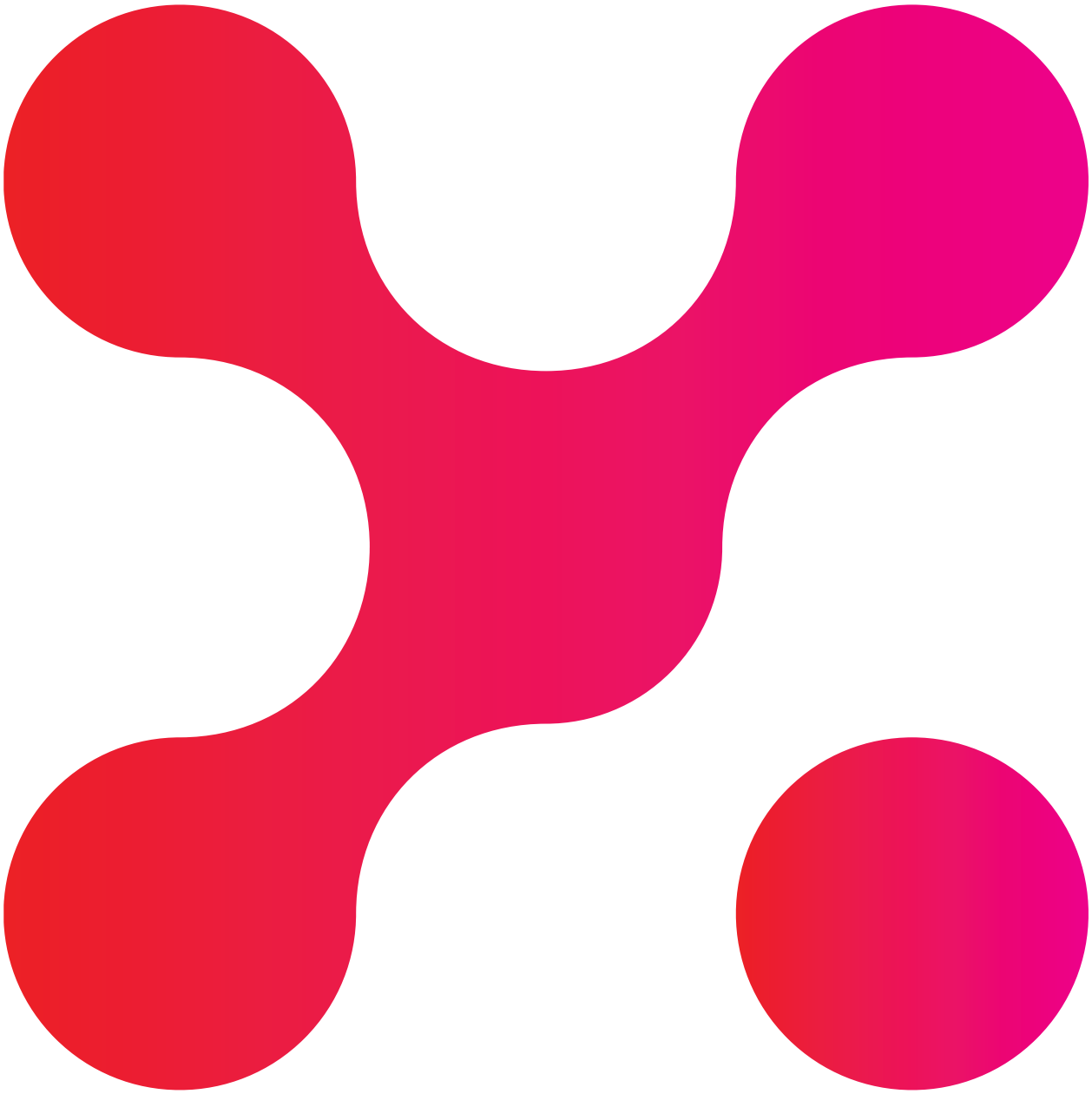
Annual Report and Accounts

for the year ended 30 September 2022

Redx



Discovering Targeted Medicines

High Standards

Agility

Innovation

Resilience

Teamwork

Redx is a clinical-stage biotechnology company focused on the discovery and development of novel, small molecule, highly targeted medicines for the treatment of cancer and fibrotic disease and the emerging area of cancer-associated fibrosis.

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Key Events & Results

Financial results – Year ended 30 September 2022

Revenue:	Operating Expenditure:	R&D Expenditure:	Loss after tax:	Closing Cash:
£18.7m	£38.8m	£28.6m	£18.0m	£53.9m

Research & Development: Strong Momentum Across all Programmes

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

15 November 2021
The Group announces that the first subject has been dosed in the Phase 2 trial of RXC004, the Group's Porcupine inhibitor.

9 December 2021
The Group announces it is to receive a $10 million (£7.4 million) milestone payment from Jazz Pharmaceuticals in connection with its MAPK research collaboration.

23 December 2021
The Group announces it is to receive a $9 million (£6.7 million) milestone payment from AstraZeneca in connection with its RXC006 programme.

27 January 2022
The Group announces that the discoidin domain receptor (DDR) inhibitor fibrosis programme has entered lead optimisation.

10 March 2022
The Group presents encouraging Phase 1 safety data for RXC007, its ROCK2 inhibitor.

30 March 2022
The Group announces the nomination of RXC008, its GI-targeted ROCK inhibitor, as a clinical development candidate.

15 June 2022
The triggering of a $5 million (£4 million) milestone payment from Jazz Pharmaceuticals in connection with its pan-RAF inhibitor is announced.

23 June 2022
One of two targets on the MAPK pathway collaboration is discontinued by Jazz Pharmaceuticals due to pipeline prioritisation.

27 June 2022
Encouraging preclinical data on the potential of Porcupine and ROCK inhibitors to tackle cancer-associated fibrosis is presented.

Corporate: A Strengthened Board, Management Team and Balance Sheet

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

17 January 2022
Claire Solk is appointed as General Counsel.

27 January 2022
The appointment of Dr Rob Scott as a Non-Executive Director, with immediate effect, is announced.

19 May 2022
The Group announces a placing of Ordinary shares to raise £34.3m (gross) at 59 pence per share.

6 June 2022
The placing is approved by shareholders.

Post Year-end Events: Momentum has Continued into New Financial Year

3 October 2022
The Group presents data confirming anti-fibrotic effects of RXC007 in preclinical models for interstitial lung disease and final Phase 1 safety data for IPF study.

11 October 2022
First patient is dosed in the Phase 2a trial for RXC007.

3 November 2022
The Group presents preclinical efficacy data for its novel DDR1 inhibitor.

10 November 2022
RXC004 Phase 1 combination data presented, confirming Phase 2 dose selection and patient enrolment open for the Phase 2 combination studies.

16 December 2022
Clinical trial collaboration and supply agreement with MSD (Merck & Co., Inc., Rahway, NJ, USA) announced, for the supply of KEYTRUDA®[1] (pembrolizumab) to be used in the combination arm of the ongoing PORCUPINE2 Phase 2 clinical study.

[1] KEYTRUDA® is a registered trademark of Merck Sharp & Dohme LLC, a subsidiary of Merck& Co., Inc., Rahway, NJ, USA.

Strategic Report

Chair's Statement

Dear Shareholder,

In my first 12 months as Chair, I have been impressed with the significant progress made at Redx, as we build on our R&D capabilities and our clinical pipeline matures. Both of our lead assets, RXC004 and RXC007, are now in Phase 2 clinical trials and our discovery engine has continued to fuel our preclinical pipeline, with the nomination of RXC008 as a development candidate, and our discoidin domain receptor (DDR) programme moving into lead optimisation.

During the period, despite challenging market conditions, we were also successful in raising significant funds to ensure we can continue to execute on our development plans for our clinical and preclinical programmes.

Our ambition is to create world-leading medicines that will transform patients' lives. By leveraging our world-class medicinal chemistry and translation science expertise, we can create best-in-class or first-in-class treatments for unmet medical needs and beyond our current clinical portfolio we have the ambitious target of submitting three wholly-owned INDs by 2025. 2022 was a year of significant progress towards these goals, with the following notable achievements:

- RXC004 commenced Phase 2 programme: RXC004, a Porcupine inhibitor, is being developed as a targeted therapy for Wnt-ligand dependent cancers, both as monotherapy and in combination with immunotherapies.
- RXC007 Phase 2 programme initiated: RXC007, a selective ROCK2 inhibitor, is being developed for interstitial lung diseases (ILD) including idiopathic pulmonary fibrosis (IPF) a life-threatening orphan disease with poor prognosis.
- Investment in our Redx discovery engine: Our world-class discovery engine sits at the core of everything we do. We nominated our next wholly-owned development candidate, RXC008, a Gastro-Intestinal (GI)-targeted ROCK inhibitor for the treatment of fibrostenotic Crohn's disease and our DDR inhibitor programme entered lead optimisation.

Despite the challenges of the equity markets, in June 2022 we were successful in securing additional financing to support our development plans. Through a share placing, which was supported by all existing major shareholders, and attracted an additional specialist healthcare investor, Invus, we raised £34.3 million (gross). Additionally, due to the significant progress made with our ongoing partnerships and collaborations, we earned $24 million (£18.1 million) of non-dilutive milestone payments. These new funds in addition to pre-existing cash will support the Company through the next stage of significant pipeline progression and provides a cash runway into 2024.

During the last 12 months we have continued to deliver against our strategy. Our ability to progress our in-house pipeline, delivering potential much-needed new treatment options for patients, will also ultimately drive long-term shareholder value.

On behalf of the Board, I would like to thank our executive team led by Chief Executive, Lisa Anson, who have continued to successfully guide the Company over the last 12 months, and all of our employees who, with their dedication and hard work, have ensured we have progressed our business towards its goals. We would also like to thank our shareholders, business partners and suppliers for their ongoing support. Finally, I would like to thank my fellow Redx Board members for providing their invaluable insights and expertise to the executive team.

As I come to the end of my first calendar year as Chair of Redx, I am proud of our achievements. Our progress in the last 12 months has offered a step-change in the development of Redx as a clinical- stage biotech, and we look forward towards another exciting year ahead.

Dr Jane Griffiths
Chair

Chief Executive's Report

In the last 12 months we have continued with strong momentum across all aspects of the business and have made significant progress with both our clinical-stage assets and our discovery engine. I am proud that we are now a well-established clinical-stage biotechnology company with a rich pipeline of assets.

The results for the full year ended 30 September 2022, demonstrate the progress we have made operationally, with two wholly-owned assets now in Phase 2 trials, and a robust preclinical pipeline that forms the basis for our ambition to generate three INDs by the end of 2025. We have worked hard during the period to attract top talent to Redx to strengthen both the leadership team and the scientific team, as well as completing a successful fundraise with the support of new and existing investors. Our people are our biggest asset, driving our discovery engine with their world-class medicinal chemistry and translational science expertise. The underlying strength of our science has led to several exciting developments for the Company during the year, and post-period.

We were delighted to start the period by showcasing last year's progress at the R&D Day we held in October 2021. The event focused on our development plans for both RXC004 and RXC007, and we were joined by key opinion leaders in their respective fields. Professor Scott Kopetz, Department of Gastrointestinal Medical Oncology, Division of Cancer Medicine, The University of Texas MD Anderson Cancer Center, talked to the potential of porcupine inhibition with RXC004 in genetically selected patients with microsatellite stable metastatic colorectal cancer (MSS mCRC). Professor Gisli Jenkins, Faculty of Medicine, National Heart & Lung Institute, Imperial College London, spoke about ROCK and its importance in fibrosis; and Professor Toby Maher, Professor of Medicine and Director of Interstitial Lung Disease, Keck School of Medicine, University of Southern California, Los Angeles, gave a more detailed overview of idiopathic pulmonary fibrosis (IPF) and the unmet medical need for patients. Twelve months on, I am very pleased to be able to report on the further momentum that we have made with our pipeline.

Our ambition is to transform the lives of patients' by delivering better medicines faster. We strive to become a leading biotechnology company through the development of novel and differentiated targeted therapeutics in cancer and fibrotic disease and to progress highly differentiated product candidates.

We continue to pursue our ambition with a clear strategy built upon the following four elements which I will review in turn in this report:

- **Advancing our clinical programmes:**
  - RXC004, an oral Porcupine inhibitor, through our initial indications and then in studies for the potential treatment of additional Wnt-ligand dependent cancers
  - RXC007, an oral selective ROCK2 inhibitor, initially in clinical trials for IPF and then more broadly in Interstitial Lung Disease (ILD) with potential to explore additional fibrotic conditions including cancer-associated fibrosis
- **Investing in our Redx discovery engine** to expand our pipeline to deliver three new wholly-owned IND's by 2025, including advancing RXC008 to clinic
- **Maximising the full potential of our product pipeline** by either retaining commercial rights or considering attractive development and commercialization partnerships
- **Attracting and retaining the best people** by providing a world-class environment

Advancing our Clinical Programmes: *RXC004, an Oral Porcupine Inhibitor for the Targeted Treatment of Wnt-Ligand Dependent Tumours*

RXC004, is a clinical-stage, highly potent and selective, orally active, once-daily Porcupine inhibitor being developed as a targeted therapy for Wnt-ligand dependent cancer. Wnt signaling is a heavily investigated pathway, well established as a key driver of hard-to-treat cancers, and Porcupine is the first target on this pathway showing real clinical promise. 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 controls the secretion of all 19 Wnt-ligands, reducing the risk of redundancy in those cancers that are Wnt-ligand dependent. Not only do aberrations in the Wnt pathway contribute directly to tumour growth, they also play an important role in immune resistance, in particular to treatment with immuno-oncology agents such as PD-1 checkpoint inhibitors.

With this knowledge, we have designed our RXC004 clinical studies to test both hypotheses, by undertaking modules in both monotherapy and in combination with immunotherapies. By genetically selecting patients with tumours that are Wnt-ligand driven, 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. Our initial indications for this genetic selection approach are MSS mCRC and pancreatic cancer. We are also undertaking a study for monotherapy and combination applications in biliary cancer, where genetic selection is not required as over 70%[2] of biliary cancers have high Wnt-ligand expression.

Phase 2 clinical programme initiated

During the period, we commenced our Phase 2 programme for RXC004. The first study in the programme, PORCUPINE, is focused on patients with MSS mCRC that has progressed following treatment with standard of care and is evaluating preliminary efficacy and safety of RXC004. As previously announced, we demonstrated preclinically that RXC004 can block activation of the Wnt pathway and restore the ability of the immune system to fight the tumour, meaning that it has the potential to both directly inhibit tumour growth and have an immune-enhancing effect. The monotherapy arm of the PORCUPINE Phase 2 study commenced in November 2021 and is ongoing with 14 patients dosed. The combination arm of the PORCUPINE study has recently commenced screening.

In December 2021, we announced a strategic partnership with Caris Life Sciences® (Caris) which leverages Caris' clinical trial solutions to enhance the speed of recruitment at US study centers in the PORCUPINE study, as well as provide insights into epidemiology and prognosis. In June 2022, Chief Investigator, Professor Scott Kopetz, The University of Texas MD Anderson Cancer Center, Houston, TX, detailed the design of both the monotherapy and combination arms of PORCUPINE at the American Society of Clinical Oncology (ASCO) Annual Meeting.

The second trial in our Phase 2 programme, PORCUPINE2, is evaluating RXC004 as a monotherapy for patients with genetically selected pancreatic cancer and as a monotherapy and in combination with pembrolizumab for unselected patients with biliary tract cancers. This study commenced in January 2022 with recruitment for the monotherapy biliary arm nearing completion.

Combination arms with checkpoint inhibitors now open

Post-period, at the Society for Immunotherapy of Cancer (SITC) Conference, we presented data from our Phase 1 study evaluating RXC004 in combination with nivolumab, (OPDIVO® - Bristol Myers Squibb, an anti-PD-1 antibody), which was consistent with the previously released Phase 1 results of RXC004 as a monotherapy. The data supported the initiation of the combination arms of the Phase 2 PORCUPINE and PORCUPINE2 studies in genetically selected patients with MSS mCRC and patients with biliary cancer, indications where immune checkpoint inhibitors alone are ineffective. The recommended RXC004 dose for these combination arms is 1.5mg once daily and patient enrollment is now open for PORCUPINE and will commence in H1 2023 for PORCUPINE2.

All three indications have significant unmet medical needs 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 (EU5), and Japan[3].

Advancing our Clinical Programmes: *RXC007, a selective ROCK2 inhibitor for the treatment of interstitial lung disease (ILD) with an initial indication in idiopathic pulmonary fibrosis (IPF)*

Announcing that our lead fibrosis asset, RXC007, had entered Phase 2 studies post-period, was an important milestone for the Company and is an exciting development for IPF patients.

[2] Loilome et al. 2014, Boulter et al. 2015
[3] Incidence data sourced from GlobalData Epidemiology data (Major Markets: US, EU5, Japan, China)

Chief Executive's Report continued

RXC007 is a potent, highly selective and orally-active inhibitor that targets Rho Associated Coiled-Coil Containing Protein Kinase 2 (ROCK2) which sits at a nodal point in the cell signalling pathway, central to fibrosis. ROCK2 is therefore an important emerging drug target and RXC007 has the potential to treat several fibrotic diseases. 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.

Phase 1 data suggests RXC007 has an excellent safety and pharmacokinetic profile

In March 2022, topline data from the Phase 1 healthy volunteers clinical study was presented at the Virtual Interstitial Lung Disease Drug Development Summit, which demonstrated that RXC007 has an excellent safety and pharmacokinetic profile, with a half-life of approximately 9-11 hours, suitable for once daily dosing. No adverse events were observed in the single ascending dose phase, following single doses of 2-70 mg (dosed once or twice in a day), and no serious adverse events were observed in the multiple dose phase (dosed at 50 mg twice daily for 14 days), with only transient, reversible, mild adverse events. The pharmacokinetics were as predicted from preclinical data, with linear exposure for 2-70 mg, and biologically relevant exposures achieved from 20 mg BID. No significant effect on systemic exposure was seen when dosed with food. The full data was presented at the 21st International Colloquium on Lung and Airway Fibrosis (ICLAF) in October 2022 in Iceland.

Phase 2a clinical study in IPF initiated

Post-period we enrolled the first patient into our Phase 2a IPF clinical study. This will be a staged approach based on learnings we have observed from recent trials in the field, and will ensure that we can select a dose for further development based on safety, PK, target engagement, fibrosis biomarkers and early signs of efficacy.

The Phase 2a study will be a 12-week, randomised, dose escalation study with and without standard of care agents. Three cohorts, each consisting of 16 patients, will be dosed with an escalating dose of RXC007, with the key endpoints being safety, PK profile, changes from baseline in lung function – Forced Vital Capacity (FVC) and Carbon Dioxide Diffusion Coefficient (DLCO), changes from baseline in Quantitative Lung Fibrosis Score and airway volume and resistance on high resolution computerised tomography (HRCT) scan. The initial dosing period will last for 12 weeks however, patients may continue for longer if there are no signs of disease progression. The data collected will inform the dose we take forward into a larger potential Phase 2b study, which will be powered to detect an efficacy signal based on the current regulatory endpoint of FVC change over 12 months.

Broader ILD development plan

Post-period, we also presented compelling preclinical data in murine sclerodermatous chronic graft versus host disease (GvHD) models at ICLAF in October 2022. The data presented showed the pleiotropic, anti-fibrotic effects of RXC007. The murine sclerodermatous GvHD model recapitulates aspects of human scleroderma with prominent skin thickening, lung fibrosis, and upregulation of cutaneous collagen. Furthermore, the underlying disease mechanisms that drive pathology in the model show similarities to those observed in auto-immune driven fibrotic diseases such as systemic sclerosis and ILD. RXC007, dosed orally and therapeutically, was able to significantly reduce skin thickness, fibrosis and collagen deposition in the skin and lungs as measured by hydroxyproline. The strength of this preclinical data supports our plan to establish a broader ILD development plan, which we intend to investigate in the future Phase 2b study. In November 2022, Dr Nicolas Guisot, VP Drug Discovery at Redx, spoke and presented a poster at the Antifibrotic Drug Discovery (AFDD) Meeting which again supports our further development plans, showing the potential of RXC007 in the treatment of fibrosis, including IPF and chronic fibrosing interstitial lung disease (CF-ILD).

Investing in Our Redx Discovery Engine

The nomination of RXC008, a GI-targeted ROCK inhibitor, for development and initiation of the lead optimisation phase with our potent proprietary DDR inhibitors, were both important achievements from our discovery engine, which underline our scientific capability in drug discovery.

Our validated, world-class discovery engine fuels our business model and incorporates our expertise in both medicinal chemistry and translational science. Focused on creating potentially differentiated small molecules designed to have high exposure, high potency and other optimised drug properties, 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. To date, our discovery engine has been responsible for the discovery of five assets that have progressed into clinical development, all of which are ongoing in-house or with partners.

RXC008: A potential first-in-class treatment for fibrostenotic Crohn's disease

In March 2022, **RXC008** was nominated as our latest development candidate. RXC008 is a potent, oral, small molecule non-systemic ROCK 1/2 inhibitor for the treatment of fibrostenotic Crohn's disease. RXC008 avoids the significant cardiovascular side effects of pan-ROCK inhibitors, including tachycardia and hypotension, by being GI-restricted via high efflux and low permeability, resulting in virtually no systemic breakthrough, with the molecule being rapidly metabolised by paraoxonase enzymes in the plasma should any breakthrough occur.

RXC008 has shown impressive anti-fibrotic effects in disease models, including the adoptive T-cell transfer model, a model that is believed to mimic the human disease situation well, where it was shown to suppress fibrosis. In animal models, RXC008 dosed orally at 10 mg/kg once daily reduced tissue damage, colon erosion and ulceration, and strongly inhibited fibrosis. Likewise, RXC008 also shows strong anti-fibrotic effects in the chemically induced DSS GI fibrosis model, when dosed prophylactically at 10 mg/kg orally once daily. We are particularly excited by these results, which showed a reduction in fibrosis in the histology score and an observation of a 25% reduction in smooth muscle hyperplasia. Importantly, in this study carried out with Ghent University, presented at the Extracellular Matrix Pharmacology Congress in June 2022, we were also able to look at the inhibition of fibrosis with RXC008 using non-invasive MRI scans and showed that RXC008 reduced tissue entropy – a surrogate marker of fibrosis that correlates with histology scoring. We aim to use this translationally in our clinical trials going forward.

Crohn's disease affects 1.7m people globally[4], with over half developing stricture formation within the first 10 years of diagnosis[5]. There are currently no approved therapeutic treatments for this indication, with present treatment options limited to invasive surgical interventions including balloon dilation, stricture-plasty and eventually bowel resection. We are therefore extremely excited about the potential of RXC008 to be a first-in-class treatment option and transform the lives of these patients.

Discoidin domain receptors: a novel approach for the treatment of multiple fibrotic conditions

In addition to RXC008, in January 2022 we announced that we had identified potent proprietary **discoidin domain receptor (DDR)** inhibitors with drug-like characteristics that are now in lead optimisation. DDRs have recently gained traction as new druggable targets with the potential to treat multiple fibrotic conditions, including lung and kidney fibrosis. 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.

Post-period, in November 2022, work from this programme was presented as a poster at the American Society of Nephrology Kidney Week, which highlighted compelling preclinical data with our novel, potent, selective and orally active DDR1 inhibitor, in chronic kidney disease models. The data presented showed selective inhibition of DDR1, a reduction in inflammation and fibrosis in a mouse unilateral ureteral obstruction (UUO) model in both prophylactic and therapeutic intervention. Significantly, to our knowledge, this is the first example of selective inhibition of DDR1 with a small molecule giving rise to efficacy in mouse UUO models.

Academic collaborations continue to bear fruit

We have set ourselves the ambitious target of submitting three wholly-owned INDs by 2025, including RXC008, which is progressing towards a CTA/IND application at the end of 2023, and have grown our chemistry and biology teams accordingly in order to support this ambition. Outside of our in-house expertise, we have a broad network of contractors, partners and academic collaborators who we work with to support our ambition.

[4] Clarivate, Crohn's disease, disease landscape & forecast pg 39, Published Sep 2022
[5] Chan et al, 2018

Chief Executive's Report continued

Academic collaborations are an integral part of the Redx approach to discovery and, in April 2022, we announced a collaboration with the Garvan Institute of Medical Research (the Garvan), a premier Australian medical research institute, which expanded on preclinical work already underway between Redx and the Garvan. The collaboration aims to better understand treatments that could lead to increased patient survival in currently very poorly treated, highly fibrotic cancers, such as pancreatic cancer. Together, we are developing an enhanced understanding of cancer-associated fibrosis through detailed scientific studies utilising patient-derived tumour tissue grown in mice, which is thereby able to mimic human disease as closely as possible.

The research brings together the Garvan's research capabilities and leading preclinical cancer models with our proprietary molecules in development for novel targets potentially implicated in cancer-associated fibrosis, such as Porcupine, ROCK2 and DDR. The programme provides cancer patients with access to targeted therapies matched to the genomic and/or the fibrotic signature of their tumour or tumour environment. RXC004 is being tested against RNF43 mutant pancreatic cancer, and preclinical work is ongoing to determine if the patient population may be expanded beyond RNF43 loss of function patients to include a wider fibrotic signature in pancreatic cancer. Pre-clinical data from the collaboration demonstrating the efficacy of targeting fibrosis associated with pancreatic cancer in mouse models with RXC004 and a Redx proprietary ROCK2 selective inhibitor was presented at the Extracellular Matrix Pharmacology Congress in June 2022 and post-period, in November 2022 at the SITC Conference.

Maximising The Full Potential of Our Product Pipeline

Redx has completed several major partnering deals in recent years, comprised of full asset sales, out-licencing agreements and research collaborations. During the period, these partnerships contributed significant, non-dilutive funding to the Company, through the receipt of $24 million (£18.1 million) in milestone payments.

In December 2021 a $10 million (£7.4 million) milestone was triggered under our oncology collaboration with Jazz Pharmaceuticals (Jazz), which entered its second year. Under this agreement, which is targeting the RAS-RAF-MAP kinase (MAPK) pathway, Redx is responsible for research and preclinical development activities up to IND application to the US Food and Drug Administration (FDA). One of the targets under this agreement is progressing towards IND application, the other was halted by Jazz in June 2022 due to pipeline prioritisation and the evolving competitive landscape.

Under a separate agreement with Jazz, signed in July 2019 and focused on developing a precision pan-RAF inhibitor, the team successfully achieved IND clearance from the FDA in June 2022, triggering a further $5 million (£4 million) milestone payment. **JZP815** targets specific components of the mitogen-activated protein kinase (MAPK) pathway that, when activated by oncogenic mutations, can be a frequent driver of human cancer. Redx was responsible for development activities up to completion of IND-enabling studies, and with this successful milestone, our work under this collaboration has now ceased and all further development is now being completed by Jazz, as per the agreement. Post-period, Jazz announced that the first patient had been dosed in Phase 1 clinical studies for JZP815, making it the fifth compound from Redx's discovery engine to successfully enter clinical development. Redx remains entitled to development, regulatory and commercial milestone payments as well as incremental tiered royalties in mid-single digit percentages, based on any future net sales of JZP815.

Further validating our business strategy and discovery engine capabilities is our out-licensing agreement with AstraZeneca, signed in August 2020, for **RXC006 (AZD5055)**, a Porcupine inhibitor being developed for the treatment of IPF. In December 2021, Redx earned a $9 million (£6.7 million) milestone for the initiation of Phase 1 trials in healthy volunteers with AZD5055, which completed the total $17 million (£12.6 million) available between deal signature and successful commencement of a clinical trial. Redx remains eligible to receive further development, regulatory and commercial milestone payments as well as tiered royalties of mid-single digit percentages, based on any future net sales of AZD5055.

We are proud of our ability to secure deals with top-tier partners who recognise the differentiated assets that we discover at Redx. 2022 was an exceptional year, with the receipt of $24 million (£18.1 million) in milestones, and both JZP815 and AZD5055 entering Phase 1 clinical studies, however we expect the momentum of milestones payments to slow as these candidates progress and if successful, future milestones will not be as frequent. Following the success of these

partnership deals, in line with our strategy and business development plans, we will continue to review future development and commercialisation partnership opportunities as they arise.

Attracting and Retaining the Best People by Providing a World-Class Environment

Our people remain our biggest asset, driving our discovery engine with their world-class medicinal chemistry and translational science expertise. The integrated team comprises of both chemists and biologists, and continues to utilise cutting edge technologies optimal for each specific programme. Announcing post-period that the fifth molecule from our discovery engine, JZP815, had entered Phase 1 clinical trials, is testament to their ability and determination. The underlying strength of our science has led to exciting developments for the Company both during the year, and post-period.

In December 2021, we strengthened the Board with the appointment of Dr Jane Griffiths as our new Chair, and in January 2022 with the addition of Dr Rob Scott as Non-Executive Director. We decided, after these appointments, to form a new Board committee, the Science Committee, which is responsible for reviewing and assessing Redx's R&D programmes and strategies, in addition to overseeing the Company's progress against its scientific goals. The committee is chaired by Dr Bernhard Kirschbaum, with Dr Rob Scott and Lisa Anson serving as members. We were pleased at our Annual General Meeting in March 2022 to receive strong support from our shareholders on all resolutions, including the re-election of our Board members.

Throughout the course of the year, we also added important new expertise to the leadership team in the form of newly created positions of General Counsel and Head of Quality. Post-period we were also delighted to appoint a Head of Business Development, who will drive our efforts in securing key partnerships as we bring more assets to clinical development.

As we develop as a clinical-stage biotech organisation and our team continues to grow, we are focusing more resource on providing the capabilities, infrastructure and skills required to support this growth. As we returned to more normalised working procedures following the COVID-19 pandemic, we took the opportunity to engage with all of our employees, including through a staff survey and a company-wide workshop aligning around our Company ambition and mission, which were well received and showed strong staff engagement. We see the investment in building a strong corporate culture as crucial - valuing our employees and continuing to attract top-tier talent will drive and ensure our continued success. As a team we have implemented an explicit set of values – Teamwork, Resilience, Innovation, High Standards and Agility. These are embedded throughout the business to ensure that Redx is not only a world-class biotech scientifically, but also culturally.

Further Strengthening of Our Financial Position

In order to continue to realise the full potential of our pipeline, we have worked hard to strengthen our balance sheet through a successful fundraise supplemented by non-dilutive milestone payments from our partnered programmes.

In June 2022, our shareholders approved a fundraise of £34.3 million (gross) at 59 pence per share, which was priced at market despite challenging macroeconomic conditions. The fundraise, which was approved by shareholders on 6 June 2022, added a new specialist healthcare investor, Invus, to our shareholder register, and we were delighted to receive strong support from all our major existing investors: Redmile Group, Sofinnova Partners, Polar Capital and Platinum Asset Management.

As a result, the Company ended the period with a cash balance of £53.9 million (30 September 2021: £29.6 million). This cash balance provides Redx with a cash runway into 2024 and allows us to fund our clinical development and research stage programmes to important value inflection points throughout 2023.

During the period, we increased investment in our research and development (R&D) activities significantly, with overall R&D expenditure of £28.6 million (2021: £24.4 million) reflecting our growth as a clinical-stage biotech and the strong progress made in our pipeline, with two assets now in Phase 2 clinical studies.

As a clinical-stage biotechnology company, we are acutely aware of the investment required to fully realise the potential of our pipeline and that we will therefore need to raise additional capital in a timely manner. We believe in the strength of our pipeline and that

Chief Executive's Report continued

it provides an attractive opportunity to investors but remain cognisant of the wider macroeconomic climate and the uncertainty that it brings. The associated uncertainty, along with our judgement in relation to the maturity of convertible loan notes, is discussed in more detail on page 25 and in the basis of preparation of the Consolidated Financial Statements on page 53.

Outlook

We have focused on progressing our pipeline, delivering against our strategy and further establishing ourselves as a clinical-stage biotechnology company. We are delighted that we now have two wholly-owned programmes in Phase 2 clinical development, and we are excited that we will start to see data from these programmes throughout the next calendar year., There have also been some extremely exciting developments in our pre-clinical pipeline during the period, and we are looking forward to announcing more progress from our discovery engine in 2023, including with RXC008 as it progresses towards the clinic.

Global macroeconomic markets remain volatile and, as with any biotech company, we continue to observe the equity markets to identify opportunities to help secure our long-term financial security. Despite current market conditions, we believe that we have the right strategy, team and asset portfolio which will shape our ability to continue to secure future funding.

As well as thanking our Board whose experience and guidance is of huge importance to the success of Redx and thereby safeguarding value creation for our shareholders, I would like to take this opportunity to thank all of our staff, whose expertise and commitment are the foundation of Redx.

I continue to be excited by our pipeline and our prospects - we have a differentiated portfolio of assets which will address areas of significant unmet medical need and have real commercial potential, we have a world-class team and a strong balance sheet that position us for further growth. I look forward to reporting on this progress in 2023.

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 4. 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. The successful placing of shares in June 2022, raising £34.3 million (gross), had significant impact for shareholders and employees, securing ongoing liquidity, and strengthening the balance sheet. The Board met frequently during this period. In addition, there was close cooperation and frequent communication with advisors, principally brokers, lawyers and the Company's nominated advisor (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.

During the year, important decisions were also taken regarding the progress of the Group's two principal assets, RXC004 and RXC007, together with the nomination in March of RXC008 as a development candidate. Regular portfolio reviews take place, involving employees and outside experts, to ensure that Directors are aware of all factors impacting such decisions, and a new Science Committee of the Board was formed in March 2022 to oversee Redx's progress.

On 1 November 2021, following Board approval, the Group announced the appointment of Dr Jane Griffiths, a highly experienced Non-Executive director, as Chair with effect from 1 December 2021. The Board also sought to increase its clinical development and regulatory expertise with the further appointment of Dr Rob Scott, a former CMO at Abbvie, as a Non-Executive director on 27 January 2022.

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 Chief Executive Officer 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 2022 and cover issues not covered elsewhere in their Strategic Report, 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), **Dr Richard Armer** (Chief Scientific Officer), **Peter Collum** (Chief Financial Officer), **Dr James Mead** (Chief Operating Officer) and **Dr Jane Robertson** (Chief Medical Officer) have continued in their positions throughout the year. **Claire Solk** joined as General Counsel in January 2022.

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.

	2022 £m	2021 £m	2020 £m	2019 £m
Cash at year end	53.9	29.6	27.5	3.7

The Group made further significant progress in ensuring sufficient funding to deliver its development plan, through $27 million (£20.3 million) of milestone and partnering receipts, of which $3m was recognised in the prior year, and £34.3m (gross) from the share placing. The year-end cash balance is sufficient to fund the plan into 2024.

	2022 £m	2021 £m	2020 £m	2019 £m
Total operating expenditure (excluding share-based payment costs & exchange gains)	34.4	27.1	14.1	10.2

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.

	2022 £m	2021 £m	2020 £m	2019 £m
Net increase in cash and cash equivalents (including certain one-off payments)	24.3	2.0	23.8	(2.8)

Significant positive cash flows continue to be achieved not only from financing activities, but also importantly from business partnerships with AstraZeneca and Jazz Pharmaceuticals. The inflows ensure that the Group has a cash runway into 2024 that allows it to fund its business plan during that period.

Financial Review

Financial position

At 30 September 2022, the Group had cash resources of £53.9 million (2021: £29.6 million). In June 2022, the Group raised £34.3 million (gross) via a placing of Ordinary shares, supported by both existing and new specialist investors, further strengthening the Group position.

The partnership with AstraZeneca generated a further $9 million (£6.7 million) milestone payment in the year, and collaborations with Jazz Pharmaceuticals yielded $18 million (£13.6 million) of cash receipts. Exercises of share options by current and former staff generated £0.3 million.

This funding is sufficient to allow the Group to fund its business plan into the calendar year 2024, based on currently budgeted levels of expenditure.

This cash runway and the need for further funding beyond this leads to a material uncertainty regarding going concern, which is discussed in detail in the Directors' Report on page 25.

Revenue

During the year, the Group continued to derive revenue from the outlicensing agreement with AstraZeneca and Jazz Pharmaceuticals (via milestone payments) and both the research collaboration with, and provision of research and preclinical development services to, Jazz Pharmaceuticals (covering both continuing

Operational Review continued

and discontinued targets). Milestone income from AstraZeneca and Jazz Pharmaceuticals is recognised as received as it relates to contingent consideration on the license previously granted. 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 remain considerable as a consequence of the charging of a full year's "effective interest" (calculated in valuing the lease liability and convertible loan note liability under IFRS), on both the convertible loan notes and the lease of our premises at Alderley Park in the current financial year.

There was no actual cash interest paid in 2022 (2021: £nil).

Cash flows

Overall positive net cash flow for the year was £24.3 million (2021: £2.0 million). See KPI's (page 13) for details.

Taxation

The Group has prepared these financial statements on the basis that it will continue to be claiming Research and Development expenditure credits rather than R&D tax credits, as a result of the significant shareholding by Funds managed by Redmile Group LLC.

Principal Risks and Uncertainties

Redx is a biotechnology 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 2022 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, or additional expenditure;
- 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.

Operational Review continued

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.

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.

Environmental matters

The Group leases all its facilities and does not engage in the manufacture or storage of products for clinical studies and complies with all applicable environmental laws and regulations. Climate change has been identified as an emerging risk area requiring additional analysis.

Unfavourable economic conditions

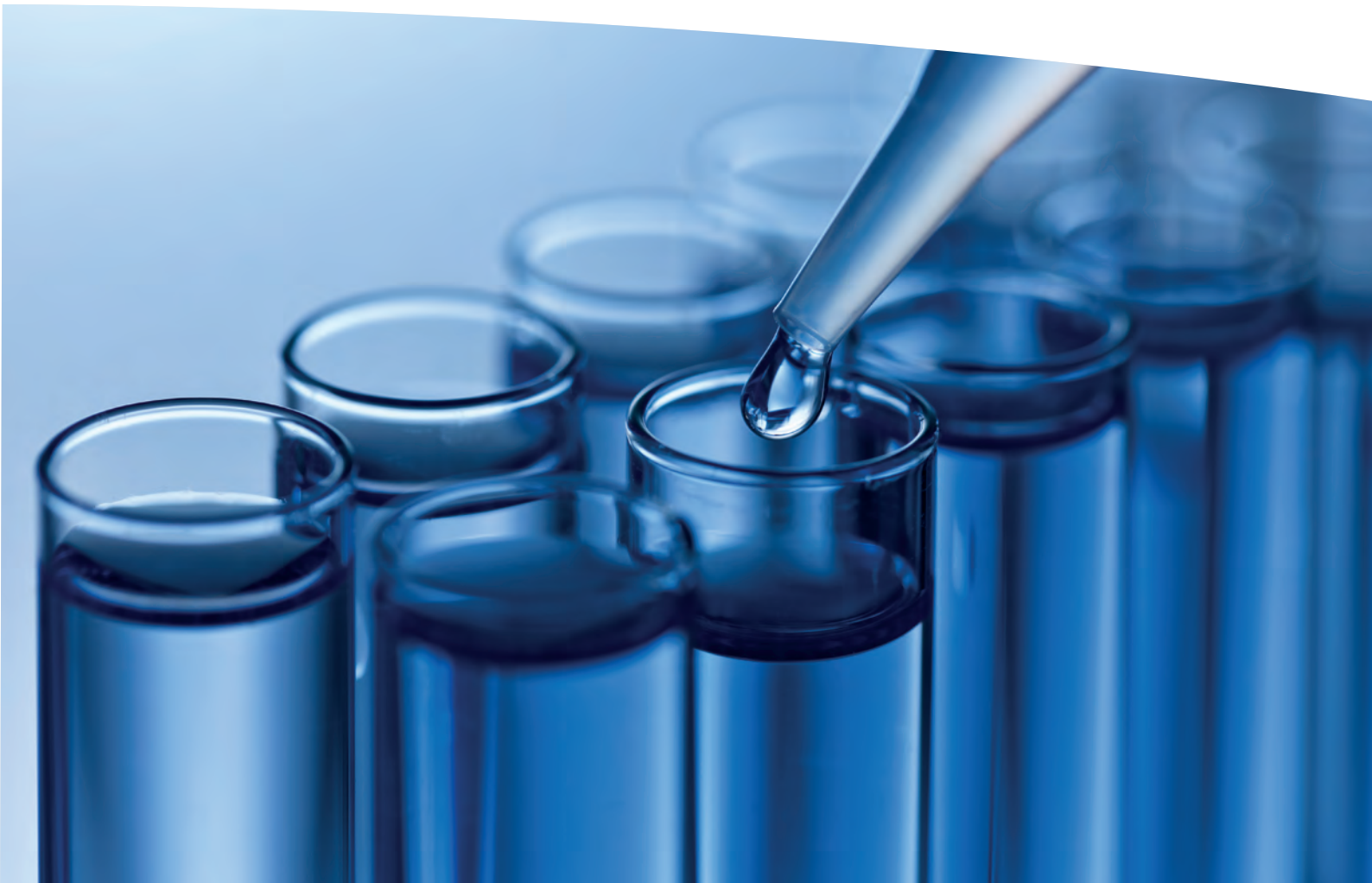
The Group's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including inflation and supply disruption. A domestic or global financial crisis can cause extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn could result from an event like the COVID-19 pandemic or the effects of the significant military action launched by Russia against Ukraine. For example, the impact to Ukraine, as well as actions taken by other countries, including new and stricter sanctions by Canada, the United Kingdom, the European Union, the United States and other countries and organisations against officials, individuals, regions and industries in Russia, Ukraine and Belarus, and each country's potential response to such sanctions, tensions, and military actions could damage or disrupt international commerce and the global economy, and could have a material adverse effect on our business and results of operations,

including weakened demand for our product candidates or an inability to purchase necessary supplies on acceptable terms, if at all. A weak or declining economy could strain the Group's suppliers, possibly resulting in supply disruption, or cause delays in payments for the Group's services by third-party payors or our collaborators. In addition, the conflict in Eastern Europe has had significant ramifications on global financial markets, which may adversely impact the Group's future ability to raise capital on favourable terms or at all. Any of the foregoing could harm the Group's business and the Group cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact its business.

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 19 December 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 QCA Code. The Corporate Governance statement is set out on page 29.

The Board comprises eight Directors: an independent Non-Executive Chair, one full time Executive Director and six Non-Executive Directors (four being independent, with Dr Thomas Burt representing Sofinnova Crossover 1 SLP and 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"), Remuneration Committee (the "Remuneration Committee") and a Science Committee (the "Science Committee") with formally delegated duties and responsibilities. Each of these committees meets on a regular basis and at least twice a year (four times in the case of the Audit Committee), and are all 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.

Lisa Anson

(Chief Executive Officer)

Appointed in 2018, Lisa Anson has led the transformation of Redx into a clinical stage biotech with two programmes in clinical development and a growing pipeline of preclinical assets. During this time the company also secured major partnership deals for four assets with large and speciality pharma and secured long term financing with new blue chip life science focused investors.

Prior to joining Redx, Lisa had significant leadership experience in global pharmaceuticals over a successful 20-year career at AstraZeneca plc with her appointment in 2012 as President of AstraZeneca UK having held a series of senior commercial leadership roles in the company both the US and the UK. Lisa is also a key player in the industry, and in 2018 she was elected to the Board of the Bio Industry Association (BIA). Previously Lisa has been President of the Association of the British Pharmaceutical Industry (ABPI) and member of the board, where she chaired several UK industry committees and worked closely with the UK Government. Lisa started her career as a management consultant in London before moving to California with a cancer disease management company.

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.

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, Amarna Therapeutics as well as an advisor to the board of KAHR Medical.

Board of Directors continued

Sarah Gordon Wild

(Independent Non-Executive Director)

Sarah joined Redx as a Non-Executive Director in 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 the Sofinnova Crossover Fund team in June 2017 from Peel Hunt, where he was senior research analyst for healthcare & life sciences and Redx as a Non-Executive Director on 4th August 2020. He has 11 years of diverse investing expertise, with over $1.5 billion in total completed transactions. Tom, with an EngD in biochemical engineering and experience working on the manufacture of vaccines at GlaxoSmithKline, brings an engineer's mindset to the world of venture capital. Tom worked for several years with Jacques Theurillat at Ares Life Sciences. Prior to that, he was at Novo Growth Equity, a Danish fund focused on late-stage investments in both public and private life science companies and a member of Piper Jaffray's European healthcare investment banking team. He holds Doctorate and Master's degrees in biochemical engineering (University College London and University of Birmingham) and an undergraduate degree in Biotechnology. Tom is a chartered member of Association of Engineering Doctorates.

Natalie Berner

(Non-Executive Director)

Natalie joined Redx as a Non-Executive Director in 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.

Dr Robert Scott

(Independent Non-Executive Director)

Rob joined the Board in January 2022. Rob has over 30 years' experience in pharmaceutical research and drug development, having held leadership roles at Pfizer, Atherogenics, Cerenis. Amgen and Abbvie. He has expertise in a broad range of disease areas including oncology, cardiology, nephrology, bone & inflammation, immunology, neuroscience, infectious disease and general medicine. Rob recently retired as the Chief Medical Officer at Abbvie where he had responsibility for around 40 new molecular entities, 4500 people and an annual budget of close to $3bn.

Rob is a leader in digital transformation of clinical research including a broad range of aspects from predictive analytics, innovative program and study design, synthetic and historical controls, pragmatic and real world studies, use of passive data collection using IoT and wearables and risk-based monitoring to name a few. He is currently on the board of ArisGlobal, Draupnir Bio and Confo Therapeutics and the scientific advisory boards of Variant Bio, Morningside Biopharma and BioEthics International. Rob is a paid Mentor to an EVP head of R&D at a midsize pharma and an SVP at a big pharma.

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 2022. 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
Lisa Anson

Non-Executive
Dr Jane Griffiths – appointed 1 December 2021
Dr Bernhard Kirschbaum
Peter Presland
Sarah Gordon Wild
Dr Thomas Burt
Natalie Berner
Dr Robert Scott – appointed 27 January 2022

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

Principal activities of the Group and Company

The principal activities of the Group and company are drug discovery, development and licensing. 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 2022, 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 £18.0 million (2021: £21.5 million). The Directors do not recommend the payment of a dividend (2021: £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 30 September, 2022 the Group held £53.9 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £18.0 million for the year ended 30 September, 2022 and an accumulated deficit of £81.3 million at that date. In addition operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programmes within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £24.3 million for the year ended 30 September, 2022 as a result of the receipt of milestones revenue on partnered programmes, plus the proceeds of the June financing. On 7 June, 2022 the Group closed the sale of 58,070,956 Ordinary shares, resulting in gross proceeds of £34.3 million (£33.5 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2023, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into January 2024 at currently budgeted levels and timings of expenditure and also on the assumption that the Group's convertible loans will be converted into equity of the Group, or that there will be an extension of the term of those convertible loans (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 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. Further funding is required under the Board's long-term plan to continue to develop its product candidates and conduct clinical trials, and the Group plans to raise significant further finance within this period, either from existing or new investors, and is exploring a number of different options to raise the required funding. Given these plans and requirements, a review period of 12 months is considered appropriate.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. The potential requirement to repay the convertible loan notes and the ability of the Group to raise further capital are both circumstances outside the control of the directors. Accordingly, the downside risks include severe but plausible scenarios where external fund raising is not successful, where the Group underperforms against the business plan, and where the convertible loan notes are recalled rather than converted or extended. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. In the event that the convertible loan notes are not converted or extended, the stated mitigating actions would be insufficient such that the Group would need to raise additional capital within the going concern period and this is outside of the control of the directors. Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors and the potential need to repay the convertible loan notes represent material uncertainties regarding the Group's ability to continue as a going concern.

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

- the directors consider it highly unlikely that the convertible loan notes will be repaid in August 2023 given that the conversion price of 15.5p represents a significant discount to the open market price of Redx Pharma Plc share capital. This discount is around 74% when compared to the share price at which the 7 June, 2022 equity fundraising was completed, in which both convertible loan note holders participated.
- The directors do not currently expect the convertible loan notes to be recalled in August 2023.
- based on plans and discussions with its advisors and investors the directors have an expectation that further funding will be obtained.

Directors' Report continued

- the Group has a track record and reasonable near-term visibility of meeting expectations under its collaboration agreements and receiving milestone payments which have the potential to increase the Group's cash runway but are not included in the Directors' assessment given they are outside the control of management.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend.

There can be no assurance that the convertible loan notes will be converted or extended rather than recalled. If the loan notes are not converted or extended, the Group may not have sufficient cash flows to support its current level of activities beyond the maturity date. While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful in doing so now or in the future. In the event the loan notes are recalled, or additional financing is not secured, the Group would 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 programmes; 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 future business operations and financial condition.

The accompanying financial statements 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 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.

Independent Auditor

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

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

Lisa Anson
Chief Executive Officer

19 December 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 UK adopted 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 (UK adopted international accounting standards) 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 (UK adopted international accounting standards), 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;

Directors' Responsibilities Statement continued

- 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 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's Ordinary shares are admitted to trading on AIM, a market operated by the London Stock Exchange and the Company is subject to the continuing requirements of the AIM Rules for companies published by the London Stock Exchange as amended from time to time. The Board has adopted and complied with the principles set out in the QCA Code. This section provides general information on the Group's adoption of the QCA 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 two changes to the composition of the Board during the year, to further support the vision and strategy of the Group and add valuable clinical study experience. Dr Jane Griffiths was appointed as an independent Non-Executive Director and Chair of the Board on 1 December 2021, and Dr Robert Scott was appointed as an independent Non-Executive Director on 27 January 2022. All other Directors remained throughout the period under review.

As of the date of this Report the Board comprises eight Directors in total: an independent Non-Executive Chair, one Executive Director and six Non-Executive Directors (four 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. The Board has also convened, when necessary 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 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, Peter Presland, Sarah Gordon Wild and Dr Robert Scott 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, 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. 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-quoted 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 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

Peter Presland, Dr Bernd Kirschbaum and Sarah Gordon Wild remained as members of the Audit, Risk & Disclosure Committee until 9 March 2022. At that date Dr Kirschbaum stood down to Chair the newly formed Science Committee and Dr Robert Scott joined the committee. Peter Presland is the Chairman of the committee. During the period from 31 May 2021 to 1 December 2021, 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.

Remuneration Committee

Dr Bernd Kirschbaum, Peter Presland and Sarah Gordon Wild remained as members of the Remuneration Committee throughout the period under review. The Committee was chaired by Dr Bernd Kirschbaum until 8 March 2022, and thereafter by Sarah Gordon Wild. 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.

Science Committee

The Science Committee was established by the Board of Directors on 8 March 2022. It's members are Dr Bernd Kirschbaum, Lisa Anson and Dr Robert Scott. It is Chaired by Dr Bernd Kirschbaum. The Committee is responsible for reviewing and assessing the Group's R&D programmes and strategies, in addition to overseeing progress in achieving its R&D goals and objectives.

During the year it met to discuss R&D progress, and to conduct a full portfolio review.

Attendance at Meetings

The Board meets regularly on a six-weekly basis, together with further meetings as required. The Audit, Remuneration and Science Committees meet as required, but with a minimum of two meetings each year, (four in the case of the Audit Committee).

The Directors attended the following meetings during the year:

	Board	Audit	Remune-ration	Science*	
Dr Jane Griffiths	8/8				Appointed 1 December 2021
Lisa Anson	10/10			3/3	
Dr Bernd Kirschbaum	10/10	2/2	3/3	3/3	
Peter Presland	10/10	4/4	3/3		
Sarah Gordon Wild	10/10	4/4	3/3		
Dr Thomas Burt	10/10				
Natalie Berner	10/10				
Dr Robert Scott	6/6	2/2		3/3	Appointed 27 January 2022

* since formation on 8 March 2022

Corporate Governance Statement continued

Risk Management and Internal Control

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

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

- an annual budget set by the Board with regular review of progress;
- monthly management accounts;
- dual bank signatories for all payments with pre-determined authority limits for specific Directors and employees;
- regular meetings of Executive Directors and senior management to review management information and follow up on operational issues or investigate any exceptional circumstances:
- a risk register;
- clear levels of authority, delegation and management structure;
- Board review and approval of significant contracts and overall project spend;
- a quality management system to support the activities the Company conducts, including 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.

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 her:

- 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 her 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 Chair.

Following the 2022 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.
- **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 Governance Statement continued

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 shareholders has been effective in that Dr Jane Griffiths, Peter Presland and/or 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.

Shareholders are welcome to attend the Group's AGM, where they have the opportunity to meet the Board. 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

Dr Jane Griffiths
Chair of the Board of Directors

Directors' Remuneration Report

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

Remuneration policy for Executive Directors

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

The remuneration of the Executive Directors during the year 2021/22 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

Lisa Anson was appointed Chief Executive Officer and an Executive Director on 1 June 2018. She is paid £354,000 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, and approved by the Board, 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. Options granted are detailed below. Their Letters of Appointment are reviewed by the Board annually.

Directors' Remuneration Report continued

Directors' remuneration (audited)

The Directors received the following remuneration during the year:

	Salaries, bonuses and fees £	Pension contrib's £	Total 2021/22 £	Salaries, bonuses and fees £	Pension contrib's £	Total 2020/21 £
Executive						
L. Anson	606,194	30,800	636,994	615,297	29,438	644,735
Dr J. Mead[1]	-	-	-	129,435	3,236	132,671
Non-Executive						
P. Presland[2]	61,667	-	61,667	58,333	-	58,333
Dr J. Griffiths[3]	70,833	-	70,833	-	-	-
Dr B. Kirschbaum	46,000	-	46,000	46,000	-	46,000
S. Gordon Wild	40,000	-	40,000	40,000	-	40,000
I. Ross[4]	-	-	-	53,333	-	53,333
Dr Robert Scott[5]	26,872	-	26,872	-	-	-
Dr T. Burt[6]	-	-	-	-	-	-
N. Berner[7]	-	-	-	-	-	-
	851,566	30,800	882,366	942,398	32,674	975,072

[1]Dr J. Mead resigned as a Director on 2 March 2021.
[2]P. Presland was appointed as interim Chairman on 31 May 2021 and held the position until 1 December 2021, he remains as a Director.
[3]Dr J. Griffiths was appointed as a Director and Chair on 1 December 2021.
[4]I. Ross resigned as a Director on 31 May 2021.
[5]Dr R. Scott was appointed as a Director on 27 January 2022.
[6]Dr T. Burt was appointed as a Director 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 from the Group.
[7]N. Berner represents Redmile Group and is considered to be a non-independent Director and receives no remuneration from the Group.

Dr T. Burt and N. Berner do not participate in any Group option schemes.

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 2022	At 1 October 2021
Executive		
L. Anson	163,183	129,284
Non-Executive		
Dr J. Griffiths	84,746	-
S. Gordon Wild	1,316,587	892,858
P. Presland	146,225	146,225
Dr B. Kirschbaum	-	-
Dr R. Scott	-	-

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 granting of further share options under the Redx Pharma plc Directors Share Option Scheme 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 2021	Granted during the period	At 30 September 2022	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	56.0	2-Dec-21	2-Dec-30
	2-Dec-20	451,145		451,145	56.0	2-Dec-22	2-Dec-30
	2-Dec-20	451,144		451,144	56.0	2-Dec-23	2-Dec-30
	2-Dec-20	*2,030,152		*2,030,152	56.0	2-Dec-23	2-Dec-30
	19-May-22	-	1,000,000	1,000,000	59.0	19-May-25	19-May-32
		11,683,586	1,000,000	12,683,586			
*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 J. Griffiths	28-Jan-22	-	133,333	133,333	81.0	28-Jan-2023	28-Jan-32
	28-Jan-22	-	133,333	133,333	81.0	28-Jan-2024	28-Jan-32
	28-Jan-22	-	133,334	133,334	81.0	28-Jan-2025	28-Jan-32
		-	400,000	400,000			
Dr R. Scott	28-Jan-22	-	66,666	66,666	81.0	28-Jan-2023	28-Jan-32
	28-Jan-22	-	66,667	66,667	81.0	28-Jan-2024	28-Jan-32
	28-Jan-22	-	66,667	66,667	81.0	28-Jan-2025	28-Jan-32
		-	200,000	200,000			

Sarah Gordon Wild
Chair 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 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2022 which comprise:

Group	Parent company
Consolidated statement of comprehensive loss for the year ended 30 September 2022	Statement of financial position as at 30 September 2022
Consolidated statement of financial position as at 30 September 2022	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 13 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 24 to the consolidated 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 UK adopted international accounting standards. 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 and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to 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 uncertainties in relation to going concern

We draw attention to the accounting policies note in the financial statements, which describes material uncertainties relating to the parent's ability to raise further funding in the event that its convertible loan notes need to be repaid within the going concern period to 31 December 2023; and in the event that the convertible loan notes are not called for repayment, the group and parent company need to raise further capital from either existing or new investors in the going concern period or shortly thereafter.

As stated in the accounting policies note, these events or conditions, along with the other matters as set forth in the accounting policies note, indicate that material uncertainties exist that may cast significant doubt on the group's 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's ability to continue to adopt the going concern basis of accounting included:

- In our walkthrough of the group's financial statement close process, we confirmed our understanding of the management's going concern assessment process and also performed our own risk assessment of the going concern to ensure the management assessment was appropriate.
- We assessed management's consideration of the maturity of the convertible loan notes in August 2023, and whether this represents a material uncertainty in connection with the going concern assessment.
- We considered the appropriateness of the methods used to calculate the cash flow forecasts and determined through inspection and testing of the methodology, assumptions, and calculations that the same were appropriately assessed to perform a going concern assessment of the Group and Parent Company.
- We inspected the mathematical accuracy of the management's going concern model, including the cash forecast for the going concern period which covers a period to 31 December 2023 (the going concern review period).
- We considered the mitigating factors included in the cash flow forecasts that are within the control of the Group, which includes a 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 challenged whether the group had modelled sufficiently severe downside scenarios in their cash forecasts which included where external funding is not obtained in the going concern review period, and mitigating actions are necessary to preserve cash to extend the group's liquidity to the end of the going concern review period.
- 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.

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

Based on the work we performed, we identified material uncertainties relating to the events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period to 31 December 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 group's and parent company's ability to continue as a going concern.

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 (excluding share based payments) and 100% of Total assets.
Key audit matters	**Group** • Revenue recognition for long-term contracts • Research and development contract expenses • Going concern **Parent company** • Recoverability of investments in subsidiaries and intercompany receivables
Materiality	• Overall group materiality of £680,000 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, 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 United Kingdom and the 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 one component ("specific scope component"), 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% (2021: 99%) of the Group's Loss before tax, 99% (2021: 99%) of the Group's Operating expenses (excluding share based payments) and 100% (2021: 100%) of the Group's Total assets. For the current year, the full-scope components contributed 99% (2021: 99%) of the Group's Loss before tax, 98% (2021: 99%) of the Group's Operating expenses and 99% (2021: 98%) of the Group's Total assets. The specific scope component contributed 1% (2021: 1%) of the Group's Loss before tax, 2% (2021: 1%) of the Group's Operating expenses and 1% (2021: 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 accounts tested for the Group.

The remaining one component has entered into liquidation and was not active during the year. As a consequence, we consider the likelihood of any potential risks of material misstatement to the Group financial statements to be low.

Changes from the prior year

There were no changes from the prior year.

Involvement with component teams

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. As explained in the accounting policies to the financial statements, the Group has considered the importance of climate change and has determined that climate change does not have a material impact on the recognition and measurement of the assets and liabilities in the financial statements.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate change risk, the adequacy of the Group's disclosures in the financial statements and the conclusion that no issues were identified that would impact the carrying values of non-current assets or have any other impact on the financial statements as disclosed in notes to the financial statements. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

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. The key audit matters in addition to going concern are listed in the table below.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition for long-term contracts (2022: £6,852k, 2021: £2,751k) For the fiscal year ended 30 September 2022, revenue from the group's long-term research collaboration contract amounted to £6,852k. As of 30 September 2022, related contract liabilities, representing deferred revenue, amounted to £4,893k. Revenue recorded in respect of long-term contracts is significant and requires estimates of total contract costs and the determination of the transaction price for future milestones to be included in the contract price, as disclosed in the accounting policies note of the consolidated financial statements.	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;	Based on the procedures performed, we concluded that the revenue recorded on the group's long-term contract for the year ended 30 September 2022 and related disclosures in the financial statements 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
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. We have determined the risk of improper estimation of costs and related misstatement of revenue recorded is a fraud and significant risk.	• Inspected evidence from the counterparty supporting the release of the Company's remaining performance obligations for one product candidate and recalculated the journal entry for related revenue recognised; • Performed enquiries of project managers with respect to the reasons for deviations between planned and actual costs for the remaining product candidate, and corroborated such information by comparing it to other available information; • Challenged the reasonableness of estimated total costs, through discussions with project managers on the past performance of the contract to determine the accuracy of management's forecasting, considering the historical accuracy of the estimates in the previous year and the effect of any adjustments to the prior year's accruals to current year results, and testing costs incurred with underlying invoices and agreeing to the Group analysis; • 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.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Research and development (R&D) contract expenses (2022: £2,015k; 2021: £634k) 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 of the period end. There is a risk that estimates made by management in respect of the level of service rendered at the period end are incorrect. We have determined the risk of improper estimation and recording of expenses incurred related to research and development expenses, different to amounts invoiced or paid is a significant risk.	We performed full scope audit procedures over this risk area in two locations, which covered 100% of the balance. We obtained an understanding of the design effectiveness of controls in place over the Group's process to record costs of R&D contracts. 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 assess the completeness of CRO costs. • Making enquiries 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. • Directly obtained confirmations from the Group's key vendors, and compared total expenditure as reported by the vendors to the amount recorded by the Group.	Based on procedures performed, R&D contract costs, including prepaid and accrued balances, are fairly stated.

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
Recoverability of investments in subsidiaries and intercompany receivables At 30 September 2022, the carrying value of investments in subsidiaries amounted to £881k (2021: £653k), and amounts due from group undertakings amounted to £60,705k (2021: £38,685k) in the Company Statement of Financial Position. 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 understood the process of the Company's assessment of the carrying value of investments and receivable balances. We obtained management's impairment assessment and related 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. 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.	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.

In the prior year, our auditor's report included a key audit matter in relation to accounting for convertible loans consequent to partial conversion. In the current year, there has been no change in the convertible loans or related estimates involved in the recognition of the convertible loans, so the same did not require significant audit effort in the current year, and accordingly was not determined to be a key audit matter.

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 £680,000 (2021: £560,000), which is 2% (2021: 2%) of Operating expenses (excluding share-based payment charges). We believe that Operating expenses provide us with an appropriate basis considering the Group is loss-making and generates only modest revenues such that common earning-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 that the Group incurs operating expenses, associated primarily with research and development which are financed by equity contributions from investors, we believe that the activity-based measure is a more appropriate basis for determining materiality.

We determined materiality for the Parent Company to be £207,000 (2021: £149,000), which is 2% (2021: 2%) of Operating expenses (excluding share based payment charges).

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% (2021: 50%) of our planning materiality, namely £340,000 (2021: £280,000). We have set performance materiality at this percentage due to our assessment and consideration of likelihood and effect of misstatements and overall internal control environment.

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 £255k to £102k (2021: £209k to £88k).

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 £34,000 (2021: £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 this gives rise to 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.

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

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 statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 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.

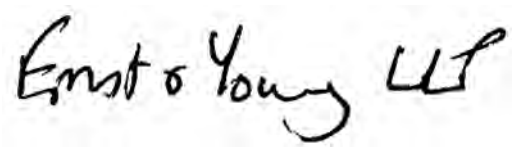
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- 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 (UK adopted international accounting standards and UK GAAP), the Companies Act, 2006 and the relevant tax compliance regulations 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 those enquiries through our review of minutes of Board of Directors meetings. We assessed management's entity level controls to understand the Company's culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur by making inquiries with management through various parts of the business to understand the susceptibility of fraud. We also considered management's performance targets and how these could influence reporting of development activities in clinical programmes. We also gained an understanding of the 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 and inspecting confirmations to verify the existence of significant controls and balances with third parties, and testing any other large or unusual transactions to gain reasonable assurance that the accounts are free from fraud or error.

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.



David Hales (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

19 December 2022

Financial Statements

Consolidated Statement of Comprehensive Loss

For the year ended 30 September 2022

	Note	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Continuing operations			
Revenue	2	18,690	10,035
Research and Development expenses	3	(28,563)	(24,445)
General and Administrative expenses	3	(10,229)	(6,492)
Exchange gains on translation		2,297	37
Other operating income	5	1,539	1,120
Loss from operations		**(16,266)**	**(19,745)**
Finance income	6	187	13
Finance costs	6	(1,725)	(1,711)
Loss before taxation		**(17,804)**	**(21,443)**
Income tax	7	(201)	(133)
Loss attributable to owners of Redx Pharma Plc		**(18,005)**	**(21,576)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange difference from translation of foreign operations		31	29
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(17,974)**	**(21,547)**
Loss per share			
From continuing operations			
Basic & diluted (pence)	8	(6.1)	(8.4)

Consolidated Statement of Financial Position

At 30 September 2022 Company No. 07368089

	Note	2022 £'000	2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	10	2,699	3,325
Intangible assets	11	400	405
Total non-current assets		**3,099**	**3,730**
Current assets			
Trade and other receivables	13	5,498	6,231
Current tax		26	32
Cash and cash equivalents	14	53,854	29,552
Total current assets		**59,378**	**35,815**
Total assets		**62,477**	**39,545**
Liabilities			
Current liabilities			
Trade and other payables	15	5,958	4,699
Contract liabilities	16	4,893	4,318
Borrowings	17	15,731	-
Lease liabilities	18	623	575
Total current liabilities		**27,205**	**9,592**
Non-current liabilities			
Borrowings	17	-	14,247
Lease liabilities	18	1,951	2,574
Total liabilities		**29,156**	**26,413**
Net assets		**33,321**	**13,132**
Equity			
Share capital	21	3,349	2,753
Share premium	22	99,501	66,299
Share-based payment	22	8,199	4,752
Capital redemption reserve	22	1	1
Exchange translation reserve	22	60	29
Convertible note reserve	17	3,524	3,524
Retained deficit	22	(81,313)	(64,226)
Equity attributable to shareholders		**33,321**	**13,132**

The financial statements were approved and authorised for issue by the Board on 19 December 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 2022

	Share capital £'000	Share premium £'000	Share based payment £'000	Capital Redemption Reserve £'000	Exchange translation Reserve £'000	Convertible Note Reserve £'000	Retained Deficit £'000	Total Equity £'000
At 1 October 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**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(18,005)**	**(18,005)**
Other comprehensive income	**-**	**-**	**-**	**-**	**31**	**-**	**-**	**31**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**31**	**-**	**(18,005)**	**(17,974)**
Transactions with owners of the Company								
Issue of Ordinary shares	**596**	**33,972**	**-**	**-**	**-**	**-**	**-**	**34,568**
Transaction costs on issue of Ordinary shares	**-**	**(770)**	**-**	**-**	**-**	**-**	**-**	**(770)**
Share based compensation	**-**	**-**	**4,365**	**-**	**-**	**-**	**-**	**4,365**
Release of share options lapsed in the year	**-**	**-**	**(918)**	**-**	**-**	**-**	**918**	**-**
Movement in year	**596**	**33,202**	**3,447**	**-**	**31**	**-**	**(17,087)**	**20,189**
At 30 September 2022	**3,349**	**99,501**	**8,199**	**1**	**60**	**3,524**	**(81,313)**	**33,321**

Consolidated Statement of Cash Flows

For the year ended 30 September 2022

	Note	Year ended 30 September 2022 £'000	Year ended 30 September 2021 £'000
Net cash flows from operating activities			
Loss for the year		(18,005)	(21,576)
Adjustments for:			
Income tax	7	201	133
Finance costs	6	1,725	1,711
Finance income	6	(187)	(13)
Depreciation and amortisation	10,11	886	633
Share based compensation	4	4,365	3,785
Profit on disposal of assets		(13)	-
Movements in working capital			
Decrease/(increase) in trade and other receivables and contract assets		7,631	(4,651)
Decrease in trade and other payables and contract liabilities		(5,593)	(1,414)
Cash used in operations		**(8,990)**	**(21,392)**
Tax credit received		333	-
Interest received		187	13
Net cash used in operations		**(8,470)**	**(21,379)**
Cash flows from investing activities			
Sale of property, plant and equipment		21	-
Purchase of property, plant and equipment		(262)	(754)
Net cash used in investing activities		**(241)**	**(754)**
Cash flows from financing activities			
Proceeds of share issues		34,568	25,980
Share issue costs		(770)	(1,051)
Payment of lease liabilities	18	(816)	(786)
Net cash generated by financing activities		**32,982**	**24,143**
Net increase in cash and cash equivalents		**24,271**	**2,010**
Cash and cash equivalents at beginning of the year		29,552	27,513
Foreign exchange difference		31	29
Cash and cash equivalents at end of the year	14	**53,854**	**29,552**

Notes to the Financial Statements
For the year ended 30 September 2022

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's Ordinary shares are admitted to trading 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 UK adopted International Accounting Standards. They were authorised for issue by the Company's Board of Directors on 19 December 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 30 September, 2022 the Group held £53.9 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £18.0 million for the year ended 30 September, 2022 and an accumulated deficit of £81.3 million at that date. In addition, operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programmes within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £24.3 million for the year ended 30 September, 2022 as a result of the receipt of milestones revenue on partnered programmes, plus the proceeds of the June financing. On 7 June, 2022 the Group closed the sale of 58,070,956 Ordinary shares, resulting in gross proceeds of £34.3 million (£33.5 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2023, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into January 2024 at currently budgeted levels and timings of expenditure and also on the assumption that the Group's convertible loans will be converted into equity of the Group, or that there will be an extension of the term of those convertible loans (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 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. Further funding is required under the Board's long-term plan to continue to develop its product candidates and conduct clinical trials, and the Group plans to raise significant further finance within this period, either from existing or new investors, and is exploring a number of different options to raise the required funding. Given these plans and requirements, a review period of 12 months is considered appropriate.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. The potential requirement to repay the convertible loan notes and the ability of the Group to raise further capital are both circumstances outside the control of the directors. Accordingly, the downside risks include severe but plausible scenarios where external fund raising is not successful, where the Group underperforms against the business plan, and where the convertible loan notes are recalled rather than converted or extended. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. In the event that the convertible loan notes are not converted or extended, the stated mitigating actions would be insufficient such that the Group would need to raise additional capital within the going concern period and this is outside of the control of the directors. Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors and the potential need to repay the convertible loan notes represent material uncertainties regarding the Group's ability to continue as a going concern.

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

- the directors consider it highly unlikely that the convertible loan notes will be repaid in August 2023 given that the conversion price of 15.5p represents a significant discount to the open market price of Redx Pharma Plc share capital. This discount is around 74% when compared to the share price at which the 7 June, 2022 equity fundraising was completed, in which both convertible loan note holders participated.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

Accounting Policies – continued

- The directors do not currently expect the convertible loan notes to be recalled in August 2023.
- 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 milestone payments which have the potential to increase the Group's cash runway but are not included in the Directors' assessment given they are outside the control of management.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend.

There can be no assurance that the convertible loan notes will be converted or extended rather than recalled. If the loan notes are not converted or extended, the Group may not have sufficient cash flows to support its current level of activities beyond the maturity date. While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful in doing so now or in the future. In the event the loan notes are recalled, or additional financing is not secured, the Group would 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 programmes; 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 future business operations and financial condition.

The accompanying financial statements 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 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 UK adopted International Accounting Standards.

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

No new or amended standards were adopted by the Group for the first time for the financial year beginning on October 1, 2021.

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.

Climate change

The Board has considered the impacts of climate change and has identified this as an emerging risk area. The Board has concluded that climate change does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 30 September, 2022.

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.

Accounting Policies – continued

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.

(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.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

Accounting Policies – continued

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.

(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 (2021: £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.

Accounting Policies – continued

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 Loss because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the period that have been enacted by the reporting date.

(b) Deferred tax

Deferred tax is 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.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

Accounting Policies – continued

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.

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.

Accounting Policies – continued

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.

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.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

Accounting Policies – continued

(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.

(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 (2021: £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 (2021: £nil).

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.

(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.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

Accounting Policies – continued

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 £22.2 million 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 2 December, 2020 the Group announced that Redmile and Sofinnova would convert £3.33 million and £1.75 million, 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 was reclassified to equity, and no gain or loss was 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.

(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 £237k. See note 2.

During the year, the estimated time period for completion of obligations under the research collaboration contract was increased by six months.

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 (2021: 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 2022			
Revenue from milestones on scientific programmes	6,684	4,009	10,693
Research collaboration	-	6,852	6,852
Research and preclinical development services	-	1,145	1,145
	6,684	**12,006**	**18,690**
Revenue analysis for the year ended 30 September 2021			
Revenue from milestones on scientific programmes	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

2. Revenue

	2022 £'000	2021 £'000
Revenue from milestones on scientific programmes	10,693	5,009
Revenue from research collaboration	6,852	2,751
Revenue from research and preclinical development services	1,145	2,275
	18,690	**10,035**

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

Notes to the Financial Statements – continued
For the year ended 30 September 2022

3. Operating expenses

	Note	2022 £'000	2021 £'000
Research and development:			
Staff Costs	4, 9	5,194	5,198
Depreciation	10	751	536
Amortisation	11	5	6
Property costs		1,973	1,437
Other research and development expenses		20,640	17,268
		28,563	**24,445**
Selling, general and administrative expenses:			
Staff Costs	4, 9	6,170	3,940
Depreciation	10	130	91
Property costs		395	287
Other general and administrative expenses		3,062	2,010
Settlement of contractual claim		275	-
Auditors' remuneration:			
Audit of subsidiaries		12	24
Audit of parent company and consolidation		185	140
		10,229	**6,492**
		38,792	**30,937**

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. 18,070,779 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.

	2022 Number	2021 Number
Outstanding at the beginning of the year	33,577,104	23,930,800
Options granted and vested in period	-	-
Options exercised in period	(1,558,297)	(1,394,992)
Options surrendered and lapsed in period	(2,283,709)	(226,668)
Options granted and vesting in future periods	6,825,000	11,267,964
Outstanding at the end of the year	**36,560,098**	**33,577,104**

Weighted average exercise price information is given in note 23.

	2022 £'000	2021 £'000
Charge to Statement of Comprehensive Loss in period	**4,365**	**3,785**

4. Share-based compensation – continued

Assumptions used were an option life of 5 years, a risk free rate of 0.6%-7.9% and no dividend yield. Other inputs were as follows:

Volatility (based on historic information)	40% - 141%	40% - 141%
	£	£
Assumed share price at grant date	0.25 to 0.885	0.25 to 0.85
Exercise price	0.155 to 0.885	0.155 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 an increase in the lifetime charge of the options granted in the year of £0.3 million.

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

At 30 September 2022 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. This is a legacy scheme, and no further options will be granted under it.

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 typically 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. In addition a number of options granted in 2022 have a single three year vesting period. 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, 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.

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. There were no exercises under the scheme in the year.

Non-plan Share Options

Since 2021 the Group has granted a number of non-plan share options. The options vest either 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, or in full on the third anniversary of the grant date. 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.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

5. Other operating income

	2022 £'000	2021 £'000
Reimbursement of costs	480	364
RDEC income	1,059	700
Other grant income	-	56
	1,539	**1,120**

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

6. Finance income and expense

	Note	2022 £'000	2021 £'000
Finance income			
Bank and other short-term deposits		187	13
		187	**13**
Finance expense			
Loan interest	17, 19	1,484	1,428
Interest on lease liabilities	18, 19	241	283
		1,725	**1,711**

7. Income tax

	2022 £'000	2021 £'000
Current income tax		
Corporation tax	199	135
Adjustment in respect of previous periods	2	(2)
Income tax charge	**201**	**133**

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:

	2022 £'000	2021 £'000
Loss before tax	(17,804)	(21,443)
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(3,382)	(4,074)
Effects of:		
R&D expenditure credits	199	135
Expenses not deductible for tax purposes	1,235	853
Use of losses brought forward not recognised	(950)	(550)
Adjustment in respect of previous periods	2	(2)
Deferred tax not recognised	3,097	3,771
Total taxation	**201**	**133**

For the year ended 30 September 2022, the entire income tax charge (2021: charge) was recorded in the Consolidated Statement of Comprehensive Loss.

7. Income tax – continued

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.

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:

	2022 £'000	2021 £'000
Loss for the period attributable to the owners of the Company	(18,005)	(21,576)

	Number	Number
Weighted average number of shares – basic and diluted	294,182,774	256,430,270

	Pence	Pence
Loss per share – basic and diluted	(6.1)	(8.4)

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 110,288,887 Ordinary shares that could potentially dilute basic earnings per share on conversion (see note 17).

9. Employees and key management

	2022 £'000	2021 £'000
Staff costs (including directors) comprise		
Wages and salaries	6,027	4,635
Social security costs	758	536
Pension costs	214	182
Share based compensation (note 4)	4,365	3,785
Total employee related costs	**11,364**	**9,138**

Notes to the Financial Statements – continued
For the year ended 30 September 2022

9. Employees and key management – continued

	2022 number	2021 number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	29	18
R&D – Chemistry	34	30
R&D – Biology	24	19
R&D – Analytical	8	4
	95	**71**

	2022 £'000	2021 £'000
Key management (including directors)		
Wages & salaries	2,114	1,621
Social security costs	247	201
Pension costs	65	53
Share based compensation	3,090	2,661
	5,516	**4,536**

Key management comprised 11 people (2021: 9 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. There are no gains by Directors on exercise of share options.

	2022 £'000	2021 £'000
Directors' remuneration		
Wages & salaries	852	942
Pension costs	31	33
	883	**975**

Retirement benefits are accruing to 1 Director (2021: 1)

Of the total balance on the share option reserve of £8.2m, £3.2m 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:

	2022 £'000	2021 £'000
Wages & salaries	606	615
Pension costs	31	29
	637	**644**

10. Property, plant and equipment

	Leasehold Improvements £'000	Right of Use Asset £'000	Laboratory equipment £'000	Computer equipment £'000	Total £'000
Cost					
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**
At 1 October 2021	114	3,664	1,562	406	5,746
Additions	-	-	214	48	262
Disposals	-	-	(15)	-	(15)
Exchange adjustment	-	-	-	1	1
At 30 September 2022	**114**	**3,664**	**1,761**	**455**	**5,994**
Depreciation					
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
At 1 October 2021	58	1,023	1,015	325	2,421
Charge for the year	12	535	256	78	881
Disposals	-	-	(7)	-	(7)
At 30 September 2022	**70**	**1,558**	**1,264**	**403**	**3,295**
Net book value					
At 30 September 2022	**44**	**2,106**	**497**	**52**	**2,699**
At 30 September 2021	**56**	**2,641**	**547**	**81**	**3,325**

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

11. Intangible Assets and goodwill

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2020, 30 September 2021 and 30 September 2022	121	309	430
Amortisation			
At 1 October 2020	19	-	19
Charge for the year	6	-	6
At 30 September 2021	**25**	**-**	**25**
At 1 October 2021	25	-	25
Charge for the year	5	-	5
At 30 September 2022	**30**	**-**	**30**
Net book value			
At 30 September 2022	**91**	**309**	**400**
At 30 September 2021	96	309	405

Notes to the Financial Statements – continued
For the year ended 30 September 2022

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 and constitutes estimated value in use. The key variables used in the valuation include a pre-tax discount rate of 12.5%, which the Directors believe to be appropriate given the Group's historic capital costs, and rNPV, including forecast revenue per relevant indication. Future projections carry an inherent degree of uncertainty around the progress of clinical trials and resulting cash flows. There are no reasonably possible changes to assumptions which would indicate an impairment. The results of the internal valuations are consistent with external analyst valuations of the Company, and are supported by the market capitalisation of the Company.

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 15 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

	2022 £'000	2021 £'000
Trade receivables	12	2,730
VAT recoverable	909	650
Prepayments & other receivables	4,577	2,782
Accrued income	-	69
	5,498	**6,231**

The carrying value of other receivables approximates their fair value. Included within prepayments & other receivables is an other receivable of £0.6 million (2021: £0.4 million) 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 (2021: £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

	2022 £'000	2021 £'000
Cash at bank and in hand	53,854	21,052
Short-term deposits	-	8,500
	53,854	**29,552**

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 (base rate plus 0.05%).

15. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	2,792	1,789
Employee taxes and social security	250	194
Other payables	18	24
Accruals	2,898	2,692
	5,958	**4,699**

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

	2022 £'000	2021 £'000
Contract liabilities	4,893	4,318
	4,893	**4,318**
Reconciliation		
Brought forward	4,318	7,069
Contract asset received	7,427	-
Transfer to revenue	(6,852)	(2,751)
Carried forward	**4,893**	**4,318**

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 £4.89 million as at 30 September 2022 (2021: £11.73 million) and is expected to be recognised as revenue in future periods as follows:

	2022 £'000	2021 £'000
Within 1 year	3,920	4,438
In the second to fifth years	973	7,297
	4,893	**11,735**

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

As a result of the discontinuance of one of the two targets being researched under the contract, there were no further obligations on the Group, and as amounts received to date are non-refundable, all remaining contract liabilities with regard to the discontinued target have been recognised as revenue (£5.52 million). The treatment of the remaining target remains in accordance with the stated accounting policies. During the year, the estimated time period for completion of obligations under the research collaboration contract was increased by six months.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

17. Borrowings

	2022 £'000	2021 £'000
Convertible loan notes		
Current	15,731	-
Non-current	-	14,247
	15,731	**14,247**

On 4 August, 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 £4.57 million 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 £1.1 million have been allocate between the equity and liability components. An increase in discount rate to 9.5% would decrease the debt element by £127k and a decrease to 7.5% would increase the debt element by £129k.

Partial conversion

On 2 December, 2020 the Group announced that RM Special Holdings 3 LLC and Sofinnova Crossover 1 SLP would convert £3.33 million and £1.75 million 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. As of 30 September, 2022, an aggregate of £17.1 million 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 £17.1 million has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £15.7 million (2021: £14.2 million).

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 prior 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 in September 2021 to reflect the revised cash flows, with the remeasurement adjustment presented below. The associated right of use asset is included in note 10.

	2022 £'000	2021 £'000
Recognised at 1 October	3,149	3,712
Related interest expense	241	283
Repayment of lease liabilities	(816)	(786)
Remeasurement	-	(60)
	2,574	**3,149**
Current	623	575
Non-current	1,951	2,574
	2,574	**3,149**

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

	2022 £'000	2021 £'000
Amounts recognised in profit and loss:		
Interest on lease liabilities	241	283
Depreciation charge on right of use asset	535	421
Amounts recognised in statement of cash flows:		
Payment of lease liabilities	816	786

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 £156,000 for the year. (2021: £118,000).

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

	2022 £'000	2021 £'000
Less than one year	168	118
One to two years	168	118
Two to three years	168	118
Three to four years	168	118
Four to five years	-	118
	672	**590**

Notes to the Financial Statements – continued
For the year ended 30 September 2022

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 2022				
Financial assets not measured at fair value:				
Trade receivables	13	12	-	12
Other receivables	13	102	-	102
Cash and cash equivalents	14	53,854	-	53,854
		53,968	**-**	**53,968**

	Note	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
At 30 September 2022				
Financial liabilities not measured at fair value:				
Current borrowings	17	-	15,731	15,731
Trade payables	15	-	2,792	2,792
Other payables	15	-	18	18
		-	**18,541**	**18,541**

	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**
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**

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. A 5.0% weakening of Sterling relative to USD as at the reporting date would have decreased loss before tax by £0.3 million and increased equity by £0.2 million. A 5.0% strengthening of Sterling relative to USD as at the reporting date would have increased loss before tax by £0.2 million and decreased equity by £0.2 million.

This has been calculated by applying the sensitised USD rate to all USD denominated balances as at the year-end date. All other inputs remain unchanged.

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 £114,000 (2021: £2,935,000) and cash and cash equivalents of £53,854,000 (2021: £29,552,000).

Notes to the Financial Statements – continued
For the year ended 30 September 2022

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 m'ths or less £'000	2-12 m'ths £'000	1-2 years £'000	2-5 years £'000	5+ years £'000
As at 30 September 2022							
Current Borrowings	15,731	17,095	-	17,095	-	-	-
Trade payables	2,792	2,792	2,792	-	-	-	-
Other payables	18	18	18	-	-	-	-
Lease liabilities	2,574	3,009	-	816	816	1,377	-
	21,115	**22,914**	**2,810**	**17,911**	**816**	**1,377**	**-**

		Contractual cash flows					
	Carrying amount £'000	Total £'000	2 m'ths or less £'000	2-12 m'ths £'000	1-2 years £'000	2-5 years £'000	5+ 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**	**-**

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	2022 £'000
IFRS 16 Lease liability		
Balance b/fwd		3,149
Payment of lease liabilities		(816)
Interest on lease liabilities		241
Balance c/fwd (disclosed as current and non-current lease liabilities)	18	2,574
Convertible loan notes		
Balance b/fwd		14,247
Interest		1,484
Balance c/fwd (disclosed as current borrowings)	17	**15,731**

20. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2021:25%).

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

	2022 £'000	2021 £'000
Deferred tax liability in respect of fixed asset timing differences	147	169
Deferred tax assets	(147)	(169)
	-	-

The company has recognised deferred tax assets of £147,000 (2021: £169,000) 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 30 September, 2022 (2021: £nil). The Group had the following unrecognised deferred tax assets as at 30 September, 2022:

	2022 £'000	2021 £'000
Trading losses	16,121	13,429
Short term differences	11	5
	16,132	**13,434**

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

On 18 May, 2021 Redx Anti-Infectives Limited was placed into a members voluntary liquidation which remained ongoing at 30 September 2022. Redx Anti-Infectives Limited had historic tax losses of £12.7 million resulting in an unrecognised deferred tax asset of £2.4 million. 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 2022

21. Share Capital

	Note	2022 Numbers	2021 Numbers
Number of shares in issue			
In issue at 1 October		275,282,205	195,247,413
Issued for cash		58,070,956	45,833,641
Loan note conversion	17	-	32,806,159
Exercise of share options	23	1,558,297	1,394,992
In issue at 30 September		**334,911,458**	**275,282,205**
		£'000	£'000
Share Capital at par, fully paid			
Ordinary shares of £0.01			
At 1 October		2,753	1,952
Issued for cash		581	459
Loan note conversion	17	-	328
Exercise of share options	23	15	14
At 30 September		**3,349**	**2,753**

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 19 May, 2022, the Group announced that it had conditionally raised £34.3 million (gross) by way of a placing of Ordinary shares at 59p per share. All resolutions required to accomplish this were passed at a general meeting of shareholders on 6 June, 2022, and accordingly 58,070,956 new Ordinary shares were issued and admitted to trading on AIM on 7 June, 2022.

On 26 July, 2022, the Group announced the exercise of share options over 1,558,297 Ordinary shares. The exercise took place at prices ranging from 15.5p to 56p per Ordinary share. The gross amount received was £0.3 million and the shares were admitted to trading on AIM on 27 July, 2022.

22. Share premium

	2022 £'000	2021 £'000
Brought forward	66,299	37,184
Share issue	33,972	25,508
Partial conversion of loan notes	-	4,658
Share issue costs	(770)	(1,051)
	99,501	**66,299**

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 2022

23. Share based payments

Movements on share options during the year were as follows:

Exercise Price per share	30 September 2021	Granted	Exercised	Lapsed/ Cancelled	30 September 2022	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	-	-	(997,775)	200,475	27.03.2015	26.03.2025
85p	162,125	-	-	(137,150)	24,975	27.03.2016	26.03.2025
85p	153,800	-	-	(128,825)	24,975	27.03.2017	26.03.2025
15.5p	2,101,674	-	(393,334)	-	1,708,340	01.07.2021	30.06.2030
15.5p	2,933,333	-	(991,628)	(50,000)	1,891,705	01.07.2022	30.06.2030
15.5p	2,933,333	-	-	(66,668)	2,866,665	01.07.2023	30.06.2030
15.5p**	12,600,000	-	-	-	12,600,000	01.07.2023	30.06.2030
56p	1,115,729	-	(83,335)	(16,666)	1,015,728	02.12.2021	01.12.2030
56p	1,115,728	-	-	(50,000)	1,065,728	02.12.2022	01.12.2030
56p	1,115,728	-	-	(50,000)	1,065,728	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	216,667	-	-	(16,667)	200,000	01.07.2022	30.06.2031
61.5p	216,666	-	-	(16,666)	200,000	01.07.2023	30.06.2031
61.5p	216,667	-	-	(16,667)	200,000	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
81p	-	200,000	-	-	200,000	28.01.2023	27.01.2032
81p	-	200,000	-	-	200,000	28.01.2024	27.01.2032
81p	-	200,000	-	-	200,000	28.01.2025	27.01.2032
81p	-	500,000	-	-	500,000	28.01.2023	27.01.2032
81p	-	500,000	-	-	500,000	28.01.2024	27.01.2032
81p	-	500,000	-	-	500,000	28.01.2025	27.01.2032
59p	-	183,333	-	-	183,333	19.05.2023	19.05.2032
59p	-	183,333	-	-	183,333	19.05.2024	19.05.2032
59p	-	183,334	-	-	183,334	19.05.2025	19.05.2032
59p	-	3,875,000	-	-	3,875,000	19.05.2025	19.05.2032
60p	-	300,000	-	-	300,000	20.05.2025	20.05.2032
Total	33,577,104	6,825,000	(1,558,297)	(2,283,709)	36,560,098		
Weighted average exercise price	34.02p	65.81p	19.66p	75.87p	37.87p		

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

The number of exercisable share options at 30 September 2022 was 5,466,198 and their weighted average exercise price was 31.41p. The weighted average share price at date of exercise was 59.0p.

23. Share based payments – continued

During the prior year:

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.

The number of exercisable share options at 30 September 2021 was 3,942,474 and their weighted average exercise price was 45.41p. The weighted average share price at date of exercise was 64.7p.

Notes to the Financial Statements – continued
For the year ended 30 September 2022

23. Share based payments – continued

Outstanding and exercisable share options by scheme as of 30 September 2022:

	Outstanding Number	Exercisable Number	Exercise price range for Outstanding £	Weighted average exercise price for Exercisable £
Plan				
2015 Scheme	250,425	250,425	0.85	0.85
2020 all employee Share Options Scheme	33,309,673	4,915,773	0.155 to 0.81	0.269
2021 Directors Share options Scheme	1,200,000	200,000	0.615 to 0.81	0.615
Non-plan Share Options	1,800,000	100,000	0.60 to 0.65	0.65
	36,560,098	**5,466,198**		

The options outstanding at 30 September 2022 had a weighted average contractual life of 8.2 years (2021: 8.7 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:

In March 2020, as a result of the purchase of shares by RM Special Holdings 3, LLC ("Redmile"), it became a significant shareholder (>70%) and related party. The Group issued £14.5 million convertible loan notes to Redmile on 4 August 2020 on terms summarised in note 17. Redmile further participated in the placing of Ordinary shares in June 2022.

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. Sofinnova also participated in the placing of Ordinary shares in June 2022.

On 2 December, 2020 the Group announced that RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33 million and £1.75 million 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 22 December, 2020. As of 30 September, 2021, an aggregate of £17.1 million 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 £17.1 million has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £15.7 million (note 17).

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.

	2022 £'000	2021 £'000
Charges from related parties		
RM Special Holdings 3, LLC – Convertible loan note interest	995	954
Sofinnova Crossover 1 SLP – Convertible loan note interest	489	474
	1,484	**1,428**

	2022 £'000	2021 £'000
Amounts owed to related parties		
RM Special Holdings 3, LLC - loan note	10,284	9,289
Sofinnova Crossover 1 SLP - loan note	5,447	4,958
	15,731	**14,247**

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

Company Statement of Financial Position

At 30 September 2022 Company Registration Number 07368089

	Notes	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	3	215	236
Tangible assets	4	292	482
Investments	5	881	653
		1,388	**1,371**
Current assets			
Debtors	6	62,086	42,665
Cash at bank and in hand		53,514	27,810
Total current assets		**115,600**	**70,475**
Creditors: amounts falling due within one year	7	**(22,318)**	**(5,800)**
Net current assets		**93,282**	**64,675**
Creditors: amounts falling due in more than one year	8	**-**	**(14,247)**
Net assets		**94,670**	**51,799**
Capital and reserves			
Share capital	9	3,349	2,753
Share premium		99,501	66,299
Capital redemption reserve		1	1
Share based payments reserve		8,199	4,752
Convertible note reserve		3,524	3,524
Profit and loss account		(19,904)	(25,530)
Shareholders' funds		**94,670**	**51,799**

The Company has taken advantage of s408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's result for the year was a profit of £5,626,000 (2021 loss: £3,888,000).

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

Lisa Anson
Executive Director

19 December 2022

Company Statement of Changes in Equity

For the year ended 30 September 2022

	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 2020	**1,952**	**37,184**	**1,191**	**1**	**4,572**	**(21,642)**	**23,258**
Loss and total comprehensive loss for the year	-	-	-	-	-	(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**
Profit and total comprehensive profit for the period	-	-	-	-	-	**5,626**	**5,626**
Transactions with owners in their capacity as owners							
Share issues	**596**	**33,972**	-	-	-	-	**34,568**
Share issue costs	-	**(770)**	-	-	-	-	**(770)**
Share based compensation	-	-	**4,365**	-	-	-	**4,365**
Release of share options lapsed in the year	-	-	**(918)**	-	-	-	**(918)**
Movement in year	**596**	**33,202**	**3,447**	-	-	**5,626**	**42,871**
At 30 September 2022	**3,349**	**99,501**	**8,199**	**1**	**3,524**	**(19,904)**	**94,670**

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.

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

1. Accounting Policies – continued

(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 30 September, 2022 the Group held £53.9 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £18.0 million for the year ended 30 September, 2022 and an accumulated deficit of £81.3 million at that date. In addition operational cash outflows continue to be driven by the ongoing focus on the research, development and clinical activities to advance the programmes within the Group's pipeline. The Group recorded a net increase in cash and cash equivalents of £24.3 million for the year ended 30 September, 2022 as a result of the receipt of milestones revenue on partnered programmes, plus the proceeds of the June financing. On 7 June, 2022 the Group closed the sale of 58,070,956 Ordinary shares, resulting in gross proceeds of £34.3 million (£33.5 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2023, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into January 2024 at currently budgeted levels and timings of expenditure and also on the assumption that the Group's convertible loans will be converted into equity of the Group, or that there will be an extension of the term of those convertible loans (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 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. Further funding is required under the Board's long-term plan to continue to develop its product candidates and conduct clinical trials, and the Group plans to raise significant further finance within this period, either from existing or new investors, and is exploring a number of different options to raise the required funding. Given these plans and requirements, a review period of 12 months is considered appropriate.

The Board has identified and assessed downside risks and mitigating actions in its review of the Group's cash flow forecasts. The potential requirement to repay the convertible loan notes and the ability of the Group to raise further capital are both circumstances outside the control of the directors. Accordingly, the downside risks include severe but plausible scenarios where external fund raising is not successful, where the Group underperforms against the business plan, and where the convertible loan notes are recalled rather than converted or extended. Mitigating actions include the delay of operating expenditure for research activities and restriction of certain discretionary expenditure including capital expenditure. In the event that the convertible loan notes are not converted or extended, the stated mitigating actions would be insufficient such that the Group would need to raise additional capital within the going concern period and this is outside of the control of the directors. Based on these conditions, the Group has concluded that the need to raise further capital from either existing or new investors and the potential need to repay the convertible loan notes represent material uncertainties regarding the Group's ability to continue as a going concern.

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

- the directors consider it highly unlikely that the convertible loan notes will be repaid in August 2023 given that the conversion price of 15.5p represents a significant discount to the open market price of Redx Pharma Plc share capital. This discount is around 74% when compared to the share price at which the 7 June, 2022 equity fundraising was completed, in which both convertible loan note holders participated.
- the directors do not currently expect the convertible loan notes to be recalled in August 2023.
- 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 milestone payments which have the potential to increase the Group's cash runway but are not included in the Directors' assessment given they are outside the control of management.
- the Group retains the ability to control capital and other discretionary expenditure and lower other operational spend.

1. Accounting Policies – continued

There can be no assurance that the convertible loan notes will be converted or extended rather than recalled. If the loan notes are not converted or extended, the Group may not have sufficient cash flows to support its current level of activities beyond the maturity date. While the Group has successfully accessed equity and debt financing in the past, there can be no assurance that it will be successful in doing so now or in the future. In the event the loan notes are recalled, or additional financing is not secured, the Group would 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 programmes; 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 future business operations and financial condition.

The accompanying financial statements 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 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.

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.

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.

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

1. Accounting Policies – continued

(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.

(vi) 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.

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.

1. 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 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.

(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.

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

1. Accounting Policies – continued

(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 and investments

The Directors are required to make judgements regarding the recoverability of investments in and 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, assumptions about key variables and forecasts as detailed in note 11 to the Consolidated Financial Statements.

(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 £22.2 million 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 2 December, 2020 the Group announced that Redmile and Sofinnova would convert £3.33 million and £1.75 million 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 was reclassified to equity, and no gain or loss was recognised in the Consolidated Statement of Comprehensive Loss.

(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 £237k.

2. Staff Costs

	2022 £'000	2021 £'000
Staff costs (including Directors) comprise		
Wages and salaries	4,372	3,308
Social security costs	556	396
Pension costs	160	135
Total employee related costs	**5,088**	**3,839**

	2022 number	2021 number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	23	14
R&D - Chemistry	26	22
R&D - Biology	18	13
R&D - Analytical	8	4
	75	**53**

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 2021	121	309	430
Additions	-	-	-
At 30 September 2022	**121**	**309**	**430**
Amortisation			
At 1 October 2021	24	170	194
Charge for the year	6	15	21
At 30 September 2022	**30**	**185**	**215**
Net book value			
At 30 September 2022	**91**	**124**	**215**
At 30 September 2021	97	139	236

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 2021	515	227	114	856
Additions	1	48	-	49
Disposals	(15)	-	-	(15)
At 30 September 2022	**501**	**275**	**114**	**890**
Depreciation				
At 1 October 2021	162	154	58	374
Charge for the year	149	70	12	231
Disposals	(7)	-	-	(7)
At 30 September 2022	**304**	**224**	**70**	**598**
Net book value				
At 30 September 2022	**197**	**51**	**44**	**292**
At 30 September 2021	353	73	56	482

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.

	2022 £'000	2021 £'000
At 1 October	653	411
Additional capital contribution – Redx Oncology Ltd	159	291
Additional capital contribution – Redx Immunology Ltd	69	86
Ordinary shares of Redx Anti-Infectives Ltd	-	11,609
Impairment of investment in Redx Anti-Infectives Ltd	-	(11,744)
At 30 September	**881**	**653**

Following the entry into solvent liquidation of Redx Anti-Infectives on 18 May 2021 with assets of £1,391. The investment in the company was fully impaired.

5. Investments in subsidiaries – continued

At 30 September 2022 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 Inc 847 Walker Road, Suite C, City of Dover, County of Kent, 19904, Delaware, USA	United States	100%	Management services	Direct

At 30 September 2022, Redx Anti-Infectives Limited was in Members (solvent) voluntary liquidation as part of a simplification of the group structure. Accordingly all investments in this company have been fully impaired.

6. Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	12	2,730
VAT recoverable	151	190
Amounts due from Group undertakings	60,705	38,685
Other debtors	827	641
Prepayments and accrued income	391	419
	62,086	**42,665**

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

7. Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	417	381
Deferred income	4,970	4,367
Social security and other taxes	209	146
Other creditors	13	15
Amounts due to Group undertakings	30	-
Accruals	948	891
Convertible loan notes (note 8)	15,731	-
	22,318	**5,800**

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

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

	2022 £'000	2021 £'000
Convertible loan notes	-	14,247
	-	**14,247**

On 4 August, 2020 Redx Pharma plc issued convertible loan notes with a value of £22.2 million. 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 of £4.57 million was 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 £1.1 million have been allocate between the equity and liability components. An increase in discount rate to 9.5% would decrease the debt element by £127k and a decrease to 7.5% would increase the debt element by £129k.

Partial conversion

On 2 December, 2020 the Group announced that RM Special Holdings 3, LLC and Sofinnova Crossover 1 SLP would convert £3.33 million and £1.75 million 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. As of 30 September, 2022, an aggregate of £17.1 million 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 £17.1 million has been discounted at the effective interest rate determined on initial measurement, resulting in a discounted liability of £15.7 million.

9. Share Capital

	Note	2022 Numbers	2021 Numbers
Number of shares in issue			
In issue at 1 October		275,282,205	195,247,413
Issued for cash		58,070,956	45,833,641
Loan note conversion	8	-	32,806,159
Exercise of share options	23 (Group)	1,558,297	1,394,992
In issue at 30 September		**334,911,458**	**275,282,205**

	Note	£'000	£'000
Share Capital at par, fully paid			
Ordinary shares of £0.01			
At 1 October		2,753	1,952
Issued for cash		581	459
Loan note conversion	8	-	328
Exercise of share options	23 (Group)	15	14
At 30 September		**3,349**	**2,753**

9. Share Capital – continued

Share issues

On 19 May, 2022, the Group announced that it had conditionally raised £34.3 million (gross) by way of a Placing of Ordinary shares at 59p per share. All resolutions required to accomplish this were passed at a general meeting of shareholders on 6 June, 2022, and accordingly 58,070,956 new Ordinary shares were issued and admitted to trading on AIM on 7 June, 2022.

On 26 July, 2022, the Group announced the exercise of share options over 1,558,297 Ordinary shares. The exercise took place at prices ranging from 15.5p to 56p per Ordinary share. The gross amount received was £0.3 million and the shares were admitted to trading on AIM on 27 July, 2022.

10. Operating lease arrangements – minimum lease payments

	Property	
	2022 £'000	2021 £'000
Outstanding commitments for future minimum lease payments under non-cancellable operating leases expiring:		
Within one year	816	816
In the second to fifth years	2,193	3,009
	3,009	**3,825**

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 £34.6m.

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.

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) Dr Robert Scott (Non-Executive Director)
Secretary	Claire Solk
Company number	07368089
Principal place of business & registered office	Block 33 Mereside Alderley Park SK10 4TG
Auditor	Ernst & Young LLP 2 St Peter's Square Manchester M2 3DF
Nomad	SPARK Advisory Partners Ltd 5 St John's Lane London EC1M 4BH
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