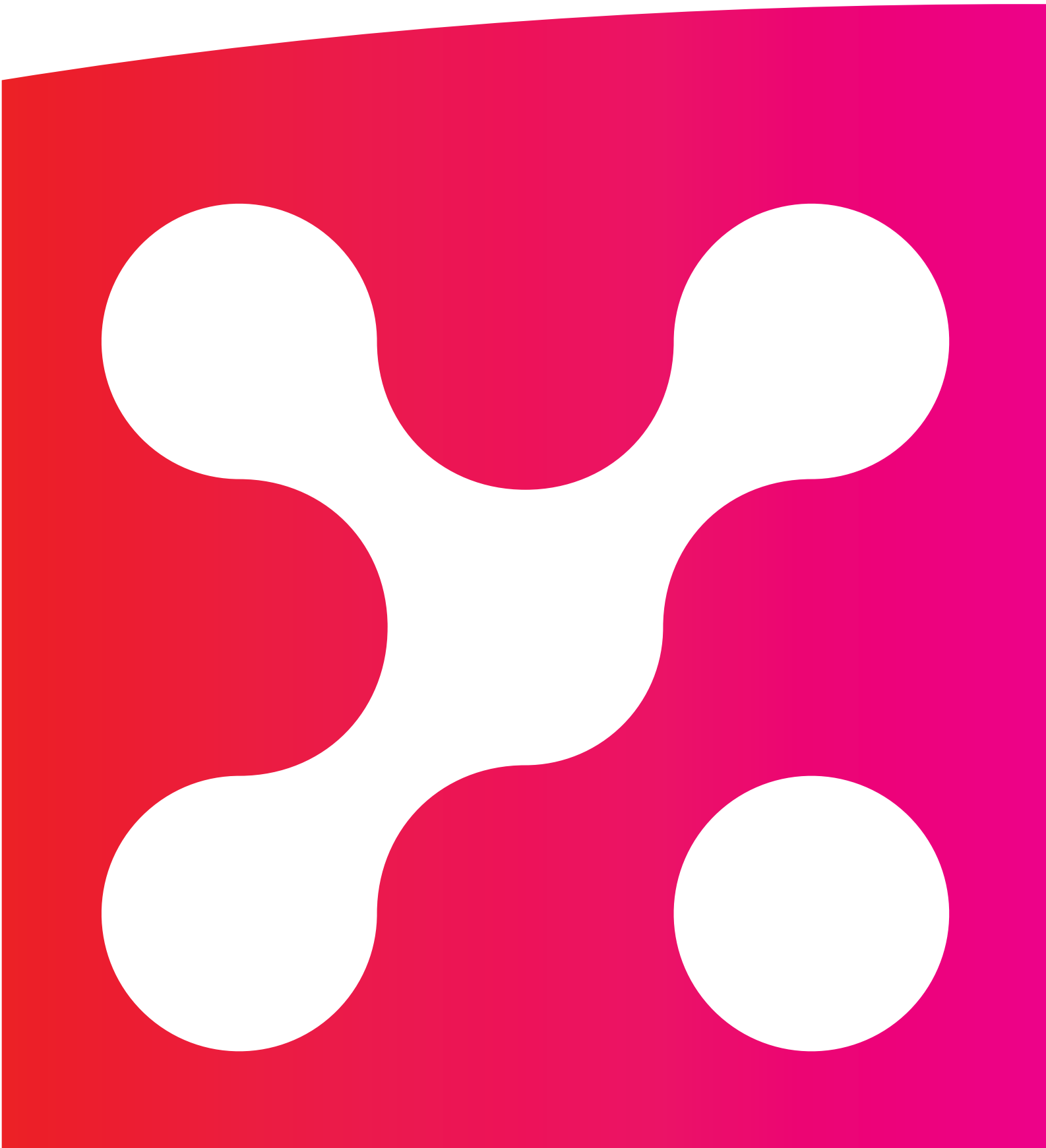
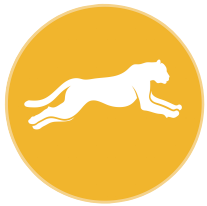
Redx
Discovering Targeted Medicines

Annual Report and Accounts

for the year ended 30 September 2023



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 fibrotic disease and cancer and the emerging area of cancer-associated fibrosis.

Key Events & Results

Financial results – Year ended 30 September 2023

Revenue:	Total Operating Expenditure:	R&D Expenditure:	Loss after tax:	Closing Cash:
£4.2m	£37.2m	£29.2m	£33.2m	£18.1m

Research & Development: Refined strategic focus on advancing ROCK inhibitor portfolio

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.

9 February 2023
The Group provides a progress update on the RXC007 clinical program.

8 March 2023
The Group announces topline monotherapy data from the biliary tract cancer module of the RXC004 PORCUPINE2 Phase 2 clinical trial programme.

11 May 2023
The Group announces further preclinical data for RXC007 and DDR1.

21 August 2023
The Group announces that zelasudil (RXC007) has been granted orphan drug designation by the US Food and Drug Administration ("FDA").

Corporate: Focused on securing long term financing

23 February 2023
Redx and Jounce Therapeutics, Inc. ("Jounce") announce a recommended business combination of the two companies via a proposed all share merger transaction.

15 March 2023
The Group notes the announcement from Jounce of an unsolicited proposal to acquire 100% of its equity.

27 March 2023
Jounce announces that it has entered into an agreement to accept the third-party cash offer and withdraws its recommendation for the proposed merger with Redx.

3 April 2023
The merger offer with Jounce formally lapses.

3 July 2023
The Group announces that Dr Tom Burt, representative of Sofinnova Crossover 1 SLP, will step down as a Non-Executive Director of the Company with effect from 1 September 2023 and that Sofinnova has nominated Dr Joe Anderson to replace him.

10 July 2023
It is announced that the term of the convertible loan notes issued by the Company to RM Special Holdings 3 LLC, ("Redmile") and Sofinnova has been extended by twelve months to 4 August 2024 in accordance with the terms of the Agreement.

22 August 2023
The resignation of Sarah Gordon Wild as a Non-Executive Director, with effect from 30 September 2023, is announced.

Post Year-end Events: Extended cash runway & strengthened pipeline

18 October 2023
The Group announces a placing of Ordinary shares to raise £14.1m (gross), £13.6m (net) at 26 pence per share, extending the cash runway into Q3 2024.

6 November 2023
Preclinical data for RXC009, a newly nominated development candidate, is announced.

[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,

I am pleased to report a successful, although challenging, year for Redx, as we have continued to progress our pipeline, building on our scientific strengths to deliver our corporate strategy and ending the year with a positive trajectory into 2024.

Our ambition is to create world-leading medicines that will transform patients' lives. By leveraging our distinguished medicinal chemistry and translational science expertise, we can create best-in-class or first-in-class treatments for unmet medical needs. During the year we undertook a detailed pipeline prioritisation review which resulted in an increased focus on driving our differentiated ROCK inhibitor portfolio through the next stages of clinical development. Alongside this, to ensure that we optimally deploy our resources and management focus, we made the strategic decision to partner our Porcupine inhibitor RXC004. As our ROCK assets have progressed, we have required increased resources to develop them, requiring us to be even more focused in our portfolio prioritisation.

During the period, Redx made significant clinical and regulatory progress against this strategy, with key achievements including:

- Zelasudil (RXC007) initiated ongoing Phase 2a study - our selective ROCK2 inhibitor, is being developed for interstitial lung diseases (ILD) including idiopathic pulmonary fibrosis (IPF) a life-threatening orphan disease with poor prognosis.
- RXC004 closed recruitment for Phase 2 programme - our Porcupine inhibitor, is being developed as a targeted therapy for Wnt-ligand dependent cancers in combination with immunotherapies and potentially other agents.
- RXC008 successfully completed IND-enabling studies and submitted a CTA - our Gastro-Intestinal (GI)-targeted ROCK inhibitor for the treatment of fibrostenotic Crohn's disease.
- Investment in our Redx discovery engine continued and post-period we nominated our Discoidin Domain Receptor 1 (DDR1) inhibitor as our next development candidate, **RXC009**.

Post-period, in October 2023, we announced a £14.1 million (gross), £13.6 million (net) financing which was supported by existing institutional shareholders including Redmile, Sofinnova, Polar and Invus. This financing will support key milestones including the Phase 2a IPF data readout for zelasudil, as well as enabling RXC008 to commence a Phase 1 healthy volunteer study in early 2024. Although disappointed that our proposed business combination with Jounce Therapeutics did not complete, we believe we are well positioned to deliver long-term success and shareholder value creation.

During the year, the composition of our Board was changed following the resignations of Dr Thomas Burt and Sarah Gordon-Wild and I would like to personally thank both Thomas and Sarah for their invaluable support to the Board and the Company throughout their tenures. I would also like to welcome Dr Joseph Anderson who has joined the Board as a representative of Sofinnova, in place of Thomas Burt.

Our experienced management team led by our CEO, Lisa Anson, has continued to implement a successful corporate strategy aimed at getting our novel, differentiated drug candidates into the clinic. We have a strong internal team who can support these efforts and who continue to guide the Company towards its ambition and I would like to take this opportunity to thank all Redx employees throughout the year, for their resilience, high-standards and teamwork - it is the ultimate foundation of our success.

Likewise, I would like to extend my gratitude to our shareholders, particularly those who supported the Company through our recent financing which is fundamental to our ability to progress our pipeline and deliver the next key milestones.

I am proud of the significant progress we have made in the last 12 months and remain enthused about the multiple value inflection points that we have in the near term, and I look forward to continuing to report our achievements throughout 2024.

Dr Jane Griffiths
Chair, Board of Directors

Chief Executive's Report

Over the last 12 months we have demonstrated strong momentum in progressing our clinical programmes and bringing forward novel drug candidates in line with our core strategy of developing potential best-in-class or first-in-class therapeutics in areas of high unmet medical need.

During the year, we have strategically prioritised the progression of our differentiated Rho Associated Coiled-Coil Containing Protein Kinase (ROCK) portfolio through the next stages of clinical development, where we see significant opportunities as potential best- or first-in-class treatment options in fibrotic diseases. To optimally deploy our resources and management focus, we undertook a significant pipeline prioritisation review and have decided to seek partners for a number of assets for further development, including our clinical-stage Porcupine inhibitor, RXC004.

We are now a well-established, clinical-stage biotechnology company with two assets, zelasudil (RXC007) and RXC004 in Phase 2 development, with data from both programmes expected during the first half of 2024. We have also progressed a third programme, RXC008, through Investigational New Drug (IND)-enabling studies and expect to commence a Phase 1 study in healthy volunteers early in 2024.

We continue to demonstrate the strength of our medicinal chemistry expertise as we execute on our ambition to *create world leading medicines that transform patients' lives*, and we have advanced a number of novel, differentiated drug candidates in our development pipeline. Post-period, in October 2023, we nominated our next development candidate, RXC009, a potent and selective Discoidin Domain Receptor 1 (DDR1) inhibitor; and announced our Kirsten rat sarcoma virus (KRAS) inhibitor programme, which is currently in lead optimisation.

In October 2023, we were also delighted to announce a £14.1 million (gross), £13.6 million (net) financing supported by existing institutional investors. These funds will allow us to progress our assets through the next stages of clinical development and important value inflection milestones, as outlined below.

Strategic Focus on Advancing Our Differentiated ROCK Inhibitor Portfolio with Lead Asset Zelasudil (RXC007)

Our lead asset is **zelasudil** (RXC007), a highly selective ROCK2 inhibitor being developed as a potential best-in-class fibrosis treatment for conditions such as Idiopathic Pulmonary Fibrosis (IPF). ROCK2 is a biologically and clinically validated target that has been shown to sit at a nodal point in cell signalling pathways thought to be central to fibrosis. We have a robust preclinical data package for zelasudil which shows anti-fibrotic effects across multiple industry standard in-vivo preclinical models demonstrating its potential for efficacy in progressive fibrotic interstitial lung diseases (ILD), in highly fibrotic tumours such as pancreatic cancer, and in widespread multi-organ fibrosis, such as chronic Graft versus Host Disease (cGvHD) and systemic sclerosis.

Phase 2a Study in IPF Initiated with Two Cohorts Recruited

Our initial development focus for **zelasudil** is in IPF, given the evidence of the upregulation of ROCK2, along with our strong package of supportive preclinical data.

IPF is a severe and life-threatening disease for which there is currently no cure and where the current standard of care treatments, pirfenidone and nintedanib, have significant side effects limiting their use in over 50% of IPF patients. Therefore, there is an extremely high unmet need for new therapeutic treatment options for these chronically ill patients.

In October 2022, we announced that the first patient had been enrolled in the Phase 2a IPF clinical study for zelasudil. This study is a randomised, double-blind, placebo-controlled, dose ranging study which will provide early efficacy readouts and evaluate the safety and tolerability of zelasudil in IPF patients with or without standard IPF therapy. Cohorts of 16 patients will be treated at each selected dose level with a 3:1 ratio between zelasudil and placebo. Within each cohort, a minimum of four patients will be on nintedinib and four

on pirfenidone as standard treatment. Each cohort has a 12-week dosing duration with an option to continue for a further 12-weeks in an open label extension.

Recruitment into the first cohort of patients, dosing at 20mg BID, was successfully completed with no safety or tolerability findings that precluded dose escalation. Post-period, recruitment into a second cohort of patients at 50mg BID was completed, with dosing ongoing. A decision will be made in Q1 2024 on the dose level for a potential third cohort of patients following the next data review. The study, which is being conducted in the UK and seven other European countries, is expected to report topline data during H1 2024, once all enrolled patients have completed the initial dosing period.

In August 2023, the US Food and Drug Administration (FDA) granted zelasudil Orphan Drug Designation for the treatment of IPF which will, in time, allow us to benefit from various development and commercial incentives, including market exclusivity. At this time, under our open IND in the US, dosing for longer than 28-days is under an FDA partial clinical hold based on skeletal muscle findings in dog toxicology studies. We held a Type A meeting with the FDA to confirm that the design of our ongoing 13-week investigative dog study will meet their requirements with the main objective of the study being to show that the skeletal muscle findings seen in the dogs are monitorable and reversible. To date no similar findings have been observed in humans or other species at any dose. It is expected that a complete response will be submitted to the FDA during Q2 2024 which could allow the partial hold to be lifted, and potentially allow longer-term dosing to take place in the US in future clinical studies.

Following completion of the main 12-week Phase 2a study, we intend to initiate a 28-day translational science sub-study to evaluate key translational science endpoints such as treatment-related changes in fibrosis-related proteins from broncho-alveolar lavage (BAL) fluid and gene expression changes in bronchial epithelial cells. Up to 16 patients will be recruited into this translational science sub-study which will be undertaken at specialist centres in the UK and the US.

Robust Preclinical Data Package Supporting Broader Development in Fibrotic Indications

Due to the pleiotropic mechanism of action of zelasudil, resulting from the nodal positioning of ROCK2 within cell signalling pathways, we have established a robust preclinical data package supporting multiple life cycle management opportunities in a range of fibrotic indications.

Initially, we see a major opportunity in cancer-associated fibrosis, or fibrotic oncology, alongside anti-tumour agents including chemotherapy. We have undertaken several preclinical studies and, in May 2023, presented preclinical data from our pancreatic cancer models, undertaken with our collaboration partner, the Garvan Institute of Medical Research (Garvan), at the Resistant Tumour Microenvironment, Keystone Symposia.

Pancreatic cancer is known to be a highly fibrotic tumour type which is hard-to-treat, with limited treatment options. The preclinical data presented at the Keystone Symposia were from a pancreatic ductal adenocarcinoma (PDAC) model which showed that zelasudil in combination with gemcitabine/Abraxane®[2] in metastatic and high-extra cellular matrix (ECM) patient-derived PDAC models, increased survival compared to single agent standard of care alone. Furthermore, data from a chemotherapy-resistant patient derived model in which collagen content is increased upon development of resistance showed that a close analogue of zelasudil, REDX10616, in combination with FOLFIRINOX re-sensitised the tumour to treatment and led to a striking increase in survival.

REDX10616 has the potential to be developed separately for oncology, however, our current focus is on our clinical stage asset, zelasudil. These data, taken together and reviewed with other preclinical data generated, show the potential of zelasudil as a treatment for cancer-associated fibrosis in combination with standard of care. Our plan is to investigate this potential further in a Phase 1b/2 study, which we hope to initiate in 2024.

Beyond cancer-associated fibrosis, we have a compelling preclinical data package in chronic graft versus host disease (cGvHD), where there is a precedent of ROCK2 inhibition treatment following the FDA approval of belumosudil in August 2021. Preclinical data were presented at the International Colloquium on Lung and Airway Fibrosis (ICLAF) in October 2022 and at the Antifibrotic Drug Discovery (AFDD) Meeting in November 2022, which showed the anti-fibrotic effects of zelasudil in the murine sclerodermatous GvHD model which recapitulates aspects of human scleroderma with prominent skin thickening, upregulation of cutaneous collagen and lung fibrosis. Furthermore, the underlying

[2] a registered trademark of Abraxis BioScience, LLC, a Bristol-Myers Squibb Company

Chief Executive's Report continued

disease mechanisms that drive pathology in the model show similarities to those observed in auto-immune driven fibrotic diseases such as systemic sclerosis and interstitial lung disease (ILD). Zelasudil, dosed orally and therapeutically, was able to significantly reduce skin thickness, fibrosis and collagen deposition in the skin and lungs as measured by hydroxyproline. These data lead us to believe that zelasudil has potential for efficacy in progressive fibrotic interstitial lung diseases, cGvHD and systemic sclerosis; and we will continue to look at opportunities in this area as part of our clinical development plan for zelasudil.

Progressing RXC008 Towards the Clinic as a First-In-Class Opportunity

Our second ROCK inhibitor programme is **RXC008**, a GI-targeted ROCK inhibitor with first-in-class potential in fibrostenotic Crohn's disease. The current management of fibrotic strictures of the gastrointestinal tract is primarily surgical as no drugs are specifically approved for the underlying fibrosis, which can progress despite intervention with anti-inflammatory therapies. RXC008 is expected to enter clinical development in early 2024, commencing a Phase 1 study in healthy volunteers.

RXC008 is a potent, oral, small molecule non-systemic ROCK 1/2 inhibitor. RXC008 avoids the significant cardiovascular side effects of pan-ROCK inhibitors, including tachycardia and hypotension, by being restricted to the GI-tract via high efflux and low permeability. This results in virtually no systemic breakthrough, with the molecule being rapidly metabolised by paraoxonase enzymes in the plasma should any breakthrough occur under particular circumstances.

In November 2022, we presented preclinical data from adoptive transfer and chronic dextran sulphate sodium (DSS) studies of RXC008 at the Inflammatory Bowel Disease (IBD) Nordic Conference. The most compelling preclinical data were seen in a therapeutic 12-week DSS model with a closely related GI-targeted ROCK inhibitor, REDX08087, which was able to fully reverse fibrosis back to baseline levels when the compound was administered orally once a day from weeks 6 to 12 once fibrosis was established. We were able to show complete reversal of preformed GI-fibrosis as measured by trichome collagen staining, with this level of anti-fibrotic effect the strongest seen in any of Redx's fibrosis models and modes of action to date.

Further to this, we have undertaken work in collaboration with Ghent University to incorporate the use of non-invasive magnetic resonance imaging (MRI) texture analysis and histology to assess reduction in tissue injury and fibrosis, which we hope to use translationally in our clinical studies moving forward. If successful, this could lead to a reduction in the number of invasive surgical procedures Crohn's patients require.

Phase 1 Healthy Volunteers Study Expected to Commence H1 2024

Significant progress was made during the year with the RXC008 IND-enabling programme.

In August 2023, we held a scientific advisory meeting with the UK Medicines and Healthcare products Regulatory Agency (MHRA) to review the preclinical data package and we can confirm that post-period, the CTA for RXC008 was submitted and we expect to commence a Phase 1 healthy volunteers study in early 2024.

We held a series of meetings with key opinion leaders and created a specific Scientific Advisory Board to review the Phase 1 study protocol, as well as to discuss the overall clinical development plans beyond Phase 1. We have been pleased by the interest from clinicians in this area, and the support from clinical bodies such as the Science, Translational & Clinical Andrology Research (STAR) consortium.

The Phase 1 study will be split into two parts. The first part will consist of a single and multi-ascending dose in healthy volunteers dosed over 14 days with safety as the primary endpoint. The study will also evaluate pharmacokinetics (PK), including data on faeces, plasma and tissue in the highest multi-ascending dose cohort. Following completion of this first part of the study, we aim to initiate a second part in patients with fibrostenotic Crohn's disease. This will consist of a one-month dosing period to show safety, PK - confirming minimal systemic exposure in patients - target engagement and biomarkers in paired biopsies from the terminal ileum and colon, and changes in circulating biomarkers.

Fibrostenotic Crohn's disease affects 1.7 million patients globally[3], with 50% developing fibrotic strictures within 10 years of treatment[4]. There are currently no approved therapies for the underlying fibrosis therefore, with our preclinical data package and key opinion leader input to date, we are excited about the potential of RXC008 in this hard-to-treat indication.

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

RXC004 – Strategic Decision to Partner the Programme

As outlined above, during the period, the Company undertook a detailed prioritisation review of all programmes and expenses to ensure the delivery of important value inflection points whilst efficiently allocating resources to allow programmes to continue. As part of this review, we nominated **RXC004** to be partnered for any further development.

RXC004 – Phase 2 Recruitment Closed with Data Expected H1 2024

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. Aberrations in the Wnt pathway directly contribute to tumour growth and play an important role in immune resistance, in particular to treatment with immuno-oncology agents such as PD-1 checkpoint inhibitors. We designed the RXC004 Phase 2 clinical programme to evaluate RXC004 as monotherapy and in combination with anti-PD-1 therapy to provide an initial assessment of efficacy and safety.

The first study, PORCUPINE, has been evaluating RXC004 as monotherapy and in combination with anti-PD-1 therapy, OPDIVO™[5] (nivolumab) in patients with relapsed microsatellite stable metastatic colorectal cancer (MSS mCRC) with upstream Wnt pathway activation by RNF43 mutations or RSPO2/3 fusions. The second study, PORCUPINE2, was designed to evaluate RXC004 as a monotherapy in patients with RNF43 mutated advanced pancreatic cancer, and as a monotherapy and in combination with anti-PD-1 KEYTRUDA®[6] (pembrolizumab), in unselected patients with biliary tract cancer (BTC). In December 2022, we announced a clinical trial collaboration and supply agreement with MSD (Merck & Co., Inc., Rahway, NJ, USA) for the supply of pembrolizumab for this study.

In March 2023, we announced initial topline data from the BTC monotherapy module of the PORCUPINE2 study. The data was from 16 previously treated patients with advanced BTC, with a primary endpoint of progression free survival at six months. The clinical activity and safety profile seen in these patients was consistent with that seen in the Phase 1 trial, as presented at the European Society for Medical Oncology (ESMO) Congress in 2021.

Some patients in this cohort received durable clinical benefit from treatment with RXC004, and retrospective analysis of all efficacy and biomarker data in this BTC monotherapy cohort will increase the understanding of the single agent activity of RXC004 and will be used to aid interpretation of the combination module efficacy. Whilst results were consistent with our hypothesis that RXC004 has potential as an active component of combination therapy, they were not sufficient to support the further development of RXC004 as a single agent for relapsed BTC.

In line with the industry-wide recruitment challenges seen for rare subsets of genetically selected patients, we took the decision in May 2023 to close recruitment into the genetically selected monotherapy modules to prioritise resources to the combination modules; and in October 2023, we confirmed that we had closed recruitment into the combination modules. We expect to report data from these studies in H1 2024, once data cleaning activities are complete and the translational results are available.

Following this, as announced at our Interim results in May 2023, we will seek a partnership for this asset to continue its development post-Phase 2, which could include combining more broadly with other agents.

Discovery Engine Continues to Deliver Novel Drug Candidates

Our discovery engine continues to produce novel drug candidates against clinically or biologically validated targets to bring new treatment options in areas of high unmet medical need, as we aim to produce best-in-class or first-in-class molecules. Our medicinal chemistry and translational science expertise is validated by our track record of producing five molecules which have entered the clinical stage of development. In January 2023, we were delighted that the first of these, **Jaypirca™[7] (pirtobrutinib, RXC005, LOXO-305)**, that was discovered and developed by Redx before being

[5] registered trademark of Bristol-Myers Squibb Company
[6] Registered trademark of Merck & Co., Inc.,
[7] a trademark owned or licensed by Eli Lilly and Company, its subsidiaries, or affiliates

Chief Executive's Report continued

divested to Loxo Oncology, now part of Eli Lilly, in 2017, was approved by the US FDA for the treatment of mantle cell lymphoma. Pirtobrutinib, a non-convalent (reversible) Bruton Tyrosine Kinase (BTK) inhibitor, is the first BTK inhibitor of this kind to be approved by the FDA and in April 2023, the drug also received a positive opinion from the European Committee for Medicinal Products for Human Use (CHMP).

During the year significant progress was made in two key areas of focus for our discovery teams: Discoidin Domain Receptor Inhibitors and KRAS inhibitors.

Discoidin Domain Receptor (DDR) Inhibitor Programme Delivers Development Candidate, RXC009

Post-period, in October 2023, we nominated our DDR1 selective inhibitor as our next development candidate, **RXC009**, for the treatment of chronic kidney disease (CKD).

RXC009 is a highly potent and selective DDR1 inhibitor. DDRs are receptor tyrosine kinases containing a discoidin homology domain in their extracellular region and which act as non-integrin collagen receptors. There are two DDR receptors, DDR1 and DDR2, and as DDR expression is increased in many fibrotic diseases including kidney fibrosis, they have recently gained traction as new druggable targets. We have developed potent and selective small molecule DDR inhibitors with drug-like characteristics and have several ongoing programmes in this area.

In November 2022, we presented data from our lead optimisation molecule REDX12271 at the American Society of Nephrology Kidney Week (ASN), which showed that selective inhibition of DDR1 with REDX12271 reduces inflammation and fibrosis in prophylactic Murine Unilateral Ureteral Obstruction (UUO) models.

We returned to ASN in November 2023 to present data from our newly nominated development candidate, RXC009, in a therapeutic murine UUO model. These data confirmed that RXC009 treatment resulted in a significant reduction in histological markers of both inflammation and fibrosis in these models of kidney fibrosis.

Target engagement was also demonstrated with a reduction in phospho-DDR1 (p-DDR1), and RXC009 has a favourable absorption, distribution, metabolism and excretion (ADME) and safety profile. As patients suffering with CKD are often on multiple supportive medications, the drug-drug interaction (DDI) profile of RXC009 is extremely important and we were therefore pleased that a DDI assessment confirmed its suitability for potential use in combination with other treatment options.

To date, no selective inhibitors of DDR1 have entered the clinic, so we believe that RXC009 has the potential to be a first-in-class treatment option for kidney fibrosis associated with CKDs such as nephropathy, focal sclerosing glomerulonephritis, diabetic nephropathy and Alport Syndrome, an inherited rare disease for which there are currently no specific approved treatment options.

KRAS (Kirsten rat sarcoma virus) Inhibitor Programme in Lead Optimisation

Post-period, in October 2023, we also announced that our latest research programme is a **KRAS inhibitor** targeting both G12D selective and multi-KRAS profiles. Rat sarcoma virus (RAS) is the most frequently mutated oncogene across different cancer types, with KRAS mutations accounting for approximately 85% of these mutated oncogenes. Therefore, KRAS inhibitors targeting multiple commonly occurring mutations may offer a treatment option for large segments of colorectal, pancreatic and lung cancer patients who currently have limited treatment options. Developing orally-bioavailable agents with dosing that allows for long term target coverage, and thus reduced risk of resistance, is a key opportunity for the next wave of KRAS-targeting agents that act beyond the G12C mutation.

We have filed multiple patent applications claiming distinct chemical series with KRAS activity, having generated encouraging early data from *in-vitro* models. We continue to further expand the preclinical data package which we hope to present at a conference during 2024 as we work towards nominating a development candidate.

Partnered Programmes Continue to Progress

Our ability to secure meaningful partnerships is demonstrated by our strong track record which includes partnerships with AstraZeneca and Jazz Pharmaceuticals (Jazz), as well as an ongoing research collaboration with Jazz. We have near-term potential milestones of $15 million from these ongoing partnerships.

All of these programmes continue to progress, with Jazz confirming in November 2022 that the first patient had been dosed in the Phase 1 clinical trial of **JZP815**, the pan-RAF inhibitor programme developed by Redx and acquired by Jazz in 2019. Additionally, our research collaboration with Jazz for discovery and preclinical development of a targeted cancer therapy on the Ras/RAF/MAP kinase pathway continues towards a development candidate nomination.

Likewise, our partnered programme with AstraZeneca, **RXC006 / AZD5055**, a Porcupine inhibitor for the treatment of fibrotic disease continues to progress through a Phase 1 clinical trial.

Under these agreements, we still have the opportunity to benefit from further non-dilutive potential milestone payments in the longer-term future of up to $755 million.

Financial Overview

Our opening cash position allowed us to continue to fund our scientific progress towards important development milestones, as we also continued to explore ways to strengthen our balance sheet during the year.

The Company ended the period with a cash balance of £18.1 million (2022: £53.9 million), which was further strengthened by the post-year end £14.1 million (gross), £13.6 million (net) financing which, taken with our existing resources, provides a cash runway into Q3 2024. The financing was undertaken at the market price of 26p with existing institutional investors and will support our assets through the next near-term value inflection points.

We were pleased to receive notice during the year from our two largest shareholders, Redmile and Sofinnova, of their extension of the term of the convertible loan notes by a year, until August 2024. As a result, the extension of these liabilities provided a £1.6 million accounting gain.

Whilst no revenue milestones have been reached in the year, our partnerships with AstraZeneca and Jazz continue to progress well with both advancing assets into Phase 1 development.

With two programmes now in Phase 2 development, investment into our clinical programmes increased and, as evidenced by the recent nomination of our next development candidate, we continued to invest in our R&D capabilities with spending of £34.0 million (2022: £34.4 million). With the absence of any milestone revenue triggering events during this year, and its impact on revenue, the Group recorded a post tax loss of £33.2 million.

In early 2023, we pursued a recommended all-share business combination with Jounce Therapeutics ("Jounce"), a US-based clinical-stage immunotherapy company. The proposed transaction was unable to complete following the acceptance of an unsolicited third-party cash offer for Jounce by their Board. The expenses relating to the transaction have been separately disclosed in the Consolidated Statement of Income and Expenditure.

Despite inflationary pressures during the year, we have continued to work hard to limit the effects on the Company by pursuing stringent cash management and resource allocation strategies, including undertaking our pipeline prioritisation review. During the year we have managed our headcount carefully, and as we move into 2024, have an organisation of approximately 65 employees, appropriate to execute our strategy.

We believe in the strength of our pipeline and that it provides an attractive opportunity to investors, illustrated by the recent financing. However, we remain cognisant of the wider macroeconomic climate and the uncertainty that it brings, and we continue to evaluate a number of options to secure longer-term funding for the Company, including equity financing, partnering portfolio assets and potential for additional milestones on existing partnerships. 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.

Governance and Management

As we continue to grow into a business with multiple in-house, clinical-stage assets the composition of our management team and Board have evolved to support this development. To reflect our strategic focus on the development of our ROCK portfolio, we have augmented our management team with the creation of a programme manager role for zelasudil, which is now held by our Head of Non-clinical Operations, Helen McKeever. Helen has over 25 years' experience in nonclinical and early drug development and will lead the cross functional project team to define and drive the scientific and clinical progress of this programme and establish value creation across the lifecycle of

Chief Executive's Report continued

the compound. Additionally, Dr Elaine Kilgour was appointed as Head of Translational Science in January 2023 to strengthen our expertise in this area. Elaine has over 25 years' experience in academia and industry primarily specialising in metabolic diseases and oncology, and has quickly become a key member of our team, shaping our scientific agenda. Dr Jane Robertson, our Chief Medical Officer (CMO), will be stepping down in the New Year to return to a clinical setting. Jane will remain an adviser to the Company and from 1 January 2024, Dr Helen Timmis, currently VP, Senior Medical Director, will become Interim CMO.

As a registered physician with over 16 years' experience in industry, Helen has been an integral part of the clinical development team for zelasudil and RXC008 since joining Redx and will continue to drive the clinical development of these programmes.

There were also changes at the Board level during the period. Dr Joseph Anderson was appointed as a non-executive director representing Sofinnova Crossover I SLP in the place of Dr Thomas Burt who stepped down after three years on the Redx Board. Additionally, we were saddened that Sarah Gordon-Wild resigned as a non-executive director for personal reasons at the end of the financial year.

We continue to believe that we have a strong Board with the necessary experience and composition to drive the future strategy and success of the Company and therefore we have elected to not replace this non-executive position at this time.

Following these changes, the Audit, Risk and Disclosure Committee is comprised of Peter Presland (Chair) and Rob Scott; the Remuneration Committee of Bernhard Kirschbaum (Chair) and Peter Presland; and the Science Committee of Bernhard Kirschbaum (Chair), Rob Scott and Lisa Anson.

Outlook

We have refined our focus and aligned our strategy to progress what we believe are differentiated ROCK inhibitor assets. With Phase 2a data expected from zelasudil in the first half of 2024, and a CTA submission for RXC008 completed to allow for the commencement of a Phase 1 study early in 2024, we are well-positioned to continue to develop these assets through their clinical development plans.

We have continued to leverage our scientific capabilities and medicinal chemistry expertise through the discovery of new, novel drug candidates. We intend to develop these assets further, including through partnership where appropriate, to ensure that they can reach their fullest potential and bring new treatment options in areas of unmet medical needs.

I would like to take this opportunity thank our Board who have provided support and guidance to the Company throughout its evolution and strategy refinement. The biggest asset of any biotechnology company is its people, and we are fortunate to have an exceptionally talented team led by senior well-respected medicinal chemists and translational scientists. I would like to thank all of our employees who have worked tirelessly throughout the last year to make our significant achievements possible, and who are fundamental to our future success.

Additionally, I would like to thank our shareholders who continue to support the development of our novel drug candidates. Although there remain ongoing challenges in the equity markets and broader economic landscape, we will continue to evaluate all available options to secure the financial resources required to allow us to continue to pursue our ambition of creating world leading medicines to transform patients' lives.

I believe our refined strategy and focus will help us maximise the potential of our pipeline, and with the progress made during the year, and the significant near-term value inflection points expected across our entire pipeline of assets, I am excited by the prospects of the Company in 2024 and beyond.

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 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. In early 2023, the Board met frequently to discuss, and ultimately recommend the business combination with Jounce Therapeutics, Inc. Following an unsolicited cash offer for Jounce, recommended by the Jounce Board, the Redx Board agreed to release Jounce from its obligations and allow the offer to lapse. In addition, during this period, 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 three principal assets, RXC004, RXC007 and RXC008, as noted in the Chief Executives report. Regular portfolio reviews take place, involving employees and outside experts, to ensure that Directors are aware of all factors impacting such decisions. The Board also undertook a detailed review of organisational structure and capabilities.

Regular discussions on funding took place, including regarding the extension of the term of the convertible loan notes, and potential equity funding, leading to the successful raising of £14.1 million (gross) post year end. On 3 July 2023, in accordance with the original share subscription agreement, the Board agreed the appointment of Dr Joe Anderson as a representative of Sofinnova Crossover I, replacing Dr Tom Burt, who formally resigned on 1 September 2023.

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 2023 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), **Dr Jane Robertson** (Chief Medical Officer) and **Claire Solk** (General Counsel) have continued in their positions throughout the year. **Caroline Phillips**, (Senior Vice President, Biology) and **Cliff Jones** (Senior Vice President, Chemistry, DMPK and Intellectual property) joined the Executive management team in June 2023.

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.

	2023 £m	2022 £m	2021 £m	2020 £m
Cash at year end	18.1	53.9	29.6	27.5

The Group continues to focus on sufficient funding to deliver its development plan. The year end cash, together with the £14.1 million (gross), £13.6 million (net) raised in November 2023 is sufficient to fund the plan into the third quarter of 2024.

	2023 £m	2022 £m	2021 £m	2020 £m
Total operating expenditure (excluding reverse merger expenses, share-based payment costs & exchange gains)	34.0	34.4	27.1	14.1

Expenditure has risen in line with expectations as programmes progress positively through clinical and preclinical stages, which are cash intensive. Management continues to maintain rigorous cost control, whilst seeking to prioritise resources for scientific programmes.

	2023 £m	2022 £m	2021 £m	2020 £m
Net (decrease) / increase in cash and cash equivalents	(35.8)	24.3	2.0	23.8

The group continued to invest in its planned R&D activity at budgeted levels. A further £14.1 million (gross) £13.6 million (net) was raised in November 2023, to further fund activity.

Financial Review

Financial position

At 30 September 2023, the Group had cash resources of £18.1 million (2022: £53.9 million). Post period, in November 2023, the Group raised £14.1 million (gross), £13.6 million (net) via a placing of Ordinary shares, supported by existing specialist investors, further strengthening the Group position.

Whilst there were no milestones from existing partnerships triggered during the period, £4.2 million in revenue was recognised from progress with the ongoing collaboration with Jazz Pharmaceuticals.

This funding is sufficient to allow the Group to fund its business plan into the third quarter of 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 research collaboration with, and provision of research and preclinical development services to, Jazz Pharmaceuticals. There was no milestone income in the year, compared to £10.7 million in 2022. 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,

Operational Review continued

and revenue recognised based on the percentage of total expected costs incurred to date. £4.0 million was recognised in the year, compared to £6.9 million in 2022 as revenue from a discontinued target was recognised. The expected timing of further recognition is detailed in note 17. Revenue from other research agreements is invoiced and recognised as the work is undertaken.

Operating cost management

Research and Development costs have increased from £28.6 million to £29.1 million in order to progress clinical assets. 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 2023 (2022: £nil). In addition, Finance Income was significantly higher in 2023 compared to previous years given the higher interest earned on cash bank deposits.

Cash flows

Overall negative net cash flow for the year was £35.8 million (2022: Positive £24.3 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. This typically leads to lower refundable amounts.

Loss

The Group made a loss of £33.2 million in the year (2022: £18.0), as it continued to progress its scientific pipeline. Operating costs were broadly aligned with 2022, with the additional loss a result of lower revenue in 2023 as described above.

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 2023 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 business. 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 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 a clinical trial.

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

Regulatory

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

Intellectual Property (IP)

The Group's success depends largely on its ability to obtain and maintain patent protection for its proprietary technology and products in the United States, Europe and other countries, so that it can stop others from making, using or selling its inventions or proprietary rights. The Group owns a portfolio of patents and patent applications and is the authorised licensee of other patents and patent applications.

If the Group is unable to obtain or maintain patent protection for its technology and products, or if the scope of the patent protection is not sufficiently broad, competitors could develop and commercialise similar technology and products which would materially affect the Group's ability to successfully commercialise its

Operational Review continued

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. Further funding will be required within the next 12 months. 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

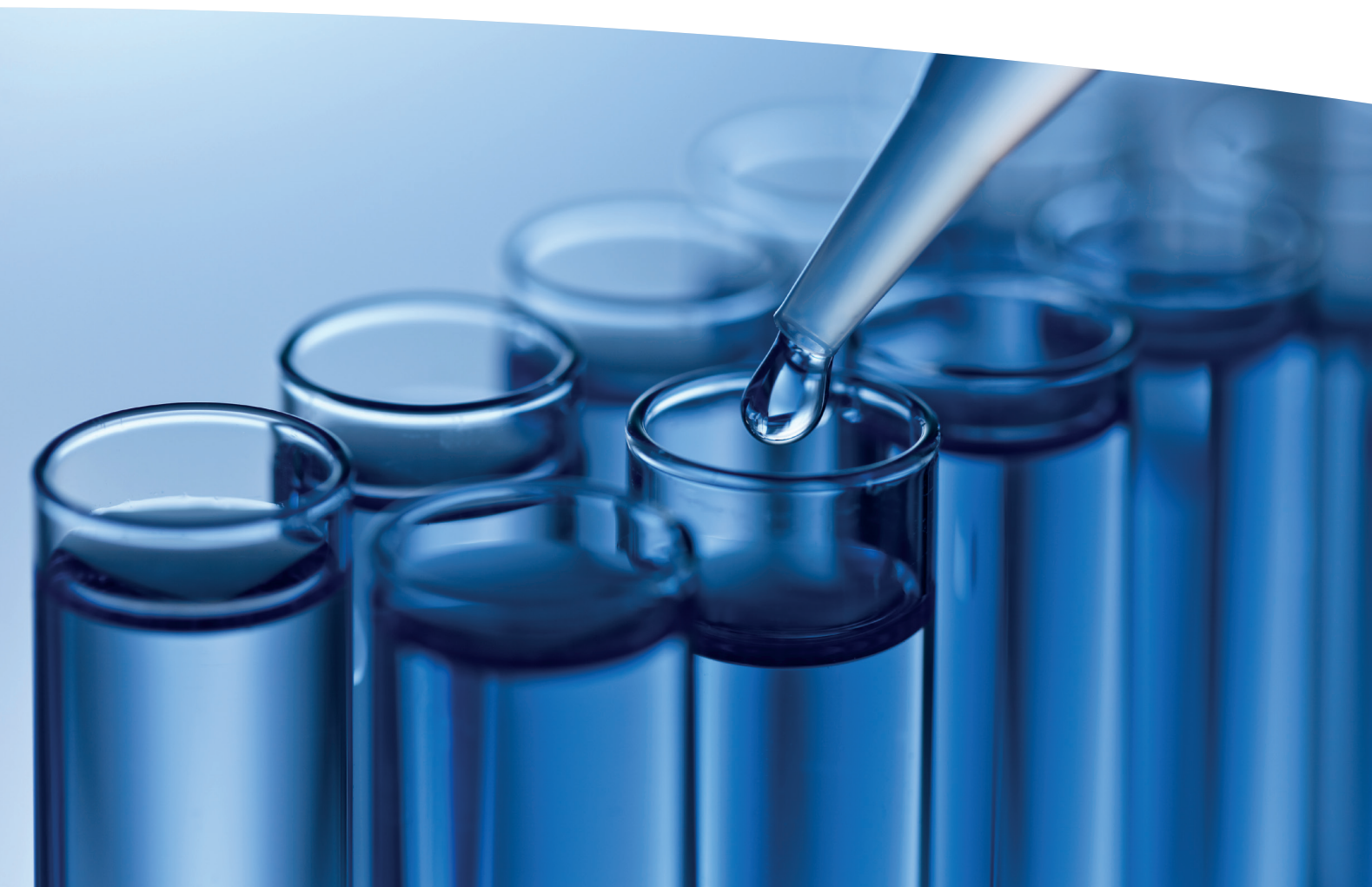
The Group's results of operations could be adversely affected by general conditions in the global economy and in the global financial markets, including inflation and supply disruption. A domestic or global financial crisis can cause extreme volatility and disruptions in the capital and credit markets. 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 14 December 2023 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 seven Directors: an independent Non-Executive Chair, one full time Executive Director and five Non-Executive Directors (three being independent, with Dr Joseph Anderson 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)

Jane joined the Board as Chair in December 2021 and 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 chair of Theramex, a pharmaceutical company focussing on women's health. She also sits on the Johnson and Johnson Impact Investment advisory board, an organisation which invests for impact in resource poor settings. 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 in 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 nearly 50 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. Peter is currently Chairman of Ashington Innovation PLC, a recently listed special purpose acquisition company.

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 GQ Bio-Therapeutics and a board member of BioMedX and Amarna Therapeutics as well as an advisor to the board of KAHR Medical.

Board of Directors continued

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, 4,500 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.

Dr Joseph Anderson

(Non-Executive Director)

Joe is a partner at Sofinnova Partners, a leading life-sciences venture capital firm. He joined the Board in September 2023. He has over 30 years' experience in the healthcare and life science industry. Joe was a partner at Abingworth LLP, where he led venture-style investments in public companies and the formation of the firm's public equities fund.

He also co-founded and was CEO at Arix Biosciences plc, a venture capital business listed on the London Stock Exchange. As an investor and active board member he has helped companies with financings, IPOs, and M&As, including Algeta (sold to Bayer), Amarin (listed on the Nasdaq), Autolus plc (listed on the Nasdaq) and Cytos (merged with Kuros). His early career was at the Wellcome Trust where he became head of the strategy group. He then moved into equities research as a pharmaceuticals analyst at Dresdner Kleinwort Benson, and then fund management at First State Investments, before moving into venture capital in 2004.

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 2023. 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
Dr Bernhard Kirschbaum
Peter Presland
Sarah Gordon Wild – resigned 30 September 2023
Dr Thomas Burt – resigned 1 September 2023
Natalie Berner
Dr Robert Scott
Dr Joseph Anderson – appointed 6 September 2023

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 2023, 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 £33.2 million (2022: £18.0 million). The Directors do not recommend the payment of a dividend (2022: £nil). See Finance review on page 13.

Financial instruments

Information regarding financial instruments can be found in note 20.

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, 2023 the Group held £18.1 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £33.2 million for the year ended 30 September, 2023 and an accumulated deficit of £113.8 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 decrease in cash and cash equivalents of £35.8 million for the year ended 30 September, 2023. Post year-end on November 7, 2023 the Group closed the sale of 54,074,458 Ordinary Shares, resulting in gross proceeds of £14.1 million (£13.6 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2024, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into September 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 before or in August 2024 (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 2024 (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 the going concern period 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. 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 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 recalled by August 2024 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 40% when compared to the share price at which the 7 November, 2023 equity fundraising was completed, in which both convertible loan note holders participated; as a result the directors do not currently expect the convertible loan notes to be recalled by August 2024.
- The directors continue to pursue a number of options to secure longer-term funding for the Group, including equity financing, partnering portfolio assets and potential for additional milestones on existing partnerships, and based on current plans and discussions with third parties 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.

Directors' Report continued

- 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.

Lisa Anson
Chief Executive Officer

14 December 2023

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 prepared 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 three changes to the composition of the Board during the year. Dr Thomas Burt resigned from the Board on 1 September 2023 and was replaced as a Non-Executive Director and representative of Sofinnova Crossover 1 SLP by Dr Joseph Anderson, who was appointed on 6 September 2023. Sarah Gordon Wild resigned from the Board on 30 September 2023. All other Directors remained throughout the period under review.

As of the date of this Report the Board comprises seven Directors in total: an independent Non-Executive Chair, one Executive Director and five Non-Executive Directors (three being independent), reflecting a blend of different experiences and backgrounds. The skills and experience of the Board are set out in their biographical details on pages 20 to 23. The experience and knowledge of each of the Directors give them the ability to challenge strategy constructively and to scrutinize performance.

The Board is responsible to the shareholders for the proper management of the Group and meets typically six-weekly to set the overall direction and strategy of the Group, to review scientific, operational and financial performance, and to advise on management appointments. 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 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 Joseph Anderson 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 Robert Scott and Sarah Gordon Wild remained as members of the Audit, Risk & Disclosure Committee until 30 September 2023, at which date Sarah Gordon Wild stood down from the committee on resigning from the Board. The committee is chaired by Peter Presland. 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, to review and discuss updated Risk registers and Financial Reporting manuals 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 until 30 September 2023, at which date Sarah Gordon Wild stood down from the committee on resigning from the Board. The Committee was chaired by Sarah Gordon Wild until 30 September 2023, and thereafter by Dr Bernd Kirschbaum. 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

Dr Bernd Kirschbaum, Lisa Anson and Dr Robert Scott remained as members of the Science Committee throughout the year under review. 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 full portfolio reviews.

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	18/18				
Lisa Anson	18/18			7/7	
Dr Bernd Kirschbaum	18/18		3/3	7/7	
Peter Presland	16/18	5/5	3/3		
Sarah Gordon Wild	15/18	4/5	3/3		Resigned 30 September 2023
Dr Thomas Burt	12/16				Resigned 1 September 2023
Natalie Berner	18/18				
Dr Robert Scott	13/18	4/5		7/7	
Dr Joseph Anderson	2/2				Appointed 6 September 2023

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 2023 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 their 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:

- **Training** - This would become a standing agenda item for quarterly board meetings, reflecting topics such as governance/compliance, upcoming corporate activity.
- **Chair/Institutional Shareholder contact** - It was agreed that appropriate opportunities should be agreed between the CEO and Chair.
- **External communications and disclosure** - To further uplift the process for clinical disclosures and Board interaction with internal communications processes.
- **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 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 Director during the year 2022/23 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 had performance conditions relating to the vesting of these options based on scientific, clinical and commercial milestones, all of which have now been met. 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 in consultation with the Chair, and is 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 2022/23 £	Salaries, bonuses and fees £	Pension contrib's £	Total 2021/22 £
Executive						
L. Anson	577,020	31,107	608,127	606,194	30,800	636,994
Non-Executive						
P. Presland[1]	48,750	-	48,750	61,667	-	61,667
Dr J. Griffiths[2]	85,000	-	85,000	70,833	-	70,833
Dr B. Kirschbaum	49,000	-	49,000	46,000	-	46,000
S. Gordon Wild[3]	47,500	-	47,500	40,000	-	40,000
Dr R. Scott[4]	41,500	-	41,500	26,872	-	26,872
Dr T. Burt[5]	-	-	-	-	-	-
Dr J. Anderson[6]	-	-	-	-	-	-
N. Berner[7]	-	-	-	-	-	-
	848,770	31,107	879,877	851,566	30,800	882,366

[1]P. Presland was appointed as interim Chairman on 31 May 2021 and held the position until 1 December 2021, he remains as a Director.
[2]Dr J. Griffiths was appointed as a Director and Chair on 1 December 2021.
[3]S. Gordon Wild resigned as a director on 30 September 2023
[4]Dr R. Scott was appointed as a Director on 27 January 2022.
[5]Dr T. Burt was appointed as a Director under the terms of the subscription agreement with Sofinnova Crossover 1 SLP, he resigned as a director on 1 September 2023 and was considered to be a non-independent Director and received no remuneration from the Group.
[6]Dr J. Anderson was appointed as a Director on 6 September 2023 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, Dr J. Anderson 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 2023	At 1 October 2022
Executive		
L. Anson	163,183	163,183
Non-Executive		
Dr J. Griffiths	84,746	84,746
S. Gordon Wild (resigned 30 Sept 2023)	1,316,587	1,316,587
P. Presland	146,225	146,225
Dr B. Kirschbaum	-	-
Dr R. Scott	-	-

Executive Directors share options

Of the options granted, a number had performance conditions relating to their vesting based on scientific, clinical and commercial milestones, all of which have been met. There are no further performance conditions attached to the vesting of the remaining options other than service conditions.

Non-Executive Directors share options

There are no performance conditions attached to the vesting of the options granted under the Redx Pharma plc Directors Share Option Scheme other than service conditions. Share options granted to Sarah Gordon Wild lapsed on her resignation date of 30 September 2023.

Details of the options are as follows:

Director	Date of grant	At 1 October 2022	Granted during the period	At 30 September 2023	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
	21-Dec-22	-	1,700,000	1,700,000	56.5	21-Dec-25	21-Dec-32
	30-Jun-23	-	500,000	500,000	26.5	30-Jun-26	30-Jun-33
		12,683,586	2,200,000	14,883,586			

*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			
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			

Dr Bernd Kirschbaum
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 2023 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 2023 which comprise:

Group	Parent company
Consolidated statement of comprehensive loss for the year ended 30 September 2023	Statement of financial position as at 30 September 2023
Consolidated statement of financial position as at 30 September 2023	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 26 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 2024; 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 during 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- In 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 2024, 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 2024 (the going concern review period).
- We considered the actions being taken by management and evaluated supporting evidence in order to assess management's conclusion that it is likely that funding will be obtained in the going concern 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 2024 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 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 100% of Loss before tax, 100% of Operating expenses (excluding share based payments), 100% of Revenue 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, the potential impact of climate change, and changes in the business environment.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components of the Group, we selected all four components covering entities within the United Kingdom and United States, which represent all of 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 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 100% (2022: 99%) of the Group's Loss before tax, 100% (2022: 99%) of the Group's Operating expenses (excluding share based payments), 100% (2022: 100%) of the Group's Revenue and 100% (2022: 100%) of the Group's Total assets. For the current year, the full scope components contributed 100% (2022: 99%) of the Group's Loss before tax, 99% (2022: 99%) of the Group's Operating Expenses, 100% (2022: 100%) of the Group's Revenue and 99% (2022: 99%) of the Group's Total assets. The specific scope component contributed 0.1% (2022: 1%) of the Group's Loss before tax, 1% (2022: 1%) of the Group's Operating Expenses, 0% (2022: 0%) of the Group's Revenue and 1% (2022: 1%) 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.

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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition for long-term contracts (2023: £4,049k, 2022: £6,852k) For the fiscal year ended 30 September 2023, revenue from the group's long-term research collaboration contract amounted to £4,049k. As of 30 September 2023, related contract liabilities, amounted to £844k. 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 including agreed scope changes in the planned work; • 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 2023 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 certain of the Company's performance obligations for the remaining product candidate and recalculated the reduction in expected costs to complete; • Performed enquiries of project managers with respect to the reasons for deviations between planned and actual costs for the product candidate, and corroborated such information by comparing it to other available information; • Tested the completeness and accuracy of the costs incurred to date on the contract; • 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 17 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 (2023: Prepayments of £975k; accruals of £286k) 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 2023, the carrying value of investments in subsidiaries amounted to £954k (2022: £881k), and amounts due from group undertakings amounted to £85,784k (2022: £60,705k) 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 reperformed management's assessment by comparing the carrying value of the assets to the Company's market capitalisation at 30 September 2023. We then reviewed the forecasts and challenged the assumptions for the value in use calculation prepared by management 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 value in use 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.

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 (2022: £680,000), which is 2% (2022: 2%) of operating expenses (excluding share-based payment charges). We believe that operating expenses (excluding share-based payment charges) provides 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 £258,000 (2022: £207,000), which is 2% (2022: 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% (2022: 50%) of our planning materiality, namely £340,000 (2022: £340,000). 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 £255,000 to £68,000 (2022: £255,000 to £102,000).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £34,000 (2022: £34,000), 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 pages 27 and 28, 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.

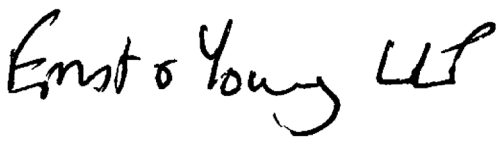
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- 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

14 December 2023

Financial Statements

Consolidated Statement of Comprehensive Loss

For the year ended 30 September 2023

	Note	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Continuing operations			
Revenue	2	4,202	18,690
Research and Development expenses	3	(29,117)	(28,563)
General and Administrative expenses	3	(8,069)	(10,229)
Reverse merger expenses	4	(2,393)	-
Exchange (losses) / gains on translation		(447)	2,297
Other operating income	6	2,004	1,539
Loss from operations		**(33,820)**	**(16,266)**
Finance income	7	1,224	187
Remeasurement gain on loan notes	18	1,609	-
Finance costs	7	(1,801)	(1,725)
Loss before taxation		**(32,788)**	**(17,804)**
Income tax	8	(368)	(201)
Loss attributable to owners of Redx Pharma Plc		**(33,156)**	**(18,005)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Exchange difference from translation of foreign operations		(4)	31
Total comprehensive loss for the year attributable to owners of Redx Pharma Plc		**(33,160)**	**(17,974)**
Loss per share			
From continuing operations			
Basic & diluted (pence)	9	(9.9)	(6.1)

Consolidated Statement of Financial Position

At 30 September 2023 Company No. 07368089

	Note	2023 £'000	2022 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	1,940	2,699
Intangible assets	12	394	400
Total non-current assets		**2,334**	**3,099**
Current assets			
Trade and other receivables	14	5,210	5,498
Current tax		-	26
Cash and cash equivalents	15	18,092	53,854
Total current assets		**23,302**	**59,378**
Total assets		**25,636**	**62,477**
Liabilities			
Current liabilities			
Trade and other payables	16	3,756	5,958
Contract liabilities	17	844	4,893
Borrowings	18	15,731	15,731
Lease liabilities	19	676	623
Total current liabilities		**21,007**	**27,205**
Non-current liabilities			
Lease liabilities	19	1,274	1,951
Total liabilities		**22,281**	**29,156**
Net assets		**3,355**	**33,321**
Equity			
Share capital	22	3,349	3,349
Share premium	23	99,501	99,501
Share-based payment	23	10,751	8,199
Capital redemption reserve	23	1	1
Exchange translation reserve	23	56	60
Convertible note reserve	18	3,524	3,524
Retained deficit	23	(113,827)	(81,313)
Equity attributable to shareholders		**3,355**	**33,321**

The financial statements were approved and authorised for issue by the Board on 14 December 2023 and were signed on its behalf by

Lisa Anson
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 30 September 2023

	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 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**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(33,156)**	**(33,156)**
Other comprehensive income	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(4)**	**-**	**(33,156)**	**(33,160)**
Transactions with owners of the Company								
Share based compensation	**-**	**-**	**3,194**	**-**	**-**	**-**	**-**	**3,194**
Release of share options lapsed in the year	**-**	**-**	**(642)**	**-**	**-**	**-**	**642**	**-**
Movement in year	**-**	**-**	**2,552**	**-**	**(4)**	**-**	**(32,514)**	**(29,966)**
At 30 September 2023	**3,349**	**99,501**	**10,751**	**1**	**56**	**3,524**	**(113,827)**	**3,355**

Consolidated Statement of Cash Flows

For the year ended 30 September 2023

	Note	Year ended 30 September 2023 £'000	Year ended 30 September 2022 £'000
Net cash flows from operating activities			
Loss for the year		(33,156)	(18,005)
Adjustments for:			
Income tax	8	368	201
Finance costs	7	1,801	1,725
Finance income	7	(1,224)	(187)
Depreciation and amortisation	11,12	960	886
Share based compensation	5	3,194	4,365
Remeasurement of loan notes		(1,609)	-
Profit on disposal of assets		-	(13)
Movements in working capital			
(Increase) / decrease In trade and other receivables and contract assets		(1,422)	7,631
Decrease in trade and other payables and contract liabilities		(6,251)	(5,593)
Cash used in operations		**(37,339)**	**(8,990)**
Tax credit received		1,432	333
Interest received		1,160	187
Net cash used in operations		**(34,747)**	**(8,470)**
Cash flows from investing activities			
Sale of property, plant and equipment		-	21
Purchase of property, plant and equipment		(195)	(262)
Net cash used in investing activities		**(195)**	**(241)**
Cash flows from financing activities			
Proceeds of share issues		-	34,568
Share issue costs		-	(770)
Payment of lease liabilities	19	(816)	(816)
Net cash generated by financing activities		**(816)**	**32,982**
Net increase in cash and cash equivalents		**(35,758)**	**24,271**
Cash and cash equivalents at beginning of the year		53,854	29,552
Foreign exchange difference		(4)	31
Cash and cash equivalents at end of the year	15	**18,092**	**53,854**

Notes to the Financial Statements
For the year ended 30 September 2023

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 14 December 2023.

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, 2023 the Group held £18.1 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £33.2 million for the year ended 30 September, 2023 and an accumulated deficit of £113.8 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 decrease in cash and cash equivalents of £35.8 million for the year ended 30 September, 2023. Post year-end on November 7, 2023 the Group closed the sale of 54,074,458 Ordinary Shares, resulting in gross proceeds of £14.1 million (£13.6 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2024, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into September 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 before or in August 2024 (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 2024 (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 the going concern period 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. 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 and the potential need to repay the convertible loan notes represent material uncertainties regarding the Group's ability to continue as a going concern.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

Accounting Policies – continued

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 recalled by August 2024 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 40% when compared to the share price at which the 7 November, 2023 equity fundraising was completed, in which both convertible loan note holders participated; as a result the directors do not currently expect the convertible loan notes to be recalled by August 2024.
- the directors continue to pursue a number of options to secure longer-term funding for the Group, including equity financing, partnering portfolio assets and potential for additional milestones on existing partnerships, and based on current plans and discussions with third parties 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, 2022.

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.

Accounting Policies – continued

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, 2023.

Basis of consolidation

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

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

Specifically, the results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by or to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Foreign Currency

(a) Functional and presentational currency

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company and its subsidiaries operate ("the functional currency") which is GBP (£). Whilst revenue is invoiced and received in US dollars, the majority of expenditure remains in GBP as does the receipt of financing for the Group. Directors periodically review the appropriateness of the functional currency for the Group. The consolidated financial statements are presented in GBP.

(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.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

Accounting Policies – continued

Revenue from contracts with customers

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

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

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

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

(a) Sale and outlicensing of scientific programmes

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

(b) Revenue from research collaboration

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

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

(c) Revenue from research and preclinical development services

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

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

(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.

Accounting Policies – continued

Contract assets are treated as financial assets for impairment purposes and an impairment of £nil (2022: £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 and research and development tax credits (RDEC), is treated as Other operating income within the Consolidated Statement of Comprehensive Loss.

Government grants

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

Finance income and finance costs

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

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current tax

Current tax is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the Consolidated Statement of Comprehensive 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.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

Accounting Policies – continued

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

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

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of property, plant and equipment assets, right of use assets, Intellectual property and goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is assessed annually regardless of any indication of impairment.

Where the asset does not generate cash flows that are independent from other assets, the Directors estimate the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

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

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.

Accounting Policies – continued

The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

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

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

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

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

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

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 20).

Notes to the Financial Statements – continued
For the year ended 30 September 2023

Accounting Policies – continued

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for expected credit losses ("ECL"). Appropriate provisions for estimated irrecoverable amounts are recognised in the Consolidated Statement of Comprehensive Income for any expected credit losses, as detailed in the impairment of financial assets policy below. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and at bank, demand deposits, and other short-term highly liquid investments with a maturity of more than three months but less than a year that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

(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.

Accounting Policies – continued

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 (2022: £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 (2022: £nil).

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;

Notes to the Financial Statements – continued
For the year ended 30 September 2023

Accounting Policies – continued

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.

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'.

Non-underlying expenditure

Where material, non-underlying costs are disclosed separately within the Consolidated Statement of Comprehensive Loss.

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 5 and 24.

(b) 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 18.

(c) 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

Accounting Policies – continued

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 increase in revenue recognised to date of £74k. A 10% lower estimate would result in a decrease of revenue recognised to date of £76k. See note 2.

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

1. Segmental information

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

The CODM consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the CODM, for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group. Therefore, the CODM have determined that there is only one reportable segment under IFRS 8.

The geographic information analyses the Group's revenue and non-current assets by the company's country of domicile and all other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets based on the geographic location of the assets. All assets are based in the UK (2022: UK). The Group has one customer, who contributes more than 10% of revenue (2022: two).

	UK £'000	Ireland £'000	Total £'000
Revenue analysis for the year ended 30 September 2023			
Revenue from milestones on scientific programmes	-	-	-
Research collaboration	-	4,049	4,049
Research and preclinical development services	-	153	153
	-	**4,202**	**4,202**
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

2. Revenue

	2023 £'000	2022 £'000
Revenue from milestones on scientific programmes	-	10,693
Revenue from research collaboration	4,049	6,852
Revenue from research and preclinical development services	153	1,145
	4,202	**18,690**

Information regarding contract assets and liabilities from contracts with customers can be found in note 17.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

3. Operating expenses

	Note	2023 £'000	2022 £'000
Research and development:			
Staff Costs	5, 10	5,419	5,194
Depreciation	11	837	751
Amortisation	12	6	5
Property costs		823	1,973
Other research and development expenses		22,032	20,640
		29,117	**28,563**
Selling, general and administrative expenses:			
Staff Costs	5, 10	5,238	6,170
Depreciation	11	117	130
Property costs		475	395
Other general and administrative expenses		2,004	3,062
Settlement of contractual claim		-	275
Auditors' remuneration:			
Audit of subsidiaries		12	12
Audit of parent company and consolidation		223	185
		8,069	**10,229**
		37,186	**38,792**

4. Reverse merger expenses

On 23 February 2023 the Group announced a unanimously recommended business combination via a reverse merger with Jounce Therapeutics, Inc. ("Jounce"). Work continued on the project until, following an unsolicited cash offer for its shares, the board of Directors of Jounce withdrew its recommendation for the combination on 27 March 2023 in favour of an acquisition by another party. Given the nature and materiality of the expense, relating to professional fees, it has been disclosed separately within the Consolidated Statement of Comprehensive Loss. The proposed transaction formally lapsed on 3 April 2023 and no further expense is expected.

5. 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. 17,570,779 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 24.

	2023 Number	2022 Number
Outstanding at the beginning of the year	36,560,098	33,577,104
Options exercised in period	-	(1,558,297)
Options surrendered and lapsed in period	(1,967,093)	(2,283,709)
Options granted and vesting in future periods	10,300,000	6,825,000
Outstanding at the end of the year	**44,893,005**	**36,560,098**

Weighted average exercise price information is given in Note 24.

	2023 £'000	2022 £'000
Charge to Statement of Comprehensive Loss in period	**3,194**	**4,365**

5. Share-based compensation – continued

Assumptions used were an option life of 5 years, a risk free rate of 0.6%-9.4% 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 0.81	0.25 to 0.885
Exercise price	0.155 to 0.81	0.155 to 0.885

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.

All the options granted during the year were granted under the 2020 All employee Share Option Scheme.

At 30 September 2023 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 provided 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. Following the expiration of a deed of variation during the year, there are no longer any outstanding options exercisable under the scheme. 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 2023 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, at may be exercised during the period ending on the tenth anniversary of the grant date, after which it will lapse. Options are granted at the market price of Redx securities at grant date.

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

In 2021, the Group established the Directors scheme. The Directors scheme mirrors the terms of the All employee scheme but the scheme is only open to eligible directors of the Company. 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 2023

6. Other operating income

	2023 £'000	2022 £'000
Reimbursement of costs	456	480
RDEC income	1,548	1,059
	2,004	**1,539**

7. Finance income and expense

	Note	2023 £'000	2022 £'000
Finance income			
Bank and other short-term deposits		1,224	187
		1,224	**187**
Finance expense			
Loan interest	18, 20	1,609	1,484
Interest on lease liabilities	19, 20	192	241
		1,801	**1,725**

8. Income tax

	2023 £'000	2022 £'000
Current income tax		
Corporation tax	342	199
Adjustment in respect of previous periods	26	2
Income tax charge	**368**	**201**

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:

	2023 £'000	2022 £'000
Loss before tax	(32,788)	(17,804)
Loss before tax multiplied by standard rate of corporation tax in the UK of 22.01% (2022: 19%)	(7,216)	(3,382)
Effects of:		
R&D expenditure credits	342	199
Expenses not deductible for tax purposes	1,409	1,235
Use of losses brought forward not recognised	-	(950)
Adjustment in respect of previous periods	26	2
Deferred tax not recognised	5,807	3,097
Total taxation	**368**	**201**

For the year ended 30 September 2023, the entire income tax charge (2022: charge) was recorded in the Consolidated Statement of Comprehensive Loss.

9. 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:

	2023 £'000	2022 £'000
Loss for the period attributable to the owners of the Company	(33,156)	(18,005)

	Number	Number
Weighted average number of shares – basic and diluted	334,911,458	294,182,774

	Pence	Pence
Loss per share – basic and diluted	(9.9)	(6.1)

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

The Group operates a number of share option schemes (see note 24) 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 18).

10. Employees and key management

	2023 £'000	2022 £'000
Staff costs (including directors) comprise		
Wages and salaries	6,451	6,027
Social security costs	737	758
Pension costs	275	214
Share based compensation (note 5)	3,194	4,365
Total employee related costs	**10,657**	**11,364**

	2023 number	2022 number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	35	29
R&D – Chemistry	33	34
R&D – Biology	26	24
R&D – Analytical	7	8
	101	**95**

Notes to the Financial Statements – continued
For the year ended 30 September 2023

10. Employees and key management – continued

	2023 £'000	2022 £'000
Key management (including directors)		
Wages & salaries	2,518	2,114
Social security costs	236	247
Pension costs	93	65
Share based compensation	2,636	3,090
	5,483	**5,516**

Key management comprised 13 people (2022: 11 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.

	2023 £'000	2022 £'000
Directors' remuneration		
Wages & salaries	849	852
Pension costs	31	31
	880	**883**

Retirement benefits are accruing to 1 Director (2022: 1)

Of the total balance on the share option reserve of £10.8m, £4.6m 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:

	2023 £'000	2022 £'000
Wages & salaries	577	606
Pension costs	31	31
	608	**637**

11. Property, plant and equipment

	Leasehold Improvements £'000	Right of Use Asset £'000	Laboratory equipment £'000	Computer equipment £'000	Total £'000
Cost					
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**
At 1 October 2022	114	3,664	1,761	455	5,994
Additions	77	-	93	25	195
Disposals	(114)	-	-	-	(114)
Exchange adjustment	-	-	-	-	-
At 30 September 2023	**77**	**3,664**	**1,854**	**480**	**6,075**
Depreciation					
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
At 1 October 2022	70	1,558	1,264	403	3,295
Charge for the year	60	535	312	47	954
Disposals	(114)	-	-	-	(114)
At 30 September 2023	**16**	**2,093**	**1,576**	**450**	**4,135**
Net book value					
At 30 September 2023	**61**	**1,571**	**278**	**30**	**1,940**
At 30 September 2022	**44**	**2,106**	**497**	**52**	**2,699**

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

12. Intangible Assets and goodwill

	Intellectual property £'000	Goodwill £'000	Total £'000
Cost			
At 1 October 2021, 30 September 2022 and 30 September 2023	121	309	430
Amortisation			
At 1 October 2021	25	-	25
Charge for the year	5	-	5
At 30 September 2022	**30**	**-**	**30**
At 1 October 2022	30	-	30
Charge for the year	6	-	6
At 30 September 2023	**36**	**-**	**36**
Net book value			
At 30 September 2023	**85**	**309**	**394**
At 30 September 2022	91	309	400

Notes to the Financial Statements – continued
For the year ended 30 September 2023

12. 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 calculations have been made based on forecasts and predictions relating to the Group as a single cash generating unit (CGU).

During impairment testing of intercompany amounts, the carrying value of both intangible fixed assets (including goodwill), property, plant and equipment and right of use assets was considered. 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.

13. 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.

14. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	50	12
VAT recoverable	582	909
Prepayments & other receivables	4,578	4,577
	5,210	**5,498**

The carrying value of other receivables approximates their fair value. Included within prepayments & other receivables is an other receivable of £Nil million (2022: £0.6 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 (2022: £nil) against these receivables.

Details of the Group's credit risk management policies are shown in Note 20. The Group does not hold any collateral as security for its other receivables.

15. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	18,092	53,854
	18,092	**53,854**

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%).

16. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	913	2,792
Employee taxes and social security	252	250
Other payables	9	18
Accruals	2,582	2,898
	3,756	**5,958**

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.

17. Contract liabilities

	2023 £'000	2022 £'000
Contract liabilities	844	4,893
	844	**4,893**
Reconciliation		
Brought forward	4,893	4,318
Contract asset received	-	7,427
Transfer to revenue	(4,049)	(6,852)
Carried forward	**844**	**4,893**

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 £0.84 million as at 30 September 2023 (2022: £4.89 million) and is expected to be recognised as revenue in future periods as follows:

	2023 £'000	2022 £'000
Within 1 year	844	3,920
In the second to fifth years	-	973
	844	**4,893**

The contract liability relates to a single research collaboration contract.

18. Borrowings

	2023 £'000	2022 £'000
Convertible loan notes		
Current	15,731	15,731
	15,731	**15,731**

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, at the discretion of the noteholder. 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 holders retain the right to extend the repayment date in one year increments, up to a maximum of ten years. 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.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

18. Borrowings – continued

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.

Extension of Maturity date

On June 27, 2023 confirmation was received from the Purchasers of their intention to execute their initial extension option under the terms of the instrument, the revised maturity date being 4 August 2024. As this feature was included in the original instrument, this has been treated as a revision to the cash flows associated with it, rather than as a modification.

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 (2022: £15.7 million). The revised recognition of the discounted liability resulted in a gain of £1.6m, which in accordance with IFRS 9 has been recognized as income. As no actual interest rate has been stipulated by the loan note holders, consistent with their rights under the Agreement, effective interest will continue to be charged up to the revised maturity date.

19. Lease liabilities

The Group leases its head office facility. The lease runs for a period of 10 years and had a rent review in 2021, representing the mid-point of the lease. The associated right of use asset is included in note 11.

	2023 £'000	2022 £'000
Recognised at 1 October	2,574	3,149
Related interest expense	192	241
Repayment of lease liabilities	(816)	(816)
	1,950	**2,574**
Current	676	623
Non-current	1,274	1,951
	1,950	**2,574**

19. Lease liabilities – continued

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

	2023 £'000	2022 £'000
Amounts recognised in profit and loss:		
Interest on lease liabilities	192	241
Depreciation charge on right of use asset	535	535
Amounts recognised in statement of cash flows:		
Payment of lease liabilities	816	816

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 £153,000 for the year. (2022: £156,000).

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

	2023 £'000	2022 £'000
Less than one year	48	168
One to two years	48	168
Two to three years	48	168
Three to four years	-	168
	144	**672**

20. 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 2023				
Financial assets not measured at fair value:				
Trade receivables	14	50	-	50
Other receivables	14	33	-	33
Cash and cash equivalents	15	18,092	-	18,092
		18,175	**-**	**18,175**

Notes to the Financial Statements – continued
For the year ended 30 September 2023

20. Financial instruments – continued

	Note	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000
Financial liabilities not measured at fair value:				
Current borrowings	18	-	15,731	15,731
Trade payables	16	-	913	913
Other payables	16	-	9	9
		-	**16,653**	**16,653**

	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	14	12	-	12
Other receivables	14	102	-	102
Cash and cash equivalents	15	53,854	-	53,854
		53,968	**-**	**53,968**
Financial liabilities not measured at fair value:				
Non-current borrowings	18	-	15,731	15,731
Trade payables	16	-	2,792	2,792
Other payables	16	-	18	18
		-	**18,541**	**18,541**

Excludes accruals which are all due within one year.

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 except for current borrowings in the current year. As a result of movements in observable market interest rates, the fair value of the current borrowings has been assessed as being £15.2 million at 30 September 2023. The valuation technique used in deriving the fair value is a discounted cash flow model whereby the fair value is the present value of the expected payments, discounted using a risk adjusted discount rate. This is assessed as being a Level 2 fair value measurement.

20. Financial instruments – continued

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.

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 14).

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 £83,000 (2022: £114,000) and cash and cash equivalents of £18,092,000 (2022: £53,854,000).

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.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

20. Financial instruments – continued

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 2023							
Current Borrowings	15,731	17,095	-	17,095	-	-	-
Trade payables	913	913	913	-	-	-	-
Other payables	9	9	9	-	-	-	-
Lease liabilities	1,950	2,193	-	816	816	561	-
	18,603	**20,210**	**922**	**17,911**	**816**	**561**	**-**

		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**	**-**

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.

20. Financial instruments – continued

Reconciliation of changes in liabilities arising from financing activities

	Note	2023 £'000
IFRS 16 Lease liability		
Balance b/fwd		2,574
Payment of lease liabilities		(816)
Interest on lease liabilities		192
Balance c/fwd (disclosed as current and non-current lease liabilities)	19	1,950
Convertible loan notes		
Balance b/fwd		15,731
Remeasurement on change in estimated cash flows		(1,609)
Interest	7	1,609
Balance c/fwd (disclosed as current borrowings)	18	**15,731**

21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 25% (2022: 25%).

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

	2023 £'000	2022 £'000
Deferred tax liability in respect of fixed asset timing differences	92	147
Deferred tax assets	(92)	(147)
	-	-

The company has recognised deferred tax assets of £92,000 (2022: £147,000) 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, 2023 (2022: £nil). The Group had the following unrecognised deferred tax assets as at 30 September, 2023:

	2023 £'000	2022 £'000
Trading losses	22,038	15,470
Recoverable RDEC tax suffered	1,004	662
	23,042	**16,132**

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

Notes to the Financial Statements – continued
For the year ended 30 September 2023

22. Share Capital

	Note	2023 Numbers	2022 Numbers
Number of shares in issue			
In issue at 1 October		334,911,458	275,282,205
Issued for cash		-	58,070,956
Exercise of share options	24	-	1,558,297
In issue at 30 September		**334,911,458**	**334,911,458**
		£'000	£'000
Share Capital at par, fully paid			
Ordinary shares of £0.01			
At 1 October		3,349	2,753
Issued for cash		-	581
Exercise of share options	24	-	15
At 30 September		**3,349**	**3,349**

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.

23. Share premium

	2023 £'000	2022 £'000
Brought forward	99,501	66,299
Share issue	-	33,972
Share issue costs	-	(770)
	99,501	**99,501**

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.

24. Share based payments

Movements on share options during the year were as follows:

Exercise Price per share	30 September 2022	Granted	Exercised	Lapsed/ Cancelled	30 September 2023	Date from which exercisable	Expiry date
85p	200,475	-	-	(200,475)	-	27.03.2015	26.03.2025
85p	24,975	-	-	(24,975)	-	27.03.2016	26.03.2025
85p	24,975	-	-	(24,975)	-	27.03.2017	26.03.2025
15.5p	1,708,340	-	-	-	1,708,340	01.07.2021	30.06.2030
15.5p	1,891,705	-	-	-	1,891,705	01.07.2022	30.06.2030
15.5p	2,866,665	-	-	(175,002)	2,691,663	01.07.2023	30.06.2030
15.5p**	12,600,000	-	-	(500,000)	12,100,000	01.07.2023	30.06.2030
56p	1,015,728	-	-	(50,000)	965,728	02.12.2021	01.12.2030
56p	1,065,728	-	-	(83,333)	982,395	02.12.2022	01.12.2030
56p	1,065,728	-	-	(83,333)	982,395	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	200,000	-	-	(50,000)	150,000	01.07.2022	30.06.2031
61.5p	200,000	-	-	(50,000)	150,000	01.07.2023	30.06.2031
61.5p	200,000	-	-	(50,000)	150,000	01.07.2024	30.06.2031
61.5p	200,000	-	-	(66,667)	133,333	01.07.2022	30.06.2031
61.5p	200,000	-	-	(66,667)	133,333	01.07.2023	30.06.2031
61.5p	200,000	-	-	(66,666)	133,334	01.07.2024	30.06.2031
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	-	-	(33,333)	466,667	28.01.2023	27.01.2032
81p	500,000	-	-	(33,333)	466,667	28.01.2024	27.01.2032
81p	500,000	-	-	(33,334)	466,666	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	-	-	(225,000)	3,650,000	19.05.2025	19.05.2032
60p	300,000	-	-	-	300,000	20.05.2025	20.05.2032
54p	-	233,333	-	(16,667)	216,666	31.10.2023	31.10.2032
54p	-	233,333	-	(16,667)	216,666	31.10.2024	31.10.2032
54p	-	233,334	-	(16,666)	216,668	31.10.2025	31.10.2032
56.5p	-	5,700,000	-	-	5,700,000	21.12.2025	21.12.2032
56.5p	-	900,000	-	-	900,000	21.12.2025	21.12.2032
26.5p	-	66,667	-	(33,334)	33,333	30.06.2024	30.06.2033
26.5p	-	66,667	-	(33,333)	33,334	30.06.2025	30.06.2033
26.5p	-	66,666	-	(33,333)	33,333	30.06.2026	30.06.2033
26.5p	-	2,300,000	-	-	2,300,000	30.06.2026	30.06.2033
26.5p	-	500,000	-	-	500,000	30.06.2026	30.06.2033
Total	36,560,098	10,300,000	-	(1,967,093)	44,893,005		
Weighted average exercise price	37.87p	47.59p	-	46.84p	39.71p		

** These options are subject to performance conditions as detailed in note 5.

The number of exercisable share options at 30 September 2023 was 22,156,497 and their weighted average exercise price was 23.47p. No share options were exercised during the year.

Notes to the Financial Statements – continued
For the year ended 30 September 2023

24. Share based payments – continued

During the prior year:

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 5.

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.

24. Share based payments – continued

Outstanding and exercisable share options by scheme as of 30 September 2023:

	Outstanding Number	Exercisable Number	Exercise price range for Outstanding £	Weighted average exercise price for Exercisable £
Plan				
2015 Scheme	-	-	-	-
2020 all employee Share Options Scheme	40,693,005	21,489,831	0.155 to 0.81	0.221
2021 Directors Share options Scheme	1,000,000	466,666	0.615 to 0.81	0.699
Non-plan Share Options	3,200,000	200,000	0.60 to 0.65	0.65
	44,893,005	**22,156,497**		

The options outstanding at 30 September 2022 had a weighted average contractual life of 7.7 years (2022: 8.2 years). Other than as previously noted, the share options are exercisable with no further conditions to be met.

25. 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 18. 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 18. 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, 2023, 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.

Following the extension of the maturity date to 4 August 2024, 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 18).

Notes to the Financial Statements – continued
For the year ended 30 September 2023

25. Related Parties – continued

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.

	2023 £'000	2022 £'000
Charges from related parties		
RM Special Holdings 3, LLC – Convertible loan note interest	1,081	995
Sofinnova Crossover 1 SLP – Convertible loan note interest	528	489
	1,609	**1,484**

	2023 £'000	2022 £'000
Amounts owed to related parties		
RM Special Holdings 3, LLC - loan note	10,284	10,284
Sofinnova Crossover 1 SLP - loan note	5,447	5,447
	15,731	**15,731**

Amounts owed to/by related parties are disclosed in borrowings (see note 18) and the convertible note reserve.

26. Events after the reporting period

On 18 October, 2023, the Group announced that it had conditionally raised £14.1 million (gross) £13.6 million (net) by way of a placing of Ordinary shares at 26p per share. All resolutions required to accomplish this were passed at a general meeting of shareholders on 6 November, 2023, and accordingly 54,074,458 new Ordinary shares were issued and admitted to trading on AIM on 7 November, 2023.

Company Statement of Financial Position

At 30 September 2023 Company Registration Number 07368089

	Notes	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	3	193	215
Tangible assets	4	195	292
Investments	5	1,371	881
		1,759	**1,388**
Current assets			
Debtors	6	87,373	62,086
Cash at bank and in hand		17,757	53,514
Total current assets		**105,130**	**115,600**
Creditors: amounts falling due within one year	7	**(17,576)**	**(22,318)**
Net current assets		**87,554**	**93,282**
Net assets		**89,313**	**94,670**
Capital and reserves			
Share capital	8	3,349	3,349
Share premium		99,501	99,501
Capital redemption reserve		1	1
Share based payments reserve		10,751	8,199
Convertible note reserve		3,524	3,524
Profit and loss account		(27,813)	(19,904)
Shareholders' funds		**89,313**	**94,670**

The Company has taken advantage of s408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's result for the year was a loss of £7,909,000 (2022 profit: £5,626,000).

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

Lisa Anson
Executive Director

14 December 2023

Company Statement of Changes in Equity

For the year ended 30 September 2023

	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 2021	**2,753**	**66,299**	**4,752**	**1**	**3,524**	**(25,530)**	**51,799**
Profit and total comprehensive profit for the year	-	-	-	-	-	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**
Loss and total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(7,909)**	**(7,909)**
Transactions with owners in their capacity as owners							
Share based compensation	**-**	**-**	**3,194**	**-**	**-**	**-**	**3,194**
Release of share options lapsed in the year	**-**	**-**	**(642)**	**-**	**-**	**-**	**(642)**
Movement in year	**-**	**-**	**2,552**	**-**	**-**	**(7,909)**	**(5,357)**
At 30 September 2023	**3,349**	**99,501**	**10,751**	**1**	**3,524**	**(27,813)**	**89,313**

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

At 30 September, 2023 the Group held £18.1 million of cash and cash equivalents. The Group has a history of recurring losses from operations, including a net loss of £33.2 million for the year ended 30 September, 2023 and an accumulated deficit of £113.8 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 decrease in cash and cash equivalents of £35.8 million for the year ended 30 September, 2023. Post year-end on November 7, 2023 the Group closed the sale of 54,074,458 Ordinary Shares, resulting in gross proceeds of £14.1 million (£13.6 million net of transaction costs).

As part of its approval of the Group's budget for the year ending 30 September 2024, the Board concluded that the Group holds sufficient cash and cash equivalents to provide a cash runway into September 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 before or in August 2024 (see further discussion below).

In undertaking the going concern review, the Board has reviewed the Group's cash flow forecasts to 31 December, 2024 (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 the going concern period 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. 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 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 recalled by August 2024 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 40% when compared to the share price at which the 7 November, 2023 equity fundraising was completed, in which both convertible loan note holders participated; as a result the directors do not currently expect the convertible loan notes to be recalled by August 2024.
- the directors continue to pursue a number of options to secure longer-term funding for the Group, including equity financing, partnering portfolio assets and potential for additional milestones on existing partnerships, and based on current plans and discussions with third parties 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 5 and 24 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 12 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 12 to the Consolidated Financial Statements.

(d) Convertible loan notes

In the year ended 30 September 2020, the Company 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 Company 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 Company 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 Company 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 £74k. A 10% lower estimate would result in a decrease of revenue recognised to date of £76k.

2. Staff Costs

	2023 £'000	2022 £'000
Staff costs (including Directors) comprise		
Wages and salaries	4,780	4,372
Social security costs	552	556
Pension costs	198	160
Total employee related costs	**5,530**	**5,088**

	2023 number	2022 number
Number of employees		
Average number of employees (including Directors)		
Management & Admin	30	23
R&D - Chemistry	26	26
R&D - Biology	20	18
R&D - Analytical	7	8
	83	**75**

Directors remuneration is disclosed in note 10 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 2022	121	309	430
Additions	-	-	-
At 30 September 2023	**121**	**309**	**430**
Amortisation			
At 1 October 2022	30	185	215
Charge for the year	6	16	22
At 30 September 2023	**36**	**201**	**237**
Net book value			
At 30 September 2023	**85**	**108**	**193**
At 30 September 2022	91	124	215

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 2022	501	275	114	890
Additions	64	26	77	167
Disposals	-	-	(114)	(114)
At 30 September 2023	**565**	**301**	**77**	**943**
Depreciation				
At 1 October 2022	304	224	70	598
Charge for the year	157	46	61	264
Disposals	-	-	(114)	(114)
At 30 September 2023	**461**	**270**	**17**	**748**
Net book value				
At 30 September 2023	**104**	**31**	**60**	**195**
At 30 September 2022	197	51	44	292

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.

	2023 £'000	2022 £'000
At 1 October	881	653
Additional capital contribution – Redx Oncology Ltd	405	159
Additional capital contribution – Redx Immunology Ltd	85	69
At 30 September	**1,371**	**881**

At 30 September 2023 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 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

Redx Anti-Infectives Limited entered solvent liquidation on 18 May 2021. A final distribution of assets was made on 14 February 2023 and the company was dissolved on 23 May 2023

6. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Trade debtors	50	12
VAT recoverable	135	151
Corporation tax recoverable	-	-
Amounts due from Group undertakings	85,784	60,705
Other debtors	757	827
Prepayments and accrued income	647	391
	87,373	**62,086**

Amounts due from Group undertakings do not carry interest and are expected to be realised in greater than one year.

7. Creditors: Amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	290	417
Deferred income	862	4,970
Social security and other taxes	203	209
Other creditors	4	13
Amounts due to Group undertakings	-	30
Accruals	486	948
Convertible loan notes	15,731	15,731
	17,576	**22,318**

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, at the discretion of the noteholder. 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 holders retain the right to extend the repayment date in one year increments, up to a maximum of ten years. 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 Company has calculated the value of the liability component using a discount rate for an equivalent bond, without an equity component, of 8.5%. The Company 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.

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

7. Creditors: Amounts falling due within one year – continued

Partial conversion

On 2 December, 2020 the Company 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.

Extension of Maturity date

On June 27, 2023 confirmation was received from the Purchasers of their intention to execute their initial extension option under the terms of the instrument, the revised maturity date being 4 August 2024. As this feature was included in the original instrument, this has been treated as a revision to the cash flows associated with it, rather than as a modification.

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 (2022: £15.7 million). The revised recognition of the discounted liability resulted in a gain of £1.6m, which in accordance with IFRS 9 has been recognized as income. As no actual interest rate has been stipulated by the loan note holders, consistent with their rights under the Agreement, effective interest will continue to be charged up to the revised maturity date.

8. Share Capital

	Note	2023 Numbers	2022 Numbers
Number of shares in issue			
In issue at 1 October		334,911,458	275,282,205
Issued for cash		-	58,070,956
Exercise of share options	24 (Group)	-	1,558,297
In issue at 30 September		**334,911,458**	**334,911,458**

	Note	£'000	£'000
Share Capital at par, fully paid			
Ordinary shares of £0.01			
At 1 October		3,349	2,753
Issued for cash		-	581
Exercise of share options	24 (Group)	-	15
At 30 September		**3,349**	**3,349**

9. Operating lease arrangements – minimum lease payments

	Property	
	2023 £'000	2022 £'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	1,377	2,193
	2,193	**3,009**

10. Related Parties

Related party information disclosed in note 25 to the Group accounts is also applicable to the Company.

11. 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 £26m.

12. 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.

13. Post balance sheet events

On 18 October, 2023, the Company announced that it had conditionally raised £14.1 million (gross) £13.6 million (net) by way of a placing of Ordinary shares at 26p per share. All resolutions required to accomplish this were passed at a general meeting of shareholders on 6 November, 2032, and accordingly 54,074,458 new Ordinary shares were issued and admitted to trading on AIM on 7 November, 2023.

Company Information

Directors	Dr Jane Griffiths (Chair) Lisa Anson (Chief Executive Officer) Peter Presland (Non-Executive Director) Dr Bernhard Kirschbaum (Non-Executive Director) Dr Joseph Anderson (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
Joint Broker	WG Partners LLP 85 Gresham Street London EC2V 7NQ
Joint Broker	Panmure Gordon & Co One New Change London EC4M 9AF

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