an error within its accounting entries recorded on the adoption of IFRS 16 – Leases, which was adopted on 1 October 2019. The error identified was an overstatement of the right of use asset recorded on transition of £661,000 due to an incorrect reversal of the rent-free period accrual recognised under IAS 17 through retained earnings rather than as a reduction of the right of use asset. This resulted in a corresponding understatement of the retained deficit recorded in the Statement of changes in equity on transition. In accordance with IAS 1, a third balance sheet has been presented at 1 October 2019.

Accounting Policies – continued

The financial impact of the error identified is as follows:

	As at 1 October 2019			As at 30 September 2020		
	Reported £'000	Adjustment £'000	Restated £'000	Reported £'000	Adjustment £'000	Restated £'000
Right of use asset	4,175	(661)	3,514	3,573	(661)	2,912
Retained deficit	33,481[1]	661	34,142[1]	42,213	661	42,874

[1]The Group adopted IFRS 16 from 1 October 2019 and did not restate comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening balance sheet on 1 October 2019.

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 Loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. 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.

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.

Foreign Currency

(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 GBP (£). Whilst revenue is invoiced and received in US dollars, the majority of expenditure remains in GBP as does the receipt of financing for the Group. Directors periodically review the appropriateness of the functional currency for the Group. The consolidated financial statements are presented in GBP.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

Accounting Policies – continued

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

(c) Foreign operations

The assets and liabilities of foreign operations, are translated into GBP at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into GBP at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

Revenue from contracts with customers

The Group generates revenue from the sale or outlicensing of scientific programmes, the provision of research on collaboration programmes and the provision of research and preclinical development services under partnership agreements.

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. An assessment is performed on each contract to determine the separate performance obligations and whether these are distinct, and where they are not distinct, they are combined.

Where the Group provides ongoing services, revenue in respect of this element is recognised over the duration of those services. Where the arrangement meets the definition of a license agreement, sales milestones and sales royalties are recognised when achieved by applying the royalty exemption under IFRS15.B63.

All other milestones and sales royalties are recognised when considered it is highly probable there will not be a significant reversal of income which in the case of clinical success milestones is taken to be when the results of the relevant trial is passed.

(a) Sale and outlicensing of scientific programmes

Customers obtain control of the scientific programmes when the scientific research is transferred to the customer to enable them to continue research and development. Invoices are generated at the point of sale and are usually payable within 30 days. There are no obligations on the Group for returns or refunds for sales or outlicensing of scientific programmes. Revenue is recognised when the scientific research license is transferred to the customer.

(b) Revenue from research collaboration

Collaborations and other arrangements with multiple performance obligations including licenses are assessed to determine whether the license and any services or other performance obligations in the agreement are distinct. Where the license is not distinct it is combined with the associated services and recognised as a single performance obligation.

Generally, performance obligations for research collaboration are satisfied over time as services are rendered. Payment is due with reference to contractual milestones and payment is typically received in advance of services being delivered. These arrangements establish contract liabilities that are then released to match the provision of services. Consideration for research collaboration contracts contains an upfront payment (fixed) and subsequent milestone payments (variable). Variable milestone payments are estimated using the expected value method. Revenue is recognised over the duration of the contract based on an input method based on cost to complete. The related costs are recognised in profit and loss when they are incurred.

(c) Revenue from research and preclinical development services

Performance obligations for research and preclinical development services are satisfied over time as services are rendered. Invoices are presented monthly and are typically payable within 30 days. There are no obligations on the Group for refunds regarding the provision of research and preclinical development services. Consideration is made up of multiple elements, being an agreed full-time equivalent ('FTE') charge out rate and recharges of direct costs, both of which are variable based on the amount of time and cost incurred.

Revenue is recognised over the duration of the contract based on the delivery of FTE services and actual incurrence of rechargeable costs.

Accounting Policies – continued

(d) Revenue from milestones on scientific programmes and research collaboration

There may be significant uncertainty over whether it is highly probable that there would not be a significant reversal of revenue in respect of specific milestones if they are recognised before they are triggered as a result of them being subject to the actions of third parties. Where the triggering of a milestone is subject to the decisions of third parties (including partners and regulators), the Group does not consider that the threshold for recognition is met until that decision is made.

(e) Contract assets and liabilities

Contract assets relate to the Group's rights to receive consideration in respect of milestones. The contract assets are transferred to receivables when the rights become unconditional which usually occurs at the point at which the Group issues an invoice to the customer.

Contract assets are treated as financial assets for impairment purposes and an impairment of £nil (2020: £nil) was recognised in the year.

Contract liabilities relate to advance consideration received from customers for research collaboration projects for which revenue is recognised over time. Contract liabilities are recognised when advance consideration is received or when the Group establishes its unconditional right to receive consideration (whichever is earlier) before the Group has satisfied its performance obligations under the contract.

Other income

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 Loss.

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.

Finance income and finance costs

The Group's finance income and finance costs include interest income and expense. Interest income or expense is recognised using the 'effective interest' method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. 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.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

Accounting Policies – continued

(b) Deferred tax

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 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 Loss, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment assets, right of use assets, Intellectual property 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). Goodwill is assessed annually regardless of any indication of impairment.

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 ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. An impairment is first allocated to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Accounting Policies – continued

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 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
- Right of use assets – over the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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 Loss.

Intangible assets and goodwill

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.

Research and development expenses include costs arising from research and clinical development activities including employee costs for research and development personnel (i.e. salaries, bonuses, employer contributions to pension schemes, share-based compensation), legal expenses related to the protection, defence and enforcement of the Company's intellectual property, as well as depreciation on right-of-use assets associated with facilities and equipment used for research and development purposes.

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.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

Accounting Policies – continued

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(a) 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 are expensed 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 and performance based conditions.

The impact of any revision is recognised in the Consolidated Statement of Comprehensive Loss, 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 are vested and expire, a corresponding credit is recognised through reserves. Where they are unvested, an acceleration of charge occurs.

(b) Defined contribution plans

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 Loss and consist of the contributions payable to the scheme in respect of the period.

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 (see note 19).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as fair value through profit and loss:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(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 expected credit losses ("ECL"). 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 with a maturity of more than three months but less than a year that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

Accounting Policies – continued

(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) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(e) Compound financial instruments

Compound financial instruments issued by the Group comprised convertible notes denominated in GBP that can be converted to ordinary shares at the option of the holder, based on a fixed conversion ratio.

The convertible notes have been bifurcated into their liability and equity components and presented net of the relevant proportion of transaction costs.

The fair value of the liability component is determined using a market rate of an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

Where it meets the definition of equity, the remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of the relevant proportion of transaction costs.

The convertible loan notes are considered 'American-style' since they can be converted at the option of the note holder at any point before the maturity date. Any such conversions are treated as 'maturity' events and result in a remeasurement of the remaining liability component at the original effective interest rate, with the reduction being adjusted within equity. No gain or loss is recognised in the Consolidated Statement of Comprehensive Loss.

The calculation of interest on the convertible notes by reference to the USD prime rate gives rise to a potential derivative financial instrument, however in accordance with IFRS 9 *Financial instruments*, as this cannot be quantified, no amount is recognised. The carrying amount of the equity component of the conversion option is not remeasured in the subsequent years. The corresponding interest on the liability component of convertible notes is charged to the income statement using the effective interest rate. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

Impairment of financial assets

The Group measures loss allowances at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The loss allowance recognised at the end of the year was £nil (2020: £nil).

The Group recognised a loss allowance for expected credit losses 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 (2020: £nil).

Notes to the Financial Statements – continued
For the year ended 30 September 2021

Accounting Policies – continued

Share Capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments;

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (leases with a duration of less than 12 months), including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting Policies – continued

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

Critical accounting estimates and judgements

(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, assessment of the satisfaction of performance criteria, 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 4 and 23.

(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 11.

(c) Convertible loan notes

In the year ended 30 September 2020, the Group issued an aggregate of £22.2m of convertible loan notes to RM Special Holdings 3, LLC ('Redmile') and Sofinnova Crossover 1 SLP ('Sofinnova') resulting in the recognition of a compound financial instrument. On December 2, 2020 the Group announced that Redmile and Sofinnova would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Judgement was required in determining the correct accounting treatment for this partial conversion. Management considered any partial conversion to be treated as a maturity event. Under this accounting, the movement in the carrying value of the liability element of the convertible loan notes as a result of the partial conversion is reclassified to equity, and no gain or loss is recognised in the Consolidated Statement of Comprehensive Loss. See note 17.

(d) Lease liability

In valuing the lease liability on implementation of IFRS 16 Leases, the Directors were required to use their judgement in determining an appropriate incremental borrowing rate (IBR).

The Group determined the IBR by obtaining borrowing rates from external financing sources and making certain adjustments to reflect the terms of the lease and type of the asset leased. A rate of 8.5% was calculated for the Group's single lease. See note 18.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

Accounting Policies – continued

(e) Revenue from research collaborations

In determining the percentage of completion of the research collaboration projects, the Group estimates the total future costs expected to be incurred through the life of the contract, and compares this to the actual costs incurred to date. Certain costs are incurred with Clinical Research Organisations (CROs) such that the group has to estimate the stage of completion of the CRO in determining its own costs. The stage of completion is then applied to the contracted revenue receivable to determine the amount of revenue to be recognised. There is no significant judgement in determining actual costs to date. Costs to complete are an estimate based on the detailed project budget. If the costs to complete were estimated as being 10% higher, this would result in a change in revenue recognised to date of £297k. See note 2.

In determining the total contract price on its collaboration projects the directors assess whether future milestones should be included. These are generally excluded from the transaction price in the percentage of completion accounting except where they are not contingent on clinical trial success and an assessment can be made they are highly probable of not reversing based on a supportable, historical track record of the relevant milestone event.

1. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Board of Directors and the Chief Financial Officer are together considered the CODM and as such are responsible for allocating resources and assessing performance of operating segments.

The CODM 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 CODM, for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group. Therefore, the CODM have determined that there is only one reportable segment under IFRS 8.

The geographic information analyses the Group's revenue and non-current assets by the company's country of domicile and all other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets based on the geographic location of the assets. All assets are based in the UK (2020: UK). The Group has two customers, both of whom contribute more than 10% of revenue.

	UK £'000	Ireland £'000	Total £'000
Revenue analysis for the year ended 30 September 2021			
Revenue from milestones on scientific programmes and research collaboration	2,828	2,181	5,009
Research collaboration	-	2,751	2,751
Research and preclinical development services	-	2,275	2,275
	2,828	**7,207**	**10,035**
Revenue analysis for the year ended 30 September 2020			
Sale & outlicensing of scientific programmes	3,142	-	3,142
Research collaboration	-	516	516
Research and preclinical development services	-	2,027	2,027
	3,142	2,543	5,685

2. Revenue

	2021 £'000	2020 £'000
Sale & outlicensing of scientific programmes	-	3,142
Revenue from milestones on scientific programmes and research collaboration	5,009	-
Revenue from research collaboration	2,751	516
Revenue from research and preclinical development services	2,275	2,027
	10,035	**5,685**

Information regarding contract assets and liabilities from contracts with customers can be found in note 16.

3. Operating expenses

	Note	2021 £'000	2020 £'000
Research and development:			
Staff Costs	4, 9	5,198	2,321
Depreciation	10	536	552
Amortisation	11	6	6
Property costs		1,437	1,086
Other research and development expenses		17,268	6,495
		24,445	10,460
Selling, general and administrative expenses:			
Staff Costs	4, 9	3,940	1,845
Depreciation	10	91	107
Property costs		287	217
Other general and administrative expenses		2,010	2,143
Exchange gains on translation		(37)	(51)
Onerous lease credit		-	(6)
Derivative financial instrument		-	(67)
Auditors' remuneration:			
Audit of subsidiaries		24	15
Audit of parent company and consolidation		140	24
Other services – interim review		-	11
		6,455	4,238
		30,900	**14,698**

Notes to the Financial Statements – continued
For the year ended 30 September 2021

4. 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. 18,270,779 of the options outstanding are subject to performance conditions based on scientific, clinical and commercial milestones. There are no further conditions attached to the vesting of other options other than employment service conditions. Further information on options is given in Note 23.

	2021 Number	2020 Number
Outstanding at the beginning of the year	23,930,800	10,888,963
Options granted and vested in period	-	-
Options exercised in period	(1,394,992)	-
Options surrendered and lapsed in period	(226,668)	(8,924,894)
Options granted and vesting in future periods	11,267,964	21,966,731
Outstanding at the end of the year	**33,577,104**	**23,930,800**

Weighted average exercise price information is given in Note 23.

	2021 £'000	2020 £'000
Charge to Statement of Comprehensive Loss in period	**3,785**	**568**

Assumptions used were an option life of 5 years, a risk free rate of 0.6%-7.1% and no dividend yield. Other inputs were as follows:

Volatility (based on historic information)	40% - 141%	40% - 124%
	£	£
Assumed share price at grant date	0.25 to 0.85	0.1375 to 0.85
Exercise price	0.155 to 0.85	0.1375 to 0.85

Volatility has been determined by reference to the historic share price of the Group over a period coterminous with the vesting period for the options.

Of the variable assumptions, term is considered to be the most sensitive. Applying a variable term of 3-5 years across the various tranches for options granted in the year would result in a reduction in the lifetime charge of the options granted in the year of £170,000.

During the year, the Group introduced the Redx Pharma plc Directors Share Option Scheme. Of the options granted during the year, 600,000 were granted under this Scheme, the remainder under the 2020 All employee Share Option Scheme.

At 30 September 2021 the Group operates three Share Options schemes: the 2015 Enterprise Management Incentive Scheme, the 2020 All Employee Share Option Scheme and the 2021 Directors Share Option Scheme. Non-plan share options may also be granted from time to time.

2015 Enterprise Management Incentive Scheme ('EMI scheme')

In 2015, the Group established the EMI scheme. The EMI Scheme provides for the grant of options to acquire our ordinary shares to all eligible employees. Under the EMI scheme, the Board of Directors may determine if the vesting of the option will be subject to the satisfaction of a performance condition. The vesting schedule for the options is determined by the Board of Directors at the grant date. With regard to an option that is subject to the satisfaction of a performance condition, the option will vest at the date at which the Board of Directors determine that the performance condition has been satisfied. Once an option has vested, it may be exercised during the period ending on the tenth anniversary of the grant date, after which it will lapse. The options granted under the EMI scheme are exercisable at a price that is above the share price at the date of the grant.

4. Share-based compensation – continued

2020 All Employee Share Option Scheme ('All employee scheme')

In 2020, the Group established the All employee scheme. The All employee scheme provides for the grant of options to acquire our ordinary shares to all eligible employees at the discretion of the Board of Directors. The Board of Directors may determine if the vesting of the option will be subject to the satisfaction of a performance condition. The options vest over 3 years where the first third of the options vest over one year, the second third vest over two years and the final third vesting over three years. With regard to an option that is subject to the satisfaction of a performance condition, the option will vest at the date at which the Board of Directors determine that the performance condition has been satisfied, and not before the third anniversary of the grant date. Once an option has vested, at may be exercised during the period ending on the tenth anniversary of the grant date, after which it will lapse. Options are granted at the market price of Redx securities at grant date.

2021 Redx Directors Share Option Scheme ('Directors scheme')

In 2021, the Group established the Directors scheme. The Directors scheme mirrors the terms of the All employee scheme but the scheme is only open to eligible directors of the Company.

Non-plan Share Options

In 2021, the Group granted a number of non-plan share options. The options vest over 3 years where the first third of the options vest over one year, the second third vest over two years and the final third vesting over three years. Options that are subject to the satisfaction of performance conditions vest at the later of the date at which the Board of Directors determine that the performance conditions have been satisfied, and three years after the grant date. Once an option has vested, it may be exercised during the period ending on the tenth anniversary of the grant date, after which it will lapse. Options are granted at the market price of Redx securities at grant date.

5. Other operating income

	2021 £'000	2020 £'000
Reimbursement of costs	364	263
RDEC income	700	422
Other grant income	56	90
Other income	-	37
	1,120	**812**

There is no contingent liability attaching to repayment of other grant income.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

6. Finance income and expense

	Note	2021 £'000	2020 £'000
Finance income			
Bank and other short term deposits		13	7
		13	**7**
Finance expense			
Loan interest	17, 19	1,428	620
Interest on lease liabilities	18, 19	283	325
Other interest and similar charges		-	29
		1,711	**974**

7. Income tax

	2021 £'000	2020 £'000
Current income tax		
Corporation tax	135	78
Adjustment in respect of previous periods	(2)	(33)
Income tax charge	**133**	**45**

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:

	2021 £'000	2020 £'000
Loss before tax	(21,443)	(9,168)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(4,074)	(1,742)
Effects of:		
R&D expenditure credits	135	78
Expenses not deductible for tax purposes	853	353
Use of losses brought forward not recognised	(550)	-
Adjustment in respect of previous periods	(2)	(33)
Deferred tax losses not recognised	3,771	1,389
Total taxation	**133**	**45**

For the year ended 30 September 2021, the entire income tax charge (2020: charge) was recorded in the Consolidated Statement of Comprehensive Loss.

The March 2021 budget announced that the UK corporation tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future UK corporation tax charge and the measurement of deferred tax, including the unrecognised brought forward losses in note 20 which are likely to be recognised at the higher rate.

Redx Anti-Infectives Ltd entered a solvent liquidation process during the year. As a result of this process, unrecognised deferred tax assets arising on losses incurred in that company will no longer be available to the Group.

8. Loss per share

Basic loss per share is calculated by dividing the 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:

	2021 £'000	2020 £'000
Loss for the period attributable to the owners of the Company	(21,576)	(9,213)

	Number	Number
Weighted average number of shares – basic and diluted	256,430,270	170,050,369

	Pence	Pence
Loss per share – basic and diluted	(8.4)	(5.4)

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

The Group operates a number of share option schemes (see note 23) which could potentially dilute basic earnings per share in the future. In addition, the convertible loans could result in the issuance of 110,288,888 ordinary shares that could potentially dilute basic earnings per share on conversion (see note 17).

9. Employees and key management

	2021 £'000	2020 £'000
Staff costs (including directors) comprise		
Wages and salaries	4,635	3,119
Social security costs	536	352
Pension costs	182	127
Share based compensation (note 4)	3,785	568
Total employee related costs	**9,138**	**4,166**

	2021 Number	2020 Number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	18	14
R&D – Chemistry	30	13
R&D – Biology	19	11
R&D – Analytical	4	2
	71	**40**

Notes to the Financial Statements – continued
For the year ended 30 September 2021

9. Employees and key management – continued

	2021 £'000	2020 £'000
Key management (including directors)		
Wages & salaries	1,621	1,095
Social security costs	201	144
Pension costs	53	44
Share based compensation	2,661	102
	4,536	**1,385**

Key management comprised 9 people (2020: 8 people) and are considered to be the Directors and other members of the Executive Management Team. Payments to Directors consist of basic salaries, fees, pension contributions and share-based compensation.

	2021 £'000	2020 £'000
Directors' remuneration		
Wages & salaries	942	851
Pension costs	33	35
	975	**886**

Retirement benefits are accruing to 1 Director (2020: 2)

Of the total balance on the share option reserve of £4.75m, £1.66m relates to options granted to Directors in the current and previous periods. Further information relating to Directors' remuneration can be found in the Remuneration Report on page 35.

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

	2021 £'000	2020 £'000
Short term employment benefits	615	481
Pension contributions	29	27
Share based payments	1,414	111
	2,058	**619**

10. Property, plant and equipment

	Leasehold Improvements £'000	As restated Right of Use Asset £'000	Laboratory equipment £'000	Computer equipment £'000	As restated Total £'000
Cost					
At 1 October 2019	114	3,514	901	262	4,791
Additions	-	-	8	51	59
Disposals	-	-	(8)	-	(8)
At 30 September 2020	114	3,514	901	313	4,842
At 1 October 2020	114	3,514	901	313	4,842
Additions	-	-	661	93	754
Remeasurement	-	150	-	-	150
At 30 September 2021	**114**	**3,664**	**1,562**	**406**	**5,746**
Depreciation					
At 1 October 2019	36	-	846	261	1,143
Charge for the year	11	602	34	12	659
Disposals	-	-	(8)	-	(8)
At 30 September 2020	47	602	872	273	1,794
At 1 October 2020	47	602	872	273	1,794
Charge for the year	11	421	143	52	627
At 30 September 2021	**58**	**1,023**	**1,015**	**325**	**2,421**
Net book value					
At 30 September 2021	**56**	**2,641**	**547**	**81**	**3,325**
At 30 September 2020	67	2,912	29	40	3,048

The right of use asset relates to the lease of laboratories and offices, for a term of ten years, of which five years remain.

11. Intangible Assets and goodwill

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2019, 30 September 2020 and 30 September 2021	**121**	**309**	**430**
Amortisation			
At 1 October 2019	13	-	13
Charge for the year	6	-	6
At 30 September 2020	19	-	19
At 1 October 2020	19	-	19
Charge for the year	6	-	6
At 30 September 2021	**25**	**-**	**25**
Net book value			
At 30 September 2021	**96**	**309**	**405**
At 30 September 2020	102	309	411

Notes to the Financial Statements – continued
For the year ended 30 September 2021

11. Intangible Assets and goodwill – continued

The goodwill arose on the original purchase of the business and assets of Bradford Pharma in 2012. Management 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 cash generating unit (CGU).

The Directors undertook a detailed review by preparing a risk adjusted net present value (rNPV) model using inputs from the Board approved budget and corporate strategy. This is considered to be an accurate method of valuation for early stage biotech companies. The key variables that were used a pre-tax discount rate of 12.5%, which the Directors believe to be appropriate given the Group's historic capital costs, and rNPV. Future projections carry an inherent degree of uncertainty around profitability and progress of clinical trial.

The valuation suggested by the modelling was compared to the carrying value of both intangible fixed assets, property, plant and equipment and right of use 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 of which 16 remain.

Amortisation is shown within research and development expenses in the Consolidated Statement of Comprehensive Loss.

12. Subsidiaries

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 5 to the Company's separate financial statements.

13. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	2,730	83
VAT recoverable	650	261
Prepayments & other receivables	2,782	1,524
Accrued income	69	55
	6,231	**1,923**

The carrying value of other receivables approximates their fair value. Included within prepayments & other receivables is an other receivable of £0.4m (2020: £nil) which is due after more than one year.

The Group measures the loss allowance for trade and other receivables at lifetime or 12 month expected credit losses ("ECL"). The ECL is estimated using a probability-weighted analysis of all possible outcomes 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 (2020: £nil) against these receivables.

Details of the Group's credit risk management policies are shown in Note 19. The Group does not hold any collateral as security for its other receivables.

14. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	21,052	27,513
Short-term deposits	8,500	-
	29,552	**27,513**

No interest is earned on immediately available cash balances. Short-term deposits are made for varying periods of up to 95 days, and earn interest at the respective short-term deposit rates. No cash is restricted at September 30, 2021 (2020: £nil).

15. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	1,789	1,845
Employee taxes and social security	194	142
Other payables	24	5
Accruals	2,692	1,370
	4,699	**3,362**

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

16. Contract liabilities

	2021 £'000	2020 £'000
Contract liabilities	4,318	7,069
	4,318	**7,069**
Reconciliation		
Brought forward	7,069	-
Recognised in the year (net)	-	7,585
Transfer to revenue	(2,751)	(516)
Carried forward	**4,318**	**7,069**

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was £11.73m as at 30 September 2021 (2020: £14.65m) and is expected to be recognised as revenue in future periods as follows:

	2021 £'000	2020 £'000
Within 1 year	4,438	3,594
In the second to fifth years	7,297	11,060
	11,735	**14,654**

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

Notes to the Financial Statements – continued
For the year ended 30 September 2021

17. Borrowings

	2021 £'000	2020 £'000
Non-current		
Convertible loan notes	14,247	16,758
	14,247	**16,758**

On August 4, 2020 Redx Pharma plc issued convertible loan notes with a value of £22.2m. No interest is payable during the first 3 years, thereafter it is payable at a maximum rate equal to the US prime rate at that time. The notes are convertible into Ordinary shares of Redx Pharma plc, at any time at the option of the holder, or repayable on the third anniversary of the issue. The conversion rate is 1 Ordinary share for each £0.155 of convertible loan note held. The convertible loan notes are secured by a fixed and floating charge over all the assets of the Group.

Initial measurement

In accordance with IAS 32 Financial instruments, the convertible loan notes have been assessed as compound financial instruments containing equity and liability components. The Group has calculated the value of the liability component using a discount rate for an equivalent bond without an equity component, of 8.5%. The Group determined this rate by obtaining interest rate from external financing sources and making certain adjustments to reflect the terms of the instrument; specifically to adjust the interest rate to account for the expected term of the convertible loan notes, its value and the conditions attached to it. The value of the conversion feature of £4.57m was calculated as the residual value of the loan after calculating the fair value of the liability component and has been recognised as an equity component within the Convertible note reserve in the Consolidated Statement of Financial Position. Total transaction costs of £1.1m have been allocate between the equity and liability components. An increase in discount rate to 9.5% would decrease the debt element by £248k and a decrease to 7.5% would increase the debt element by £262k.

Partial conversion

On December 2, 2020 the Group announced that RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020. As of September 30, 2021, an aggregate of £17.1m in principal amount was outstanding under the convertible loan notes. This equates to 110,288,887 ordinary shares at £0.155 per share.

The remaining gross principal of £17.1m has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £14.2m. The reduction in the liability has been offset by adjusting entries to equity representing the issuance of share capital and associated share premium, and the reduction of the relevant proportion of the convertible note reserve. There is no impact on the Consolidated Statement of Loss as this is a no gain, no loss transaction.

18. Lease liabilities

The Group leases its head office facility. The lease runs for a period of 10 years and had a rent review in the year, representing the mid-point of the lease. As a result of the rent review and in accordance with IFRS 16, the lease liability was remeasured to reflect the revised cash flows, with the remeasurement adjustment presented below. The associated right of use asset is included in note 10.

	2021 £'000	2020 £'000
Recognised at 1 October	3,712	4,175
Related interest expense	283	325
Repayment of lease liabilities	(786)	(788)
Remeasurement	(60)	-
	3,149	**3,712**
Current	575	503
Non-current	2,574	3,209
	3,149	**3,712**

Amounts recognised in the Consolidated Statement of Comprehensive Loss and the Consolidated Statement of Cash Flows are as follows:

	2021 £'000	2020 £'000
Amounts recognised in profit and loss:		
Interest on lease liabilities	283	325
Depreciation charge on right of use asset	421	602
Amounts recognised in statement of cash flows:		
Payment of lease liabilities	786	788

A portion of the head office facility is sub-let by the Group. The Group classified the sub-let as an operating lease, since it does not transfer substantially all of the risks and rewards incidental to the head lease. The associated income is presented within other income in these financial statements as part of 'Reimbursement of costs' and was £118,000 for the year. (2020: £114,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted payments to be received after the reporting date.

	2021 £'000	2020 £'000
Less than one year	118	114
One to two years	118	114
Two to three years	118	114
Three to four years	118	114
Four to five years	118	114
More than five years	-	114
	590	**684**

Notes to the Financial Statements – continued
For the year ended 30 September 2021

19. Financial instruments

The Group's financial instruments comprise cash and cash equivalents, and various items such as other receivables (excluding prepayments), convertible loan notes 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 of financial instruments are as follows:

	Note	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
At 30 September 2021				
Financial assets not measured at fair value:				
Trade receivables	13	2,730	-	2,730
Other receivables	13	205	-	205
Cash and cash equivalents	14	29,552	-	29,552
		32,487	**-**	**32,487**

	Note	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
At 30 September 2021				
Financial liabilities not measured at fair value:				
Non-current borrowings	17	-	14,247	14,247
Trade payables	15	-	1,789	1,789
Other payables	15	-	24	24
		-	**16,060**	**16,060**

	Note	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
At 30 September 2020				
Financial assets not measured at fair value:				
Trade receivables	13	83	-	83
Other receivables	13	66	-	66
Cash and cash equivalents	14	27,513	-	27,513
		27,662	**-**	**27,662**
Financial liabilities not measured at fair value:				
Non-current borrowings	17	-	16,758	16,758
Trade payables	15	-	1,845	1,845
Other payables	15	-	5	5
		-	**18,608**	**18,608**

19. Financial instruments – continued

Fair values

For trade and other receivables / payables measured at amortised cost, the carrying value is deemed to reflect the fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of all financial instruments in both years are considered to be equal to the carrying values.

Risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in exchange rates, interest rates, credit risk and its liquidity position. The principal financial risks faced by the Group are:

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currencies of Group companies are primarily GBP. The currencies in which these transactions are primarily denominated are GBP and US dollars.

The Group's exposure to foreign currency risk is limited, as most of its invoicing and payments are denominated in GBP. There are some transactions denominated in US dollars, however neither GBP or US dollars are considered to be volatile and any risk is classed as low. Accordingly, no sensitivity analysis is presented in this area as it is considered immaterial. The Directors regularly review the situation.

Market risk

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations to the Group. Receivable balances are monitored on an ongoing basis and a provision is made for impairment where amounts are not thought to be recoverable (see Note 13).

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. At the reporting date there were no significant concentrations of credit risk and receivables which are not impaired are believed to be recoverable.

The Group considers its maximum exposure to credit risk to be equivalent to total trade and other receivables of £2,935,000 (2020: £149,000) and cash and cash equivalents of £29,552,000 (2020: £27,513,000).

Notes to the Financial Statements – continued
For the year ended 30 September 2021

19. Financial instruments – continued

Liquidity risk and capital management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial Liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows					
	Carrying amount £'000	Total £'000	2 months or less £'000	2-12 months £'000	1-2 years £'000	2-5 years £'000	5 plus years £'000
As at 30 September 2021							
Non-current Borrowings	14,247	17,095	-	-	17,095	-	-
Trade payables	1,789	1,789	1,789	-	-	-	-
Other payables	24	24	24	-	-	-	-
Lease liabilities	3,149	3,825	-	816	816	2,193	-
	19,209	**22,733**	**1,813**	**816**	**17,911**	**2,193**	**-**

		Contractual cash flows					
	Carrying amount £'000	Total £'000	2 months or less £'000	2-12 months £'000	1-2 years £'000	2-5 years £'000	5 plus years £'000
As at 30 September 2020							
Non-current Borrowings	16,758	22,179	-	-	-	22,179	-
Trade payables	1,845	1,845	1,845	-	-	-	-
Other payables	5	5	5	-	-	-	-
Lease liabilities	3,712	4,470	-	786	786	2,358	540
	22,320	**28,499**	**1,850**	**786**	**786**	**24,537**	**540**

Capital management

The directors consider the Group's capital to be its equity. The Group monitors its capital using a number of measures including cash flow projections, working capital ratios, the cost to achieve pre-clinical and clinical milestones and potential revenue from existing partnerships and ongoing licensing activities. 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.

19. Financial instruments – continued

Reconciliation of changes in liabilities arising from financing activities

	Note	2021 £'000
IFRS 16 Lease liability		
Balance b/fwd		3,712
Remeasurement		(60)
Payment of lease liabilities		(786)
Interest on lease liabilities		283
Balance c/fwd (disclosed as current and non-current lease liabilities)	18	**3,149**
Convertible loan notes		
Balance b/fwd		16,758
Amount converted into Ordinary shares		(5,086)
Remeasurement on conversion		1,147
Interest		1,428
Transaction expenses		-
Balance c/fwd (disclosed as non-current borrowings)	17	**14,247**

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2020:19%).

The following are the major deferred tax assets and liabilities recognised by the Group:

	2021 £'000	2020 £'000
As at 30 September 2020		
Deferred tax liability in respect of fixed asset timing differences	169	24
Deferred tax assets	(169)	(24)
	-	**-**

The company has recognised deferred tax assets of £169,000 (2020: £24,000) to offset its deferred tax liability resulting from fixed asset timing differences.

Due to the uncertainty of future profits, a deferred tax asset in respect of trading losses was not recognised at September 30, 2021 (2020: £nil). The Group had the following unrecognised deferred tax assets as at September 30, 2021:

	2021 £'000	2020 £'000
Trading losses	13,429	9,240
Short term differences	5	2
	13,434	**9,242**

Deferred tax assets are recognised where it is probable that future taxable profit will be available to utilise the losses.

On May 18, 2021 Redx Anti-Infectives Limited and Redx MRSA Limited were placed into members voluntary liquidation. Redx Anti-Infectives Limited had historic tax losses of £12.7m resulting in an unrecognised deferred tax assets of £2.4m. These losses will be lost as a result of the liquidation and are no longer presented within the unrecognised deferred tax assets above.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

21. Share Capital

	Note	2021 Numbers	2020 Numbers
Number of shares in issue			
In issue at 1 October		195,247,413	126,477,914
Issued for cash		45,833,641	16,738,710
Issued in consideration for a loan		-	52,030,789
Loan note conversion	17	32,806,159	-
Exercise of share options	23	1,394,992	-
In issue at 30 September		**275,282,205**	**195,247,413**
		£'000	£'000
Share Capital at par, fully paid			
Ordinary shares of £0.01		2,753	1,952

All ordinary shares rank equally with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Share issues

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

On the same date the Group announced that, subject to successful admission of the above shares, RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020.

On July 8, 2021, the Group announced the exercise of share options over 894,992 Ordinary shares, The exercise took place at 15.5p per Ordinary share. The gross amount received was £0.1m and the shares were admitted to trading on AIM on July 9, 2021.

On September 27, 2021, the Group announced the exercise of share options over 500,000 Ordinary shares, the exercise took place at prices between 22p and 50p per new Ordinary share. The gross amount received was £0.2m and the shares were admitted to trading on AIM on September 28, 2021.

22. Share premium

	2021 £'000	2020 £'000
Brought forward	37,184	33,263
Share issue	25,508	4,144
Partial conversion of loan notes	4,658	-
Share issue costs	(1,051)	(223)
	66,299	**37,184**

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 an offsetting credit to the expense of issuing share-based payments which are recognised over the relevant vesting period (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.
Exchange translation reserve	Exchange gains and losses arising from the translation of Subsidiary companies whose functional currency is different from the Groups presentational currency.
Convertible note reserve	The convertible note reserve recognises the equity component of convertible loan notes issued by the Group.
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 – continued
For the year ended 30 September 2021

23. Share based payments

Movements on share options during the year were as follows:

Exercise Price per share	30 September 2020	Granted	Exercised	Lapsed/ Cancelled	30 September 2021	Date from which exercisable	Expiry date
50p	30,000	-	-	-	30,000	26.03.2016	26.03.2025
50p	30,000	-	-	-	30,000	26.03.2017	26.03.2025
50p	30,000	-	-	-	30,000	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	1,198,250	-	-	-	1,198,250	27.03.2015	26.03.2025
85p	162,125	-	-	-	162,125	27.03.2016	26.03.2025
85p	153,800	-	-	-	153,800	27.03.2017	26.03.2025
22p	166,666	-	(166,666)	-	-	22.12.2019	22.12.2027
33p	166,667	-	(166,667)	-	-	22.12.2019	22.12.2027
50p	166,667	-	(166,667)	-	-	22.12.2019	22.12.2027
15.5p	2,996,666	-	(894,992)	-	2,101,674	01.07.2021	30.06.2030
15.5p	2,996,667	-	-	(63,334)	2,933,333	01.07.2022	30.06.2030
15.5p	2,996,667	-		(63,334)	2,933,333	01.07.2023	30.06.2030
15.5p**	12,600,000	-	-	-	12,600,000	01.07.2023	30.06.2030
56p	-	1,132,395	-	(16,666)	1,115,729	02.12.2021	01.12.2030
56p	-	1,132,395	-	(16,667)	1,115,728	02.12.2022	01.12.2030
56p	-	1,132,395	-	(16,667)	1,115,728	02.12.2023	01.12.2030
56p**	-	3,070,779	-	-	3,070,779	02.12.2023	01.12.2030
66p	-	100,000	-	-	100,000	01.03.2022	28.02.2031
66p	-	100,000	-	-	100,000	01.03.2023	28.02.2031
66p	-	100,000	-	-	100,000	01.03.2024	28.02.2031
66p**	-	1,200,000	-	-	1,200,000	01.03.2024	28.02.2031
65p	-	100,000	-	-	100,000	05.05.2022	04.05.2031
65p	-	100,000	-	-	100,000	05.05.2023	04.05.2031
65p	-	100,000	-	-	100,000	05.05.2024	04.05.2031
65p **	-	1,200,000	-	-	1,200,000	05.05.2024	04.05.2031
61.5p	-	233,333	-	(16,666)	216,667	01.07.2022	30.06.2031
61.5p	-	233,333	-	(16,667)	216,666	01.07.2023	30.06.2031
61.5p	-	233,334	-	(16,667)	216,667	01.07.2024	30.06.2031
61.5p	-	200,000	-	-	200,000	01.07.2022	30.06.2031
61.5p	-	200,000	-	-	200,000	01.07.2023	30.06.2031
61.5p	-	200,000	-	-	200,000	01.07.2024	30.06.2031
88.5p	-	100,000	-	-	100,000	13.09.2022	12.09.2031
88.5p	-	100,000	-	-	100,000	13.09.2023	12.09.2031
88.5p	-	100,000	-	-	100,000	13.09.2024	12.09.2031
88.5p**	-	200,000	-	-	200,000	13.09.2024	12.09.2031
Total	23,930,800	11,267,964	(1,394,992)	(226,668)	33,577,104		
Weighted average exercise price	20.84p	60.61p	22.49p	34.58p	34.02p		

** These options are subject to performance conditions as detailed in note 4.

23. Share based payments – continued

The number of exercisable share options at 30 September 2021 was 3,942,474 and their weighted average exercise price was 45.41p

During the prior year:

Exercise Price per share	30 September 2019	Granted	Exercised	Lapsed/ Cancelled	30 September 2020	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	101,650	-	-	(71,650)	30,000	26.03.2016	26.03.2025
50p	101,650	-	-	(71,650)	30,000	26.03.2017	26.03.2025
50p	101,650	-	-	(71,650)	30,000	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	-	-	(25,050)	1,198,250	27.03.2015	26.03.2025
85p	187,100	-	-	(24,975)	162,125	27.03.2016	26.03.2025
85p	178,775	-	-	(24,975)	153,800	27.03.2017	26.03.2025
33.2p	208,188	-	-	(208,188)	-	01.05.2019	26.02.2026
22p	963,322	-	-	(796,656)	166,666	22.12.2019	22.12.2027
33p	963,338	-	-	(796,671)	166,667	22.12.2019	22.12.2027
50p	963,340	-	-	(796,673)	166,667	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
9.2p*	125,000	62,788*	-	(187,788)	-	27.02.2021	26.02.2029
13.3p*	125,000	62,789*	-	(187,789)	-	27.02.2021	26.02.2029
18p*	125,000	62,788*	-	(187,788)	-	27.02.2021	26.02.2029
23.3p*	125,000	62,789*	-	(187,789)	-	27.02.2021	26.02.2029
28.3p*	125,000	62,788*	-	(187,788)	-	27.02.2021	26.02.2029
33.3p*	125,000	62,789*	-	(187,789)	-	27.02.2021	26.02.2029
15.5p	-	2,996,666	-	-	2,996,666	01.07.2021	30.06.2030
15.5p	-	2,996,667	-	-	2,996,667	01.07.2022	30.06.2030
15.5p	-	2,996,667	-	-	2,996,667	01.07.2023	30.06.2030
15.5p**	-	12,600,000	-	-	12,600,000	01.07.2023	30.06.2030
Total	10,888,963	21,966,731	-	(8,924,894)	23,930,800		
Weighted average exercise price	39.48p	15.05p	-	32.24p	20.84p		

* Under the terms of the warrant agreement with Alderley Park Ltd, the share issues on 21 January 2020 and 28 February 2020 were adjustment events, and the exercise price and number of options were adjusted accordingly.

** These options are subject to performance conditions as detailed in note 4.

Notes to the Financial Statements – continued
For the year ended 30 September 2021

23. Share based payments – continued

The number of exercisable share options at 30 September 2020 was 2,340,800 and their weighted average exercise price was 70.04p.

Outstanding and exercisable share options by scheme as of 30 September 2021:

	Outstanding Number	Exercisable Number	Exercise price range for Outstanding £	Weighted average exercise price for Exercisable £
Plan				
2015 Scheme	1,840,800	1,840,800	0.50 to 0.85	0.796
2020 all employee Share Options Scheme	29,636,304	2,101,674	0.155 to 0.885	0.155
2021 Directors Share options Scheme	600,000	-	0.615	-
Non-plan Share Options	1,500,000	-	0.65	-
	33,577,104	**3,942,474**		

The options outstanding at 30 September 2021 had a weighted average contractual life of 8.7 years (2020: 9.3 years). Other than as previously noted, the share options are exercisable with no further conditions to be met.

24. Related Parties

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

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

On the same date, as a result of the purchase of shares by RM Special Holdings 3, LLC ("Redmile"), it became a significant shareholder and related party. Redmile provided short term loan funding of £5 million during the 2020 financial year, which was repaid together with accrued interest of £0.2 million on 5 August 2020. Further the Group issued £14.5 million convertible loan notes to Redmile on 4 August 2020 on terms summarised in note 17.

Under the terms of the agreement for its subscription for shares on 20 July 2020, Sofinnova Crossover 1 SLP ("Sofinnova") appointed a director to the Board of Redx Pharma plc. The Board believes that this satisfies the criteria for Sofinnova to be considered a related party. On 4 August 2020 the Group issued £7.6 million convertible loan notes to Sofinnova, the terms of which can be seen in note 17.

On December 2, 2020 the Group announced that RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020. As of September 30, 2021, an aggregate of £17.1m in principal amount was outstanding under the convertible loan notes. This equates to 110,288,888 ordinary shares at £0.155 per share.

24. Related Parties – continued

The remaining gross principal of £17.1m has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £14.2m. (note 17).

The reduction in the liability has been offset by credit entries to equity representing the issuance of share capital and associated share premium. There is no impact on the Consolidated Statement of Loss as this is a no gain, no loss transaction.

The interest charge in the period relates to the unwinding of the discount at the effective interest rate on the convertible loan balances held by Redmile and Sofinnova respectively.

	2021 £'000	2020 £'000
Charges from related parties		
Moulton Goodies Ltd – loan interest (to 13 March 2020)	-	183
RM Special Holdings 3, LLC – loan interest	-	171
RM Special Holdings 3, LLC – Convertible loan note interest	954	178
Sofinnova Crossover 1 SLP – Convertible loan note interest	474	88
	1,428	**620**

	2021 £'000	2020 £'000
Amounts owed to related parties		
RM Special Holdings 3, LLC – loan note	9,289	14,532
Sofinnova Crossover 1 SLP – loan note	4,958	7,648
	14,247	**22,180**

Amounts owed to/by related parties are disclosed in borrowings (see note 17) and the convertible note reserve.

25. Contingent liability

During the course of the members' voluntary liquidation of Redx Anti-Infectives Ltd, a counterparty submitted a proof of debt relating to a contract signed in 2013 that was rejected by the joint liquidators. The counterparty has issued an application at the High Court of Justice to reverse the joint liquidators' decision. The joint liquidators are opposing the application.

No provision has been made in these accounts, because the Company believes that the potential claim is without foundation.

26. Events after the reporting period

On 9 December 2021 the Group announced that it had earned a $10m milestone payment from Jazz Pharmaceuticals and on 23 December 2021 announced that it had earned a $9m milestone payment from AstraZeneca.

Company Statement of Financial Position

At 30 September 2021 Company registration number 07368089

	Notes	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	3	236	258
Tangible assets	4	482	109
Investments	5	653	411
		1,371	**778**
Current assets			
Debtors	6	42,665	20,234
Cash at bank and in hand		27,810	27,326
Total current assets		**70,475**	**47,560**
Creditors: amounts falling due within one year	7	**(5,800)**	**(8,322)**
Net current assets		**64,675**	**39,238**
Creditors: amounts falling due in more than one year	8	**(14,247)**	**(16,758)**
Net assets		**51,799**	**23,258**
Capital and reserves			
Share capital	9	2,753	1,952
Share premium		66,299	37,184
Capital redemption reserve		1	1
Share based payments reserve		4,752	1,191
Convertible note reserve		3,524	4,572
Profit and loss account		(25,530)	(21,642)
Shareholders' funds		**51,799**	**23,258**

The Company has taken advantage of s408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's result for the year was a loss of £3,888,000 (2020 loss: £3,244,000).

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

Lisa Anson
Executive Director

26 January 2022

Company Statement of Changes in Equity

For the year ended 30 September 2021

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Convertible Note Reserve £'000	Profit & loss account £'000	Total Equity £'000
At 1 October 2019	**1,265**	**33,263**	**1,104**	**1**	**-**	**(18,398)**	**17,235**
Loss and total comprehensive loss for the year	-	-	-	-	-	(3,244)	(3,244)
Transactions with owners in their capacity as owners							
Share issues	687	4,144	-	-	-	-	4,831
Transaction costs on issue of ordinary shares	-	(93)	-	-	-	-	(93)
Transaction costs on the conversion of loan instruments into ordinary shares	-	(130)	-	-	-	-	(130)
Recognition of equity element of convertible loan notes	-	-	-	-	4,815	-	4,815
Transaction costs on the issue of convertible loan notes	-	-	-	-	(243)	-	(243)
Share based compensation	-	-	568	-	-	-	568
Release of share options lapsed in the year	-	-	(481)	-	-	-	(481)
Movement in year	687	3,921	87	-	4,572	(3,244)	6,023
At 30 September 2020	**1,952**	**37,184**	**1,191**	**1**	**4,572**	**(21,642)**	**23,258**
Loss and total comprehensive loss for the period	-	-	-	-	-	(3,888)	(3,888)
Transactions with owners in their capacity as owners							
Share issues	473	25,508	-	-	-	-	25,981
Share issue costs	-	(1,051)	-	-	-	-	(1,051)
Partial conversion of convertible loan notes	328	4,658	-	-	(1,048)	-	3,938
Share based compensation	-	-	3,785	-	-	-	3,785
Release of share options lapsed in the year	-	-	(224)	-	-	-	(224)
Movement in year	801	29,115	3,561	-	(1,048)	(3,888)	28,541
At 30 September 2021	**2,753**	**66,299**	**4,752**	**1**	**3,524**	**(25,530)**	**51,799**

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 in conformity with the requirements of 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 Loss on a straight-line basis over the term of the relevant lease.

The minimum term of the lease is estimated if it is not explicitly stated in the contract.

(iv) Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2010, is being amortised evenly over its estimated useful life of twenty years. It is reviewed annually by the Directors for potential impairment.

Purchased intangible assets

The cost of a purchased intangible asset is the purchase price plus any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Purchased intangible assets are capitalised even if they have not yet demonstrated technical feasibility. The intangible asset relating to intellectual property rights for the programme purchased from Amakem is estimated to have a useful life of 20 years, and it will be amortised over this period, commencing on 31 October 2017.

(v) Going Concern

The Board have adopted the going concern basis in preparing these Company accounts after assessing the cash flow forecasts and principal risks of the Group for which it is the ultimate parent.

At September 30, 2021 the Group held £29.6 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £21.5 million for the year ended September 30, 2021 and an accumulated deficit of £64.2 million. Operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programs within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £2.0 million for the year ended September 30, 2021 primarily from the proceeds of the placing and open offer in December 2020, in which the Group closed the sale of 45,833,641 Ordinary shares, resulting in gross proceeds of £25.7 million. As at December 31, 2021, the Group held sufficient cash and cash equivalents to provide a cash runway through to January 31, 2023 at currently budgeted levels of expenditure and including certain forecast milestone receipts.

1. Accounting Policies – continued

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to January 31, 2023 (the going concern period). Accounting standards require that the review period covers at least 12 months from the date of approval of the financial statements, although they do not specify how far beyond 12 months a Board should consider. Under its base case, the Group plans to raise significant further finance within the next 12 months, either from existing or new investors. Further funding is required under the Board's plans to continue to develop its product candidates and conduct clinical trials. Given these plans and requirements, a review period of 12 months is considered appropriate and the Group and Company plan to raise further funding within this period to continue with its current strategy.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. Raising further capital is outside the control of the directors. Accordingly, the downside risks include a severe but plausible scenario where external fund raising is not successful and is coupled with underperformance against the business plan. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. Even if its mitigating actions are successful, the Group and Company will need to raise further capital.

Based on these conditions, the Company has concluded that the need to raise further capital from either existing or new investors represents a material uncertainty regarding the Company's ability to continue as a going concern.

Notwithstanding the existence of the material uncertainty, the Board believes that the adoption of the going concern basis of accounting is appropriate for the following reasons:

- based on plans and discussions with its advisors and investors the directors have an expectation that further funding will be obtained.
- the Group has a track record and reasonable near-term visibility of meeting expectations under its collaboration agreements and receiving the associated milestone payments.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend, as necessary.

While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful now or in the future. If the Group is unable to secure the planned additional financing, it may not be able to generate sufficient cash flows to support its current level of activities beyond the going concern period. In the event financing is not obtained, the Group will need to consider

- new commercial relationships to help fund future clinical trial costs (i.e., licensing and partnerships); and/or
- reducing and/or deferring discretionary spending on one or more research and development programs; and/or
- restructuring operations to change its overhead structure.

The Group's future liquidity needs, and ability to address those needs, will largely be determined by the success of its product candidates and key development and regulatory events and its decisions in the future. Such decisions could have a negative impact on the Group's business operations and financial condition.

The accompanying financial statements of the Company do not include any adjustments that would be required if they were not prepared on a going concern basis. Accordingly, the financial statements have been prepared on a basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

(vi) Revenue

The Group generates revenue from the sale or outlicensing of scientific programmes, the provision of research on collaboration programmes and the provision of research and preclinical development services under partnership agreements.

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. An assessment is performed on each contract to determine the separate performance obligations and whether these are distinct, and where they are not distinct, they are combined.

Notes to the individual Financial Statements of Redx Pharma Plc – continued

1. Accounting Policies – continued

Where the Group provides ongoing services, revenue in respect of this element is recognised over the duration of those services. Where the arrangement meets the definition of a license agreement, sales milestones and sales royalties are recognised when achieved by applying the royalty exemption under IFRS15.B63.

All other milestones and sales royalties are recognised when considered it is highly probable there will not be a significant reversal of income which in the case of clinical success milestones is taken to be when the results of the relevant trial is passed.

(a) Sale and outlicensing of scientific programmes

Customers obtain control of the scientific programmes when the scientific research is transferred to the customer to enable them to continue research and development. Invoices are generated at the point of sale and are usually payable within 30 days. There are no obligations on the Group for returns or refunds for sales or outlicensing of scientific programmes. Revenue is recognised when the scientific research license is transferred to the customer.

(b) Revenue from research collaboration

Collaborations and other arrangements with multiple performance obligations including licenses are assessed to determine whether the license and any services or other performance obligations in the agreement are distinct. Where the license is not distinct it is combined with the associated services and recognised as a single performance obligation.

Generally, performance obligations for research collaboration are satisfied over time as services are rendered. Payment is due with reference to contractual milestones and payment is typically received in advance of services being delivered. These arrangements establish contract liabilities that are then released to match the provision of services. Consideration for research collaboration contracts contains an upfront payment (fixed) and subsequent milestone payments (variable). Variable milestone payments are estimated using the expected value method. Revenue is recognised over the duration of the contract based on an input method based on cost to complete. The related costs are recognised in profit and loss when they are incurred.

(c) Revenue from research and preclinical development services

Performance obligations for research and preclinical development services are satisfied over time as services are rendered. Invoices are presented monthly and are typically payable within 30 days. There are no obligations on the Group for refunds regarding the provision of research and preclinical development services. Consideration is made up of multiple elements, being an agreed full-time equivalent ('FTE') charge out rate and recharges of direct costs, both of which are variable based on the amount of time and cost incurred.

Revenue is recognised over the duration of the contract based on the delivery of FTE services and actual incurrence of rechargeable costs.

(d) Revenue from milestones on scientific programmes and research collaboration

There may be significant uncertainty over whether it is highly probable that there would not be a significant reversal of revenue in respect of specific milestones if they are recognised before they are triggered as a result of them being subject to the actions of third parties. Where the triggering of a milestone is subject to the decisions of third parties (including partners and regulators), the Group does not consider that the threshold for recognition is met until that decision is made.

(vii) Tangible fixed assets

All tangible fixed assets 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.

1. Accounting Policies – continued

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.

(viii) 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 Loss 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 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) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

(e) Compound financial instruments

Compound financial instruments issued by the Group comprised convertible notes denominated in GBP that can be converted to ordinary shares at the option of the holder, based on a fixed conversion ratio. The convertible notes have been bifurcated into their liability and equity components and presented net of the relevant proportion of transaction costs.

The fair value of the liability component is determined using a market rate of an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

Where it meets the definition of equity, the remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of the relevant proportion of transaction costs.

The calculation of interest on the convertible notes by reference to the USD prime rate gives rise to a potential derivative financial instrument, however as this cannot be quantified, no amount is recognised. The carrying amount of the equity component of the conversion option is not remeasured in the subsequent years.

The corresponding interest on the liability component of convertible notes is charged to the income statement using the effective interest rate. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognised.

(ix) Investments

Investments in subsidiaries are stated at cost less provision for impairment in value, and are detailed in Note 5.

Notes to the individual Financial Statements of Redx Pharma Plc – continued

1. Accounting Policies – continued

(x) Share-based compensation

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

Where such payments are made to employees of subsidiary undertakings, but relate to the shares of the parent, they are recognised as additional investments 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 and performance based conditions. The impact of any revision is recognised in the Statement of Comprehensive Income, with a corresponding adjustment to equity reserves.

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

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

(xi) 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, assessment of the satisfaction of performance criteria, 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 4 and 23 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) 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. 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 11 to the Consolidated Financial Statements.

(d) Convertible loan notes

In the year ended 30 September 2020, the Group issued an aggregate of £22.2m of convertible loan notes to RM Special Holdings 3, LLC ('Redmile') and Sofinnova Crossover 1 SLP ('Sofinnova') resulting in the recognition of a compound financial instrument. On December 2, 2020 the Group announced that Redmile and Sofinnova would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Judgement was required in determining the correct accounting treatment for this partial conversion. In particular, management considered the convertible loan notes to be 'American-style', meaning any partial conversion is treated as a maturity event. Under this accounting, the movement in the carrying value of the liability element of the convertible loan notes as a result of the partial conversion is reclassified to equity, and no gain or loss is recognised in the Consolidated Statement of Comprehensive Income. Accounting literature is silent on the component of equity against which this reclassification is made, and there is additional judgement applied in making this determination. See note 17.

1. Accounting Policies – continued

(e) Revenue from research collaborations

In determining the percentage of completion of the research collaboration projects, the Group estimates the total future costs expected to be incurred through the life of the contract, and compares this to the actual costs incurred to date. Certain costs are incurred with Clinical Research Organisations (CROs) such that the group has to estimate the stage of completion of the CRO in determining its own costs. The stage of completion is then applied to the contracted revenue receivable to determine the amount of revenue to be recognised. Given the relatively early stage of the projects in comparison to their lifecycle, the impact of a change of the estimated costs to complete is restricted. If the costs to complete had been estimated as being 10% higher, this would result in a change in revenue recognised to date of £297,000.

2. Staff Costs

	2021 £'000	2020 £'000
Staff costs (including Directors) comprise		
Wages and salaries	3,308	1,644
Social security costs	396	196
Pension costs	135	65
Total employee related costs	**3,839**	**1,905**

	2021 Number	2020 Number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	14	8
R&D - Chemistry	22	3
R&D - Biology	13	3
R&D - Analytical	4	1
	53	**15**

Directors remuneration is disclosed in note 9 of the Group accounts and the Directors' Remuneration Report beginning on page 35.

3. Intangible fixed assets

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2020	121	309	430
Additions	-	-	-
At 30 September 2021	**121**	**309**	**430**
Amortisation			
At 1 October 2020	18	154	172
Charge for the year	6	16	22
At 30 September 2021	**24**	**170**	**194**
Net book value			
At 30 September 2021	**97**	**139**	**236**
At 30 September 2020	103	155	258

Notes to the individual Financial Statements of Redx Pharma Plc – continued

4. Tangible fixed assets

	Laboratory equipment £'000	Computer equipment £'000	Leasehold Improvements £'000	Total £'000
Cost				
At 1 October 2020	77	149	114	340
Additions	438	78	-	516
At 30 September 2021	**515**	**227**	**114**	**856**
Depreciation				
At 1 October 2020	76	108	47	231
Charge for the year	86	46	11	143
At 30 September 2021	**162**	**154**	**58**	**374**
Net book value				
At 30 September 2021	**353**	**73**	**56**	**482**
At 30 September 2020	1	41	67	109

5. 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. On 19 April 2021 the Company purchased 11,609,205 Ordinary shares in Redx Anti-Infectives Limited at £1 per share.

On 7 April 2021, the Company purchased 100 shares of common stock in Redx Inc. at $0.001 per share on its incorporation, representing 100% of its issued stock.

	2021 £'000	2020 £'000
At 1 October	411	368
Additional capital contribution – Redx Oncology Ltd	291	43
Additional capital contribution – Redx Immunology Ltd	86	-
Ordinary shares of Redx Anti-Infectives Ltd	11,609	-
Impairment of investment in Redx Anti-Infectives Ltd	(11,744)	-
At 30 September	**653**	**411**

Following the entry in to solvent liquidation of Redx Anti-Infectives on 18 May 2021 with assets of £1,391. Investments in the company were fully impaired.

5. Investments in subsidiaries – continued

At 30 September 2021 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%	In liquidation	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%	In liquidation	Indirect
Redx Inc 847 Walker Road, Suite C, City of Dover, County of Kent, 19904 Delaware, USA	United States	100%	Management services	Direct

Redx Inc was incorporated on 7 April 2021 It has one employee and provides management services to the group.

At 30 September 2021 both Redx Anti-Infectives Limited and Redx MRSA limited were in Members (solvent) voluntary liquidation as part of a simplification of the group structure. Accordingly all investments in these companies have been fully impaired.

6. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Trade debtors	2,730	83
VAT recoverable	190	90
Amounts due from Group undertakings	38,685	19,513
Other debtors	641	190
Prepayments and accrued income	419	358
	42,665	**20,234**

Amounts due from Group undertakings are repayable on demand and do not carry interest.

7. Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	381	547
Deferred income (Including contract liabilities)	4,367	7,069
Social security and other taxes	146	102
Other creditors	15	5
Accruals	891	599
	5,800	**8,322**

Notes to the individual Financial Statements of Redx Pharma Plc – continued

8. Creditors: Amounts falling due after more than one year

	2021 £'000	2020 £'000
Convertible loan notes	14,247	16,758
	14,247	**16,758**

On August 4, 2020 Redx Pharma plc issued convertible loan notes with a value of £22.2m. No interest is payable during the first 3 years, thereafter it is payable at a maximum rate equal to the US prime rate at that time. The notes are convertible into Ordinary shares of Redx Pharma plc, at any time at the option of the holder, or repayable on the third anniversary of the issue. The conversion rate is 1 Ordinary share for each £0.155 of convertible loan note held. The convertible loan notes are secured by a fixed and floating charge over all the assets of the Group.

Initial measurement

The notes have been assessed as compound instruments containing equity and liability components. The Group has calculated the value of the liability component using a discount rate for an equivalent bond, without an equity component, of 8.5%. The Group determined this rate by obtaining interest rate from external financing sources and making certain adjustments to reflect the terms of the instrument; specifically to adjust the interest rate to account for the expected term of the convertible loan notes, its value and the conditions attached to it. The value of the conversion feature £4.57m (2020: £4.57m) calculated as the residual value of the loan after calculating the fair value of the liability component has been recognised as an equity component within the Convertible note reserve in the Consolidated Statement of Financial Position. Total transaction costs of £1.1m have been allocate between the equity and liability components. An increase in discount rate to 9.5% would decrease the debt element by £248k and a decrease to 7.5% would increase the debt element by £262k.

Partial conversion

On December 2, 2020 the Group announced that RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020. As of September 30, 2021, an aggregate of £17.1m in principal amount was outstanding under the convertible loan notes. This equates to 110,288,888 ordinary shares at £0.155 per share.

The remaining gross principal of £17.1m has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £14.2m. The reduction in the liability has been offset by credit entries to equity representing the issuance of share capital and associated share premium. There is no impact on the Consolidated Statement of Loss as this is a no gain, no loss transaction.

9. Share Capital

	2021 Numbers	2020 Numbers
Number of shares in issue		
In issue at 1 October	195,247,413	126,477,914
Issued for cash	45,833,641	16,738,710
Issued in consideration for a loan	-	52,030,789
Loan note conversion	32,806,159	-
Exercise of share options	1,394,992	-
In issue at 30 September	**275,282,205**	**195,247,413**

	£'000	£'000
Share Capital at par, fully paid		
Ordinary shares of £0.01	**2,753**	**1,952**

9. Share Capital – continued

Share issues

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

On the same date the Group announced that, subject to successful admission of the above shares, RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33m and £1.75m respectively of the principal amount of the convertible loan notes into Ordinary shares. Under the terms of the convertible loan notes, the conversion took place at 15.5p per new Ordinary share. Accordingly, 32,806,159 new Ordinary shares were issued and admitted to trading on AIM on December 22, 2020.

On July 8, 2021, the Group announced the exercise of share options over 894,992 Ordinary shares, The exercise took place at 15.5p per Ordinary share. The gross amount received was £0.1m and the shares were admitted to trading on AIM on July 9, 2021.

On September 27, 2021, the Group announced the exercise of share options over 500,000 Ordinary shares, the exercise took place at prices between 22p and 50p per new Ordinary share. The gross amount received was £0.2m and the shares were admitted to trading on AIM on September 28, 2021.

10. Operating lease arrangements – minimum lease payments

	Property	
	2021 £'000	2020 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:		
Within one year	816	786
In the second to fifth years	3,009	3,144
In greater than five years	-	721
	3,825	**4,651**

11. Related Parties

Related party information disclosed in note 24 to the Group accounts is also applicable to the Company.

12. 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 £34m.

13. Ultimate controlling party

In the opinion of the Directors, the Company's ultimate parent company is Redmile Group LLC, a company incorporated in Delaware, United States of America.

14. Post balance sheet events

On 9 December 2021 the Company announced that it had earned a $10m milestone payment from Jazz Pharmaceuticals and on 23 December 2021 that it had earned a $9m milestone payment from AstraZeneca.

Company Information

Directors	Dr Jane Griffiths (Chair) Lisa Anson (Chief Executive Officer) Peter Presland (Non-Executive Director) Dr Bernhard Kirschbaum (Non-Executive Director) Sarah Gordon Wild (Non-Executive Director) Dr Thomas Burt (Non-Executive Director) Natalie Berner (Non-Executive Director)
Secretary	Andrew Booth
Company number	07368089
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Designed and printed by Perivan

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