Redx Pharma

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22 June 2015

Redx Pharma Plc
("Redx" or the "Company" or "Group")

Interim Results For The Six Months Ended 31 March 2015

Redx Pharma (AIM: REDX), the drug discovery and development company, is pleased to announce its maiden unaudited results for the six months ended 31 March 2015.

Highlights

- Successful admission to AIM and £15m (gross) share placing on 27 March 2015
- Continued strong progress with drug discovery programs, with a further program having achieved pre-clinical proof of concept:

  Oncology pipeline

  - first development candidate selected in SMO program for skin cancer
  - in vivo proof of concept secured in BTK and cFMS programs

  Post-period
  - in vivo proof of concept established in Porcupine program
  - development candidate selected in BTK program

  Anti-Infectives pipeline
  - continued expansion of novel lead series in MRSA program

  Post-period
  - development candidate selected in MRSA program

- Launch of Immunology subsidiary in May 2015 - focused on developing new therapies for disorders of the immune system

- H1 financial results in line with management expectations:
  - net cash at 31 March 2015: £13.8m (H1 2014: £2.8m)
  - comprehensive loss of £3.2m (H1 2014: £1.6m)

- Outlook remains positive

Neil Murray, Chief Executive of Redx, commented:
"I am delighted with the progress Redx has made over the six month period and subsequent to the period end, both in terms of our drug discovery programs and corporately. We already have an extensive pipeline of potentially best-in-class drug therapies across cancer and anti-infectives, and over the last nine months have identified a further two drug development candidates. These include our first drug development candidate designed to tackle MRSA, the bacterium which causes potentially lethal infections in humans, which is a significant milestone for our commercial partnership with the NHS.

The launch of our third subsidiary, Redx Immunology, in May 2015, which has synergies with our existing immune-oncology programs, is an exciting development. We expect to generate additional pipeline assets from its research activities and further partnering and licencing deals in due course.

I remain very optimistic about the opportunities available to us and Redx's admission to AIM and share placing at the end of March will help to support our ambitious plans for our ongoing development."

For further information, please contact:

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About Redx Pharma

Redx is focused on the discovery and development of proprietary, small molecule therapeutics to address areas of high, unmet medical need, principally in cancer, infection and immunology, providing a pipeline of assets to larger and emerging companies. By improving the characteristics of existing drug classes to create highly differentiated, novel, best-in-class drugs, Redx has already established a portfolio of 13 proprietary (patent-protected) drug programs. Five programs have now achieved pre-clinical proof of concept, with relevance for respective therapies to treat MRSA, bone tumours, skin, brain, breast, pancreatic and blood cancers.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

INTRODUCTION

Over a relatively short space of time, Redx has established a portfolio of 13 proprietary drug programs which are focused on delivering best-in-class therapies to address areas of unmet medical need in cancer and infectious disease. In addition, we have secured five commercial partnerships and collaborations, most notably with AstraZeneca UK Limited and the NHS. These will deliver development and sales milestone income to us as well as royalties on any future sales. This has created the potential to achieve early profitability in the short term.

Five of our programs have achieved in vivo proof of concept, with two potentially ready to enter the clinic in 2016. Our approach is to create drug candidates which improve on the characteristics of existing drug classes to create highly differentiated best-in-class new drugs. We have also set out to establish ourselves as a source of new pipeline assets for both large and emerging mid-size pharmaceutical companies. Given our record to date with existing drug candidates and collaborations, we believe that we have demonstrated strong validation of our expertise and the attractions of collaborating with us for further potential partners.

These are our first half year results as a quoted company, having joined AIM in March 2015. Financial results are in line with management expectations and we are delighted to provide further details on the significant progress Redx has made over the six months to 31 March 2015 and more recently. A full review of our pipeline across oncology and anti-infectives is provided below.

PIPELINE DEVELOPMENT

Oncology

During the period, the Oncology pipeline continued to mature and we nominated our first development candidate in our skin cancer program (Smoothened inhibitor) and secured further in vivo proof of concepts in our BTK and cFMS programs. The BTK program has relevance for treatment of leukaemia, other blood cancers and autoimmune diseases, and the cFMS program has relevance for the treatment of bone cancer and autoimmune diseases such as rheumatoid arthritis.

We have made rapid progress across the Group's two key areas of expertise in tumour immunology and cancer stem cells, and work continues to develop Redx's candidate programs.

Skin cancer program – Smoothened inhibitor

The Smoothened ("SMO") receptor is a promising target with activation of the Hh pathway linked to tumourigenesis in several cancer types including basal cell carcinoma ("BCC"), rhabdomyosarcoma and medulloblastoma.

BCC is particularly prevalent in countries like the USA and Australia, which experience high levels of UV rays with 2.8 million cases per year diagnosed in the USA alone. Although treatments for the disease exist, most involve invasive surgery, which often leaves residual scarring.

We are developing a topical agent to be applied directly to the tumour, which should result, not only in treatment of the lesion, but in a significantly reduced side effect profile compared to other drugs in this class. In February 2015, we selected our first development candidate to progress in this indication that is differentiated over existing therapies in this area. The properties of other drugs in this class make them unsuitable for topical application whilst other approaches, such as photo-dynamic therapy, suffer, in our view, from usability and compliance issues. The next stage for this program will require completion of a regulatory pre-clinical data package to support initial clinical studies.

Bruton's Tyrosine Kinase ("BTK")

We are developing best-in-class inhibitors of BTK for the treatment of leukaemia, other blood cancers and autoimmune diseases such as rheumatoid arthritis, lupus and Sjogren's syndrome.

A greater understanding of the molecular mechanisms underlying lymphoid malignancies has fostered the development of targeted therapies, including those aimed at B-cell signalling pathways. In the past few years, overwhelmingly positive results have been observed with small-molecule inhibitors of BTK.

Redx's focus initially aims to reduce known side effects of Imbruvica (severe diarrhoea due to epidermal growth factor receptor inhibition) through much improved binding to BTK, not only in oncology but particularly for use in an immunology population where as a chronic indication side effects may be more problematic.

We secured in vivo proof of concept during the period and, after the period end, in May 2015, announced that we had identified a development candidate. The next stage for this program will require completion of a regulatory pre-clinical data package to support initial clinical studies.

Colony Stimulating Factor-1 receptor ("CSF-1" or "cFMS")

cFMS is expressed on monocyte/macrophage cells and our small molecule inhibitors have the potential to treat cancers by modulating the tumour micro-environment and reducing bone metabolism to ameliorate fractures caused by cancer metastases. Potential treatment areas also include autoimmune diseases such as rheumatoid arthritis.

Immune modulation is a validated strategy in oncology with a growing focus on combination approaches. The importance of cFMS as a target was highlighted through the collaboration between Merck & Co and Plexxikon in May 2015 regarding Keytruda and PLX3397.

There is a growing body of evidence implicating the role of CSF-1 in tumour progression and cancer metastasis. For example, CSF-1 over-expression has long been associated with tumour growth and a poor prognosis with abnormally high levels of CSF1 (and its receptor).

Having previously in-licensed a lead series of cFMS inhibitors from Pharmascience Inc, we have improved the characteristics of these molecules to the point that we have established in vivo proof of concept achieving many of the key attributes necessary to deliver a superior candidate. We are now working to further optimise these compounds to support selection of a development candidate that can be taken forwards towards clinical studies.

Anti-Infectives

Our anti-infectives programs have made very pleasing progress and, in the critical area of Anti-microbial Resistance ("AMR"), we are in the forefront of the fight to generate new therapeutic classes that can be harnessed to tackle this serious global threat. We have a unique partnership with the NHS in this area, working with The Royal Liverpool and Broadgreen University Hospitals Trust ("the Trust") on new drugs to tackle drug-resistant bacteria including Methicillin-Resistant Staphylococcus Aureus ("MRSA"). Post the period end, Redx reached the pre-clinical development stage with the selection of a novel candidate compound for progression.

MRSA

Multidrug-resistant ("MDR") Gram-positive bacteria are rapidly becoming an urgent and an increasingly unmanageable clinical challenge. The issues caused by S. aureus that has acquired the methicillin resistance gene (MRSA) are a particular challenge to healthcare providers worldwide. S. aureus colonises the skin of approximately a third of humans, commonly in the nose, throat and various skin sites.

Type II topoisomerases are clinically and commercially validated antibacterial targets. An opportunity exists for the development of novel chemical scaffolds that target bacterial DNA topoisomerases for the treatment of MRSA infection.

Data generated to date has been positive and we secured in vivo proof of concept in September 2014. As a novel scaffold, this would be a significant advance and, if successful, the first new antibiotic class since the introduction of linezolid 25 years ago.

Post-period Developments

In May 2015, we announced the selection of two further development candidates in the BTK and MRSA programs.

In addition, we also announced that we had secured in vivo proof of concept in our Porcupine program ("PORC"). PORC is a target in the Wnt pathway that regulates cell proliferation, migration, apoptosis, and differentiation. Consequently, blocking Wnt signalling may be useful to interfere with tumour growth.

COLLABORATIONS AND PARTNERSHIPS

We have signed five deals and collaborations to date. These are with:

- AstraZeneca for an undisclosed oncology target;
- the NHS for MRSA;
- Pierre Fabre, for skin cancer;
- the European Innovative Medicines Initiative ENABLE project (a pharma consortium led by GlaxoSmithKline) on Gram-negative microbial infection; and
- National Institute of Allergy and Infectious Diseases, for influenza-related drug programs.

Discussions continue with additional potential collaboration partners across our portfolio with a view to securing further validating commercial deals for our assets.

LAUNCH OF IMMUNOLOGY SUBSIDIARY

After the period end in May 2015, we announced the launch of our third subsidiary, Redx Immunology. This was in line with our strategy set out in our Admission Document. Focusing on disorders of the immune system, we are building on the expertise that we have developed through our tumour immunology group in oncology and believe that we will deliver drug programs that satisfy clear clinical and market needs.

BOARD APPOINTMENT

On admission in March, we were pleased to welcome Philip Tottey to the Board as Chief Financial Officer. Phil joined the Company in 2013, bringing a broad range of senior level financial, strategic and operational experience to the Group.

FINANCIAL REVIEW

The cash position at 31 March 2015 increased to £13.8m (31 March 2014: £2.8m), reflecting the successful completion of a placing of 17.6 million new ordinary shares at 0.85p, which raised £15m (£13.4m after expenses).

The main sources of income during the period were income from the NHS collaboration deal of £1.3m and grants to support our research and development activities. Total operating income was £2.0m (H1 2014: £3.3m).

In October 2014, we disposed of our non-core Redx Crop Protection subsidiary and this generated a recognised gain in the consolidated financial statements of £0.9m.

The total comprehensive loss for the period was in line with management expectations at £3.2m (H1 2014: £1.6m). The increase in the loss is mainly due to the decrease in grant funding received.

OUTLOOK

Redx continues to grow and develop rapidly as a group. Building on the success of placing and AIM Admission, we expect to see continued development of both our technical and commercial portfolios over the coming months.

We thank all staff and shareholders for their support and look forward to reporting further on our progress.

Frank Armstrong	**Neil Murray**
Chairman	Chief Executive

19 June 2015

Consolidated Statement of Comprehensive Income

	Note	**Unaudited** **Half Year to 31 March 2015** **£000**	Unaudited Half Year to 31 March 2014 £000	Unaudited Year to 30 September 2014 £000
Operating expenses		**(5,487)**	(5,218)	(10,157)
Share based compensation		**(489)**	(14)	(14)
Operating income		**2,017**	3,327	6,157
Loss from operations		**(3,959)**	(1,905)	(4,014)
Gain on disposal of subsidiary undertaking	6	**895**	-	-
Finance costs		**(198)**	(127)	(249)
Loss before taxation		**(3,262)**	(2,032)	(4,263)
Income tax		**29**	434	910
Loss for the period		**(3,233)**	(1,598)	(3,353)
Other comprehensive income, net of tax		**-**	-	-
Total comprehensive loss for period attributable to owners of Redx Pharma plc		**(3,233)**	(1,598)	(3,353)

		pence	pence	pence
Loss per share - basic and diluted	7	**(6.3)**	(3.7)	(7.6)

Consolidated Statement of Financial Position

	Unaudited	Unaudited	Unaudited
	31 March 2015	31 March 2014	30 September 2014
	£000	£000	£000
Assets			
Property, plant and equipment	**71**	205	130
Intangible assets	**309**	309	309
Other receivables	**730**	-	-
Total non-current assets	**1,110**	514	439
Trade and other receivables	**3,127**	1,135	2,597
Cash and cash equivalents	**13,756**	2,829	2,892
Current tax	**29**	434	948
Total current assets	**16,912**	4,398	6,437
Assets held for sale	**-**	-	183
Total assets	**18,022**	4,912	7,059
Liabilities			
Trade and other payables	**3,504**	2,229	3,077
Borrowings	**-**	2,000	2,000
Total current liabilities	**3,504**	4,229	5,077
Liabilities re items held for sale	**-**	-	162
Net current assets	**13,408**	169	1,381
Borrowings	**2,000**	-	-
Total liabilities	**5,504**	4,229	5,239
Net assets	**12,518**	683	1,820
Equity			
Share capital	**650**	7	7
Share premium	**13,511**	9,421	12,313
Share-based compensation	**489**	152	152
Capital redemption reserve	**1**	-	-
Retained deficit	**(2,133)**	(8,897)	(10,652)
Equity attributable to shareholders	**12,518**	683	1,820

Consolidated Statement of Changes in Equity

	Unaudited Share capital	Unaudited Share premium	Unaudited Share-based payment	Unaudited Capital redemp'n reserve	Unaudited Retained deficit	Unaudited Total equity
	£000	£000	£000	£000	£000	£000
Movements by half year						
As at 1 October 2013	6	7,931	138	-	(7,299)	776
Share issue	1	1,609	-	-	-	1,610
Share issue costs	-	(119)	-	-	-	(119)
Transactions with owners in their capacity as owners	1	1,490	-	-	-	1,491
Loss and total comprehensive income for the period	-	-	-	-	(1,598)	(1,598)
Share-based compensation	-	-	14	-	-	14
As at 31 March 2014	7	9,421	152	-	(8,897)	683
Share issue	-	3,084	-	-	-	3,084
Share issue costs	-	(192)	-	-	-	(192)
Transactions with owners in their capacity as owners	-	2,892	-	-	-	2,892
Loss and total comprehensive income for the period	-	-	-	-	(1,755)	(1,755)
As at 30 September 2014	7	12,313	152	-	(10,652)	1,820
Share issue	177	14,823	-	-	-	15,000
Exercise of share options	-	14	(138)	-	138	14
Share options lapse	-	-	(14)	-	14	-
Share issue costs	-	(1,572)	-	-	-	(1,572)
Cancellation of share premium	-	(11,600)	-	-	11,600	-
Creation of capital redemption reserve	(1)	-	-	1	-	-
Bonus issue	467	(467)	-	-	-	-
Transactions with owners in their capacity as owners	643	1,198	(152)	1	11,752	13,442
Loss and total comprehensive income for the period	-	-	-	-	(3,233)	(3,233)
Share-based compensation	-	-	489	-	-	489
As at 31 March 2015	650	13,511	489	1	(2,133)	12,518

Consolidated Statement of Cash Flows

	Unaudited	Unaudited	Unaudited
	Half Year to 31 March 2015	Half Year to 31 March 2014	Year to 30 September 2014
	£000	£000	£000
Net cash flow from operating activities			
Loss for the period	**(3,233)**	(1,598)	(3,353)
Adjustments for:			
Income tax	**(29)**	(434)	(910)
Finance costs	**198**	127	249
Gain on disposal of subsidiary undertaking	**(895)**	-	-
Depreciation and amortisation	**73**	144	252
Share based compensation	**489**	14	14
Movements in working capital			
Loan on disposal of subsidiary undertaking and associated interest	**730**	-	-
(Increase) /decrease in trade and other receivables	**(365)**	2,447	985
Increase /(decrease) in trade and other payables	**427**	(631)	217
Decrease /(increase) in items held for sale	**21**	-	(21)
Cash (used in) /generated by operations	**(2,584)**	69	(2,567)
Tax credit received	**218**	389	351
Net cash (used in) /generated by operations	**(2,366)**	458	(2,216)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(14)**	(21)	(54)
Net cash used in investing activities	**(14)**	(21)	(54)
Cash flows from financing activities			
Proceeds from share issue less costs	**13,442**	1,491	4,383
Interest paid	**(198)**	(127)	(249)
Net cash from financing activities	**13,244**	1,364	4,134
Net increase in cash and equivalents	**10,864**	1,801	1,864
Cash and cash equivalents brought forward	**2,892**	1,028	1,028
Cash and cash equivalents carried forward	**13,756**	2,829	2,892

Notes to the Financial Statements

1. Basis of preparation

1.01 Description of Company and approval of the Interim statements

Redx Pharma plc ("Redx" or "the Company") is a limited liability company incorporated in the UK as Redx Pharma Ltd on 7 September 2010, and domiciled in the UK. Its shares are quoted on AIM, a market operated by The London Stock Exchange. The principal activity of the Group is drug discovery, pre-clinical development and licensing.

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

The interim financial information has not been audited and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and has been prepared in compliance with International Accounting Standard ('IAS') 34, 'Interim Financial Reporting'. Statutory accounts for the year ended 30 September 2014, prepared under UK GAAP, were approved by the Board on 16 January 2015 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) or section 498(3) of the Companies Act 2006.

The interim financial statements were approved by the Board of Directors on 19 June 2015.

1.02 Adoption of International Financial Reporting Standards ('IFRS')

The Group's previous financial statements have been prepared under UK Generally Accepted Accounting Principles (UK GAAP). For the financial year ended 30 September 2015, the Group will prepare its annual consolidated financial statements in accordance with IFRS as adopted by the European Union and implemented in the UK.

The Group's date of transition to IFRS was 1 October 2013 at which date the Group prepared its opening IFRS balance sheet. The financial information for the 6 months ended 31 March 2015 is unaudited and has been prepared in accordance with the Group's accounting policies based on IFRS standards that are expected to apply for the year ended 30 September 2015. The financial information for the 6 months ended 31 March 2014 is also unaudited and has been restated under IFRS.

The presentation of financial information under IFRS for the 6 months ended 31 March 2015 is governed by IFRS 1 'First-time Adoption of IFRS', because it is part of the period covered by the Group's first IFRS financial statement for the year ended 30 September 2015. In some cases this will require the presentation of an item in a different position, or the use of a different description in the financial statements to that adopted in the UK GAAP financial statements. These reclassifications have been described in the explanatory notes. A reconciliation of the transition from UK GAAP to IFRS for the year ended 30 September 2014 is set out in Note 9.

1.03 Principal effects identified on adoption of IFRS

IFRS 3 'Business Combinations', IAS 36 'Impairment of Assets', and IAS 38 'Intangible Assets' resulted in a change to the accounting policy for goodwill. Until 30 September 2013, goodwill was amortised on a straight line basis over a period of up to 20 years from the year of acquisition and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of IFRS 3 and IAS 36:

- The Group ceased amortisation of goodwill from 1 October 2013;
- This has resulted in the increase in the carrying value of goodwill at 30 September 2014 of £61,000 (2013: £46,000) and a decrease in the amortisation charge for the year then ended of £15,000;
- From 1 October 2013, goodwill is tested annually for impairment, as well as when there are indications of impairment.

IFRS 2 'Share-based Payment' requires any share-based payment to directors or employees to be recognised as a charge to the income statement over the vesting period of the options, together with a corresponding increase in equity. A Black Scholes model has been applied to share option grants resulting in an equity reserve of £152,000 at 30 September 2014 (2013: £138,000) and a charge of £14,000 for the year then ended.

IAS 17 'Leases' requires that lease incentives received are amortised evenly over the life of the lease. Previously the costs of leases were charged in line the respective provisions of the lease agreement. Amortising the incentives evenly over the life of the lease has caused a decrease in net assets of £297,000 as at 30 September 2014 (2013: £259,000) and a charge to pre-tax profits of £38,000 for the year then ended.

IAS 17 also requires that lease premiums are amortised evenly over the estimated life of the lease. Previously where the life of the lease for certain equipment was unknown, initial payments on leases were charged in the period in which they were made. Amortising the incentives evenly over the estimated life has resulted in a pre-payment of £267,000 as at 30 September 2014 (2013: £630,000) and a charge to comprehensive income of £363,000 for the year then ended.

IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' requires that where the value of an asset is expected to be recovered through a sale transaction rather than continuing use, the asset is classified as held for sale. Such assets are valued at the lower of book value and fair value less costs to sell and in the case of long-term assets are no longer depreciated. Liabilities are also separately classified. This has resulted in balance sheet reclassifications of £183,000 of current assets and £162,000 of current liabilities as at 30 September 2014. These have had no effect on comprehensive income.

Finally, there are various IFRS reclassifications within receivables and payables.

The principal accounting policies adopted in the preparation of these interim financial statements are set out in Note 2 below. These policies have been consistently applied to all periods presented.

2. Summary of significant accounting policies

2.01 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 losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

2.02 Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.03 Going concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009".

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of this financial information. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due.

Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Information.

2.04 Currencies

(a) Functional and presentational currency

Items included in the Financial Information are measured using the currency of the primary economic environment in which the Group operates ("the functional currency") which is UK sterling (£). The Financial Information is presented in UK sterling, as described in Note 1.01.

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

2.05 Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

All ongoing 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 programs, the criteria for development costs to be recognised as an asset, as prescribed by IAS 38, 'Intangible assets', are not met until the product has been submitted for regulatory approval, such approval has been received and it is probable that future economic benefits will flow to the Group. The Group does not currently have any such internal development costs that qualify for capitalisation as intangible assets.

Development costs are capitalised when the related products meet the recognition criteria of an internally generated intangible asset, the key criteria being as follows:

- technical feasibility of the completed intangible asset has been established;
- it can be demonstrated that the asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development;
- the expenditure attributable to the intangible asset can be reliably measured; and
- the Group has the ability and intention to use or sell the asset.

Expenses for research and development include associated wages and salaries, material costs, depreciation on non-current assets and directly attributable overheads.

All research and development costs, whether funded by third parties under licence and development agreements or not, are included within operating expenses and classified as such.

Development costs recognised as assets are amortised over their expected useful life.

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.

2.06 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Such assets acquired in a business combination are initially recognised at their fair value at acquisition date.

Depreciation is charged so as to write off the costs of assets over their estimated useful lives, on a straight-line basis starting from the month they are first used, as follows:

- Laboratory Equipment - 2 or 3 years
- IT Equipment - 2 or 3 years

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 Statement of Comprehensive Income.

2.07 Impairment of non-current assets

At each reporting date, the Directors review the carrying amounts of goodwill, property, plant and equipment assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.08 Current and deferred tax

The tax expense or credit represents the sum of the tax currently payable or recoverable and the movement in deferred tax assets and liabilities.

(a) Current tax

Current tax is based on taxable income for the period and any adjustment to tax from previous periods. Taxable income differs from net income in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods or that are never taxable or deductible. The calculation uses the latest tax rates for the period that have been enacted by the reporting date.

(b) Deferred tax

Deferred tax is calculated at the latest tax rates that have been substantially enacted by the reporting date that are expected to apply when settled. It is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case it is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. It is not discounted.

Deferred tax liabilities are generally 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 against which the asset can be utilised. Such assets are reduced to the extent that it is no longer probable that the asset can be utilised.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

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

2.09 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

The minimum term of the lease is estimated if it is not clear.

2.10 Government grants

Government grants are not recognised until there is reasonable assurance that the associated conditions will be met and that the grant will be received.

Government grants are recognised in 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.

2.11 Payroll expense and related contributions

Wages, salaries, payroll tax, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered.

2.12 Pension costs

The Group operates a defined contribution pension scheme for the benefit of its employees. The Group pays contributions into an independently administered fund via a salary sacrifice arrangement. The costs of providing these benefits are recognised in the statement of comprehensive income and consist of the contributions payable to the scheme in respect of the period.

2.13 Share-based compensation

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

At each reporting date, the Directors revise their estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of any revision is recognised in 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.

2.14 Dividends

Dividends are recognised as a liability and deducted from equity at the time they are approved. Otherwise dividends are disclosed if they have been proposed or declared before the relevant financial statements are approved.

2.15 Related party transactions

Intragroup transactions are not disclosed based on the exemption in IAS 24 Related Party Disclosures.

Other related party transactions are disclosed to the extent that they are material within the Financial Information.

2.16 Segmental information

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

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

The Group has therefore determined that it has only one reportable segment under IFRS8.

3. Financial instruments

Financial assets and financial liabilities are recognised in the Group's 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.

3.01 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.02 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.03 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.

3.04 Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.05 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognised as the proceeds received, net of direct issue costs.

4. Financial risk management

4.01 Financial risk factors

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk. The overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close co-operation with key staff.

- Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.
- Credit risk is the financial loss to the Group if a counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.
- Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of liquidity, cash and cash equivalents based on expected cash flow.

4.02 Capital risk management

The Group is funded by equity and loans. The components of shareholders' equity are:

- The share capital and share premium account arising on the issue of shares
- The retained reserve or deficit reflecting comprehensive income to date
- Capital redemption reserve into which amounts are transferred following the redemption of the Company's own shares

- Share-based compensation reserve reflecting the fair value on grant of outstanding share options

The objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. Expenditures on commitments are funded from existing cash and cash equivalent balances, primarily received from issuances of shareholders' equity. There are no externally imposed capital requirements. Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet commitments and development plans.

4.03 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

5. Critical accounting estimates and judgements

Details of significant accounting judgements and critical accounting estimates are set out in this Financial Information and include:

5.01 Share based compensation

The Group has issued a number of share options to certain employees. The Black-Scholes model was used to calculate the appropriate charge for the period of issue and subsequent periods.

The use of this model to calculate a charge involves using a number of estimates and judgements to establish the appropriate inputs to be entered into the model, covering areas such as the use of an appropriate interest rate and dividend rate, exercise restrictions and behavioural considerations. A significant element of judgement is therefore involved in the calculation of the charge.

The total charge recognised and further information on share options can be found in Note 8.

5.02 Government grant accrued income

Grant income is recognised as set out in Note 2.10.

The recognition of grant income (and hence the related accrued income balances) requires the Directors to make assumptions in relation to the allocation of resources to date and the likelihood of a successful claim.

5.03 Operating lease term

Rentals payable under operating leases are recognised as set out in Note 2.9.

Where an asset is in use but a lease has not yet been signed, and no rent has yet been paid, the related accrual requires the Directors to make assumptions in relation to the likely minimum term and the total rent payable.

5.04 Recoverability of deferred tax assets

Deferred tax assets are recognised to the extent that it is considered probable that those assets will be recoverable. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether there will be sufficient taxable income available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent these assumptions change, there can be an increase or decrease in the level of deferred tax assets recognised, which can result in a charge or credit to the statement of comprehensive income in that period.

5.05 Research and development tax credit

The Group's research and development tax claim is complex and requires the Directors to make significant assumptions in building the methodology for the claim, interpreting research and development tax legislation to the Group's specific circumstances, and agreeing the basis of the Group's tax computations with HM Revenue and Customs.

6. Gain on disposal of subsidiary undertaking

The sale of the subsidiary Redx Crop Protection Ltd to Redag Ltd, a related party by virtue of common directors, completed on 9 October 2014, on which date control passed to the acquirer.

The gain on the disposal of subsidiary represents cash consideration of £1 and a loan of £714,000 received for the disposal of net liabilities of £181,000.

Redx Crop Protection Ltd had been classified and accounted for as assets and liabilities held for sale at 30 September 2014.

	Unaudited	Unaudited	Unaudited
	Half Year to 31 March 2015	Half Year to 31 March 2014	Year to 30 September 2014
	£000	£000	£000
Current assets	**-**	-	183
Current liabilities	**-**	-	(162)
Net assets	**-**	-	21

7. Loss per Share

Basic loss per share is calculated by dividing the net income 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 conversion of loans or exercise of share options.

The basic and diluted calculations are based on the following:

	Unaudited	Unaudited	Unaudited
	Half Year to 31 March 2015	Half Year to 31 March 2014	Year to 30 September 2014
	£000	£000	£000
Loss for the period attributable to the owners of the Company	**(3,233)**	(1,598)	(3,353)
	Number	Number	Number
Weighted average number of shares – basic and diluted	**51,024,477**	43,154,920	44,252,143
	Pence	Pence	Pence
Loss per share - basic and diluted	**(6.3)**	(3.7)	(7.6)

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.

8. Share-based compensation

Share options have been issued to certain directors and staff during the period, and the charge arising is shown below. The fair value of the options granted has been calculated using a Black-Scholes model.

	Unaudited	Unaudited	Unaudited
	Half Year to 31 March 2015	Half Year to 31 March 2014	Year to 30 September 2014
	Number	Number	Number
Options granted and vested in period	**1,465,525**	800	800
Options granted and vesting in future periods	**1,360,250**	-	-
	2,825,775	800	800
	£000	£000	£000
Charge to Statement of Comprehensive Income in period	**489**	14	14

Assumptions used were an option life of 5 years, a risk free rate of 2% and no dividend yield. Other inputs were as follows:

Volatility	**40%**	50%	50%
	£	£	£
Assumed share price at grant date	**0.85**	37.50	37.50
Exercise price	**0.70**	37.50	37.50
Fair value of each option	**0.38**	16.98	16.98

The assumptions used in the current period reflect a 74 for 1 bonus issue in March 2015. Options issued in previous periods lapsed or were exercised during the current period before the bonus issue and therefore the amounts and the assumptions have not been restated.

9. Reconciliation of IFRS to UK GAAP

9.01 Reconciliation of Consolidated Statement of Comprehensive Income Year ended 30 September 2014

	Unaudited	Unaudited	Unaudited
	UK GAAP	Effect of transition	IFRS
	£000	£000	£000
Operating expenses	(9,782)	(375)	(10,157)
Share based compensation	-	(14)	(14)
Operating income	6,157	-	6,157
Loss from operations	(3,625)	(389)	(4,014)
Finance costs	(249)	-	(249)
Loss before taxation	(3,874)	(389)	(4,263)
Taxation credit	910	-	910
Total comprehensive loss for period attributable to owners of Redx Pharma Plc	(2,964)	(389)	(3,353)

9.02 Reconciliation of Equity

Net equity as at 1 October 2013	416	360	776
Net equity as at 30 September 2014	1,835	(15)	1,820

9.03 Reconciliation of Consolidated Statement of Financial Position At 30 September 2014

	Unaudited	Unaudited	Unaudited
	UK GAAP	Effect of transition	IFRS
	£000	£000	£000
Assets			
Property, plant and equipment	130	-	130
Intangible assets	248	61	309
Total non-current assets	378	61	439
Trade and other receivables	2,418	179	2,597
Cash and cash equivalents	2,892	-	2,892
Current tax	1,043	(95)	948
Total current assets	6,353	84	6,437
Assets held for sale	-	183	183
Total assets	6,731	328	7,059
Liabilities			
Trade and other payables	2,896	181	3,077
Borrowings	2,000	-	2,000
Total current liabilities	4,896	181	5,077
Liabilities re items held for sale	-	162	162
Net current assets	1,457	(76)	1,381
Total liabilities	4,896	343	5,239
Net assets	1,835	(15)	1,820
Equity			
Share capital	7	-	7
Share premium	12,313	-	12,313
Share-based compensation	-	152	152
Retained deficit	(10,485)	(167)	(10,652)
Equity attributable to shareholders	1,835	(15)	1,820

The main components of the effect of transition are discussed in Note 1.03 'Principal effects identified on adoption of IFRS'.

10. Reclassification of operating income

Under UK GAAP operating income of £2,400,000 in the year ended 30 September 2014 had been previously classified as revenue. The Directors consider it more appropriate to include it as operating income as opposed to revenue given that it relates to grant and other income.

INDEPENDENT REVIEW REPORT TO REDX PHARMA PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six months ended 31 March 2015 which comprises the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related explanatory Notes 1 to 10. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six months ended 31 March 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union, and the AIM Rules of the London Stock Exchange.

Baker Tilly UK Audit LLP
Chartered Accountants
3 Hardman Street
Manchester M3 3HF

19 June 2015