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Harnessing the Power of Drug Discovery

C4X Discovery Holdings PLC
Annual Report and Accounts 2022

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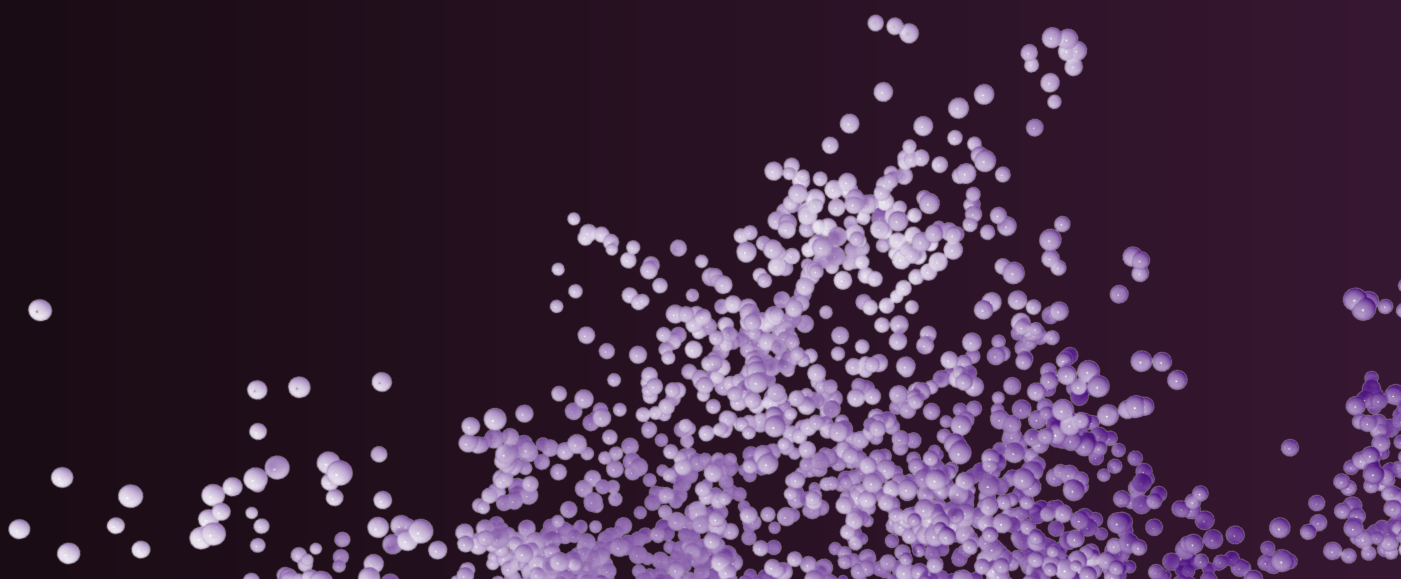


By combining cutting-edge Drug Discovery technologies and scientific expertise, C4X Discovery (“C4XD”) aims to efficiently develop and deliver world leading medicines with our partners for the benefit of patients.

Strategic Report

Corporate Governance

Financial Statements

Building on Our Partnered Portfolio

Operational Highlights (including post-period events)

- Post-period: Exclusive worldwide licensing agreement with AstraZeneca in November 2022 for C4XD's NRF2 Activator programme worth up to $402 million including:
  - Pre-clinical milestone payments worth up to $16 million including $2 million upfront, ahead of the first clinical trial
  - In addition, a further $385.8 million in potential development, regulatory and commercialisation milestones, and the potential for tiered single-digit royalties
- Progression of Indivior's Phase 1 with C4X_3256 (INDV-2000) oral Orexin-1 receptor antagonist for the treatment of addiction with commencement of the multiple ascending dose (MAD) study in Q3 2022, under the out-licensing agreement worth up to $294 million, entered into in March 2018
- Achievement of first milestone payment of €3 million from Sanofi under the out-licensing agreement worth up to a total of €414 million for its IL-17A inhibitor programme, entered into in April 2021
- Significant progress in the MALT-1 inhibitor programme for haematological and solid tumours with compounds that match the leading clinical candidate in terms of in vitro and in vivo profile and transitioning of two chemical series into Lead Optimisation
- Significantly more potent compounds in the lead series of the α4β7 integrin programme in a human whole blood assay than representative compounds from the leading clinical programme. Progression of C4XD compounds into pharmacodynamic models via oral route of administration
- Commencement of six early-stage programmes (three oncology, three inflammation-immunology) into the Hit Identification phase, with one programme transitioned into the Hit-to-Lead phase
- Research project agreement with HitGen, a Shanghai listed, world leader in DNA-encoded libraries to identify novel, small molecule hits against an inflammatory target
- Appointment of Bhavna Hunjan as Chief Business Officer and Executive Director and Dr Mario Polywka as Non-Executive Director

Financial Highlights

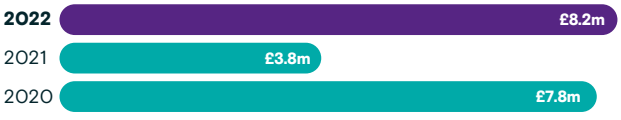
- Revenue of £2.7 million (2021: £5.6m)
- Total loss after tax of £8.2 million or 3.57 pence per share (2021: £3.8m or 1.96 pence per share)
- R&D expenses increased by 14% to £9.4 million (2021: £8.3m), reflecting focused investment in key Drug Discovery programmes
- Net assets of £11.8 million (2021: £19.3m)
- Net cash as at 31 July 2022: £5.1 million (31 July 2021: £17.1m)
- Post-period, successful £5.7 million investor-led fundraise (before expenses) with a total of 22,781,200 Placing Shares issued to institutional shareholders
- Post-period, £2.1 million R&D tax credit received

Revenue (£m)

£2.7m

Loss for the year (£m)

£8.2m



Net cash at year end (£m)

£5.1m

Investment Post-period

£5.7m

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Strategic Report

Proven Commercial and Drug Discovery Expertise

Significant Market Opportunity

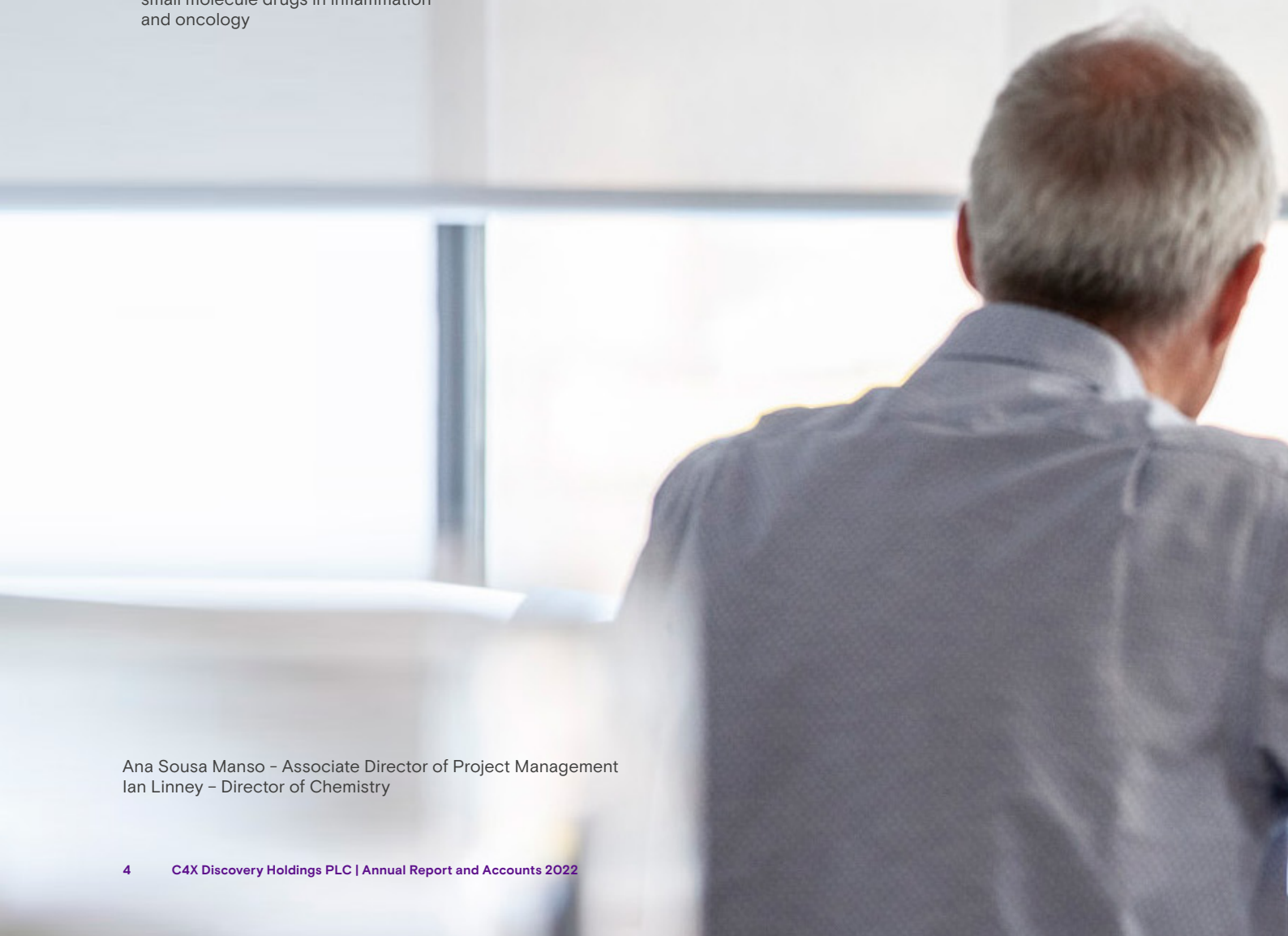
- Demand from big pharma for high quality, early-stage molecules from biotech continues to grow – the real source of innovation in pharmaceuticals
- Focused commercial team proactively monitors the pharma landscape for licensing and collaboration
- Efforts focused on high value indications where the C4XD approach can bring real benefit – truly novel, small molecule drugs in inflammation and oncology

Commercially Attractive Portfolio

- Three partnered products with one in Phase 1 clinical trials with a total deal value to date of up to $1.2 billion
- High value data packages building across the portfolio

Leadership Team

- Big pharma, biotech and banking backgrounds
- Diverse team brings a broad range of expertise, experience and viewpoints
- Track record of proven delivery
- World class Drug Discovery science and expertise



Ana Sousa Manso - Associate Director of Project Management
Ian Linney – Director of Chemistry

Unique Scientific Expert Approach

- Efficient Drug Discovery process through effective project leadership – Project Leaders responsible for driving scientific strategy, Project Managers drive project execution
- Assessment of each programme's risk profile with an expert eye to ensure Drug Discovery success
- Effective interaction with other companies, our truly collaborative approach facilitates productive outputs

Cutting-Edge Technology

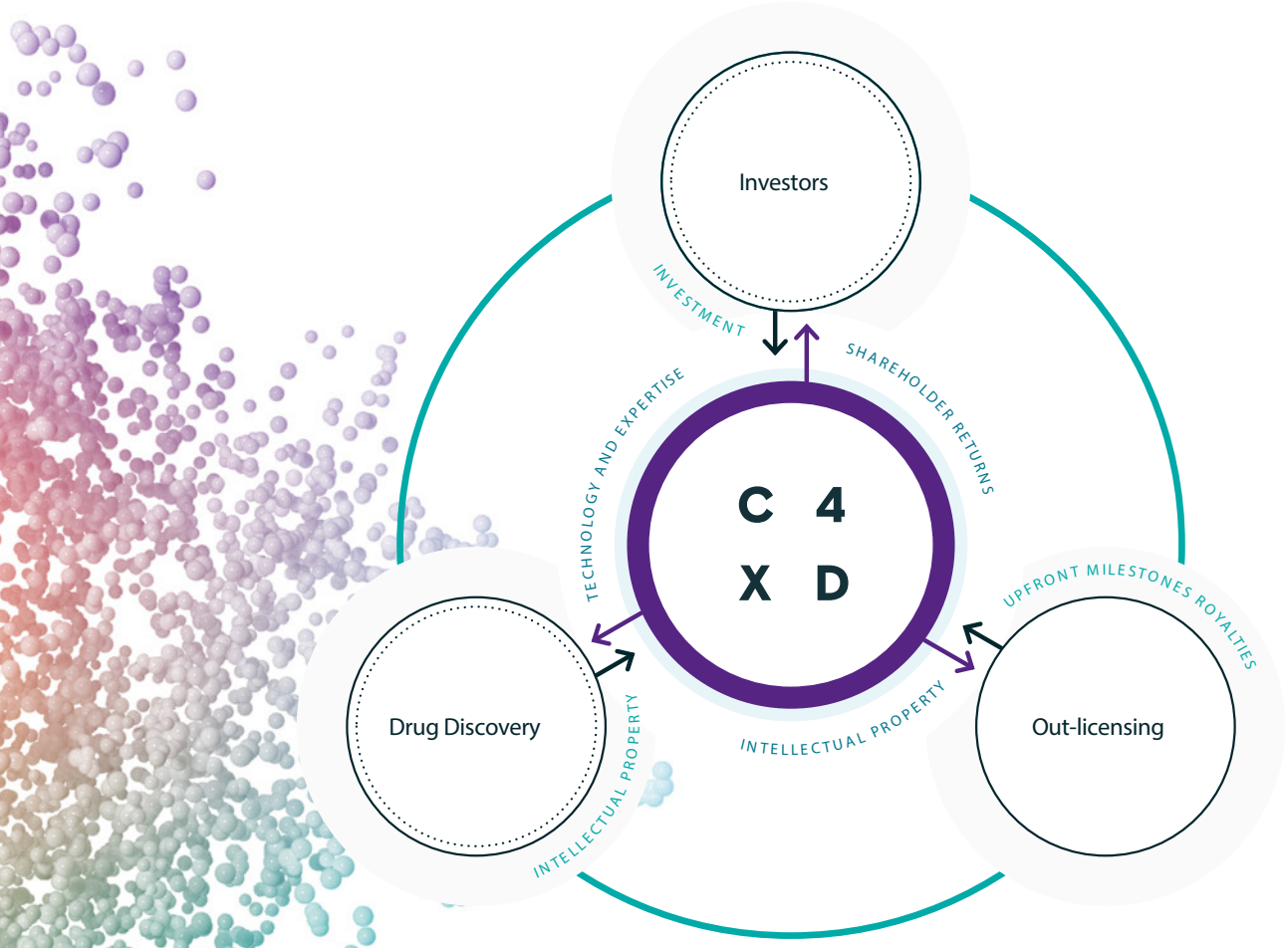
- Proprietary technologies across the Drug Discovery process
- Network of expert partners to maximise data value from platforms and programmes

Robust Early-Stage Commercialisation Process

- Established clear line of sight on licensing potential from start of project
- Dedicated commercialisation team and process to maximise value

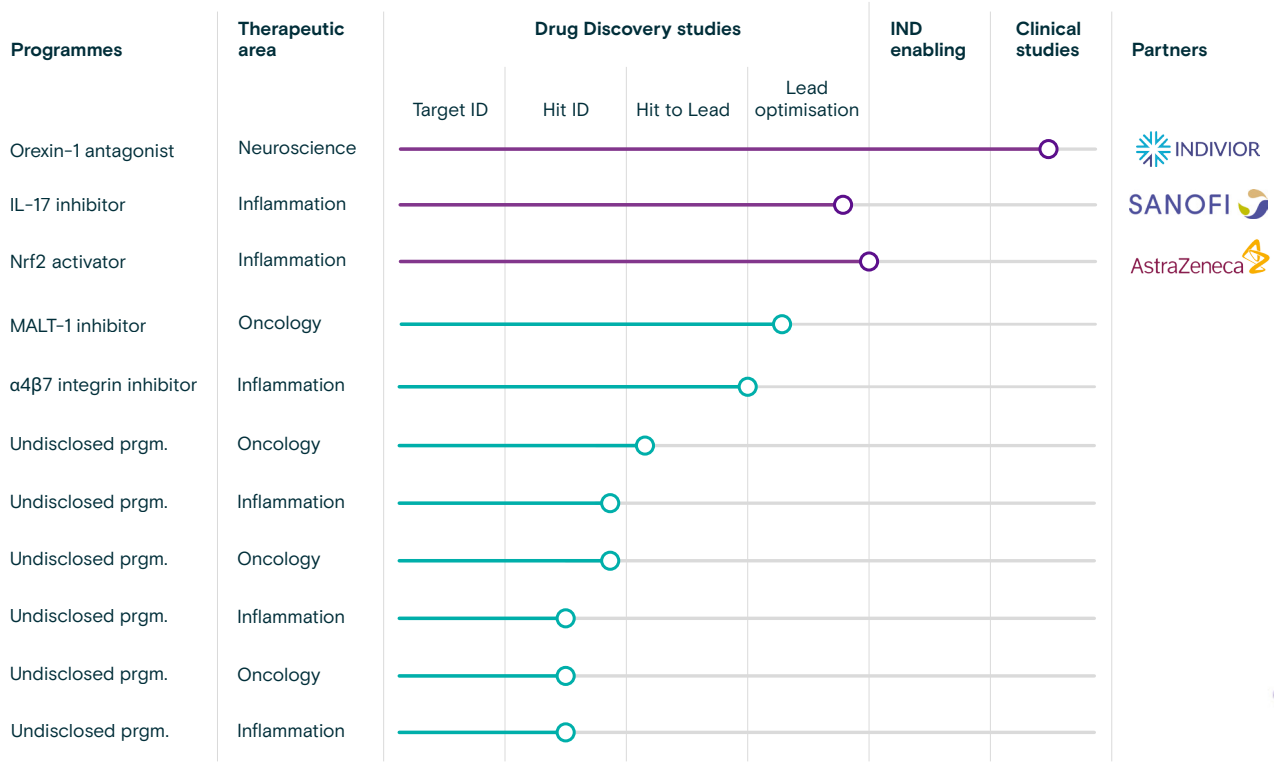
Promoting Long-Term Value For Stakeholders

Our goal is to drive returns through early-stage revenue-generating licensing deals for our high value pre-clinical assets with the pharmaceutical industry, which will be reinvested into our Drug Discovery portfolio to maximise value for shareholders.



A Commercially Attractive Portfolio

We have carefully built a commercially attractive portfolio ranging from early-stage novel target opportunities to late-stage Drug Discovery programmes.



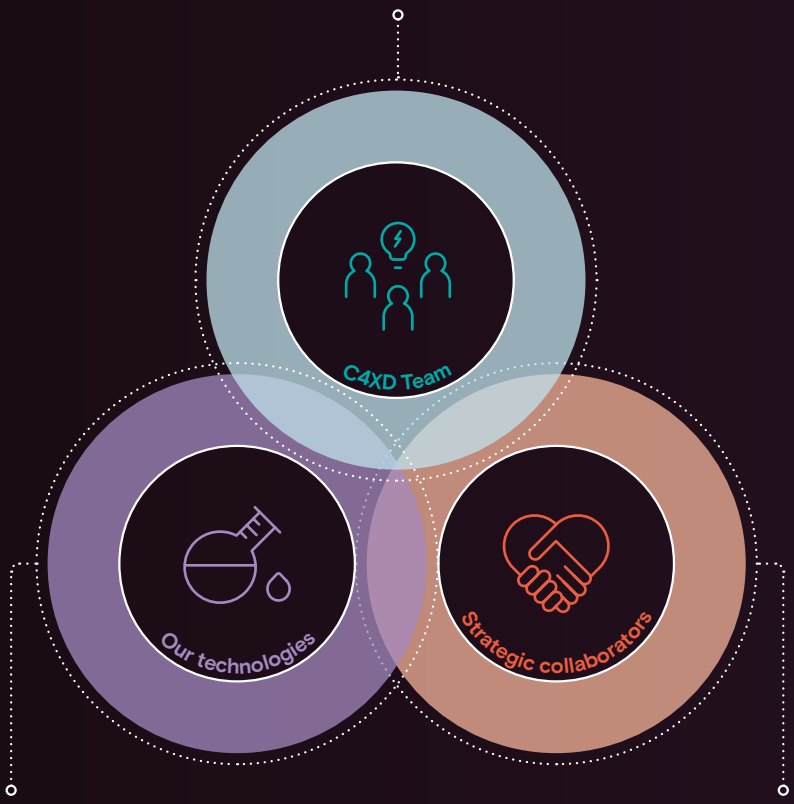
As at 28 November 2022

A Highly Valuable and Differentiated Platform

We have a highly valuable and differentiated approach to Drug Discovery through our enhanced DNA-based target identification and candidate molecule generation capabilities, generating differentiated candidates across multiple disease areas.

The C4XD Team

C4XD has a highly experienced scientific team with expertise across core areas of Drug Discovery. The depth and breadth of knowledge in our team enables us to create industry-leading small molecule programmes which meet critical unmet needs for the industry and patients.



Our technologies

Our proprietary chemistry tools (Conformetrix and 4sight) enable our scientists to "see" the shape and behaviour of molecules in a revolutionary new way, delivering unprecedented insights and fuelling innovation.

Our target identification platform (Taxonomy3®) is uncovering the next generation of novel targets, based on human genetics, which have been found to double the probability of successful clinical development and product realisation. In addition, Taxonomy3® offers the potential for patient stratification in clinical trials ensuring more efficient patient targeting and the potential for rescuing of failed clinical trials or for drug repurposing.

Strategic collaborators

We work in collaboration with our partners to access their complementary expertise and technologies and we continue to seek opportunities to build alliances with organisations that have capabilities synergistic to our own.

A Rigorous Approach to Commercialisation

Right Target

The pharmaceutical industry's demand for high quality, early-stage drug candidates continues to grow and we are poised to take advantage of these opportunities with a strong portfolio of small molecule assets.

To ensure that we only advance programmes against high value targets that offer significant commercial out-licensing potential, we undertake a detailed assessment of potential targets ahead of initiation of a C4XD Drug Discovery programme or collaboration.

We only pursue new programmes in areas of high unmet medical need that are commercially attractive and offer the potential to deliver meaningful returns to our investors.

Right Data

Following programme initiation, we apply our discovery expertise to generate high quality data packages which demonstrate the potential of our compounds to progress into clinical studies.

As programmes progress through discovery, we rigorously review the emerging scientific data and identify critical inflection points that will enable initiation of advanced partnering discussions.

Where appropriate, we will engage with potential partners to allow them to test our compounds in their proprietary disease models, providing them with evidence first-hand of the profile and quality of the proprietary molecules C4XD has generated.

Right Time

The pharma industry focus is constantly evolving in the search for new innovative drugs for diseases with no current treatments or where treatments exist but provide inadequate efficacy, safety or dosing and where new drugs could improve patient lives.

We monitor the pharma landscape to continually assess what the industry needs will be in a few years' time when a discovery programme may be partner ready. This may follow a specific industry trend, indications with high unmet need or a new scientific discovery.

For certain programmes, such as where the pharma partner has strategically prioritised the biology of the drug target and generating active molecules in-house is unlikely, there is potential to partner with very early-stage data and progress towards the clinic in partnership. For other high value discovery programmes, a more mature Drug Discovery programme may be needed to provide additional de-risking for the path to the clinic, sometimes through to IND-enabling studies, making the partnering process longer.

Right Partner

We focus on generating long-term partnerships with licensees. Partnering can happen at any stage of the Drug Discovery process and partnering with the right partner for the programme is critical. A successful licensing transaction will not just be defined by near-term revenue, but matched by the commitment of the partner to the therapeutic area in question so that the programme will be advanced as fast as possible towards the market.

The structure of each deal varies, generally consisting of an upfront payment, with development and commercial milestones and the potential for royalties on a successful drug launch. We align each deal structure to reflect the target, development stage, partner and overall risk profile of the programme with the aim of delivering meaningful returns to our investors.

We have validated our model through three licensing deals worth up to $1.2 billion with Indivior for our Orexin-1 programme, Sanofi for our IL-17A inhibitor programme and AstraZeneca for our NRF2 Activator programme.

Chair's Statement

"I am delighted that we have entered into a licence agreement with AstraZeneca, for our oral small molecule NRF2 preclinical programme. This is C4X Discovery's third licence agreement."

Eva-Lotta Allan
Non-Executive Chair

Strength and Breadth Across our Portfolio of Innovative Small Molecule Programmes

Dear Shareholder,

During the last twelve months C4X Discovery has continued to advance and broaden its proprietary portfolio of small molecule drugs, while remaining focused on its business model of successfully applying our unique technology to create differentiated, licensable small molecule drugs for diseases where there is a high unmet need.

We are delighted to have entered into a licence agreement with AstraZeneca, post-period in November 2022, for our oral small molecule NRF2 programme. This is C4XD's third licensing deal and we are particularly pleased to be working with AstraZeneca. Under the terms of this deal C4XD is entitled to payments up to a total value of $402 million with pre-clinical payments of $16 million plus royalties on net sales. AstraZeneca will now advance NRF2 towards the clinic to develop and commercialise this novel programme.

After entering the licence agreement with Sanofi in April 2021 for our oral IL-17A programme, we were pleased to see the important first milestone of €3 million in July this year. This deal is worth up to a total of €414 million plus royalties on future net sales.

During the year, we saw a change to our Board of Directors as Dr Harry Finch took the decision after eleven years as an independent Non-Executive director to step down from the Board to pursue other interests. We thank Harry for his guidance and significant contributions, in particular in the early days of growing the Company.

We had the opportunity to welcome Dr Mario Polywka as Non-Executive Director and Bhavna Hunjan as Chief Business Officer, to the Board of Directors. Mario joined us with significant operational, commercial, strategic and drug discovery expertise and he holds a number of Non-Executive Board Director positions in other biotech companies. Since joining the Company in 2016, Bhavna has played a critical role in a series of successful licensing deals and strategic partnerships, as well as driving business growth and capital raising. Her promotion to Chief Business Officer is a reflection of the integral and positive impact she has made to the success of the Company.

During the year, our CEO, Clive Dix was recognised for his achievements through his life-long career in biotech and pharma by receiving the Scrip Lifetime Achievement Award 2021 and the OBN Special Recognition Award 2021. He was also awarded Honorary Fellowship by the British Pharmacological Society. Throughout his impressive career, Clive has contributed significantly to the industry and to C4XD. His drive and determination to best serve patients is what makes Clive the great leader and CEO that he is.

Environmental, social and governance (ESG) helps C4XD to address risks while also capitalising on opportunities. We take our ESG responsibilities very seriously and we have established an ESG policy to ensure that we stay committed to deliver exemplary environmental, social and governance performance, building a strong and inclusive culture. Our integrated approach to ESG principles shapes how we design and build projects, conduct our portfolio, collaborate with all of our stakeholders and report progress, providing a foundation for C4XD to deliver long-term sustainable value creation.

Despite the difficult financial markets, C4XD has successfully maintained its focus to broaden its proprietary pipeline of differentiated small molecule drugs while continuing to enter into partnerships allowing the programmes to advance into the clinic for further development and commercialisation. This has partly been possible due to an additional £5.7 million raised post-period from our existing shareholders. We are grateful for their support and belief in our vision.

On behalf of the Board of Directors, I would like to thank our inspiring and dedicated team at C4X Discovery for their commitment and drive during the last year. We'd like to thank you, our Shareholders for your continued support, allowing us to broaden and advance our proprietary pipeline.

Eva-Lotta Allan
Non-Executive Chair
14 December 2022

CEO's Statement

"We continued to make strong progress as we grow and advance our portfolio of novel small molecule candidates for out-licensing. The AstraZeneca deal validates both our Drug Discovery expertise and our strategy of collaborating through early-stage, revenue generating licensing deals with leading pharmaceutical companies to deliver therapeutics of the future."

Clive Dix
Chief Executive Officer

Progress in Expanded Portfolio Demonstrates Scientific Expertise with NRF2 Out-Licensing to AstraZeneca for up to $402 million

As each of our programmes advance, we demonstrate the unique expertise that the C4XD team brings to Drug Discovery. Through this year we have made strong progress across the portfolio leading to the out-licensing of our NRF2 Activator programme to AstraZeneca, post-period in November 2022 for up to $402 million.

NRF2 is thought to be a critical but challenging target for anti-inflammatory response, and C4XD has secured a broad stable of IP for this programme. Under an exclusive worldwide licensing agreement, AstraZeneca will develop and commercialise an oral therapy for the treatment of inflammatory and respiratory diseases with a lead focus on chronic obstructive pulmonary disease (COPD), a market worth close to $20 billion and rising.[1]

C4XD will receive upfront and pre-clinical milestone payments worth up to $16 million including an upfront of $2 million, ahead of the first clinical trial. In addition, C4XD will receive a further potential $385.8 million in development and commercial milestones and tiered mid-single digit royalties upon commercialisation.

Each of our programmes showcase our expertise in challenging areas of Drug Discovery research. From development of oral small molecules against antibody-validated targets (our IL-17A Inhibitor and α4β7 integrin inhibitor programmes), to drugging targets previously considered highly challenging (our Orexin 1 and NRF2 Activator programmes), and these skills are reflected across our portfolio of novel, small molecule discovery programmes.

In our core programmes, work is progressing very nicely. In July, we received the first milestone payment of €3 million in our out-licensing agreement with Sanofi for our IL-17A oral inhibitor programme. Under the license, Sanofi will develop and commercialise an oral therapy for the treatment of inflammatory diseases, a multi-billion dollar market, with the IL-17 pathway implicated in psoriasis, psoriatic arthritis and ankylosing spondylitis.

Indivior has made an important step forward with the start of the Phase I multiple ascending dose (MAD) study of C4XD's oral Orexin-1 receptor antagonist C4X_3256, also known as INDV-2000, for the treatment of addiction. We out-licensed this programme to Indivior in 2018 for a total value up to $294 million. We look forward to seeing this programme progress through development towards the market.

Elsewhere in our pipeline, we have continued to advance each programme and during the year we have focused on expanding our portfolio with six new early-stage programmes, three in oncology and three in inflammation-immunology. These are currently progressing through our rigorous Drug Discovery process.

Use of cutting-edge innovative technology is a core element of our Drug Discovery process, enabling our highly skilled scientists to progress each programme. In line with our strategy to access Drug Discovery technologies, post period in October 2022, we announced a research project agreement with HitGen, a Shanghai-listed, world leader in DNA-encoded libraries (DEL). The aim of the project is to identify novel, small molecule hits against an inflammatory target for further C4XD development using our own molecule design technology, Conformetrix. If successful, the project has the potential to lead to a further, more expansive collaboration.

Our technology experts continue to enhance our own Drug Discovery technologies to ensure our scientists have access to the very latest and best in technological advances. Following an intriguing study with the Garvan Institute of Medical Research, we have identified the potential for Taxonomy3® analysis to be used for patient stratification in clinical trials, in addition to target identification. We are investigating the potential of this platform to enable future partners to genetically identify patients that are most likely to benefit from the treatment in clinical trials and offering the potential in rescuing of failed clinical trials or for drug repurposing.

None of this work can be done however, without the financial support of our shareholders. We thank them for their continued confidence in our vision and, in August 2022, through an investor-led fund raise, we raised an additional £5.7 million. We are living through very turbulent times and markets, and both their support, and these funds, keep C4XD in a financially stable position.

I would also like to recognise the C4XD team for their hard work, innovation and talent – it is truly a great team to work with – thank you

Outlook and summary

This third agreement across our partnered programmes with truly world-renowned industry leader, AstraZeneca, brings the total potential value of our deals to $1.2 billion, and our ambitious strategy and vision is now validated and visible. With our partnered programmes making good progress, we now look to advance the lead programmes in our portfolio to a partnerable stage and transition our early-stage programmes into the next phase where we will be able to provide more detail on the targets and our ambitions for the portfolio. C4XD is in its strongest position ever, with supportive investors and a reputation for unique expertise in Drug Discovery, attracting world-class partners in the pharmaceutical industry.

Clive Dix
Chief Executive Officer
14 December 2022

1. https://www.transparencymarketresearch.com/chronic-obstructive-pulmonary-disease-copd-treatment-market.html

IL-17A Inhibitor

With our partner, Sanofi, our IL-17A Inhibitor programme is advancing through the next discovery phase to deliver a much-needed oral therapy to expand the availability of IL-17 targeted drugs to patients.

Right Target

The IL-17 family of cytokines are strong inducers of inflammation and are implicated in a variety of autoimmune diseases including psoriasis, psoriatic arthritis and ankylosing spondylitis. Current treatments targeting IL-17 are monoclonal antibodies administered via an injection. There is an urgent need for safe and efficacious oral small molecule therapies to increase the number of patients able to access IL-17 targeted drugs and expand availability into new inflammatory disease indications.

Right Data

C4XD demonstrated that multiple molecules from our small molecule IL-17A inhibitor programme can selectively block IL-17 activity *in vivo* whilst maintaining molecular size of the molecule in the traditional "drug-like" range suitable for oral administration.

Right Time

Multiple competitor patents for IL-17A small molecule inhibitors published in 2020 / 2021, restricting the available chemical space, and driving increased demand from partners for high potential programmes with a strong IP position that secured freedom-to-operate. C4XD's Conformetrix-led design strategy moved our programme into novel patentable chemical space with patents filed, creating an attractive proposition for partners.

Right Partner

Sanofi has deep capabilities across inflammatory disease, exemplified by its market leading Dupixent franchise and strong pipeline across multiple disease areas. The Sanofi research team are progressing the pre-clinical programme towards the clinic.

NRF2 Activator

The partnering of our NRF2 Activator programme with AstraZeneca in November 2022 represents the third significant deal with a major pharmaceutical partner, validating our expertise in tackling challenging chemistry to potentially deliver a novel disease-modifying therapy for COPD and other inflammatory diseases.

Right Target

NRF2 is an important regulator of antioxidant gene expression and the inflammatory response. Combining both anti-inflammatory and antioxidant activity in a single therapy offers a unique approach with potential to offer a disease-modifying therapy in COPD and broader diseases.[1,2]

Application of our proprietary Conformetrix technology enabled design of lead molecules with optimised properties against a target known to be challenging, despite the limited diversity of scaffolds available.

Right Data

As a key regulator of the inflammatory response, the NRF2 pathway is implicated in a range of inflammation related diseases. C4XD curated a targeted data package to demonstrate activity across the most commercially relevant disease models of COPD and adjacent indications, in anticipation of partner needs.

Right Time

Lead molecules from C4XD's oral NRF2 Activator programme have been found to significantly activate NRF2 following oral dosing, providing anti-inflammatory and antioxidant activity.

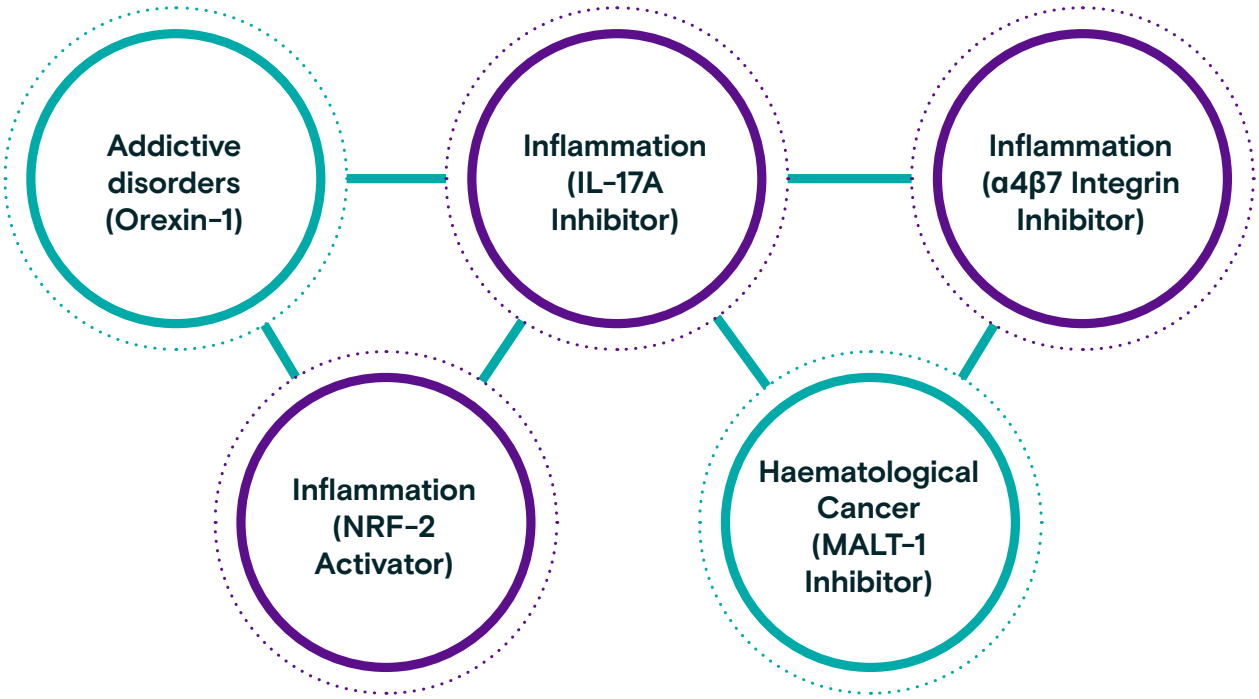
The pharmaceutical industry has historically found development of NRF2 both complex and challenging. This, alongside the novelty of the respiratory lead-indication, favoured a late Lead-Optimisation partnering point to create a compelling package that would match partners' risk criteria.

Right Partner

AstraZeneca is a world leader committed to transforming care in respiratory and immune-mediated diseases, an area set to be a key growth driver for the company, and to push the boundaries of science by targeting underlying disease drivers to potentially modify the course of these diseases. AstraZeneca is responsible for the development and commercialisation of the NRF2 Activator programme with a lead focus on COPD.

1. https://respiratory-research.biomedcentral.com/articles/10.1186/s12931-020-1292-7
2. https://link.springer.com/article/10.1007/s10787-022-00967-3

A Validated and Growing Portfolio



Addictive disorders (Orexin-1 Antagonist)

Phase 1 MAD clinical trial initiated

C4XD completed its first licensing deal in March 2018 with Indivior UK Limited ("Indivior") to further develop and commercialise C4XD's oral Orexin-1 receptor antagonist C4X_3256, also known as INDV-2000, for the treatment of addiction. Under the terms of the agreement, C4XD received an upfront payment of US$10 million and could receive up to US$284 million in development, regulatory and commercialisation milestones in addition to royalties. In turn, Indivior received a global and exclusive licence to C4X_3256 and all other compounds in the same patent family and is responsible for the cost and execution of the development of C4X_3256 in multiple indications. This patent family is now granted in the main commercially relevant territories of the US, Europe, Japan and China.

INDV-2000 completed a Phase I first in human Single Ascending Dose (SAD) clinical trial with 8 doses (1, 5, 20, 50, 120, 180, 360, 720 mg) showing encouraging tolerability and pharmacokinetics in healthy volunteers. Indivior presented a poster on the results from this study at the College on Problems of Drug Dependence conference in June 2022. Following completion of an additional nonclinical toxicology study required by the FDA and subsequent FDA clearance, the Phase I Multiple Ascending Dose (MAD) study commenced in Q3 2022. Indivior have also made major progress on the formulation and chemical development fronts. To find out more information, please follow this link. To find out more information, please follow this link.

Inflammation (NRF2 Activator)

Exclusive global agreement with AstraZeneca

C4XD signed an exclusive worldwide licensing agreement with AstraZeneca, post period in November 2022, worth up to $402 million, for its NRF2 Activator programme. AstraZeneca will develop and commercialise an oral therapy for the treatment of inflammatory and respiratory diseases with a lead focus on chronic obstructive pulmonary disease (COPD). Under the terms of the agreement, C4XD will receive pre-clinical milestone payments worth up to $16 million including $2 million upfront, ahead of the first clinical trial. In addition, C4XD will receive a further potential $385.8 million in development and commercial milestones and tiered mid-single digit royalties upon commercialisation.

C4XD has identified a series of novel potent activators of the NRF2 pathway for the treatment of a variety of inflammatory diseases. These KEAP-1 inhibitors in our oral NRF2 activator programme have been found to significantly activate NRF2 following oral dosing, providing anti-inflammatory and antioxidant activity. In C4XD studies, multiple lead compounds show greater than 12-hour duration of action following low oral dosing on activation of NRF2 in key tissues such as the lung, the liver and in blood. Pre-candidate nomination including preliminary safety and efficacy studies and significant drug substance scale-up to support longer-term studies has now been successfully completed.

Inflammation (IL-17A Inhibitor)

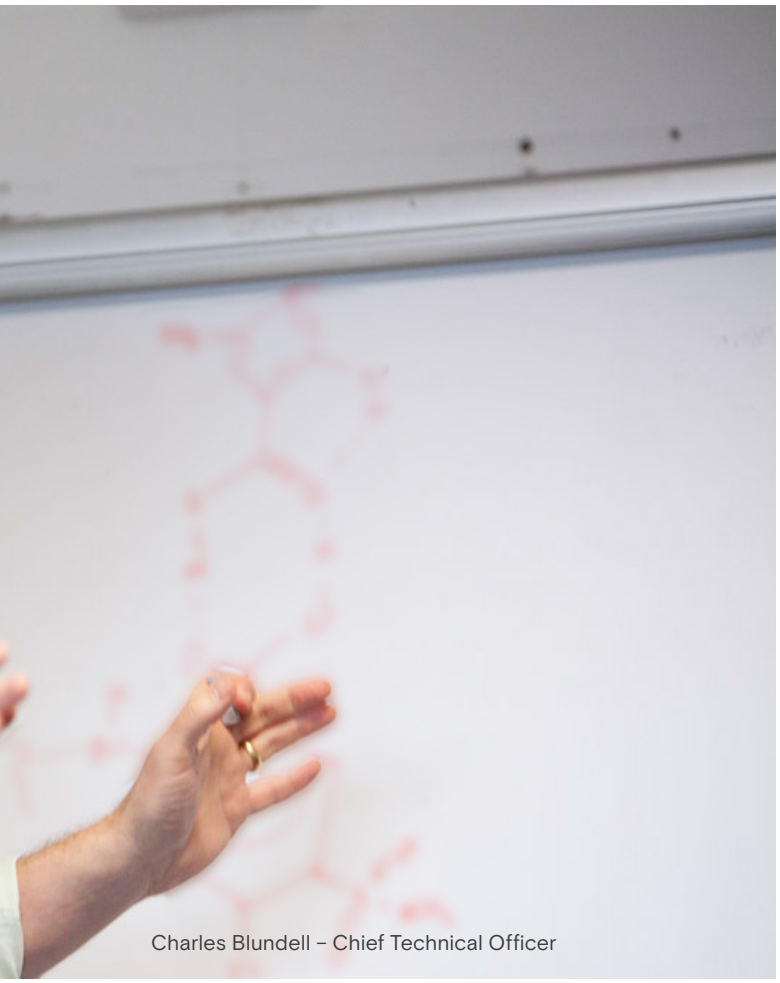
First milestone achieved for Sanofi-led programme

C4XD has identified small molecules in its oral IL-17A inhibitor programme that can selectively block IL-17 activity whilst maintaining molecular size of the molecule in the traditional "drug-like" range. A novel, potent oral series of IL-17A inhibitors that significantly reduce IL-17 induced inflammation *in vivo* is being optimised towards candidate shortlist. In April 2021, C4XD announced an out-licensing agreement with Sanofi for its IL-17A inhibitor programme for up to €414 million. The Company received an upfront payment of €7 million and could receive up to a further €407 million in potential development, regulatory and commercialisation milestones. In July 2022, C4XD received the first milestone payment of €3 million under this agreement. Sanofi has development and commercial rights to the programme but is continuing to work with C4XD in the next discovery phase to utilise our Conformetrix technology and expertise as the programme progresses towards the clinic.

Haematological Cancer (MALT-1 Inhibitor)

Transition into Lead Optimisation phase

In November 2018, C4XD entered into a risk-share discovery collaboration with LifeArc®, a UK medical research charity, to progress medicinal chemistry efforts on a MALT-1 inhibitor programme with applicability across oncology and inflammation indications, with a primary focus on haematological cancers. During the period, C4XD licensed the MALT-1 Inhibitor programme from LifeArc® and is now leading the programme. Three novel series were identified by harnessing C4XD's Conformetrix technology which demonstrated functional cell activity and oral bioavailability. Optimisation studies have now delivered molecules with at least equivalent potency to J&J's clinical candidate JNJ-67856633 and molecules with good oral PK profiles have been synthesised. Activities in a pharmacodynamic model match that of J&J's clinical candidate JNJ-67856633 at equivalent doses and the project has transitioned two chemical series into Lead Optimisation.



Charles Blundell – Chief Technical Officer

Inflammation (α4β7 Integrin Inhibitor)

Significant progress continues

C4XD's oral α4β7 integrin inhibitor programme has identified novel, potent and selective α4β7 integrin inhibitors for the treatment of IBD. Effective antibody therapy against this target is already approved, removing the clinical target risk, but an effective oral therapy remains highly sought after. This reaffirms the capability of C4XD's Conformetrix technology to discover novel chemical scaffolds for high value challenging drug targets.

During 2021, Morphic Therapeutic, which has the most advanced oral small molecule α4β7 Integrin Inhibitor programme, completed the Phase 1 clinical study of its lead molecule MORF-057. High target occupancy was demonstrated in blood at developable doses but with a twice daily profile. This leaves the opportunity for a once-a-day profile to be a key competitive differentiator which C4XD is aiming for in its programme. C4XD has compounds that match or exceed both whole blood potency and selectivity values when compared to current clinical compounds and these have progressed into pharmacodynamic models via the oral route of administration. Oral PK profiles have been improved during the period, with further work ongoing. External interest in this programme remains significant and discussions should gain significant traction if the Company can demonstrate robust activity in vivo after oral dosing when accompanied by a good oral half-life potentially indicating a once-daily profile.

New Discovery Hit Identification Stage Programmes

Expansion of C4XD Pipeline

Following the completion of the transaction with Sanofi on the IL-17A programme, several new evaluation stage programmes were initiated to establish whether applying the Company's ligand design capabilities to a selection of new targets could result in novel chemical series leading to additional programmes in the pipeline. This approach has led to six additional programmes, three in oncology and three in inflammation-immunology, being added to the C4XD pipeline. These early-phase programmes have been resourced to drive towards significant chemistry and biology progression milestones. These programmes target clear unmet medical need, combined with significant commercial potential and a unique opportunity to produce valuable chemical equity and intellectual property through interpretation of conformational insight via C4XD's Conformetrix and 4Sight technologies. One project has already progressed into Hit-to-Lead with the remaining projects at the Hit Identification stage and at least one more project expected to transition to the next phase within the next quarter.

Taxonomy3®

C4XD continues to progress the validation of its proprietary Taxonomy3®-derived novel targets for Parkinson's Disease (PD), utilising a diversified strategic approach with internal efforts in addition to a key collaborative partner, Phoremost. C4XD has focused on the impact of novel genes identified from this analysis in phenotypic assays based on neuronal and microglial cells; two key cell types identified in the pathophysiology of PD. Investigations in microglial cell assays have now been completed and studies in neurons, including analysis of CRISPR knockout cell lines, are continuing.

A new analysis of a Crohn's disease patient genetic dataset has recently been completed using Taxonomy3® and novel genetic variants have been identified. These results are being investigated, along with genes identified in the previously completed analysis of an ulcerative colitis dataset, to identify potential novel targets for IBD.

In addition to target identification, C4XD is exploring the opportunity to utilise Taxonomy3® analysis to inform patient stratification strategies. Main effects analysis of two independent Parkinson's disease datasets has revealed three distinct subgroups that are equally represented in cases and controls. Separation of these subgroups is driven by SNPs from one genomic locus that contains known PD risk genes. The biological and clinical relevance of these subgroups is being investigated in collaboration with the Garvan Institute of Medical Research. Disease heterogeneity has been observed in datasets analysed using Taxonomy3® across multiple disease areas and the potential application of these sub-groups for patient segmentation and biomarker identification is being investigated. We are developing a new platform that would use our unique mathematical approach to stratify patients for inclusion in clinical trials as well as offering promise in rescuing failed clinical trials or for drug repurposing.

Financial Review

"Our shareholders continue to show immense confidence and belief in our vision. We thank them for their continued support as we look to drive shareholder value through our partnered and pre-clinical Drug Discovery portfolio."

Brad Hoy
Chief Financial Officer

Delivering Value to Shareholders

Revenue for the 12 months ended 31 July 2022 was £2.7 million (2021: £5.6m). The revenue recognised in the current year is the first milestone from Sanofi of €3 million along with revenues relating to the ongoing research workplan with them.

R&D expenses, which comprise invoiced material costs, payroll costs and software costs, have increased by 14% to £9.4 million for the year ended 31 July 2022 (2021: £8.3m). This reflects focused investment in key Drug Discovery programmes as outlined in the Non-Executive Chair's and CEO's Statements.

Administrative expenses increased during the year to £3.7 million (2021: £3.2m) as a result of the continued investment in people and infrastructure. Cost inflation is understandably starting to have an impact on the business too with suppliers starting to pass on increased costs.

This year the R&D income tax credit receivable is £2.4 million (2021: £2.1m) and is reflective of the additional investment in R&D costs over the last 12 months.

The loss after tax for the year ended 31 July 2022 was £8.2 million (2021: £3.8m). This equates to a basic loss per share of 3.57 pence per share (2021: 1.96 pence per share) and diluted loss per share of 3.57 pence per share (2021: 1.82 pence per share).

AstraZeneca exclusive out-licensing agreement

Up to $402m

First Sanofi milestone payment

€3m

The Group had net assets at 31 July 2022 of £11.8 million (2021: £19.3m). Cash and cash equivalents of £5.1 million (2021: £17.1m) were improved post balance sheet by proceeds from the Placing of £5.7million and receipt of both the Sanofi milestone debtor of €3million and the prior year R&D tax credit of £2.1 million.

Both cash and costs continue to be prudently and tightly managed.

These financial statements have been prepared on a going concern basis, notwithstanding a consolidated operating loss for the year ended 31 July 2022 of £10.5 million (2021: £5.9m), revenues of £2.7 million (2021: £5.6m) and net cash used in operating activities of £12.1 million (2021: £3.1m). The Directors consider this to be appropriate for the following reasons:

The Board has prepared a number of cash flow forecasts for the period to 31 July 2024. Each of these show cash resource until March 2024, being 15 months from the date of signing the financial statements.

Should the company not receive any revenues from existing or new deals in the forecast period, a cash shortfall will arise in early 2024. The Board considers they are able to take reasonable mitigating action, which includes but is not limited to a reduction in expenditure on certain discretionary research programmes to focus purely on commercialising earlier stage drug molecules, and reducing other discretionary administrative expenditure, which would enable the Group and Company to continue to operate within its existing cash resources during the forecast period without the need for additional funding.

Brad Hoy
Chief Financial Officer
14 December 2022

Understanding and Managing Risk

Douglas Vair-Turnbull - Senior Manager, Business Development and Strategy

The Group remains committed to understanding, analysing and addressing risk and has developed a robust risk management framework to facilitate this process.

Risks are monitored and updated on a regular basis, together with appropriate controls and plans for mitigation. Conducting open and robust reviews ensures that mitigations remain appropriate and activities continue to be aligned to the risk appetite agreed by the Board.

C4XD has strong corporate governance principles that focus specifically on risk management; the ability to understand and control risk enables the Group to be more confident in business decisions, enabling business objectives to be met.

The Board is ultimately responsible for the Group's internal controls, but the philosophy of risk management is embedded throughout every level of the business. The processes and procedures in place are designed to manage rather than eliminate risk and can therefore only provide a reasonable and not an absolute assurance against material misstatements or losses.

As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control. The table below highlights the principal risks and uncertainties which could impact the Group. This is not an exhaustive list and there may be risks and uncertainties of which the Board is not aware, or which are believed to be immaterial, which could have an adverse effect on the Group.

Executive Directors

Find the Board of Directors on pages 28 and 29

Implement the Board's policies on risk and control and provide assurance on compliance with these policies.

Support management and project teams to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place.

Audit Committee

Read about Audit Committee on pages 30 and 41

Delegated responsibility from the Board to oversee the risk management processes and evaluate the effectiveness of the internal controls.

Assess the performance of the external auditor.

Board

Read about corporate governance from page 26

Overall responsibility for the Group's risk management.

Sets strategic objectives and risk appetite.

Accountable for the effectiveness of the Group's internal control and risk management processes.

Principal Risks and Uncertainties

Trend key

Increasing Risk | Decreasing Risk | Unchanged

Risk Category/Description	Management	Trend vs Previous Year
SCIENTIFIC RISKS		
Drug Discovery success		
The Group may fail to successfully identify viable potential drug candidates from our Drug Discovery programmes – potential drug candidates can fail due to a variety of reasons including lack of efficacy, potency, selectivity, insurmountable challenges in medicinal chemistry, or unacceptable safety/toxicology results.	Drug Discovery programmes are carefully selected; they are evaluated from both a commercial and a scientific perspective to ensure resource is only deployed when a robust business case exists. Lack of efficacy can be mitigated by choosing pre-clinically or clinically validated targets or by choosing genetically validated drug targets, e.g. identified by Taxonomy3®. Our Conformetrix approach de-risks issues with potency, selectivity or challenges in chemical ligand design. Programmes are actively assessed as they progress, and additional investment is only provided where this risk is low or has been overcome. Target-based toxicology can be de-risked by working on clinically validated or precedented targets. Off-target toxicology can be de-risked by examining this at various stages in the programme and by using Conformetrix technology to maximise selectivity, reducing "off-target" liabilities. In addition, surrogates for safety assessment are actively utilised as the programmes progress for early detection of unexpected specific risks.	⇔
Technology		
C4XD's technologies may not enable its scientists to obtain the results required to generate meaningful value in its internal Drug Discovery programmes. The Group cannot guarantee in advance that its technologies will meet internal demands or those of its partners. The scientific and technological sectors are fast growing, and external technological advances could overtake the technologies being developed by the Group.	The Group works closely with its collaborators and partners to ensure that the potential of C4XD's output continues to meet their expectations. The C4XD technical development team continues to develop and improve the core technology in terms of functionality, efficiency of output, and ease of use, embedding workflows to maximise impact. C4XD reviews the commercial landscape to assess competitor technologies, and know-how and intellectual property are protected. C4XD believes this strategy to be effective based upon the progression of its programmes and partnerships.	⇔
Timing		
It may take longer than anticipated for the Group's proprietary programmes to progress, and for the Group's technology to identify drug candidates that are commercially and technically attractive to pharmaceutical company collaborators.	C4XD has established a project management process to ensure that the Company's projects are resourced appropriately to enable progression, and they are monitored and actively managed to try to avoid roadblocks. Furthermore, C4XD has developed a proactive commercial function to ensure that only programmes with sufficient commercial opportunity to warrant partner interest are initiated and executed. C4XD regularly takes part in multiple partnering conferences each year to present and discuss its Drug Discovery programmes to assess and confirm future customer interest. C4XD believes this strategy to be effective based upon the success of its Indivior, Sanofi and AstraZeneca partnered programmes and ongoing progress and commercial interest with its other programmes.	⇔
Intellectual property		
The success of C4XD depends in part upon the Group's ability to protect and defend its rights over current and future intellectual property in the form of products, processes or technologies. The Group may be unable to adequately protect itself from intellectual property infringement or effectively enforce its rights in certain jurisdictions.	C4XD has developed a robust IP strategy which, to date, has provided adequate protection for its portfolio of technologies and discovery programmes. Several patents have been filed during the year to protect the novel composition of matter on our key discovery programmes. The external IP landscape is continually monitored, such that when new patents are published, the project teams can actively assess the relevance to ongoing projects. External IP counsel is sought when required.	⇔

Trend key

Increasing Risk | Decreasing Risk | Unchanged

Risk Category/Description	Management	Trend vs Previous Year
COMMERCIALISATION RISKS		
Market and competition		
Alternative competing technologies and products could emerge that might displace the market opportunity for drug candidates discovered by the Group.	C4XD has developed a proactive commercial function to monitor competition and develop strategies to mitigate competitive risk. Furthermore, C4XD's team of experienced scientists continues to monitor the state-of-the-art technology via conference attendance and literature reviews. C4XD believes this strategy to be effective, based upon its portfolio of competitive projects and technologies.	⇔
Commercial delivery		
Business resources may not be appropriately deployed, or strategies may be inadequately planned; failure to identify partnering opportunities leads to no revenue-generating deals.	A strategic review is performed regularly to establish plans for revenue generation. Performance is tracked against the plan and appropriate action is taken. Drug Discovery programmes are continually assessed for commercial appetite which is regularly reviewed at Executive and Board level. In addition, the commercial team actively works with the discovery teams to ensure full alignment. The business is focusing on the most impactful allocation of resources.	⇔
Future revenue streams		
C4XD's out-licensing agreements are structured with milestones that the programme must reach to trigger further payments to C4XD. There is a risk that partners will not reach these milestones and C4XD will not therefore receive further revenue payments.	An alliance manager is assigned to all out-licensed programmes to liaise with the partner and co-ordinate support and expertise from C4XD as required. Partners are required to provide C4XD with regular reports summarising the progress and planned activities for the programme. The Executive Team reviews these reports to ensure that partners are using commercially reasonable efforts to progress C4XD programmes as required in the out-licensing agreement and regularly monitors any changes in the financial or strategic position of our partners.	⇔
FINANCIAL RISKS		
Raising capital		
The Group aims to execute revenue-generating deals to sustain the business; to achieve this, reliance falls on investors or potential M&A opportunities. The Group may not be able to raise sufficient capital to be able to achieve the strategic objectives.	The Group has prepared a detailed budget and performance forecasts covering several scenarios over a period covering >12 months from the date of the approval of these financial statements. The post-period £5.7m fundraise has provided additional stability, and costs are carefully controlled across all activities to ensure the resources are deployed optimally to facilitate delivery of the commercial goals. We have strengthened our business development team through recruiting a Business Analyst, and addition of the Chief Business Officer to our Board. We maintain close relationships with our principal and potential providers of finance and continue to review the need for additional or alternative funding.	↑

Risk Category/Description	Management	Trend vs Previous Year
OPERATIONAL RISKS		
Talent retention		
C4XD has a high level of reliance on the skills and knowledge of its employees, many with considerable sector experience or specialist expertise, making them attractive to competitors and not easy to replace. Failure to attract and retain key personnel could potentially weaken the Group's operational/management capabilities or lead to knowledge and skills gaps reducing our ability to deliver projects, impacting the growth of the business.	The Directors believe that the Executive Team is appropriately structured for the size of C4XD and is not overly dependent on any one individual. Changes to the scientific structure this year, with the CSO leaving C4XD has tested this, but responsibilities have been shared between the two highly experienced Senior VPs in Drug Discovery. They have significant expertise in medicinal chemistry and biology, ensuring scientific oversight and contribution is optimal both externally and internally. Recruitment processes are tailored to identify and attract the best candidates for specific roles. A Total Rewards incentive plan is in place to ensure that the Group can attract and retain talent. This focuses on the culture, working environment and core values in C4XD, as well as development pathways and short, medium and long-term financial rewards. Team engagement is maximised through all staff meetings, Lunch-and-Learn sessions, and a focus on learning and development. Our HR strategy for the coming year is focussing on coaching and mentoring, to maximise knowledge sharing and collaboration across the Company.	
Reliance on key suppliers		
As a virtual drug discovery organisation, we work with various key suppliers who provide services and generate data for programmes. Loss of a key supplier could lead to delays or critical gaps in assay cascades, impairing decision making.	Service providers are selected based on the needs of projects, and skill requirements. We have dedicated outsourcing coordinators, who develop strong relationships with our key suppliers, to ensure data quality, and that we have early visibility of any potential issues. We work with various suppliers in order to minimise the risk of over-reliance on any particular supplier.	
Cybersecurity		
Cyberattacks could threaten the integrity of our core technology or IP and lead to a misappropriation of our data. We hold significant amounts of confidential data relating to our programmes, commercial activities and financial transactions in electronic format, making it susceptible to being compromised through cyberattacks. The Group is increasingly exposed to cybersecurity risks as the profile of the Company increases, remote working increases and by the increasing sophistication of cyber criminals. Attacks could lead to reputational damage, financial losses, data loss or destruction.	The Group has a comprehensive cybersecurity risk assessment in place, as well as an IT policy and IT disaster recovery plan to reduce business disruption in the event of a technological failure. Attempted data breaches are reported to the Executive Committee and employee policies are reviewed annually. A number of security measures have been implemented including use of anti-virus software, firewalls, two factor authentications, hardware encryption, file protections, an audit trail, incident logs and information asset registers. We ensure all business software remains up to date, to provide additional in-built security. Furthermore, we have tightened controls around personal and mobile devices. Training is provided to staff to ensure that they are aware of known risks, and we engage with third parties to review and recommend ongoing improvements to enhance IT security and resilience. We are actively working towards the Cyber Essentials accreditation which we hope to achieve during 2022. Although factors such as the Ukraine conflict are potentially increasing the cybersecurity risks, the technical oversight and mitigations implemented as described above lead to a similar risk rating as the previous year.	

Trend key

Increasing Risk | Decreasing Risk | Unchanged

Risk Category/Description	Management	Trend vs Previous Year
Data breach confidentiality		
Confidential information may leak from the business. Threats arise not only from hackers, malware or known third parties, but can unfortunately also arise from employees, whether intentional or not.	Significant IP and know-how are legally protected. Furthermore, confidentiality is explicitly detailed in employees' contracts, and additional training is provided to staff to mitigate the risk of inadvertent data leaks.	↔
EXTERNAL FACTORS		
Pandemics, geopolitical and other worldwide events		
There is an ongoing risk from extreme and unexpected global events affecting our ability to operate. For example, the COVID-19 pandemic; or the escalation of geopolitical events in Europe which could subject us to economic uncertainty. General inflationary pressures could negatively affect the Company's operations and financial performance.	The Executive Team are keeping abreast of global events and economic conditions in the territories we operate to ensure risks are monitored accordingly. We maintain close working relationships with multiple service providers, and are working with them to agree pricing structures which are fair to C4XD, without causing financial distress to the provider. In some cases, we have committed to longer term contracts to keep costs lower, whilst retaining appropriate break clauses to ensure flexibility to respond to the changing needs of programmes. A continuing priority is the safety of our employees, and we are fully supporting a hybrid working arrangement, enabling employees to balance their time in the office with home working, in line with our business continuity management framework. This has had minimal impact and has been positively received by a large majority of employees.	↑
Environmental Change		
An emerging risk is environmental change, which is unlikely to impact the business in the near term, but may potentially impact the ability of C4XD to achieve its strategic objectives in the medium-longer term. The direct impacts could include the severity and frequency of adverse weather events, and the indirect impacts, e.g. higher energy costs, infrastructure funding, which are likely to become increasingly prevalent, as we transition to a low-carbon economy.	A Green Team has been assembled to look into various initiatives for the Company, focusing on waste management, sustainable procurement, travel, energy use and volunteering. For example, we have introduced a cycle to work scheme, and are switching to cloud computing. We are measuring our carbon footprint, and a scenario analysis is ongoing, which should provide the necessary insight into whether climate change is likely to constitute a material risk to our business. We have implemented an ESG policy, and during 2023 we aim to create a roadmap and emissions reduction targets.	↑

Section 172(1) Companies Act 2006

The Directors confirm that they have acted in good faith in the way they consider what would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they have considered, among other matters, those set out in section 172(1) (a) to (f) of the Companies Act 2006: 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 relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the Company. This statement applies equally to the Directors individually and when acting collectively as the Board.

The Directors have considered points a to f:

a) the interests of the Company's employees;

b) the need to foster the Company's business relationships with suppliers, customers and others;

c) the impact of the Company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly between members of the Company.

For further information, see page 36 of the Corporate Governance Report which considers of each of the points above in greater detail.

By order of the Board

Brad Hoy
Chief Financial Officer
14 December 2022

Clive Dix
Chief Executive Officer
14 December 2022

02

Corporate Governance

Board of Directors

Eva-Lotta Allan

Non-Executive Chair

Eva-Lotta has more than 30 years' experience in the healthcare industry. During her career, she has been a senior executive and Board member at both public and private companies. Most recently, Eva-Lotta was Chief Business Officer (and previously a Board member) at Immunocore, where she held full responsibility for all aspects of business development and played an instrumental role in the $320 million fundraising in 2015. Prior to this, Eva-Lotta served as Chief Business Officer and member of the Executive Committee and Euronext IPO team for Ablynx NV, as well as senior positions with Vertex Pharmaceuticals (Europe) Ltd, Oxford Asymmetry International plc, Oxford Glycosciences and Amersham International.

Eva-Lotta currently serves as Chair of Draupnir Bio, Non-Executive Director and member of the Corporate Governance Committee and the R&D Sub-Committee of Oslo listed company, Targovax ASA. She is a Non-Executive Director of Almirall and Chair of the Nomination and Remuneration committee, and Non-Executive Director of Crescendo Biologics and Aleta Biotherapeutics. Eva-Lotta was previously a Board member of the UK BioIndustry Association (BIA).

Clive Dix PhD HonFBPhS

Chief Executive Officer

Clive has more than 30 years' experience through senior pharmaceutical industry positions and a degree and PhD in Pharmacology. His expertise includes an in-depth understanding of Drug Discovery and development, a broad knowledge of the science and commercial landscape across therapeutic areas and solid experience of the pharmaceutical business and finance community supporting the sector. Clive was Co-Founder and CEO of Convergence Pharmaceuticals Ltd, acquired by Biogen, and Co-Founder and CEO of PowderMed Ltd, acquired by Pfizer. Previously, he was SVP, Research and Development and a Board member of PowderJect Pharmaceuticals plc, acquired by Chiron Vaccines. Clive began his career in industry at Ciba-Geigy and GlaxoWellcome.

Clive is currently a Non-Executive Board member of the Medicines Discovery Catapult and on the Board of PHTA, the University of Birmingham's flagship research facility and Non-Executive Chairman of Kesmalea Therapeutics. He was Chairman of the BioIndustry Association and interim Chair of the UK Vaccines taskforce who oversaw the supply of one of the most successful COVID-19 vaccine rollout programmes in the world.

Brad Hoy

Chief Financial Officer

Brad has more than 20 years' experience in the pharmaceutical and biotechnology industries and has held a number of senior financial and general management positions in both the UK and the US. Previously, Brad was Chief Financial Officer of Plethora Solutions Holdings plc, an AIM-listed specialty pharmaceutical company, Chief Executive Officer of Xcellsyz Limited, a UK venture capital-backed life science company, and Senior Director of Geron Corporation's stem cell-focused UK subsidiary. Brad was formerly a Non-Executive Director on the Board of Directors for e-Therapeutics plc.

Bhavna Hunjan

Chief Business Officer

Bhavna has spent 15 years in commercial and corporate roles, first as an investment banker at Lehman Brothers and Nomura International and then in corporate strategy at PwC and Cancer Research UK. In 2016, she was hired by C4XD to establish a team focused on business development, deal structuring and execution, commercial intelligence, financing, and strategic planning / M&A. Since then, Bhavna has led this team to execute a series of successful licensing deals and strategic partnerships, as well as driving business growth and capital raising as part of the Executive Management team.

Bhavna has a first class Masters degree in Biochemistry from the University of Oxford. She was awarded a Rising Star in the Movers & Shakers in BioBusiness 2017, and also voted one of the 30 Rising Leaders in Life Sciences 2020 by *In Vivo*.

Alex Stevenson PhD

Non-Executive Director and Chair of the Nominations Committee

Alex began his career as a microbiologist, working in research for a number of years before joining an NYSE-quoted drug development company. He subsequently moved into pharmaceutical and healthcare investment and has fulfilled a number of board-level investment and operational management roles. He was a Director and shareholder in Aquarius Equity from 2008, where he was responsible for identifying new investments and developing and implementing scientific strategies both pre- and post-investment. These included Tissue Regenix Group plc, and Brabant Pharma (subsequently sold to Zogenix, Inc.). Alex joined the Board of C4XD as a Non-Executive Director following Aquarius' investment in the Company.

Prior to joining Aquarius, Alex worked for IP Group plc, where he specialised in life sciences investments identifying, developing and advising a number of companies in its portfolio, some of which went on to list on AIM. He joined IP Group following its acquisition of Techtran Group Limited in 2005 and Alex is a Co-Founder of 4D pharma plc and has served as Chief Scientific Officer since 2014.

Natalie Walter

Non-Executive Director and Chair of the Remuneration Committee

Natalie is a corporate finance lawyer with more than 20 years of experience advising on international equity capital markets transactions in the healthcare sector. Natalie is currently Group General Counsel to Oxford Biomedica plc, a gene and cell therapy company. Prior to joining Oxford Biomedica, Natalie was an Equity Partner at Covington & Burling LLP advising Boards on a range of strategic, transactional and general corporate finance matters, with particular expertise in advising on deals in the life sciences sector. Prior to this, Natalie had been an Equity Partner at Morrison & Foerster LLP and had spent part of her career as a Director and Legal Counsel on the ECM desk at Lehman Brothers.

Mario Polywka DPhil

Non-Executive Director

Mario has more than 20 years' experience in leadership roles across the biotech industry with strong operational, commercial, strategic and drug discovery expertise. He was Chief Operating Officer of Evotec SE for 12 years, where he was involved with transactions worth more than $1.0 billion within Evotec and Oxford Asymmetry International, prior to becoming a Member of the Evotec Supervisory Board. Previously he was CEO and Chairman of Glycoform Limited, Chairman of Nanotether Discovery Sciences, and CEO of Southampton Polypeptides Limited. Mario holds a number of other Non-Executive Board Director positions in biotech companies including Exscientia, Forge, Blacksmith Medicines and Orbit Discovery.

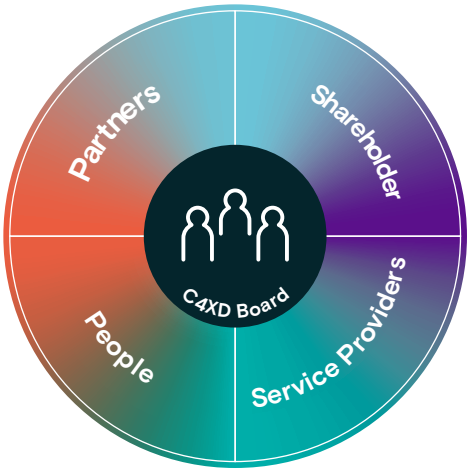
Mario studied chemistry at Oxford University, where he also completed a DPhil with Professor Steve Davies and a postdoc with the late Professor Sir Jack Baldwin. He is a Fellow of the Royal Society of Chemistry and has published a number of papers in leading publications.

Simon Harford

Non-Executive Director and Chair of the Audit Committee

Simon's career spans more than 30 years with significant financial and investor relations expertise in global pharmaceutical companies. Simon is currently CFO at Albireo Pharma Inc., a NASDAQ-listed biotech company where he has raised more than $300 million in financing and was previously CFO of Parexel International Inc., a global clinical research organisation, which was acquired by private equity in 2017. Prior to this, Simon held various financial leadership roles at GSK, including SVP Finance, Global Pharmaceuticals. During his tenure, he was responsible for finance in all pharmaceutical markets globally and was a member of the Global Pharmaceutical Operations Committee. Simon also held key financial management roles at Eli Lilly and Company over two decades including Vice President and Controller, CFO and Executive Director Finance for Europe, Middle East and Africa (EMEA) and led the global investor relations function as Executive Director of Investor Relations. He also received the Lilly, Chairman's Ovation Award 2004 for outstanding achievement to Lilly. Simon has an MBA from the Darden School of Business at the University of Virginia.

Stakeholder Engagement



Partners

Partners play a key role in the development, growth and commercial strategy of our business. We seek strategic collaborations that allow us to access the right technologies and resources to efficiently identify the right targets and propel our drug discovery programmes forward. Alongside our internal programmes, we also work with partners to unlock challenging chemistry for their high value targets and expand our portfolio through risk-share arrangements.

Once our programmes reach the partnering stage, our commercial team has a rigorous selection process to identify market-leading partners to licence our programmes and progress them into clinical studies and beyond. It is therefore important to the C4XD strategy to continually build and strengthen our industry network to access these partnerships at the appropriate time.

- Direct feedback via our commercial team
- Regular meetings and conference calls
- Industry events
- Promoting C4XD through our Drug Discovery Network
- All employees play an important role as ambassadors

Shareholders

Shareholder support is critical to the success of our business. It is important to provide shareholders with a strong understanding of what we do at C4XD and where we are going, to garner their confidence in both our vision and management. It is this belief in our business that will provide the future investment we need to deliver value through our portfolio of partnered and internal programmes.

C4XD aims to communicate regularly with its shareholders, ensuring that content is clear, fair and accurate. The Board values two-way communication to enable the Company to provide updates on the Company's progress and strategy, but also to listen to the views of shareholders and to understand their needs and expectations.

- Annual & interim financial disclosures
- Key industry conferences and events
- Direct interactions (meetings, phone, email)
- Annual General meeting
- Non-deal roadshows and periodic investor days
- Business updates, press releases and social media
- Proactive Investor interviews

People

The C4XD team are crucial to the successful delivery of our Drug Discovery programmes and we ensure the best working environment to allow them to thrive and succeed.

The Board is committed to keeping employees as engaged and informed as possible regarding the Company's performance and wherever possible, seeks their views on matters which affect them as employees. The Directors have the opportunity to know every individual, promoting an open and honest culture, so that each employee appreciates the role that they play in the success of the Company. C4XD actively engages its employees through a variety of formats.

- Open-door policy with direct access to key management
- Monthly all-staff meetings
- Intranet updates
- Scientific meetings
- Events and socials

Service Providers

As a virtual Drug Discovery organisation, we need to build strong relationships with world-leading external organisations to access experimental capabilities, including synthetic chemistry and bioscience, to progress our Drug Discovery programmes.

We are diligent in selecting the most appropriate service provider for each project, from small specialist companies to large multinationals offering integrated services. We invest internally in outsourcing management, to optimise delivery, communication and efficiency, seeking input where required to make effective data-driven decisions. These relationships are critical to enable the generation of high-quality data packages that ensure our Drug Discovery portfolio attracts world-class partners for the development and commercialisation of new and innovative therapies.

- Outsourcing roadshows
- Understanding capabilities
- Alignment of mission
- Regular meetings to build trust and ensure progress

Driving Excellence in an Innovative and Supportive Working Environment

A deep commitment to social responsibility is core to who we are as a Company. We believe people are at the heart of our business and take pride in our outstanding work culture.

We aim to build a differentiated, inclusive and resilient team with an unwavering commitment to integrity, high performance, adaptability and collaboration. Furthermore, we strive to be an optimal employer to our workforce, providing a working environment that promotes inclusion and equality to drive excellence and deliver results.

Left to right - Clare Murray - Senior VP Drug Discovery
Anastasia Pavlovets - Senior Scientist - Genetics Data Analysis

Inspiring a Successful Team

We truly believe that C4XD is a great place to work and by creating a fun, spirited work environment that rewards innovation and collaboration at all levels, we ensure the continued success and long-term growth of the Company.

It is Company policy to recruit the best person for each vacancy; selection is purely merit based against pre-determined job requirements. Throughout the induction process, our employees learn about the history of the Company, the people, the technologies and our vision for the future.

Throughout the employment journey, we aim to maximise engagement:

Learning and Development

We actively support employees to continually develop, so they can become experts in their area, driving excellence in science. We have a learning and development framework, focusing on coaching and mentoring, and hold regular Lunch and Learn sessions, with guest speakers where appropriate.

Hybrid working

We proactively encourage hybrid working for our staff, empowering them to deliver exceptional innovation without compromising on their personal goals. This model has strong support across the Company, as it enables time together to collaborate or provide the guidance and support that we need for success, whilst retaining the flexibility, efficiency, and convenience of virtual working when appropriate.

Team building and socials

Teamwork and collaboration are central to our success, and to promote this, we hold periodic events focusing on different elements, but with a common purpose of bringing our teams together in a fun and relaxed setting such as the summer team-building day, Earth Day, wellbeing month and the Christmas party.

Communication and feedback

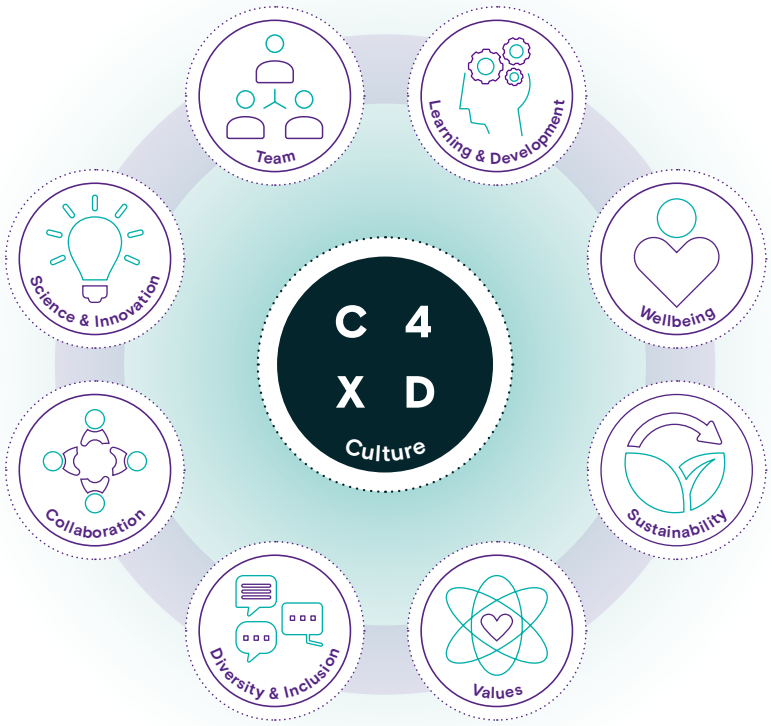
We hold regular All Staff Meetings, where key Company messages are communicated, and views and opinions are sought. We have undertaken several surveys to capture feedback from all our people to help us ensure our people are heard and changes are made.

Rewarding with compelling incentives

Our goal is to ensure that every single employee feels appreciated and is fairly rewarded through our Total Rewards programme.

- Core Values
- Professional Development
- Financial Benefits
- Health and Wellbeing
- Added Extras
- Family Friendly benefits

So many factors contribute to our Company culture, underpinned by our Company values



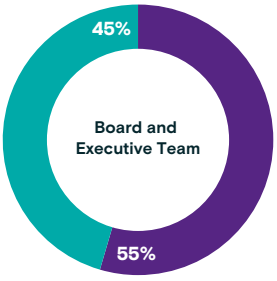
Our values are part of who we are, what we stand for and how we act.

Left to right - George Hynd – Director of Chemistry
Emma Blaney – Chief Operating Officer

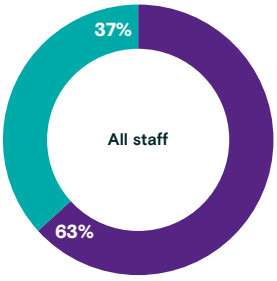
Diversity and Inclusion

We embrace and value diversity in all its forms, whether gender, age, ethnicity or cultural background. Equal opportunity is integral to our recruitment process, as we aim to develop a community of diverse talent. We seek to maintain a positive workplace, free from discrimination and harassment.

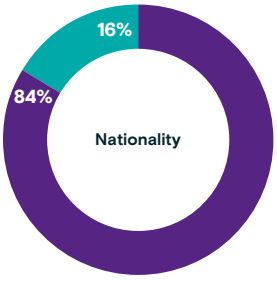
We champion pay equity and mutual respect, promoting an environment of fairness and equality. Our commitment to diversity and inclusion applies to the highest levels of the organisation, including at the board level, where we recognise that diversity strengthens board performance and promotes long-term shareholder value.



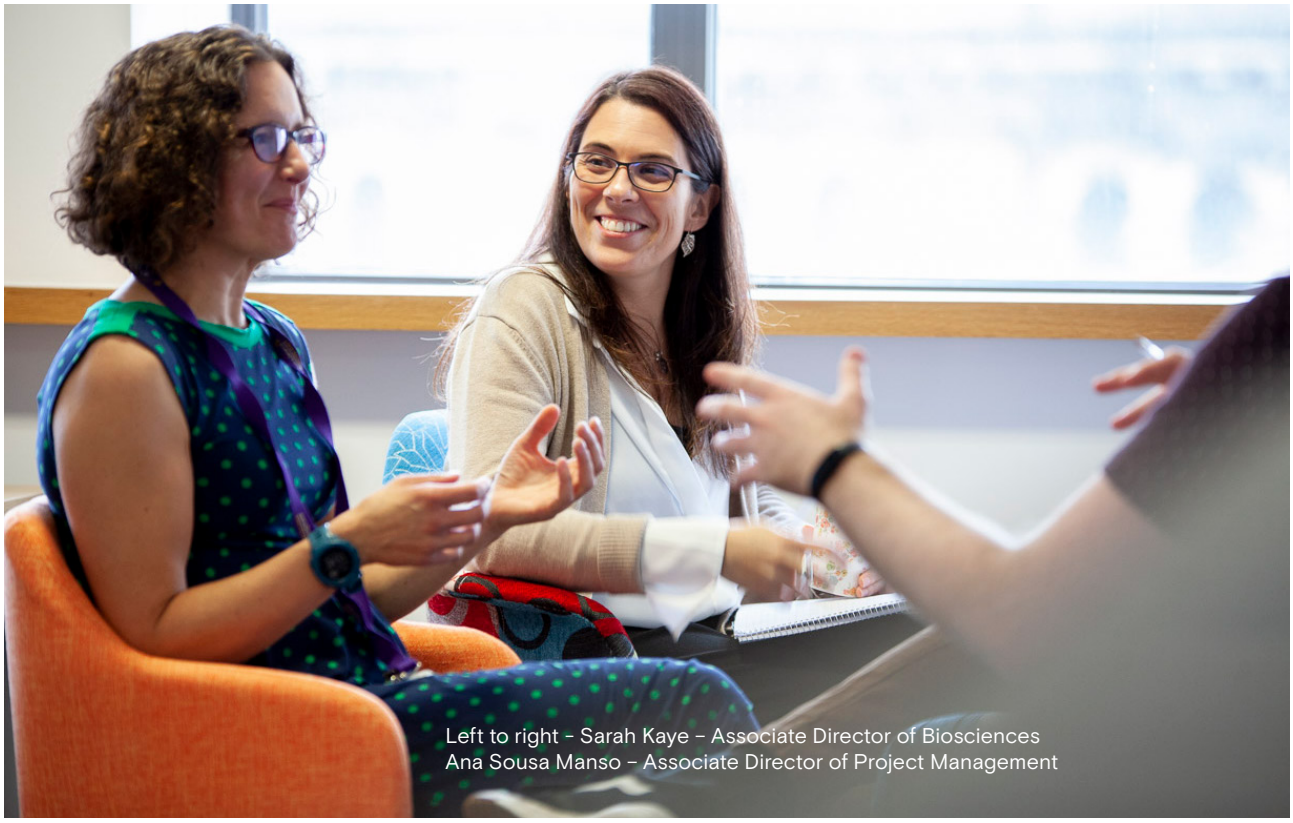
- Male (6)
- Female (5)



- Male (31)
- Female (18)



- UK (41)
- Non-UK (8)



Left to right - Sarah Kaye – Associate Director of Biosciences
Ana Sousa Manso – Associate Director of Project Management

Wellbeing

We recognise the importance of creating a healthy working culture for our employees, and we aim to maintain positive physical and mental wellbeing through the provision of health focused services and events. We enable employees to access two contrasting health care plans and within the Company, we have dedicated Mental Health First Aiders, including mental health awareness training for all line managers. We encourage employees to participate in healthy activities including step challenges, photography, or encouragement to try something new. Furthermore, we provide information and resources relating to men and women focused health, a Thrive app to access meditation and the use of VR to help relaxation. A healthier workforce facilitates focus and creativity, enabling the innovation and scientific progress that makes C4XD successful.

Sustainability

Our environment

We are committed to reducing our energy and carbon impacts, as we believe that climate change is one of the greatest risks to our world. We have a responsibility to minimise our environmental impact and recognise that this is not just in the daily operations of our portfolio, but also through our entire supply chain.

We are committed to achieving our sustainability goals and the principles of reduce, reuse and recycle. We have a Sustainability Committee who identify and drive environmentally sustainable initiatives that deliver near-term efficiency, value, and health for our business and community. Our target areas focus on our use of resources, waste management, procurement, travel, energy use, volunteering and education.

But we control only a small part of our total environmental footprint; therefore, it is critical that we engage both internal and external stakeholders to drive sustainable innovation and systematic change. We strive to engage key suppliers on sustainability, as averting a climate crisis and other environmental disasters requires large-scale transformation that we cannot achieve alone. We assess supplier and other third-parties to understand what they are doing to be more sustainable and work with them to help manage sustainability aspects in their operations.

Communities

We may only be a small company, but we actively participate in our extended communities through volunteerism and philanthropy. We have arranged specific Company engagement days, where we have volunteered within local schools and parks. Additionally, we encourage employee-initiated giving, to support charities close to the hearts of individuals, ranging from local charities to larger humanitarian efforts. In many cases C4XD has matched the funds raised to further increase the support that we can offer. In this way we can further strengthen our support for external communities and improve C4XD's role as a committed, responsible and compassionate company.

As a good corporate citizen we can reflect our values and aspirations in our working environment which will not only position C4XD as a good company to work for, and with, but will ultimately drive value for our business as a whole.

Q&A with Nick Ray PhD

SVP Drug Discovery

What is your role at C4XD? What does it incorporate?

I'm SVP Drug Discovery which entails, together with my colleague Clare Murray, oversight of our drug discovery portfolio from New Target selection through to pre-clinical candidate nomination and partnering. I also have responsibility for the ongoing development of our conformational design platform, 'Conformetrix'.

How did you come to work at C4XD and how has your role evolved since you first joined?

I joined C4XD in 2016 as VP Medicinal Chemistry, having previously been Senior Director of Medicinal Chemistry at Argenta/Charles River. Over time, my role has broadened from managing the chemistry aspects of our drug discovery projects (and the chemists who execute the science) with the occasional stint as a Project Leader, to guiding the projects in a cross-discipline sense. I'm now involved in every stage of the drug discovery process from what projects we adopt into our portfolio, through project phase transitions, up to commercial partnering activities.

What are the main challenges you face in your role?

Finding enough hours in the day! Our drug discovery portfolio has expanded significantly and partnering activities take a huge amount of time and effort but are critical to our business model. Additionally, the technology that underpins what we do needs to continue to move forward; technology folk aren't drug hunters and I provide the bridge between the two groups, ensuring that the tech we're developing is enabling for drug discovery.

Why is working in Drug Discovery so challenging?

On a good day drug discovery is "two steps forward, one step back"; on a bad day it's "one step forward, two steps back". It's like problem-solving a big puzzle for which some of the pieces are lost down the sofa, but the more experience you have in the team, the better your chances are.

Why do you like working at C4XD?

Most of the scientific team have come to C4XD from bigger pharma/biotech/CROs so there is the ideal combination of working with a very experienced group of folk, coupled with the advantage that a small company offers of ready interaction with other groups – in my case the Commercial team, and interaction with the Exec. There's little 'corporate flab' – decisions are made quicker and people are focused on delivery – we depend on it.

Who is your science hero and why?

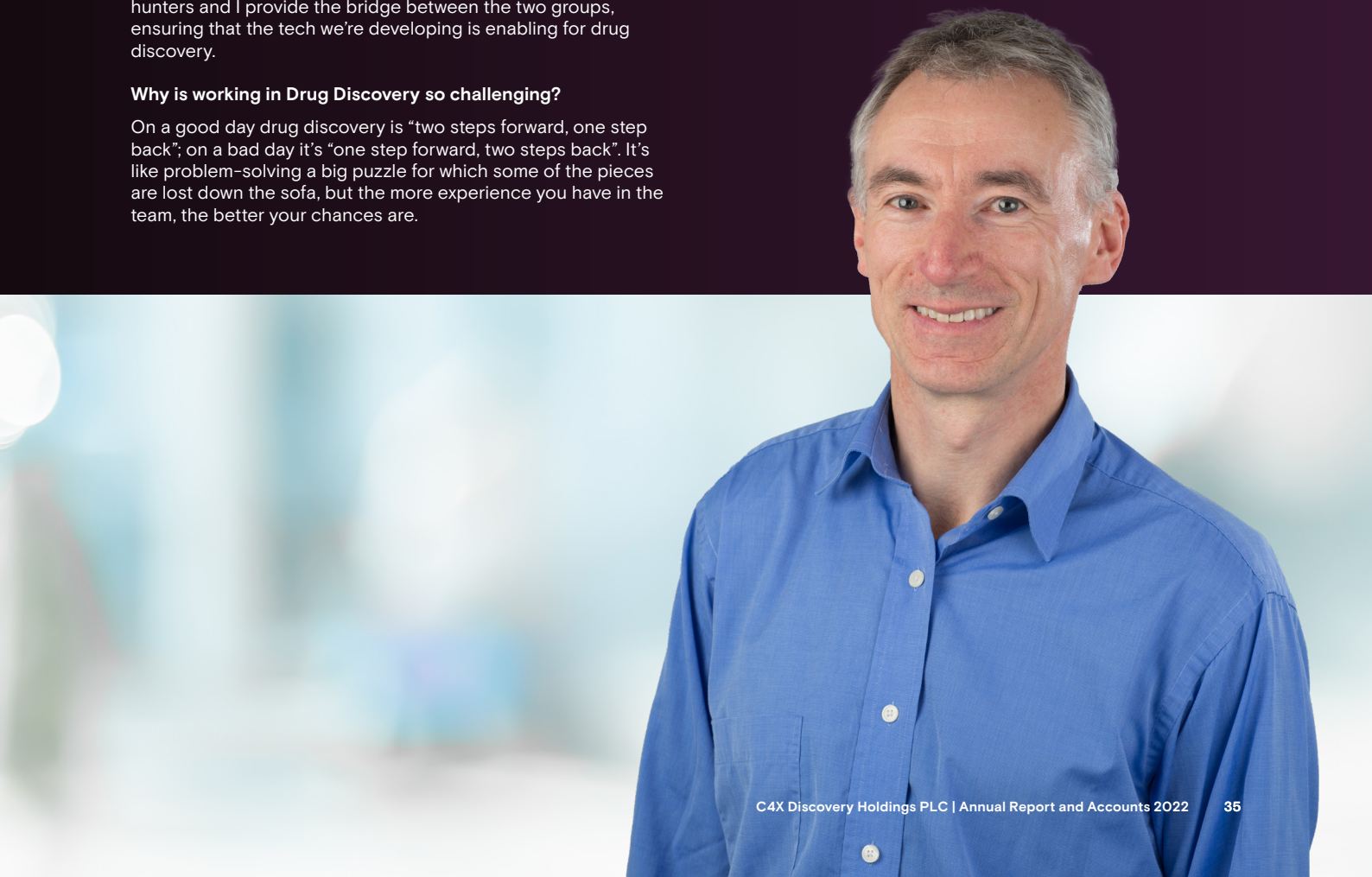
Tough one – I'd say Marie Curie: a woman practising science at a time when it was very much a male-dominated profession, who won two Nobel prizes (Chemistry & Physics) – the only woman to ever do so, and who eventually died from exposure to the science that she'd been researching.

What do you like to do to relax?

Climbing, on plastic or real rock, and anything to do with motorbikes (except crashing them!)

What is your favourite film/book/music, and why?

I don't get to read much that's not work-related these days, but a great read for anyone interested in how a biotech gets off the ground is 'The Billion-Dollar Molecule' by Barry Werth – an inside look at how Vertex got started.



Corporate Governance Statement

C4XD's Directors believe that strong Corporate Governance is fundamental to the medium and long-term success of the business and have adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), to establish a robust and effective governance framework. The QCA Code identifies ten principles to be followed to enable companies to deliver growth in long-term shareholder value; the following link sets out how C4XD complies with these principles:

Corporate Governance Section on website

The Directors are responsible for ensuring that the strategy, operations, financial reporting and risk management are all underpinned by robust processes, and promote a culture of openness, transparency and responsibility throughout all levels of the organisation.

The Board

The Group is controlled through its Board of Directors, comprising the Non-Executive Chair, the Chief Executive Officer, the Chief Financial Officer, the Chief Business Officer and four Non-Executive Directors. The names of the current Directors together with their biographical details, skills, experience and any other directorships are set out on pages 28 to 29.

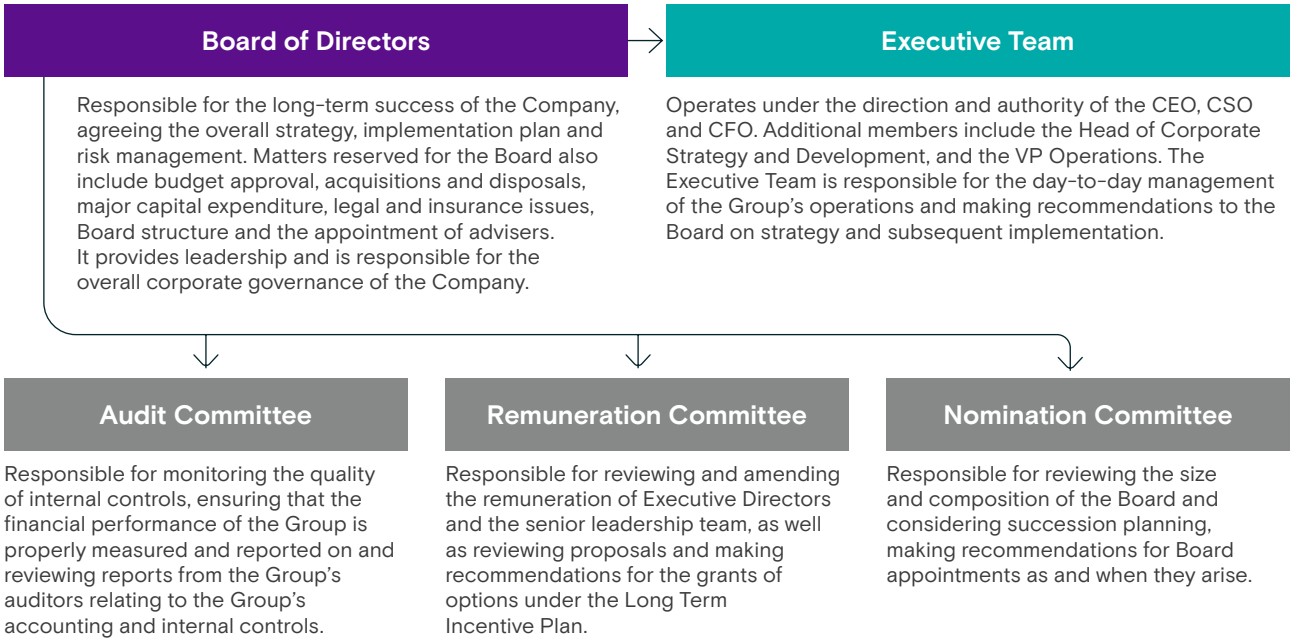
The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group, and has the right composition to maintain positive momentum in driving the Company vision. A new Non-Executive Director, Dr Mario Polywka, was appointed to the Board effective from 1 December 2021, replacing Dr Harry Finch, who stepped down from the Board of Directors following the Annual General Meeting which was held in January 2022. Mario joins C4XD with more than 20 years' experience in leadership roles across the biotech industry, and brings strong operational, commercial, strategic and drug discovery expertise to the Board.

Furthermore, in February 2022, Dr Craig Fox stepped down from the Board, leaving his role as Chief Scientific Officer. To ensure continuity in scientific oversight and contribution, Dr Nick Ray and Dr Clare Murray (Senior VPs in Drug Discovery) have joined the Executive Team and represent the scientific function at the Board meetings. Both Nick and Clare have a wealth of Drug Discovery experience in the field of medicinal chemistry and biology respectively.

To further strengthen the Board, Bhavna Hunjan has been appointed as Chief Business Officer. Bhavna joined C4XD in 2016 and has played a critical role in a series of successful licensing deals and strategic partnerships, as well as driving business growth and capital raising as part of the Executive Management team. In her new role, Bhavna will be responsible for shaping the strategic direction of C4XD. She will lead corporate development activities including developing and executing C4XD's deal strategy to build shareholder value, intelligence-driven strategic planning, commercial evaluation of new projects and alliances, and she will represent C4XD in external activities including investor relations, fundraising, M&A, and external communications.

All Directors are subject to election by the shareholders at the general meeting immediately following their appointment to the Board and to re-election at intervals of not more than three years. The contracts of the Non-Executive Directors are available for inspection by shareholders at the AGM.

Simon Harford - Non-Executive Director and Chair of the Audit Committee



Roles and responsibilities

The division of responsibilities is clearly defined:

The Chair leads the Board in the determination of its strategy and in the achievement of its objectives, with responsibility for organising the business of the Board, ensuring its effectiveness, and setting its agenda. The Chair also facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors. They also facilitate effective communication with shareholders.

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

The Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The Company Secretary reports to the Board. The principal role of the Company Secretary is to liaise with the Group's legal advisers and registrars in connection with the maintenance of the statutory registers, the filing of statutory forms and financial statements, the provision of notice of meetings to members and the auditors, and the filing of copies of resolutions and agreements with the registrar. This role is fulfilled by the Chief Financial Officer.

Independence

The Board considers that all the Non-Executive Directors, together with the Non-Executive Chair, Eva-Lotta Allan, bring an independent judgement to bear. No Non-Executive Director has been an employee of the Group; has had a material business relationship with the Group; receives remuneration other than a Director's fee and share options (save as disclosed); has close family ties with any of the Group's advisers, Directors or senior employees; or holds cross-directorships.

The Board is aware of the other commitments of its Directors and changes to these commitments must be reported to the Board. The Group has effective procedures in place to deal with conflicts of interest; the Directors are not permitted to participate in any vote in which they have a conflict of interest, and in most cases, they should not contribute to discussions involving such interests.

Also under procedure, the Group has adopted a model code for Directors' dealings in securities of the Group which is appropriate for a company quoted on AIM. The Directors comply with Rule 21 of the AIM Rules relating to Directors' and applicable employees' dealings. All share purchases, sales and grant of options are disclosed in the Shareholding RNS releases and are published in the directors' remuneration report section of the Annual Report.

Professional development

On appointment, each Director takes part in an induction programme in which they receive comprehensive information about the Group, and the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board and Committees and the powers delegated to those Committees, the Group's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. Throughout their period in office the Directors are updated on the Group's business, the competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as a whole.

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities. In particular, during this period, Chair of the remuneration committee has attended webinars and briefings (Deloitte Academy) relating to corporate governance aimed specifically at remuneration committee members of life science companies.

Board Committees

In accordance with best practice, the Group has established Audit, Remuneration and Nomination Committees with written terms of reference for each which deal with their authorities and duties.

Audit Committee

The Audit Committee is chaired by Simon Harford with Natalie Walter as an additional member. The Committee normally meets at least twice a year and is responsible for reviewing and monitoring:

- The Annual Report and Accounts, preliminary and interim results, and statements of the Group:
  - the appropriateness of accounting policies and the critical judgements and estimates
  - the relevance of developments in accounting and reporting requirements
  - the effectiveness of internal controls and risk management systems
  - the auditor's plan for the year-end audit
- The formal engagement terms, performance, objectivity and independence of the external auditors, including the extent of non-audit work undertaken by the auditors
- The audit and non-audit fees of the external auditors. These are set out in note 5 to the financial statements
- Risk management and monitoring the quality of internal controls

The Audit Committee reports to the Board on its activities and recommendations. The Committee has recommended to the Board that a resolution reappointing KPMG LLP as external auditors be put to the shareholders at the AGM.

C4XD prides itself on honesty, integrity and high professional standards, and a framework of internal policies and procedures has been established to clarify these standards. The Audit Committee is responsible for ensuring that any concerns raised through the Company's Whistleblowing Policy are followed up in an effective and timely manner, to address any areas where conduct or activities fall short of expectation.

Nomination Committee

The Nomination Committee comprises Alex Stevenson, who is Chair of the Committee, and Eva-Lotta Allan. The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Committee meets as required; other Directors may attend the meetings at the Committee's invitation and third-party advice may be sought where appropriate.

Succession planning is regarded by the Board as vitally important for the future success of the business. The Nomination Committee considers the balance of skills, knowledge and experience on the Board and makes recommendations for change where appropriate. The whole Board reviews the objective criteria against which potential candidates will be measured to ensure the Board composition remains diverse, appropriate and balanced.

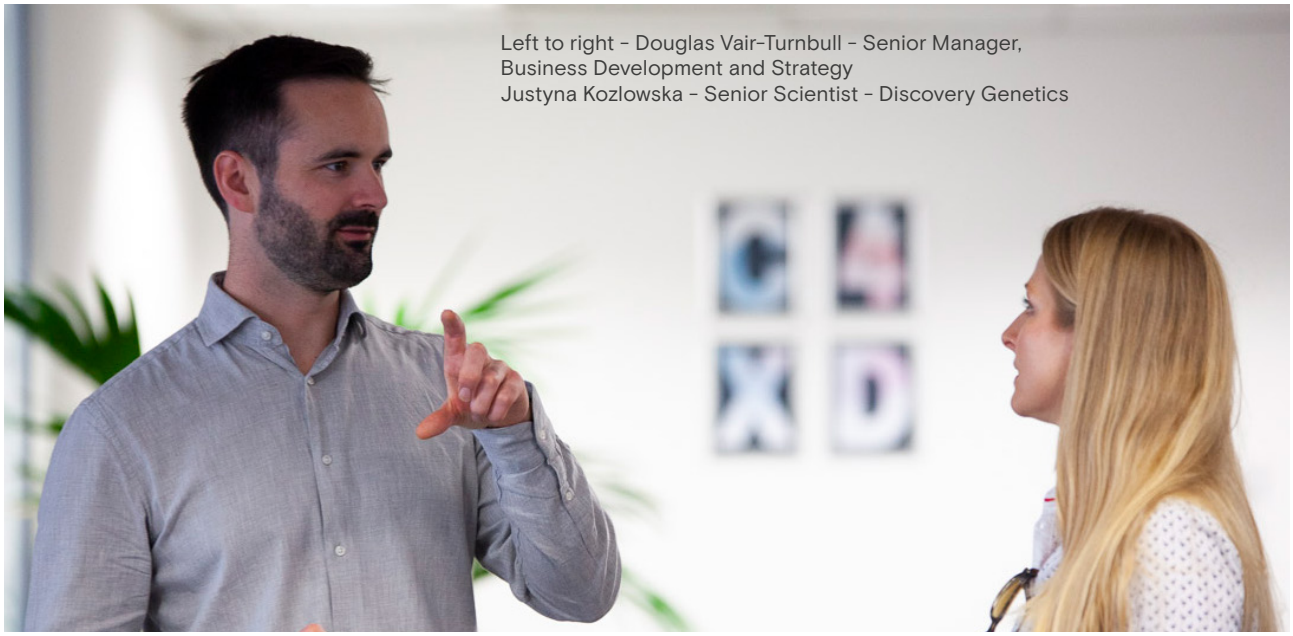
Remuneration Committee

The Remuneration Committee comprises Natalie Walter, who is Chair of the Committee, and Mario Polywka (formerly Harry Finch). The Committee may invite anyone it deems appropriate to attend and advise at meetings. Meetings are held at least twice a year.

The Committee is responsible for establishing a formal and transparent procedure for developing policy on Executive remuneration and for setting the remuneration of the Directors and certain senior managers, as well as reviewing the performance of the Executive Directors of the Group. The Remuneration Committee takes into account the remuneration practices adopted in similar businesses and best practice in other AIM-listed businesses as well as in the general market.

The overall policy of the Board is to ensure that Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group, including, where appropriate, bonuses, pension contributions and the award of share options.

The Board as a whole is responsible for approving the recommendations made by the Remuneration Committee. No Director may be involved in any discussion relating to their own remuneration.



Left to right - Douglas Vair-Turnbull - Senior Manager, Business Development and Strategy
Justyna Kozlowska - Senior Scientist - Discovery Genetics

Board meetings

The Board meets at least six times a year, with Audit, Remuneration and Nomination Committee meetings being held as required.

The number of Board and Committee meetings attended by each of the Directors during the year is shown below.

	Full Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings in year	6	3	1	3
Executive Directors				
Clive Dix	6	-	-	-
Brad Hoy	6	3	-	-
Craig Fox	3	-	-	-
Bhavna Hunjan	3			
Non-Executive Directors				
Eva-Lotta Allan	6	-	1	-
Harry Finch	3	-	-	1
Alex Stevenson	6	-	1	-
Natalie Walter	6	2	-	3
Simon Harford	6	3	-	-
Mario Polywka	4	-	-	2

The Board is satisfied that both the Executive and Non-Executive Directors devote sufficient time to the Company's business through attendance at relevant Board and Committee meetings throughout the year.

The Board receives appropriate and timely information prior to each meeting, with a formal agenda and Board and Committee papers being distributed several days before meetings take place. From time to time, these papers are supplemented by information specifically requested by the Directors. Any Director may challenge Group proposals and decisions are taken democratically after discussion. Any Director who feels that a concern remains unresolved may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board and then followed up by management. Minutes of Board and Committee meetings are circulated to all Board members.

The Group maintains, for its Directors and Officers, liability insurance for any claims against them in that capacity.

Directors' conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. Directors are required to complete a Register of Interests, and notify the Board of any situation that could give rise to a conflict or potential conflict thereby compromising their independence and objectivity. Each member is required to disclose any such potential conflicts at the start of every meeting. Where a conflict arises, the Chair determines whether or not the Director can take part in the discussion or decision making. The Board is satisfied that potential conflicts have been effectively managed throughout the year.

Performance evaluation

The Board has implemented a structured and rigorous process for the evaluation of its own performance, that of its Committees and individual Directors, including the Chair. A performance evaluation questionnaire is completed by each member of the Board to explore whether: the Board is suitably equipped to explore strategic, financial performance, operational and governance matters; sufficient challenge is given to the Executive Directors in their leadership of the Company; and Board and Committee meetings were conducted and administrated effectively.

The Chair consolidates the responses, highlighting significant improvements or deteriorations in any area, leading to actions being agreed for any areas requiring improvement. Following this year's evaluation, due to the loss of face-to-face time during the lockdown periods as a result of the Covid-19 pandemic, as well as changes to Board composition, an additional emphasis is being placed on enabling the Executive and Board to work optimally together including hosting team building sessions alongside the Board meeting and scheduling committee meetings further in advance to ensure there is more effective diary management. There was also a consensus to develop a clear ESG policy, which has since been implemented, with goals and progress to be shared periodically in Board meetings.

In addition to the questionnaire, annual appraisals of the Executive Directors take place; the appraisal of the Chief Executive Officer is performed by the Chair and the appraisal of the other Executive Directors is performed by the Chief Executive Officer. The performance appraisals assess how effectively the Executive Directors are leading the organisation to deliver results in the short and longer term, considering their strategic planning, people management and relationships, financial management and conduct of business. The appraisal will conclude by summarising the goals for the coming year, job-related strengths and plans to strengthen performance.

The Non-Executive Directors appraise the Chair's performance after consultation with the other Directors.

Internal controls and risk management

The Board has overall responsibility for the Group's system of internal controls, including reviewing the effectiveness of these controls and the processes in place for risk management. The role of the Executive Directors is to implement the Board's policies on risk and control and provide assurance on compliance with these policies.

Listed below are some key features of the internal control system:

i) Annual budgets and rolling forecasts are reviewed and approved by the Board;

ii) Monthly management accounts information is compared and reconciled with budgets;

iii) The Group has written operational, accounting and employment policies in place;

iv) The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks;

v) The Group has well established financial reporting and approval systems and procedures which cover all key transactional processes and Group commitments; and

vi) The Group has a uniform system of investment appraisal.

Details of the technical, product, market and operational risks of the business are disclosed in the Strategic Report.

Business risks are monitored and updated on a regular basis. Insurance is in place where appropriate.

Details of the Group's financial risk management objectives and policies are disclosed in note 27 to the financial statements.

The Directors do not consider that the business is, at this time, significantly exposed to credit or interest risk and as such these risks are not considered to be material for an assessment of the assets, liabilities, financial position and results.

The Group seeks to manage liquidity by ensuring funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had cash and cash equivalents of £5.1 million at 31 July 2022 (2021: £17.1 million). Post year end a £5.7 million fundraise (before expenses) was completed and the prior year £2.1 million R&D tax credit was received from HMRC. Cash deposits are spread across a range of financial institutions with investment grade credit status. Deposits are invested in a mixture of fixed-term and notice accounts. The Board approves all financial institutions before deposits are placed and regularly reviews the level of funds allocated to each institution.

Investor relations

The Board believes that maintaining regular and transparent dialogue with shareholders is important in order to ensure that there is a clear understanding of strategic objectives, financial and operational performance and governance of the Group.

The Chair and other Non-Executive Directors are available to shareholders to discuss strategy and governance issues at a shareholder's request. In accordance with AIM Rule 26, there is an Investors section on the Group's website, Group's website, which is kept up to date. Information is provided regarding our business, results and financial performance, investor news and copies of our Annual Reports and Accounts.

Annual General Meeting ("AGM")

The Board actively encourages participation at the AGM, which is the principal forum for dialogue with shareholders. The Notice of AGM and Form of Proxy are issued with the Annual Report and are made available on the Company website. At the AGM, separate resolutions will be proposed for each substantially different issue. The outcome of the voting on AGM resolutions is disclosed by means of an announcement on the London Stock Exchange.

Audit Committee Report

Statement by the Chair of the Audit Committee

On behalf of the Board, I am pleased to present our Audit Committee Report for the year ended 31 July 2022.

The Audit Committee is responsible for all aspects of the financial reporting of the business and has considered not only the integrity of financial reporting, but also how the activities of the company may impact internal controls and the procedures implemented to sufficiently mitigate risk.

Role and key responsibilities

Our role and primary responsibility as Committee members is to assist the Board by providing appropriate oversight of the Company's financial reporting, internal controls and risk framework.

The Audit Committee is responsible for monitoring the integrity of the Company's financial reporting and financial statements and any formal announcements relating to the Company's financial performance, including the appropriateness and application of accounting policies, estimates and areas of significant judgement and uncertainty.

Oversight of risk management and internal control is a focus of the Audit Committee, especially in the context of issues raised by our external Auditor, members of the Board or any employee under the whistleblowing policy. Details of principal risks and mitigations are shown on pages 20 to 25 of this Annual Report.

The Audit Committee manages the relationship between the Company and its external Auditor and reviews and makes recommendations to the Board, in relation to the appointment, re-appointment and removal of the Company's external auditor and the provision of non-audit services. The independence of the external Auditor is kept under review and is considered at least annually by the Audit Committee.

The Audit Committee reviews the fee proposals presented by the external Auditor and the scope of work is carefully reviewed to ensure that independence is not compromised.

Key matters considered in the year

The Audit Committee has a planned schedule of meetings in line with the Company's financial reporting calendar and met three times during the year.

The Audit Committee reviewed the re-appointment of KPMG LLP as the external Auditor and is satisfied with the independence, objectivity and effectiveness of the external Auditor and following a review of auditor staffing support and fees, the Audit Committee has not felt the need at this stage to propose retendering the audit contract. A resolution for re-appointment of KPMG LLP as the statutory Auditor will therefore be proposed at this year's Annual General Meeting.

The Audit Committee also reviewed the Audit fees for the Company for the year which amounted to £250,000 (2021: £120,000) and non-audit fees amounted to £9,000 (2021: £36,000) and were considered appropriate.

During the year, the Audit Committee also reviewed the audit planning and process for the interim results to 31 January 2022, as well as the audit planning and process for the financial audit for the year ended 31 July 2022 including meeting with its external Auditor to discuss audit scope and review the going concern analysis.

The Audit Committee monitored risks and the effectiveness of the Company's internal controls related to financial reporting and agreed to an additional policy on revenue recognition. The Audit Committee believes that the internal controls and risk management framework are appropriate for the relative size and complexity of the Company's activities. No other formal recommendations have been made to the Board by the Audit Committee.

Audit Committee Members

The Audit Committee is chaired by me, Simon Harford. The other member is Natalie Walter. Both Natalie and I are considered independent, and my background of many years of financial experience in the healthcare industry is valuable for my role. Brad Hoy, CFO also attends all Audit Committee meetings.

The Audit Committee acts independently to ensure the interests of shareholders are protected in relation to financial reporting, internal controls and risk management.

Simon Harford
Chair of the Audit Committee
14 December 2022

Director's Remuneration Report

As a company listed on AIM, the Group is not required by the Companies Act 2006 to prepare a Directors' Remuneration Report. The Board has, however, provided certain information in relation to the remuneration policy of the Group as set out in this report.

Basic annual salary

The base salary is reviewed annually. The review process is undertaken by the Remuneration Committee and takes into account several factors, including the current position and development of the Group, individual contributions and market salaries for comparable organisations.

Other taxable benefits

The Group provides an occupational pension scheme for employees, including Directors. The Group provides a private health insurance scheme for employees, including Executive Directors, as a benefit in kind, along with critical illness insurance.

The Group does not provide any other taxable benefits for Executive Directors.

Discretionary annual bonus

All Executive Directors and employees are eligible for a discretionary annual bonus. This takes into account individual contribution, business performance and technical and commercial progress, along with financial results.

Discretionary share option schemes

All Directors and employees are eligible to receive discretionary share options to be granted in accordance with the Group's approved share option scheme. Details of the grants made under the scheme are provided in note 20 to the financial statements. This takes into account the need to motivate and retain key individuals. Details of share option grants made to Directors are shown in the table on page 44.

The Remuneration Committee acknowledge the importance of properly incentivising employees.

Remuneration policy for Non-Executive Directors

Non-Executives receive a fixed fee and are eligible to receive pension payments or other benefits and to participate in the share option scheme at the discretion of the Remuneration Committee.

Letters of Appointment

Eva-Lotta Allan (Non-Executive Chair) entered into a letter of appointment with the Group on 4 July 2018. The appointment was for an initial term of three years (subject to re-election by shareholders as required by the Articles) and is terminable thereafter by the Group in various specified circumstances and in any event by either party on three months' notice.

Harry Finch (Non-Executive Director) entered into a letter of appointment with the Company on 17 October 2014. The appointment was for an initial period of three years from admission to the AIM market (subject to re-election by shareholders as required by the Articles) and was terminable thereafter by the Group in various specified circumstances and in any event by either party on six months' notice. Harry Finch retired from his position on 18th January 2022.

Alex Stevenson (Non-Executive Director) entered into a letter of appointment with the Group on 17 October 2014. The appointment was for an initial period of three years from admission to the AIM market (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on six months' notice.

Natalie Walter (Non-Executive Director) entered into a letter of appointment with the Group on 4 July 2018. The appointment was for an initial period of three years (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on three months' notice.

Simon Harford (Non-Executive Director) entered into a letter of appointment with the Group on 20 April 2021. The appointment will continue for an initial period of three years (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on three months' notice.

Mario Polywka (Non-Executive Director) entered into a letter of appointment with the Group in December 2021. The appointment will continue for an initial period of three years (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on three months' notice.

Directors' shareholdings

Directors' interests in the shares of the Group, including family and beneficial interests, at 31 July 2022 were:

	Ordinary shares of 1p each			
	31 July 2022 Number	**31 July 2022 %**	31 July 2021 Number	31 July 2021 %
Eva-Lotta Allan	**–**	**–**	–	–
Clive Dix	**1,588,920**	**0.69%**	1,588,920	0.70%
Brad Hoy	**–**	**–**	–	–
Alex Stevenson	**485,403**	**0.21%**	485,403	0.21%
Natalie Walter	**66,666**	**0.03%**	66,666	0.03%
Simon Harford	**–**	**–**		–
Mario Polywka	**–**	**–**		–
Bhavna Hunjan	**–**	**–**		–

Directors' remuneration (audited information)

The remuneration of the Directors, who served on the Board of C4X Discovery Holdings plc during the year to 31 July 2022, is as follows:

Table 1	Base salary & fees £000	Other £000	Annual bonus £000	Pension costs £000	Benefits in kind £000	Gain on exercise of options £000	**Total £000**
Executive Directors							
Clive Dix	169	–	18	–	–	–	**187**
Brad Hoy	184	–	18	1	–	–	**204**
Craig Fox	75	–	–	9	1	–	**85**
Bhavna Hunjan	97	–	11	13	1	–	**122**
Non-Executive Directors							
Eva-Lotta Allan	82	–	–	1	–	–	**83**
Harry Finch	10	–	–	–	–	–	**10**
Simon Harford	31	–	–	–	–	–	**31**
Mario Polywka	20	–	–	1	–	–	**21**
Alex Stevenson	31	–	–	1	–	–	**32**
Natalie Walter	31	–	–	1	–	–	**32**
	731	–	47	27	2	–	**807**

31 July 2021 comparative

Table 2	Base salary & fees £000	Other £000	Annual bonus £000	Pension costs £000	Benefits in kind £000	Gain on exercise of options £000	**Total £000**
Executive Directors							
Clive Dix	166	–	28	–	–	–	**194**
Brad Hoy	167	–	28	1	–	–	**196**
Craig Fox	138	–	28	18	2	–	**186**
Non-Executive Directors							
Eva-Lotta Allan	80	–	–	1	–	–	**81**
Harry Finch	30	–	–	–	–	–	**30**
Simon Harford	8	–	–	–	–	–	**8**
Alex Stevenson*	19	–	–	–	–	–	**19**
Natalie Walter	30	–	–	1	–	–	**31**
	638	–	84	21	2	–	**745**

* Alex Stevenson's remuneration took the form of monitoring fees paid to Aquarius Equity Partners Limited until April 2021. Remuneration is now via payroll.

Directors' share options (audited information)

Directors' interests in share options to acquire ordinary shares of 1 pence in the Group as at 31 July 2022 were:

Share options	Date granted	Exercise price	At 31 July 2021	Exercised during the year	Replaced during the year	Granted during the year	At 31 July 2022
Clive Dix	29-Nov-19	£0.16	250,000	-	-	-	**250,000**
	28-Jul-20	£0.16	195,000	-	-	-	**195,000**
	14-Dec-20	£0.20	200,000	-	-	-	**200,000**
	01-Feb-22	£0.36	-	-	-	200,000	**200,000**
Brad Hoy	29-Nov-19	£0.16	250,000	-	-	-	**250,000**
	28-Jul-20	£0.16	350,000	-	-	-	**350,000**
	14-Dec-20	£0.20	200,000	-	-	-	**200,000**
	01-Feb-22	£0.36	-	-	-	200,000	**200,000**
Bhavna Hunjan	29-Nov-19	£0.16	250,000	-	-	-	**250,000**
	28-Jul-20	£0.16	205,556	-	-	-	**205,556**
	14-Dec-20	£0.20	200,000	-	-	-	**200,000**
	01-Feb-22	£0.36	-	-	-	200,000	**200,000**

The options granted on 29 November 2019 are exercisable at any time between three years and 10 years of them being granted.

The options granted on 28 July 2020 are exercisable at any time between three years and 10 years of them being granted.

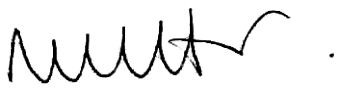
On 28 July 2020, a number of unexpired existing share options were cancelled and reissued to staff and Directors. The regrant brought the strike price of the share options into line with the current market price of the Company's shares and should now deliver a viable incentive and reward package to the employees and Directors of the Company.

The options granted on 14 December 2020 are exercisable at any time between three years and 10 years of them being granted.

The options granted on 1 February 2022 are exercisable at any time between three years and 10 years of them being granted.

The market price for C4XD shares as at 31 July 2022 was 26.8 pence per share; the highest and lowest prices during the year were 46.5 pence and 21.1 pence respectively.

No options were granted during the year below market value.



Natalie Walter
Chair of the Remuneration Committee
14 December 2022

Directors' Report

The Directors present their report and the audited financial statements for the Group and parent company for the year ended 31 July 2022.

Financial instruments

Details of the Group's financial risk management objectives and policies are disclosed in note 27 to the financial statements.

Research and development

The principal activity of the Group is research and development through the identification, assessment and validation of Drug Discovery targets ahead of early commercial partnering or initiation of a C4XD Drug Discovery programme to develop a small molecule for future out-licensing. In addition, we work in collaboration with partners to access expertise and technologies complementary to our own. A review of which is included in the Chair's and CEO's Statements on pages 10 to 13.

Total research and development spend was £9,426,000 (2021: £8,263,000). No development expenditure was capitalised in the period (2021: £nil) for the reasons provided in note 3 to the accounts.

Dividends

The Directors do not recommend payment of an ordinary dividend (2021: £nil).

Share capital and funding

As at 31 July 2022 share capital comprised 229.2 million ordinary shares of 1p each (2021: 227.8 million ordinary shares), 2.0 million deferred shares of £1 each (2021: 2.0 million shares) and 96.8m warrants over ordinary shares of 1p each (2021: 97.9m). Full details of the Group's and Company's share capital movements during the period are given in note 19 to the financial statements.

Details of shares under option are provided in note 20 to the financial statements.

Directors and their interests

The following Directors held office throughout the year:

Ms Eva-Lotta Allan
Dr Harry Finch - Resigned 18 January 2022
Dr Alex Stevenson
Ms Natalie Walter
Simon Harford
Dr Clive Dix
Mr Brad Hoy
Dr Craig Fox - Resigned 31 January 2022
Dr Mario Polywka - Appointed 1 December 2021
Ms Bhavna Hunjan - Appointed 1 February 2022

Biographies of the Directors can be found on pages 28 to 29.

Details of Directors' remuneration and interests in the share capital of the Group are shown in the Directors' Remuneration Report on pages 42 to 44.

No Director had an interest in any contract that was significant in relation to the Group's business at any time during the year.

Directors are subject to re-election at intervals of not more than three years.

Directors' indemnity insurance

The Group has maintained insurance throughout the year for its Directors and Officers against the consequences of actions brought against them in relation to their duties for the Group. Such provision remains in force as at the date of approval of the Directors' Report.

Substantial shareholders

The Company is aware that the following had an interest in 3% or more of the issued ordinary share capital of the Company at 31 July 2022 and following the placing in August 2022:

	30 Nov 2022 No. shares	%	31 Jul 2022 No. shares	%
Mr Richard I Griffiths (Guernsey)	59,049,066	23.4	58,823,421	25.7
Polar Capital (London)	43,720,000	17.3	30,000,000	13.1
Lombard Odier Asset Mgt (London)	38,791,958	15.4	38,747,350	16.9
Baillie Gifford & Co (Edinburgh)	21,495,228	8.5	14,314,028	6.2
Canaccord Genuity Wealth Mgt (Jersey)	11,776,031	4.7	10,321,289	4.5
Calculus Capital (London)	9,248,575	3.7	9,413,946	4.1


Clive Dix PhD – Chief Executive Officer

Donations

Charitable donations of £1,000 were made in the year (2021: £1,000). No political donations were made in the year (2021: £nil).

Employment policies

The Company handbook summarises the policies and working practices to be adopted by all employees in the Company. The Board is committed to providing a safe working environment and has a clear and robust Health and Safety Policy.

The Company also has a Whistleblowing Policy to allow staff to raise any concerns in confidence. Additionally, the Company has a broad set of policies including Bioethics, Data Processing, Anti-corruption and Bribery, Dignity at Work, Equality, Diversity and Inclusion, and Social Networking, which highlight the expected behaviours of staff.

The Group supports the employment of disabled people where possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

Going concern

The Chair's and CEO's Statements on pages 10 to 13 outline the business activities of the Group along with the factors which may affect its future development and performance. The Group's financial position is discussed in the Financial Review on page 19 along with details of its cash flow and liquidity. Note 27 to the financial statements sets out the Group's financial risks and the management of those risks.

Having prepared management forecasts and made appropriate enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Group and Company financial statements. Please also refer to the disclosures made in note 2.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

Ordinary resolutions to reappoint KPMG LLP as auditor and to authorise the Directors to agree its audit fee will be proposed at the forthcoming AGM.

AGM notice

The AGM of the Company will be held on 24 January 2023. The notice convening the AGM which will confirm the details of the AGM format, together with an explanation of the resolutions to be proposed at the meeting, is contained in the Notice of Annual General Meeting.

On behalf of the Board

Clive Dix
Chief Executive Officer
14 December 2022

C4X Discovery Holdings PLC
Manchester One
53 Portland Street
Manchester
M1 3LD

Statement of Director's Responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies 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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

03

Financial Statements

Independent Auditor's Report to the Members of C4X Discovery Holdings PLC

for the year ended 31 July 2022

1. Our opinion is unmodified

We have audited the financial statements of C4X Discovery Holdings plc ("the Company") for the year ended 31 July 2022 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, group and company statements of financial position, group and company cash flow statements, and the related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole	£120,000 (2021: £100,000) 0.91% (2021: 0.87%) of total expenses	
Coverage	100% (2021: 100%) of group loss before tax	
Key audit matters	vs 2021	
Recurring risks	Going Concern	⇔
	Revenue recognition	↓
	Recoverability of the parent company's investments in and loans to subsidiaries	⇔

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Going concern See Note 2 to the Group financial statements Refer to page 63 (financial disclosures)	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: • The Group's ability to raise further equity or debt financing to support its ongoing research activities. As explained in Note 2, the forecasts indicate that further fundraising would be required by March 2024; • Potential delays in the receipt of forecast research and development tax credits; • Significant increases in operating expenses due to ongoing economic uncertainty and associated inflationary pressures; and • The directors' ability to successfully take mitigating actions within their control, which includes but is not limited to a reduction in expenditure on certain discretionary research programmes to focus on commercialising later stage programmes. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures included: • **Assessing transparency:** we assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing the risks and uncertainties specified in the disclosure against the findings from our evaluation of the directors' assessment of going concern. • **Key dependency assessment:** we assessed the Group's cash flow forecasts, including the timing and extent of forecast research and development tax credit receipts and operating cost outflows, and the ability of the group to raise additional funding. • **Historical comparisons:** we considered the Group's historical forecasting accuracy by assessing actual performance against forecasts and evaluating the directors' explanations for variances between actual and forecast results. We also assessed the Group's historical ability to raise additional funding. • **Sensitivity analysis:** we considered sensitivities over the level of available financial resources indicated by the Group's cash flow forecasts taking account of severe but plausible downside sensitivities that could arise including a delay in the timing of the research and development tax credit receipt and an increase in operating expenses. • **Evaluating directors' intent:** we evaluated the achievability of the actions the directors consider they would take to improve the position in a downside scenario, which included reducing expenditure on certain discretionary research programmes to focus on commercialising later stage programmes, taking into account the extent to which the directors can control the timing and outcome of these. • **Our sector experience:** we critically assessed assumptions using our experience of the sector to challenge management's assumptions over the key inputs.

	The risk	Our response
Revenue recognition (£2.7m; 2021: £5.6m) Refer to page 64 (financial disclosures)	**Accounting treatment:** Revenue recognition for license agreements requires judgement due to the non-standard nature of the agreements. Judgement is required in assessing the implications of agreement terms, including the identification of distinct performance obligations; the determination of the transaction price; the allocation of the transaction price to each performance obligation; and consideration as to whether revenue should be recognised over time or at a point in time in relation to the appropriate revenue recognition policy. The risk is shown as reducing on the prior year as, while further milestone revenue has been recognised in the period which required an assessment of whether the milestone had been achieved, the underlying judgements relating to the accounting treatment and revenue recognition on the Sanofi contract were established in the prior year. **Existence of revenue:** Incentives and pressures to meet market and investor expectations in respect of partnered programmes increases the risk of fraudulent revenue recognition. There is a specific risk in relation to the existence of revenue.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below. Our procedures included: • **Accounting analysis:** we read the key agreements and management's accounting analysis relating to the Sanofi contract, evaluating the Group's assessment of the contract, the milestone achieved in the year and the related accounting treatment, including the determination of distinct performance obligations contained within the contract, and the terms and achievement of the applicable milestone. • **Testing application**: we evaluated the application of the Group's revenue accounting policy through our testing over the Sanofi contract and the related milestone achieved. • **Test of detail:** we inspected correspondence relating to the achievement of the Sanofi milestone, and vouched cash consideration to bank statements. • **Our sector experience:** we critically assessed the status and existence of partnered and later stage drug discovery programmes through corroborative inquiries of key scientific and operational personnel, and involving our own specialist to inform our understanding. • **Assessing transparency:** we assessed the adequacy of the Group's disclosures in relation to the IFRS 15 contract revenue recognition accounting policies adopted.

	The risk	Our response
Parent Company: Recoverability of the Parent Company's investment in and loans to subsidiaries Loans to subsidiaries - £56.8m (2021: £56.5m) Investment in subsidiaries - £3.3m (2021: £3.0m) Refer to pages 65 and 79-80 (financial disclosures)	**Forecast based assessment:** The Parent Company's investment in and loans to subsidiaries are at significant risk of impairment as the Group is loss making. The assessment of the estimated recoverable amount of the Parent Company's investment in and loans to subsidiaries involves the use of discounted cash flow models, which are subjective due to the inherent uncertainty in predicting the timing and probability of future cash flows and the success of drug discovery programmes. There is also estimation uncertainty in assessing an appropriate discount rate. The effect of these matters is that, as part of our risk assessment, we determined that the expected credit loss for the Parent Company's loan receivable, and the valuation of the Parent Company's investment have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 13) disclose the sensitivities estimated by the Company.	We performed the tests below rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described below. Our procedures included: • **Assessing methodology:** we obtained the discounted value in use cash flow models and the expected credit loss analysis, assessing the methodology, principles and integrity of the models and analysis. • **Accounting analysis:** we evaluated the Company's expected credit loss analysis in respect of the loans to subsidiaries. We understood and considered the entity's definition of default in respect of the loans to subsidiaries. In combination with the review of the cash flow forecasts below we considered the subsidiary's progress against forecasts or any other indicators to determine whether there was any evidence of default. • **Judgements challenge:** we critically assessed the judgements and assumptions in the cash flow models including the timing of future licence deals, upfront and milestone payments, and the probability of drug discovery programme success with reference to external benchmarking, internal commercial forecasts and corroborative inquiries of key scientific and operational personnel, supported by our own specialist. • **Benchmark assumptions:** we critically assessed the discount rate assumption used in the value in use model with reference to external benchmarking. • **Sensitivity analysis:** we performed sensitivity analysis over key assumptions within the impairment assessments performed, considering alternative scenarios. • **Assessing transparency:** we assessed whether the Group's disclosures describing the sensitivity of the impairment assessments to changes in key assumptions accurately reflects the risks inherent in the Group's estimate of the recoverable amount of the Parent Company investment and the recoverable amount of the Parent Company's loans to subsidiaries.

We continue to perform procedures over the recoverability of group goodwill and intangible assets. However, as the risk of impairment is considered to be reduced when comparing the carrying amount to the fair value less costs to sell as derived from the Group's market capitalisation, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £120,000 (2021: £100,000), determined with reference to a benchmark of Group total expenses, of which it represents 0.91% (2021: 0.87%).

Materiality for the parent Company financial statements as a whole was set at £70,000 (2021: £55,000), determined with reference to a benchmark of Company total assets, of which it represents 0.1% (2021: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2021: 75%) of materiality for the financial statements as a whole, which equates to £90,000 (2021: £75,000) for the Group and £52,500 (2021: £41,250) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

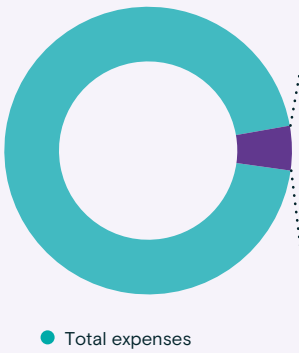
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £6,000 (2021: £5,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's two (2021: two) reporting components, we subjected two (2021: two) to full scope audits for group purposes. All audit work was performed by the Group audit team.

Component materialities ranged from £70,000 to £110,000 (2021: £55,000 to £95,000), having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Total expenses
£13.2m (2021: £11.5m)



Group materiality
£120,000 (2021: £100,000)

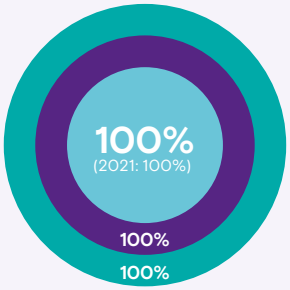
£120,000
Whole financial statements materiality (2021: £100,000)

£90,000
Whole financial statements performance materiality (2021: £75,000)

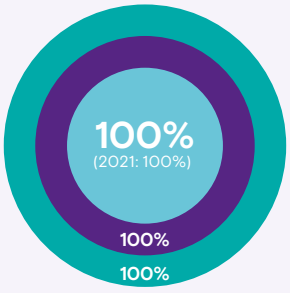
£110,000
Range of materiality at two components (£70,000 – £110,000) (2021: £55,000 – £95,000)

£6,000
Misstatements reported to the audit committee (2021: £5,000)

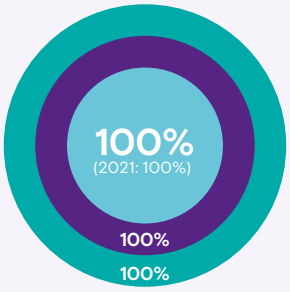
Group revenue



Group loss before tax



Group total assets



- Full scope for group audit purposes 2022
- Full scope for group audit purposes 2021

4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and audit committee as to the Group's policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, Audit Committee, and Remuneration Committee minutes;
- Considering remuneration incentive schemes and performance targets for management; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet investor expectations and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- The risk that management may be in a position to make inappropriate accounting entries;
- The risk of bias in accounting estimates and judgements; and
- The risk that revenue from contracts with customers does not exist.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. This included journals posted to cash and income statement accounts with unexpected pairings;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Inspecting the Sanofi contract agreement and correspondence regarding the achievement of the latest milestone, and vouching cash consideration to bank statements.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection regulations, anti-bribery and corruption, employment law and certain aspects of company legislation recognising the nature of the Group's activities and its legal form.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 47, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

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.

Anna Barrell
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

14 December 2022

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2022

	Notes	2022 £000	2021 £000
Revenue	4	**2,699**	5,642
Cost of sales		**(130)**	(90)
Gross profit		**2,569**	5,552
Research and development expenses		**(9,426)**	(8,263)
Administrative expenses		**(3,665)**	(3,182)
Operating loss	5	**(10,522)**	(5,893)
Finance income	7	**-**	1
Finance costs	7	**(12)**	(15)
Loss before taxation		**(10,534)**	(5,907)
Taxation	8	**2,374**	2,063
Loss for the year and total comprehensive loss for the year		**(8,160)**	(3,844)
Loss per share			
Basic loss for the year	9	**(3.57)p**	(1.96)p
Diluted loss for the year	9	**(3.57)p**	(1.82)p

The loss for the year arises from the Group's continuing operations and is attributable to the equity holders of the parent.

There were no other items of comprehensive income for the year (2021: £nil) and therefore the loss for the year is also the total comprehensive loss for the year.

Both basic and diluted loss per share are reported due to the effect of exercisable share options and warrants in issue.

The notes on pages 63 to 93 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 July 2022

	Issued equity capital £000	Share premium £000	Warrant Reserve £000	Share-based payment reserve £000	Merger reserve £000	Capital contribution reserve £000	Retained earnings reserve £000	Total £000
At 31 July 2020	**3,216**	**40,306**	–	**942**	**920**	**195**	**(37,513)**	**8,066**
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	(3,844)	**(3,844)**
Issue of share capital	1,071	12,937	–	–	–	–	–	**14,008**
Expenses of placing	–	(551)	–	–	–	–	–	**(551)**
Issue of warrants	–	–	992	–	–	–	–	**992**
Exercise of options	2	6	–	–	–	–	–	**8**
Exercise of warrants	13	345	(13)	–	–	–	13	**358**
Share-based payments	–	–	–	249	–	–	–	**249**
Transactions with owners	**1,086**	**12,737**	**979**	**249**	**–**	**–**	**13**	**15,064**
At 31 July 2021	**4,302**	**53,043**	**979**	**1,191**	**920**	**195**	**(41,344)**	**19,286**
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	(8,160)	**(8,160)**
Issue of share capital	–	–	–	–	–	–	–	**–**
Expenses of placing	–	–	–	–	–	–	–	**–**
Issue of warrants	–	–	–	–	–	–	–	**–**
Exercise of options	3	15	–	–	–	–	–	**18**
Exercise of warrants	11	297	(11)	–	–	–	11	**308**
Share-based payments	–	–	–	352	–	–	–	**352**
Transactions with owners	**14**	**312**	**(11)**	**352**	**–**	**–**	**11**	**678**
At 31 July 2022	**4,316**	**53,355**	**968**	**1,543**	**920**	**195**	**(49,493)**	**11,804**

The notes on pages 63 to 93 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 July 2022

	Issued equity capital £000	Share premium £000	Warrant Reserve £000	Share-based payment reserve £000	Retained earnings reserve £000	Total £000
At 31 July 2020	**3,216**	**40,306**	**–**	**913**	**(8,235)**	**36,200**
Profit for the year and total comprehensive profit for the year	–	–	–	–	8,235	**8,235**
Issue of share capital	1,071	12,937	–	–	–	**14,008**
Expenses of placing	–	(551)	–	–	–	**(551)**
Issue of warrants	–	–	992	–	–	**992**
Exercise of options	2	6	–	–	–	**8**
Exercise of warrants	13	345	(13)	–	13	**358**
Share-based payments	–	–	–	249	–	**249**
Transactions with owners	1,086	12,737	979	249	13	**15,064**
At 31 July 2021	**4,302**	**53,043**	**979**	**1,162**	**13**	**59,499**
Profit for the year and total comprehensive profit for the year	–	–	–	–	–	**–**
Issue of share capital	–	–	–	–	–	**–**
Expenses of placing	–	–	–	–	–	**–**
Issue of warrants	–	–	–	–	–	**–**
Exercise of options	3	15	–	–	–	**18**
Exercise of warrants	11	297	(11)	–	11	**308**
Share-based payments	–	–	–	352	–	**352**
Transactions with owners	14	312	(11)	352	11	**678**
At 31 July 2022	**4,316**	**53,355**	**968**	**1,514**	**24**	**60,177**

The notes on pages 63 to 93 form an integral part of these financial statements.

Statements of Financial Position
at 31 July 2022

	Notes	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
Assets					
Non-current assets					
Tangible Fixed Assets	10	**47**	**-**	33	-
Right of Use Assets	10	**707**	**-**	377	-
Intangible assets	11	**61**	**-**	69	-
Goodwill	12	**1,192**	**-**	1,192	-
Investments in and loans to subsidiaries	13	**-**	**60,183**	-	59,493
		2,007	**60,183**	**1,671**	**59,493**
Current assets					
Trade and other receivables	14	**3,069**	**-**	574	6
Income tax asset	15	**4,427**	**-**	2,053	-
Cash and cash equivalents	16	**5,079**	**-**	17,103	-
		12,575	**-**	**19,730**	**6**
Total assets		**14,582**	**60,183**	**21,401**	**59,499**
Liabilities					
Current liabilities					
Trade and other liabilities	17	**2,049**	**6**	1,647	-
Lease liabilities	18	**305**	**-**	217	-
		2,354	**6**	**1,864**	**-**
Non-Current liabilities					
Trade and other liabilities	17	**-**	**-**	64	-
Lease liabilities	18	**424**	**-**	187	-
		424	**-**	**251**	-
Total liabilities		**2,778**	**6**	**2,115**	**-**
Net assets		**11,804**	**60,177**	**19,286**	**59,499**
Capital and reserves					
Issued equity capital	19	**4,316**	**4,316**	4,302	4,302
Share premium	19	**53,355**	**53,355**	53,043	53,043
Share-based payment reserve	20	**1,543**	**1,514**	1,191	1,162
Warrant reserve	21	**968**	**968**	979	979
Merger reserve	22	**920**	**-**	920	-
Capital contribution reserve	23	**195**	**-**	195	-
Retained earnings	24	**(49,493)**	**24**	(41,344)	13
Total equity		**11,804**	**60,177**	**19,286**	**59,499**

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the parent company's statement of comprehensive income. The parent company had a profit of £Nil for the year ended 31 July 2022 (2021: profit of £8,235,000) see note 13. The profit in its entirety for the prior year was as a result of the reversal of past impairments of the Company's investment in its subsidiary.

Approved by the Board and authorised for issue on 14 December 2022

The notes on pages 63 to 93 form an integral part of these financial statements.

Clive Dix
Chief Executive Officer
14 December 2022

Registered number: 09134041

Cash Flow Statements

for the year ended 31 July 2022

	Notes	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
(Loss)/Profit after interest and tax		**(8,160)**	**–**	(3,844)	8,235
Adjustments for:					
Depreciation of tangible fixed assets	10	**23**	**–**	33	–
Depreciation of right-of-use assets	10	**212**	**–**	254	–
Amortisation of intangible assets	11	**8**	**–**	88	–
Reversal of impairment of investments in and loans to subsidiaries		**–**	**–**	–	(8,235)
Share-based payments	20	**352**	**–**	249	–
Finance income	7	**–**	**–**	(1)	–
Interest payments on leases	25	**12**	**–**	15	–
Taxation		**(2,374)**	**–**	(2,063)	–
Changes in working capital:					
(Increase)/decrease in trade and other receivables	14	**(2,495)**	**6**	(136)	–
Increase/(decrease) in trade and other payables	17	**338**	**6**	545	–
Cash outflow from operating activities		**(12,084)**	**12**	(4,860)	–
Research and development tax credit received		**–**	**–**	1,790	–
Net cash outflow from operating activities		**(12,084)**	**12**	(3,070)	–
Cash flows from investing activities					
Increase in investment in and loans to subsidiaries		**–**	**(338)**	–	(14,815)
Purchases of tangible fixed assets	10	**(37)**	**–**	(20)	–
Finance income	7	**–**	**–**	1	–
Net cash outflow from investing activities		**(37)**	**(338)**	(19)	(14,815)
Cash flows from financing activities					
Payment of lease liabilities	25	**(229)**	**–**	(271)	–
Proceeds from issues of ordinary share capital	19	**326**	**326**	15,366	15,366
Expenses of share capital issue	19	**–**	**–**	(551)	(551)
Net cash inflow from financing activities		**97**	**326**	14,544	14,815
(Decrease)/Increase in cash and cash equivalents		**(12,024)**	**–**	11,455	–
Cash and cash equivalents at the start of the year		**17,103**	**–**	5,648	–
Cash and cash equivalents at the end of the year		**5,079**	**–**	17,103	–
Cash, cash equivalents and deposits at the end of the year	16	**5,079**	**–**	17,103	–

The notes on pages 63 to 93 form an integral part of these financial statements.

Notes to the Financial Statements

1. Reporting entity

C4X Discovery Holdings plc (the "Company") is an AIM listed company incorporated, registered and domiciled in England and Wales within the UK.

These Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") for the year ended 31 July 2022.

The financial statements of the Company and the Group for the year ended 31 July 2022 were authorised for issue by the Board of Directors on 14 December 2022 and the statement of financial position was signed on the Board's behalf by Clive Dix.

The significant accounting policies adopted by the Group are set out in note 3.

2. Basis of preparation

Statement of accounting compliance

The Group's and parent company's financial statements have been prepared in accordance with UK adopted international accounting standards as they apply to the financial statements of the Group for the period ended 31 July 2022.

Basis of measurement

The Company and Group financial statements have been prepared on the historical cost basis.

The methods used to measure fair values of assets and liabilities are discussed in the respective notes in note 3 below.

Going concern

Notwithstanding a consolidated operating loss for the year ended 31 July 2022 of £10.5 million (2021: £5.9m), revenues of £2.7 million (2021: £5.6m) and net cash used in operating activities of £12.1 million (2021: £3.1m), the Directors have prepared both the consolidated and Company financial statements on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Group completed a £5.7 million fundraising with existing investors in August 2022 and received the outstanding R&D tax credit for the prior year of £2.1 million in October 2022. The Group also signed a licence deal in November 2022 with AstraZeneca for its intellectual property rights relating to the NRF2 Activator programme , where $2 million was received in an upfront payment. The Group has cash and cash equivalents at 31 July 2022 of £5.1 million (2021: £17.1m) and at 30 November 2022 had cash resources of £10.8 million.

The Board has prepared cash flow forecasts covering at least 12 months from the date of signing the financial statements, including a severe but plausible downside scenario which takes into consideration worse than anticipated inflationary cost pressures, and a severe delay in the timing of the research and development tax credit receipt.

The severe but plausible downside scenario considered reflects a delay of six months in the receipt of forecast research and development tax credits from HMRC and a 20% increase in Contract Research Organisations (CRO) costs for continuing programmes, and worse than anticipated inflationary impacts on other costs including scientific, operational and staff costs. The base case and severe but plausible downside cash flow forecasts, which both assume no further fund raising and no cash from revenues during the forecast period, indicate that the Group and Company have sufficient cash resources to meet their liabilities as they fall due for at least 12 months from the date of approval of these financial statements

In terms of the period beyond the 12 month going concern assessment period, the severe but plausible downside scenario, indicates that existing cash resources would be exhausted in approximately March 2024. The nature of the Group's business model and its research intensive operations create a requirement for additional funding until the Group is generating a higher level of revenue from partnered programmes. However, the Board have a reasonable expectation they will be able to raise further equity financing to support their ongoing research activities. The Board also have a reasonable expectation that, with three partnered programmes, further milestone payments will be achieved within the forecast period, and another licensing deal may be signed. There can be no guarantees that either of these events will occur, however, and they are therefore not reflected in the Board's base case or sensitised cash flow forecasts.

Assessment of expenditure and timing of revenue or fundraising is continually and diligently monitored and, if potential delays were identified, the Board consider they would be able to take additional, reasonable mitigating actions. This includes but is not limited to a reduction in expenditure on platform development activities to focus purely on commercialising earlier stage drug molecules, and reducing other discretionary administrative expenditure, which would enable the Group and Company to continue to operate within its existing cash resources for an extended period.

Based on the above factors the Board are satisfied that the Group and Company have adequate resources to enable the Group and Company to continue discharging their liabilities and realising their assets for at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

Functional and presentational currency

These financial statements are presented in Pounds Sterling, which is also the functional currency of the Company and its subsidiaries. All financial information presented has been rounded to the nearest thousand.

Use of judgements and estimates

The preparation of financial statements requires management to make estimates and judgements that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual amounts could differ from those estimates. Estimates and judgements used in the preparation of the financial statements are continually reviewed and revised as necessary.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Judgements made in applying the Group's accounting policies that have the most significant impact on the amounts recognised in the financial statements are:

Revenue recognition

When determining the correct amount of revenue to be recognised, the Group is includes making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards.

In the current year, C4XD has recognised revenue from a non-sales based milestone received from Sanofi, along with revenue in respect of the ongoing research work plan.

Whether the non-sales based milestones under the Sanofi contract will be met and the associated payments become due is highly susceptible to factors outside of the Group's influence, principally because they involve the judgement of third parties like Regulatory Authorities. The revenue associated with these milestones should be recognised at the date that the uncertainty surrounding each milestone resolves and given the nature of the milestones the Group would expect this to be on the date that each milestone is met. On that basis, the revenue associated with the first milestone achieved has been recognised in full in the current year.

With respect to the research work plan, the Group has recognised revenue as follows. The cost has been established by taking the total number of days spent on the project in the year by its employees and multiplying this by the average FTE cost established at initiation of the project. A commercial margin was then applied to the cost of these employees to calculate the revenue and this was then released from deferred income and recognised as revenue. £0.14 million of deferred income has been recognised in the year in respect of the research work plan (2021 £0.10m).

When this deal was signed with Sanofi in the prior year, for the worldwide licensing of C4XD's IL-17A oral inhibitor programme, judgement was required in identifying the number of performance obligations in the contract, specifically whether the transfer of intellectual property and the delivery of research services represented different performance obligations. The Group applied the guidance in IFRS 15 by considering whether the licence was distinct from the promise to provide ongoing research services through the duration of the research work plan set out in the agreement. As such, revenue recognised from the delivery of research services is recorded over time and this resulted in £0.5 million of revenue being spread over an 18-month period from the date of signing the deal. The alternative judgement could have been that the transfer of intellectual property and the delivery of research services is one performance obligation which would have resulted in the upfront payment of £6 million being recognised over the length of the research work plan estimated at 18 months. The Group concluded that these were separate performance obligations as both the intellectual property and the research work programme could be sold separately and the customer can benefit from each on its own or together with readily available resources, so they are capable of being distinct and they are set out as separate promises in the contract.

Additional judgement was required in determining whether the transfer of intellectual property gave the customer use at a time which the licence was granted or a right to access. Management determined that the customer received the right to the drug molecule on the date that the IP was transferred over and therefore the cash payment received constituted handing over control of the IP to Sanofi and was not dependent on any future outcomes. The impact of this judgement resulted in recognising revenue in full of £5.5 million in the prior year, being the residual balance of the upfront payment after allocating revenue to the other performance obligation. Alternatively, management could have assessed the transfer of intellectual property as a right to access of the licence agreement date which would have resulted in deferring £2.75 million into the current year.

Research and development

Careful judgement by the Directors is applied when deciding whether the recognition requirements for capitalisation of research and development costs have been met. In particular, judgement is required over whether technical viability is proven and whether economic benefits will flow to the entity. The Directors consider that these factors are uncertain until such time as commercial supply agreements are considered likely to be achieved. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are monitored by the Directors. Further information is included in note 3.

Estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

- Revenue recognition

Estimation is involved in determining the correct amount of revenue to recognise. This can be split into two components:- (i) the allocation of the transaction price between performance obligations and (ii) the timing of revenue recognition in respect of the delivery of services, particularly where there is an expectation that the customer will not fully exercise their rights to services.

Firstly, the allocation of the transaction price for the revenue relating to the ongoing research services in the prior year was calculated on a cost-plus margin basis. The existing salaries of five full time equivalents ("FTE") which were available under the terms of the contract were combined and a commercial margin was applied to the cost of these employees. In calculating the cost, an average FTE day rate was taken and multiplied by the total number of days expected to be worked over an 18-month period from the date of signing the agreement which resulted in £0.5 million of revenue being spread over the length of the research work programme.

To arrive at the commercial margin used, management reviewed the results from comparable drug discovery services, both emerging and well-established CROs, to understand the margins that they are achieving. The Company's platform is unproven and unvalidated commercially as a stand-alone paid-for drug discovery software and consequently any paid-for commercial access to the software would, at this stage, effectively be beta-testing and therefore attract a margin at the lower range of those achieved by other providers.

- Investments in and loans to subsidiaries

Loans to subsidiaries are tested for impairment using an expected credit loss model. This requires estimation of the probability of default, the exposure at default and the loss given default in order to calculate the expected credit loss of the loans to subsidiaries. The key judgement made by management in the expected credit loss calculations are the definition of default and the probability assumptions of the future cashflows and the timing of the cashflows. The definition of default and the probability sensitivities are disclosed in Note 13.

The recoverable amount of the Parent's investment in subsidiary is tested for impairment when indicators of impairment (or reversal of impairment) are identified. The potential recoverable amounts have been determined based on a value in use model. The recoverable amount is greater than the carrying amount. These calculations require the use of estimates both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these cash flows. Cash flow estimates include signing future licence agreements and the receipt of further milestone licence payments, the timing of which are uncertain. These estimates were benchmarked against the Group's own experience of such deals and external sources of information within the industry. The assumptions and related sensitivity analysis in these calculations are included in note 13.

3. Significant accounting policies

The accounting policies set out below are consistent with those of the previous financial year and are applied consistently by Group entities.

Basis of consolidation

The Group financial statements consolidate the financial statements of C4X Discovery Holdings plc and the entities it controls (its subsidiaries) drawn up to 31 July each year.

All business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries are all entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All C4X Discovery Holdings plc's subsidiaries are 100% owned. Subsidiaries are fully consolidated from the date control passes.

All intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Subsidiaries' accounting policies are amended where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. As at the reporting date the Group operated with only a single segment.

Revenue

IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard establishes a five-step principle-based approach for revenue recognition and is based on the concept of recognising an amount that reflects the consideration for performance obligations only when they are satisfied and the control of goods or services is transferred.

The majority of the Group's contract revenue is generated from licences and services.

Management reviewed the contracts where the Group received consideration in order to determine whether or not they should be accounted for in accordance with IFRS 15. To date, the Group has entered into two transactions – the second which was signed in the prior year - that generate revenue and meet the scope of IFRS 15. After review of the contract with Sanofi, it was determined, in the prior year, that there were two performance obligations to be satisfied, the first to being the transfer of IP and the second being the provision of research services through the 'research work programme'. Contract revenue is recognised at either a point-in-time or over time, depending on the nature of the services and transfer of goods.

Revenue generated from the sale of a licence to a customer is determined to be recognised at a point in time when a promise to provide the customer with the right to use the entity's IP is satisfied. Management determined that the customer receives the right to the drug molecule on the date that the IP is transferred over and therefore the cash payment received constitutes handing over control of the IP to Sanofi and is not dependent on any future outcomes. The general guidance is applied on performance obligations satisfied at a point in time to determine the point in time at which the licence transfers to the customer. In this scenario, the point of time was deemed to be the effective date that all of the intellectual property was transferred over to Sanofi. The allocation of the transaction price for the sale of licence was deemed to be £5.6 million which was the remainder of the upfront payment received in the prior year after deducting for the revenue allocated to the second performance obligation.

The contract with Sanofi also includes future milestone payments which are contingent on the drug molecule passing various clinical trials testing at a future point in time. As there can be significant variability in final outcomes, the Group applies a constraint when measuring the variable element within revenue, so that revenue is recognised at a suitably cautious amount. The objective of the constraint is to ensure that it is highly probable that a significant reversal of revenue will not occur when the uncertainties are resolved. The constraint is applied by making suitably cautious estimates of the inputs and assumptions used in estimating the variable consideration. The constraints applied in recognising revenue mean that the risk of a material downward adjustment to revenue in the next financial year is low. The company recognised the first of these milestones in full in the current year when it was achieved.

Royalty payments will be received by the Group when the drug is marketed and sold by Sanofi. Revenue on royalty payments are recognised when they are earned which for the Group will be when Sanofi have developed the drug and sold a set number of products. At this point, the royalty rate owed to Group is applied to the portion of the net sales made by Sanofi on royalty-bearing products that fall within the indicated range as set out in the sales agreement.

Revenue generated from services agreements is determined to be recognised over time when it can be determined that the services meet one of the following: (a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs; (b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Sanofi contract includes a separate performance obligation to deliver research services. It was determined that the services provided to Sanofi under the terms of the research work programme in the contract meets criteria (a) above on the basis that the customer receives and uses the benefit as the work on any new compounds is evolved and is therefore a separate performance obligation and revenue should be recognised over time. The allocation of the transaction price for the revenue relating to the ongoing research services has been calculated on a cost-plus margin basis. The existing salaries of five full time equivalents ("FTE") which are available under the terms of the contract have been combined and a commercial margin has been applied to the cost of these employees. In calculating the cost, an average FTE day rate has been taken and multiplied by the total number of days expected to be worked over an 18-month period from the date of signing the agreement which results in £0.5m of revenue being spread over the length of the research work programme.

Deferred Revenue

Deferred revenue includes amounts that are receivable or have been received per contractual terms but have not been recognised as revenue since performance has not yet occurred or has not yet been completed. The Company classifies non-current deferred revenue for any transaction which is expected to be recognised beyond one year.

Research and development

Research costs are charged in the consolidated statement of comprehensive income as they are incurred. Development costs will be capitalised as intangible assets when it is probable that future economic benefits will flow to the Group. Such intangible assets will be amortised on a straight-line basis from the point at which the assets are ready for use over the period of the expected benefit and will be reviewed for impairment at each reporting date based on the circumstances at the reporting date.

The criteria for recognising expenditure as an asset are:

- it is technically feasible to complete the product;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development, use and sale of the product; and
- expenditure attributable to the product can be reliably measured.

Development costs are currently charged against income as incurred since the criteria for their recognition as an asset are not met.

The Group utilises the government's R&D tax credit scheme for all qualifying UK R&D expenditure. The credits are accounted for under IAS 12, and presented in the profit and loss as a deduction from current tax expense to the extent that the entity is entitled to claim the credit in the current reporting period.

Leases

The Group applies the leasing standard IFRS16, to all contracts identified as leases at their inception, unless they are considered short-term or where the asset is of a low underlying value.

The Group has lease contracts in relation to property and office equipment. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

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 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, at which point the Group assesses the term for which it is reasonably certain to hold that lease. 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount 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 the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It 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 presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position. On a significant event, such as the lease reaching its expiry date or the likely exercise of a previously unrecognised break clause, the lease term is re-assessed by management as to how long we can be reasonably certain to stay in that property, and a new lease agreement or modification (if the change is made before the expiry date) is recognised for the re-assessed term.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Assets which fall into this category include office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The value of these leases is less than £1,000 per annum.

COVID-19-related rent concessions
The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification. The total value of this was £Nil for the year (2021: £10,462).

Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as interest accrues using the effective interest rate method.

Finance costs comprise interest payments on right-of-use leases.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantially enacted by the reporting date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which differences can be utilised. An asset is not recognised to the extent that the transfer or economic benefits in the future are uncertain.

Tangible fixed assets

Owned assets
Property, plant and equipment assets are recognised initially at cost. After initial recognition, these assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Leased assets
Assets funded through finance leases and similar hire purchase contracts and those previously classified as operating leases are now recognised in the consolidated statement of financial position under IFRS 16 Leases as a right of use asset. The lease note illustrates the recognition and subsequent measurement of leased assets under IFRS 16.

Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component.

The following bases and rates are used to depreciate classes of assets:

Building improvements	- straight-line over remainder of lease period
Office equipment, fixtures and fittings	- straight-line over three years
Right-of-use assets	- straight-line from the commencement date to the end of the lease term

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

A property, plant and equipment item is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the consolidated statement of comprehensive income in the period of derecognition.

Intangible assets

Intangible assets acquired either as part of a business combination or from contractual or other legal rights are recognised separately from goodwill provided they are separable and their fair value can be measured reliably. This includes the costs associated with acquiring and registering patents in respect of intellectual property rights.

Where intangible assets recognised have finite lives, after initial recognition their carrying value is amortised on a straight-line basis over those lives. The nature of those intangibles recognised and their estimated useful lives are as follows:

Patents	- straight line over 20 years
IP assets	- straight line over five years
Software	- straight line over five years

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Impairment of assets

At each reporting date the Group reviews the carrying value of its plant, equipment, intangible assets and goodwill to determine whether there is an indication that these assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an assessment of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from

other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, an appropriate valuation model is used, these calculations are corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a valuation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The carrying values of plant, equipment, intangible assets and goodwill as at the reporting date have not been subjected to impairment charges.

Investments in subsidiaries

Investments in subsidiaries are stated in the Company's statement of financial position at cost less provision for any impairment.

Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are measured at amortised cost. Loss allowances for trade receivables are measured at an amount equal to a lifetime expected credit loss ("ECL"). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the receivables. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The gross carrying amount of trade receivables are written off to the extent that there is no realistic prospect of recovery

Cash, cash equivalents and short-term investments and cash on deposit

Cash and cash equivalents comprise cash at hand and deposits with maturities of three months or less. Short-term investments and cash on deposit comprise deposits with maturities of more than three months, but no greater than 12 months.

Trade and other payables

Trade and other payables are non-interest bearing and are initially recognised at fair value. They are subsequently measured at amortised cost using the effective interest rate method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any expected reimbursement, but only where recoverability of such reimbursement is virtually certain.

Provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

There were no provisions at 31 July 2022 (2021: £nil).

Financial instruments

i) Recognition and initial measurement

At the year end, the Group had no financial assets or liabilities designated at fair value through the consolidated statement of comprehensive income (2021: £nil).

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and liabilities are initially recognised when the Group becomes a party to the contractual provisions in the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or a financial liability is initially measured at fair value plus, for items not measured at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets
On initial recognition a financial instrument is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as FVTPL:

- 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 a specified date to cash flows that are solely the payment of principal and interest on the principal outstanding.

On initial recognition of an equity investment that is not held for trading the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Financial liabilities
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss.

At the year end, the Group had no financial assets or liabilities designated at FVOCI (2021: £nil).

Share capital
Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not remeasured in subsequent years.

Share-based payments
Equity-settled share-based payment transactions are measured with reference to the fair value at the date of grant, recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured using a suitable option pricing model.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the consolidated statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where awards are granted to the employees of a subsidiary company, the fair value of the awards at grant date is recorded in the Company's financial statements as an increase in the value of the investment with a corresponding increase in equity via the share-based payment reserve.

Warrant reserve
Proceeds from issuance of warrants, net of issue costs are included in the warrant reserve. The warrant reserve is distributable and will be transferred to retained reserves upon exercise or lapse of warrants.

Defined contribution pension scheme
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting period.

New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations have been endorsed by the EU and are effective for annual periods commencing on or after 1 January 2022 or ending 31 July 2023 or thereafter and have not been applied in preparing these consolidated financial statements and those are summarised below. None of these are expected to have a significant effect on the consolidated financial statements of the Group in the period of initial application.

The following standards and interpretations have an effective date after the date of these financial statements.

	UK effective date
IFRS 17 Insurance Contracts	1 January 2023

Research partnerships

The costs and revenues related to research partnerships are shared between the parties in accordance with the terms of the agreement.

4. Segmental information

The Group operated as one single operating segment for the current and prior financial years. This is the level at which operating results are reviewed by the Chief Operating Decision Market (considered to be the Board of Directors) to assess performance and make strategic decisions about the allocation of resources.

Revenue from contracts with customers

	2022 £000	2021 £000
Revenue recognised at a point in time		
- Right-to-use licence revenue	**-**	5,540
- Milestone revenue	2,555	-
Revenue recognised over time		
- Research services revenue	**144**	102
Total revenue	**2,699**	5,642

Revenue in the current and prior year is generated from a contract with a single customer. In the current year, the milestone revenue was determined to have one performance obligation and has been recognised at a point in time. The revenue in the prior year was determined to have two performance obligations. The revenue attributable to the transfer of intellectual property was recognised at a single point in time. The revenue attributed to the delivery of research services is recognised over time and progress is measured based on costs incurred to date as compared with the total projected costs for both the current and prior year.

Contract balances

Receivable balances in respect of contracts with customers are as follows:

	2022 £000	2021 £000
Trade receivables	**2,555**	–

Contract liabilities represent the Group's obligation to provide services to a customer for which consideration has been received. Contract liabilities are included within deferred revenue on the Consolidated Statement of Financial Position.

	2022 £000	2021 £000
Deferred revenue – short term	**250**	330
Deferred revenue – long term	**-**	64
Total deferred revenue	**250**	394

Remaining performance obligations represent the value of partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year and for which fulfilment of the contract has started as of the end of the reporting period. The total remaining consideration allocated to remaining performance obligations at 31st July 2022 was £250,000 (2021: £394,000). The Group expects to recognise the remaining performance obligations as revenue and will do so based upon costs incurred to date as compared with the total projected costs.

	Less than 1 year £000	Greater than 1 year £000	Total £000
Remaining performance obligations	250	-	250

Impairment losses recognised on receivables arising from contracts with customers are £nil (2021: £nil).

Typical payment terms are 60 days after the occurrence of the relevant milestone.

5. Operating loss

The Group	31 July 2022 £000	31 July 2021 £000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment (see note 10)	**23**	33
Depreciation on right-of-use assets (see note 10)	**212**	254
Amortisation of intangible assets (see note 11)	**8**	88
Foreign exchange (gains)/losses	**149**	71
Research and development expense*	**9,426**	8,263
Auditor's remuneration		
Audit services:		
-Fees payable to Company auditor for the audit of the parent and the consolidated accounts	**200**	90
Fees payable in respect of the audit of subsidiary companies:		
-Auditing the accounts of subsidiaries pursuant to legislation	**50**	30
-Other services	**9**	36
Total auditor's remuneration	**259**	156

* Included within research and development expense are staff costs totalling £2,734,000 (2021: £2,951,000) also included in note 6.

6. Staff costs and numbers

	31 July 2022 £000	31 July 2021 £000
Wages and salaries	**3,445**	3,551
Social security costs	**430**	409
Pension contributions	**524**	442
Share-based payments	**309**	249
	4,708	4,651
Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	**807**	745

Directors' emoluments (excluding social security costs, but including benefits in kind) disclosed above include £204,000 paid to the highest paid Director (2021: £196,000).

Retirement benefits are accruing to seven Directors (2021: four Directors).

The average number of employees during the year (including Directors) was as follows:

The Group	31 July 2022 Number	31 July 2021 Number
Directors	**8**	7
Technological staff	**32**	32
Administrative staff	**8**	7
	48	46

Additional information on the emoluments and compensation, including cash or non-cash benefits, of the Directors, together with information regarding the share options of the Directors, and details of contributions paid to a pension scheme on their behalf, is included within Tables 1 and 2 on page 43, which forms part of these audited financial statements.

7. Finance income and costs

The Group	31 July 2022 £000	31 July 2021 £000
Finance income		
Bank interest receivable	**-**	1
	-	1
Finance costs		
Interest on lease liabilities	**12**	15
	12	15

8. Income tax

The tax credit is made up as follows:

The Group	31 July 2022 £000	31 July 2021 £000
Current income tax		
UK corporation tax on losses in the year		
Research and development income tax credit receivable	**(2,365)**	(2,053)
Adjustment in respect of prior years	**(9)**	(10)
	(2,374)	(2,063)
Deferred tax		
Charge for the year	**-**	-
Total income tax credit	**(2,374)**	(2,063)

The tax assessed for the year varies from the standard rate of corporation tax as explained below:

The Group	31 July 2022 £000	31 July 2021 £000
Loss before taxation	**(10,534)**	(5,907)
Tax at standard rate of 19.00% (2021: 19.00%)	**(2,001)**	(1,122)
Effects of:		
Additional deduction for research and development expenditure under SME scheme	**(1,752)**	(1,633)
Surrender of research and development relief for receivable tax credit under SME scheme	**3,099**	2,690
Research and development tax credit receivable under SME scheme	**(2,365)**	(2,053)
Tax losses carried forward for which no deferred tax asset is recognised	**590**	-
Capital allowances in excess of deprecation and share based payment charges carried forward for which no de-ferred tax asset is recognised	**64**	65
Adjustment in respect of prior years	**(9)**	(10)
Tax credit in income statement	**(2,374)**	(2,063)

The Group qualifies for HMRC's SME R&D tax relief scheme which for the current and prior year allows it to deduct an extra 130% of its qualifying costs against its tax position. As the group is loss making it has elected to claim a receivable tax credit under the scheme of £2,365,000, being 14.5% of the surrenderable loss, instead of carrying forward the research and development relief as additional tax losses. These adjustments are included in the tax reconciliation.

The Group has accumulated losses available to carry forward against future trading profits. The estimated value of the deferred tax asset, measured at a standard rate of 25% (2021: 25%), is £5,107,000 (2021: £4,331,000), of which £nil (2021: £nil) has been recognised. Tax losses have not been recognised as an asset as it is not yet probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group also has a deferred tax liability being accelerated capital allowances, for which the tax, measured at a standard rate of 25% (2021: 25%) is £12,000 (2021: £9,000).

The Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 25% (2021: 25%), is £386,000 (2021: £298,000).

The net deferred tax asset of £374,000 (2021: £289,000) has not been recognised as it is not yet probable that future taxable profits will be available against which the unused tax losses can be utilised.

In the March 2021 budget it was announced that the UK corporation tax rate would remain at the current 19% and increase to 25% from 1 April 2023. Accordingly, the UK deferred tax asset/(liability) as at 31 July 2022 and 31 July 2021 have been calculated based on the enacted rate as at the balance sheet date of 25%. It was confirmed by the government in October 2022 that the corporation tax rate will increase to 25% as planned from 1 April 2023.

9. Earnings per share

The Group	31 July 2022 £000	31 July 2021 £000
Loss for the financial year attributable to equity shareholders	**(8,160)**	(3,844)
Weighted average number of shares		
Ordinary shares in issue for purposes of basic EPS	**228,675,845**	196,261,295
Effect of potentially dilutive ordinary shares:		
Number of exercisable share options and warrants	**12,231,972**	14,531,129
Ordinary share in issue for purposes of diluted EPS	**240,907,817**	210,792,424
Basic loss per share (pence)	**(3.57)**	(1.96)
Diluted loss per share (pence)	**(3.57)**	(1.82)

The number of exercisable share options and warrants above are those deemed to be potentially dilutive in nature as their exercise price is less than the average share price for the period. As the group made a loss in the current and comparative period the effects of these potential ordinary shares are not dilutive. The prior year comparative has not been restated as the impact was not considered material.

10. Tangible fixed assets

The Group Cost	Office equipment, fixtures and fittings £000	Building improvements £000	Right-of-use assets £000	Total £000
At 31 July 2020	**249**	**38**	**543**	**830**
Additions	20	-	253	273
Disposals	(17)	-	(248)	(265)
At 31 July 2021	**252**	**38**	**548**	**838**
Additions	37	-	542	579
Disposals	(11)	-	-	(11)
At 31 July 2022	**278**	**38**	**1,090**	**1,406**
Depreciation				
At 31 July 2020	**203**	**38**	**165**	**406**
Provided during the year	33	-	254	287
Eliminated on disposal	(17)	-	(248)	(265)
At 31 July 2021	**219**	**38**	**171**	**428**
Provided during the year	23	-	212	235
Eliminated on disposal	(11)	-	-	(11)
At 31 July 2022	**231**	**38**	**383**	**652**
Net book value				
At 31 July 2022	**47**	**-**	**707**	**754**
At 31 July 2021	33	-	377	410

The Company has no tangible fixed assets.

The Group recognises right-of-use assets with respect to its property leases.

11. Intangible assets

The Group Cost	Patents £000	IP assets £000	Software £000	Total £000
At 31 July 2020	**138**	**600**	**50**	**788**
Additions	–	–	–	–
At 31 July 2021	**138**	**600**	**50**	**788**
Additions	–	–	–	–
At 31 July 2022	**138**	**600**	**50**	**788**
Amortisation				
At 31 July 2020	**61**	**530**	**40**	**631**
Provided during the year	8	70	10	88
At 31 July 2021	**69**	**600**	**50**	**719**
Provided during the year	8	–	–	8
At 31 July 2022	77	600	50	727
Net book value				
At 31 July 2022	**61**	**–**	**–**	**61**
At 31 July 2021	69	–	–	69

Patents are amortised on a straight-line basis over 20 years. Amortisation provided during the period is recognised in administrative expenses. The Group does not believe that any of its patents in isolation are material to the business.

IP assets and software are amortised on a straight-line basis over five years. Amortisation provided during the period is recognised in administrative expenses.

For impairment reviews see note 12.

The Company has no intangible assets.

12. Goodwill

The Group Cost	Purchased goodwill £000	Total £000
At 31 July 2020, 31 July 2021 & 31 July 2022	**1,192**	**1,192**
Impairment		
At 31 July 2020	–	–
Provided during the year	–	–
At 31 July 2021	–	–
Provided during the year	–	–
At 31 July 2021	–	–
Net book value		
At 31 July 2022	**1,192**	**1,192**
At 31 July 2021	1,192	1,192

The Group has determined that for the purposes of goodwill and other intangibles (see note 11) impairment testing, the UK Operations represents the lowest level within the entity that goodwill and other intangibles are monitored for internal management purposes. This is consistent with the one operating segment analysis within Note 4. Therefore, the Group only has one cash-generating unit ("CGU").

Management assesses goodwill and other intangibles for impairment annually at the year-end date.

For both the current and prior year, impairment reviews were performed by comparing the carrying value of the cash-generating unit with their recoverable amount.

The recoverable amount of the cash-generating units has been determined based on their fair value less costs to disposal. As there is only one CGU, the Group has determined its market capitalisation at the year-end date to be a good basis in determining the value of the underlying CGU. The market capitalisation at the year-end date was £61 million (2021: £67m).

The assessment by the Board determined that the recoverable amount of the CGU exceeded their carrying value, and therefore no impairment was required. (2021: no impairment)

The Directors are satisfied that no reasonably possible change in this estimate would result in the recognition of an impairment within the next twelve months and accordingly the carrying value of goodwill and other intangibles are not considered a significant estimate as at 31 July 2022.

The Company has no goodwill.

13. Investment in and loans to subsidiaries

The Company Cost	Investment in subsidiary £000	*Loans to group undertakings £000*	*Total £000*
At 31 July 2021	**3,033**	**56,460**	**59,493**
Additions	309	338	647
At 31 July 2022	**3,342**	**56,798**	**60,140**
Provision			
At 31 July 2021	–	–	–
Provided during the year	–	–	–
At 31 July 2022	–	–	–
Net book value			
At 31 July 2022	**3,342**	**56,798**	**60,140**
At 31 July 2021	3,033	56,460	59,493

By subsidiary	
C4X Discovery Limited	60,140
C4X Drug Discovery Limited	–
Adorial Limited	–
At 31 July 2022	**60,140**

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	31 July 2020
C4X Discovery Limited*	England and Wales	Research and development	Ordinary	100%
C4X Drug Discovery Limited**	England and Wales	Dormant company	Ordinary	100%
Adorial Limited*	England and Wales	Dormant company	Ordinary	100%
Adorial Technologies Limited*	England and Wales	Dormant company	Ordinary	100%
Adorial Pharma Limited*	England and Wales	Dormant company	Ordinary	100%

* The registered office address is Manchester One, 53 Portland Street, Manchester M1 3LD.
** The registered office address is C/O Schofield Sweeney Springfield House, 76 Wellington Street, Leeds, West Yorkshire LS1 2AY.

Investment in subsidiary

The recoverable amount has been determined based on a value in use cashflow model. We note that there is high estimation uncertainty and judgement involved in the preparation of the cash flow forecast and it is sensitive to changes in key assumptions - particularly around the simplified 25% discount rate used and drug programme failure.

For an impairment to arise, the simplified discount rate would need to increase from 25% to 41% (with no change in the cash flows). Alternatively, two drug programmes out of the five included in the model would need fail for an impairment to arise (with no change in the discount rate). The model excludes later stage sales threshold milestones and royalties and only takes into the model partnered programmes and the two more advanced unpartnered programmes. The model demonstrates that the discounted future cashflows amount to £111 million (2021: £65m).

During the prior year, the impairment of the Parent's investment in its subsidiary from previous years was reversed due to changes in the assumptions in the underlying cash flows of the business that increased the estimated recoverable amount. The value of the reversed impairment the prior year was (£2,784,000).

Loans to group undertakings

There are no formal terms for the repayment of inter-company loans, none of which bear interest and all of which are repayable on demand however the Directors do not expect this amount to be settled within the next 12 months therefore have classified this as a non-current receivable.

The recoverable amount of loans to subsidiaries is determined by using an expected credit loss model which takes into account the probability of default, the exposure at default and the loss given default at the year end. The company defines default in this context as the performance of the subsidiary against its business plan and forecasts and progress of pipeline programmes towards commercialisation.

The Company does not expect this amount to be recalled within the next 12 months and nor would the subsidiary be able to repay on demand and therefore the Company has considered how it expects to recover the loan receivable and the recovery period of the loan in calculating the expected credit loss.

The Company considers the probability of default to be low when considering the performance of the subsidiary. The Company has assessed the expected credit loss by looking at the future cashflows of the subsidiary. As the loan is held at 0% interest, the effective rate of return (ERR) is deemed to be 0%.

The potential recoverable amount has been determined based on probability weighted cashflow model. These calculations require the use of estimates in arriving at the expected future cash flows. Cash flow estimates include signing future licence agreements and the receipt of further milestone licence payments, the timing of which are uncertain. These estimates were benchmarked against the Group's own experience of such deals and external sources of information within the industry.

The key judgement made by management in the expected credit loss calculations is the definition of default, and the probability assumptions of the future cashflows and the timing of the cashflows.

The ECL provision is £immaterial (2021: £immaterial) as the probability of default is low and the probability weighted cashflows show sufficient headroom when compared with the total value of the loan.

The carrying amount of the loan receivable is sensitive to assumptions about the future. A probability weighted future cash flow model has been used with a total implied probability of 18% (2021: 18%). In order for an impairment to arise, the total implied probability would need to fall to 14% (2021: 15%).

14. Trade and other receivables

	31 July 2022 Group £000	**31 July 2022 Company £000**	31 July 2021 Group £000	31 July 2021 Company £000
Trade receivables	**2,524**	**-**	21	-
Prepayments	**398**	**-**	307	-
Inter-company short-term loan to subsidiary	**-**	**-**	-	6
VAT receivables	**147**	**-**	246	-
	3,069	**-**	**574**	**6**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. There is £immaterial (2021: £immaterial) expected credit loss against other receivables.

There were no revenue-related contract assets (2021: £nil).

Trade receivables are denominated in the following currency:

	31 July 2022 Group £000	**31 July 2022 Company £000**	31 July 2021 Group £000	31 July 2021 Company £000
Euros	**2,519**	**-**	-	-
Sterling	**5**	**-**	21	-
	2,524	**-**	**21**	**-**

The ageing analysis of trade receivables was as follows:

	Not Yet Due £000	Due £000	<30 days overdue £000	>30 days overdue £000	Total
As at 31 July 2022	-	2,524	-	-	2,524
As at 31 July 2021	-	-	21	-	21

15. Income tax asset

	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
Research and development income tax credit receivable	**4,427**	**-**	2,053	-
	4,427	**-**	**2,053**	-

16. Cash, cash equivalents and deposits

	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
Cash and cash equivalents	**5,079**	**-**	17,103	-
	5,079	**-**	**17,103**	**-**

Cash and cash equivalents at 31 July 2022 include deposits with original maturity of three months or less of £nil (2021: £nil).

An analysis of cash, cash equivalents and deposits by denominated currency is given in note 27.

17. Trade and other payables

	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
Current Liabilities				
Current payables	**949**	**-**	472	-
Other payables	**179**	**6**	127	-
Deferred revenue	**250**	**-**	330	-
Accruals	**671**	**-**	718	-
	2,049	**6**	**1,647**	**-**
Non-Current Liabilities				
Deferred revenue	**-**	**-**	64	-
	-	**-**	**64**	-

Revenue-related contract liabilities are recognised as deferred revenue and allocated to the time period in which they are estimated to be recognised as revenue (2021: £nil).

18. Lease liabilities

	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
Current Liabilities				
Lease liabilities	**305**	**-**	217	-
	305	**-**	**217**	**-**
Non-Current Liabilities				
Lease liabilities	**424**	**-**	187	-
	424	**-**	**187**	**-**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at the time the lease is initially recognised. The weighted average rate applied is 4.99% (2021: 4.25%).

Lease liabilities are deemed to be secured against the right-of-use assets to which they relate.

	£000
2022	
Balance at 1 August 2021	404
Cash outflow	(229)
New leases	542
Interest on lease liabilities	12
At 31 July 2022	**729**

	£000
2021	
Balance at 1 August 2020	407
Cash outflow	(271)
New leases	253
Interest on lease liabilities	15
At 31 July 2021	**404**

19. Issued equity capital

The Company	Deferred shares Number	Ordinary shares Number	Share capital £000	Deferred shares £000	Warrant reserve £000	Share premium £000	Total £000
Allotted, called up and fully paid ordinary shares of 1p							
At 31 July 2020	**2,025,000**	**119,203,144**	**1,191**	**2,025**	**–**	**40,306**	**43,522**
Issue of share capital on placing	–	99,169,286	992	–	–	11,899	12,891
Issue of share capital on open offer	–	7,973,572	80	–	–	1,037	1,117
Issue of warrants on placing	–	–	–	–	992	–	992
Issue of share capital on exercise of share options	–	188,125	2	–	–	6	8
Issue of share capital on exercise of warrants	–	1,278,570	13	–	(13)	345	345
Expenses of placing, open offer and subscription by Directors	–	–	–	–	–	(551)	(551)
At 31 July 2021	**2,025,000**	**227,812,697**	**2,277**	**2,025**	**979**	**53,042**	**58,324**
Issue of share capital on exercise of share options	–	319,275	3	–	–	15	18
Issue of share capital on exercise of warrants	–	1,100,000	11	–	(11)	297	297
At 31 July 2022	**2,025,000**	**229,231,972**	**2,291**	**2,025**	**968**	**53,355**	**58,639**

The Group	Share capital £000	Deferred shares £000	Warrant reserve £000	Share premium £000	Total £000
Allotted, called up and fully paid ordinary shares of 1p					
At 31 July 2020	**1,191**	**2,025**	**–**	**40,306**	**43,522**
Issue of share capital on placing	992	–	–	11,899	12,891
Issue of share capital on open offer	80	–	–	1,037	1,117
Issue of warrants on placing	–	–	992	–	992
Issue of share capital on exercise of share options	2	–	–	6	**8**
Issue of share capital on exercise of warrants	13	–	(13)	345	345
Expenses of placing, open offer and subscription by Directors	–	–	–	(551)	(551)
At 31 July 2021	**2,277**	**2,025**	**979**	**53,042**	**58,324**
Issue of share capital on exercise of share options	3	–	–	15	18
Issue of share capital on exercise of warrants	11	–	(11)	297	297
At 31 July 2022	**2,291**	**2,025**	**968**	**53,355**	**58,639**

During November 2020 £15.0 million (before expenses) was raised via a placing of 99,169,286 ordinary shares and an open offer for 7,973,572 ordinary shares at 14 pence each. In addition, 99,169,286 warrants were issued over ordinary shares, exercisable at 28p per share with an exercise period of 5 years.

The deferred shares of £1 carry no right to participate in dividends in respect of any financial year, until there shall have been paid to the holders of the ordinary shares £1 per ordinary share in respect of the relevant financial year; subject thereto, the deferred shares and the ordinary shares shall rank equally in respect of any further dividends in respect of the relevant financial year as if they constituted one class of share.

During August 2022 £5.7 million (before expenses) was raised via a placing of 22,781,200 ordinary shares at 25 pence each.

20. Share-based payment reserve

The Group	£000
At 31 July 2020	**942**
Share-based payments	249
At 31 July 2021	**1,191**
Share-based payments	352
At 31 July 2022	**1,543**

The Company	£000
At 31 July 2020	**913**
Share-based payments	249
At 31 July 2021	**1,162**
Share-based payments	352
At 31 July 2022	**1,514**

The share-based payment reserve accumulates the corresponding credit entry in respect of share-based payment charges. Movements in the reserve are disclosed in the consolidated statement of changes in equity.

A charge of £352,000 has been recognised in the statement of comprehensive income for the year (2021: £249,000).

This includes £46,416 (2021: £46,342) of incremental fair value on replacement of options.

Share option schemes

The Group operates the following share option schemes all of which are operated as Enterprise Management Incentive ("EMI") schemes insofar as the share options being issued meet the EMI criteria as defined by HM Revenue & Customs. Share options issued that do not meet EMI criteria are issued as unapproved share options, but are subject to the same exercise performance conditions.

C4X Discovery Holdings plc Long Term Incentive Plan ("LTIP")
Grant in August 2012
Share options were granted to staff on 28 August 2012. The options granted are exercisable in the event of the listing of the Company, its acquisition or at the absolute discretion of the Board. The exercise price was set at 5.58 pence (the original exercise price of £60.00 was adjusted for a subdivision of 1,075 share options in C4X Discovery Holdings plc for each share option originally held in C4X Discovery Limited), being the estimated fair value of the shares on the day preceding the issue of the share options. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in July 2013
Share options were granted to staff on 4 July 2013. The options granted are exercisable in the event of the listing of the Company, its acquisition or at the absolute discretion of the Board. The exercise price was set at 5.58 pence (the original exercise price of £60.00 was adjusted for a subdivision of 1,075 share options in C4X Discovery Holdings plc for each share option originally held in C4X Discovery Limited), being the estimated fair value of the shares on the day preceding the issue of the share options. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in May 2014
Share options were granted to staff on 27 May 2014. The options granted are exercisable in the event of the listing of the Company, its acquisition or at the absolute discretion of the Board. The exercise price was set at 5.58 pence (the original exercise price of £60.00 was adjusted for a subdivision of 1,075 share options in C4X Discovery Holdings plc for each share option originally held in C4X Discovery Limited), being the estimated fair value of the shares on the day preceding the issue of the share options. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in June 2015
Share options were granted to staff and Directors on 8 June 2015. The options granted are exercisable at any time between three years and 10 years of them being granted. There are no performance criteria attached to the options. The exercise price was set at 100.0 pence, being the price at which shares were placed in the IPO in October 2014. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in December 2015
Share options were granted to a Director on 8 December 2015. The options granted are exercisable, subject to meeting certain performance criteria, at any time between three years and 10 years of them being granted. The exercise price was set at 77 pence, being the average of the mid-market closing price over the three days prior to 8 December 2015. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in November 2016
Share options were granted to staff and a Director on 23 November 2016. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 105 pence, being the average of the mid-market closing price over the three days prior to 23 November 2016. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in February 2017
Share options were granted to staff and a Director on 1 February 2017. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 91 pence, being the average of the mid-market closing price over the three days prior to 1 February 2017. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in May 2017
Share options were granted to staff on 17 May 2017. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 90 pence, being the average of the mid-market closing price over the three days prior to 17 May 2017. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in September 2017
Share options were granted to staff on 26 September 2017. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 77 pence, being the average of the mid-market closing price over the three days prior to 26 September 2017. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in October 2018
Share options were granted to staff and Directors on 16 October 2018 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 89.2 pence, being the average 30 day closing price of the ordinary shares to 16 October 2018. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in November 2019
Share options were granted to staff and Directors on 29 November 2019 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 16.2 pence, being the average five day volume weighted average price of the ordinary shares to 29 November 2019. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in December 2019
Share options were granted to staff on 1 December 2019 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 42.0 pence, based on the last 200-day moving average prior to 1 December 2019. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in February 2020
Share options were granted to staff on 10 February 2020 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 27.8 pence, based on the last 200 day moving average prior to 10 February 2020. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in June 2020
Share options were granted to staff on 2 June 2020 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 15.5 pence, based on the last 200 day moving average prior to 2 June 2020. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Cancellation and regrant of existing options in July 2020
A number of unvested share options were cancelled and reissued to staff and Directors on 28 July 2020. The regrant brings the strike price of the share options into line with the current market price of the Company's shares and should now deliver a viable incentive and reward package to the employees and Directors of the Company. The regrant options have an exercise price of 16 pence, being the closing price of the Ordinary Shares on 28 July 2020. The options can be exercised at any time between three years and 10 years of them being granted. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

The Group designated the new equity instruments as replacements for the cancelled equity instruments and as such, modification accounting has been applied. As the new options have an increased fair value compared to the previous awards, the incremental fair value of £154,571 is recognised over the modified three year vesting period, in addition to the amount recognised based on the grant date fair value of the original instruments, which continues to be recognised over the remainder of the original vesting period. The charge in the current year on the new options amounted to £46,416 (2021: £46,342).

Grant in December 2020
Share options were granted to staff and Directors on 14 December 2020 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 20.0 pence, being the average five day volume weighted average price of the ordinary shares to 11 December 2020. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in May 2021
Share options were granted to staff on 05 May 2021 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 41.34 pence, being the average five day volume weighted average price of the ordinary shares to 05 May 2021. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in September 2021
Share options were granted to staff on 16 September 2021 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 32 pence, being the average five day volume weighted average price of the ordinary shares to 16 September 2021. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in February 2022
Share options were granted to staff and directors on 01 February 2022 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 36 pence, being the average five day volume weighted average price of the ordinary shares to 1 February 2022. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in May 2022
Share options were granted to staff on 03 May 2022 pursuant to the EMI 2014 Plan. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 32.8 pence, being the average five day volume weighted average price of the ordinary shares to 03 May 2022. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Share options are awarded to management and key staff as a mechanism for attracting and retaining key members of staff. The options are granted at no lower than either: (i) market price on the day preceding grant; or (ii) in the event of abnormal price movements at an average market price for the week preceding grant date. Options may be granted at prices higher than the market price on the day preceding grant where the Board believes it is appropriate to do so. These options vest over a three year period from the date of grant and are exercisable until the tenth anniversary of the award. Exercise of the award is subject to the employee remaining a full time member of staff at the point of exercise. The fair value benefit is measured using a Black Scholes valuation model, taking into account the terms and conditions upon which the share options were issued.

The following tables illustrate the number and weighted average exercise prices of, and movements in, share options during the year.

The Group and Company	**2022 Number**	2021 Number
Outstanding at 1 August	**9,937,747**	7,057,522
Granted during the year	**3,824,000**	4,019,000
Exercised during the year	**(425,700)**	(188,125)
Forfeited during the year	**(460,149)**	(950,650)
Lapsed/cancelled	**-**	-
Outstanding at 31 July	**12,875,898**	**9,937,747**
Exercisable at 31 July	**161,250**	606,950

During the year ended 31 July 2022, 425,700 were exercised (2021: 188,125 exercised).

Weighted average exercise price of options

The Group and Company	2022 Pence	2021 Pence
Outstanding at 1 August	**18.61**	17.34
Granted during the year	**35.86**	20.84
Exercised during the year	**5.58**	4.07
Forfeited during the year	**25.13**	21.53
Lapsed/cancelled during the year	**-**	-
Outstanding at 31 July	**25.55**	**18.61**

A total of 3,824,000 share options were granted during the year (2021: 4,019,000). The range of exercise prices for options outstanding at the end of the year was 5.58 pence – 42.00 pence (2021: 5.58 pence – 100.00 pence).

For the share options outstanding as at 31 July 2022, the weighted average remaining contractual life is 8.3 years (2021: 8.5 years).

The following table lists the inputs to the models used for the years ended 31 July 2022 and 31 July 2021.

The Group and Company	2022	2021
Expected volatility (%)	**52.5% – 71.5%**	52.5%
Risk-free interest rate (%)	**0.35% - 1.78%**	0.35%-1.00%
Expected life of options (year's average)	**3 years – 6.5 years**	3 years
Weighted average exercise price (pence)	**n/a**	**n/a**
Weighted average share price at date of grant (pence)	**35.86**	**20.84**

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value

21. Warrant reserve

The Group and Company	£000
At 31 July 2020	**-**
Warrant premium	992
Exercise of warrants	(13)
At 31 July 2021	**979**
Warrant premium	-
Exercise of warrants	(11)
At 31 July 2022	**968**

During the year no warrants were issued (2021: 99,169,286). During the prior year warrants associated with the fundraising were issued to all places, being one warrant for every share, excluding those investors seeking to claim EIS relief in relation to their investment. The value attributed to these warrants is 1p per share from the 14p per share price of the raise.

The warrants are exercisable at 28p (2021: 28p) per ordinary share and are to be exercised within 5 years of being issued.

During the year a total of 1,100,000 warrants (2021: 1,278,570) were exercised during the year.

The following tables illustrate the number and movements in, warrants during the year.

The Group and Company	2022 Number	2021 Number
Outstanding at 1 August	**97,890,716**	-
Granted during the year	**-**	99,169,286
Exercised during the year	**(1,100,000)**	(1,278,570)
Lapsed/cancelled	**-**	-
Outstanding at 31 July	**96,790,716**	**97,890,716**
Exercisable at 31 July	**96,790,716**	97,890,716

22. Merger reserve

The Group	£000
At 31 July 2020, 31 July 2021 and 31 July 2022	**920**

The merger reserve arises as a result of the reverse acquisition requirements of IFRS 3 meaning the consolidated accounts are presented as a continuation of the C4X Discovery Limited accounts along with the share capital structure of the legal parent company (C4X Discovery Holdings plc).

23. Capital contribution reserve

The Group	£000
At 31 July 2020, 31 July 2021 and 31 July 2022	**195**

24. Retained earnings

The Group	£000
At 31 July 2020	**(37,513)**
Loss for the year	(3,844)
Warrant reserve movement	13
At 31 July 2021	**(41,344)**
Loss for the year	(8,160)
Warrant reserve movement	11
At 31 July 2022	**(49,493)**

The Company	£000
At 31 July 2020	**(8,235)**
Loss for the year	8,235
Warrant reserve movement	13
At 31 July 2021	**13**
Loss for the year	-
Warrant reserve movement	11
At 31 July 2022	**24**

25. Leases

Leases as lessee (IFRS16)

The Group leases premises under non-cancellable operating lease agreements.

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (note 10).

	Land and Buildings Group £000	Total Group £000
2022		
Balance at 1 August 2021	377	377
Depreciation charge for the year	(212)	(212)
Additions to right-of-use assets	542	542
Derecognition of right-of-use assets	-	-
Depreciation eliminated on derecognition of right-of-use assets	-	-
	707	**707**
2021		
Balance at 1 August 2020	378	378
Depreciation charge for the year	(254)	(254)
Additions to right-of-use assets	253	253
Derecognition of right-of-use assets	(248)	(248)
Depreciation eliminated on derecognition of right-of-use assets	248	248
	377	**377**

Amounts recognised in income statement		
31 July 2022		
Interest on lease liabilities	12	12
	12	**12**
31 July 2021		
Interest on lease liabilities	15	15
	15	**15**

Amounts recognised in statement of cash flows		
31 July 2022		
Lease payments	229	229
	229	**229**
31 July 2021		
Lease payments	271	271
	271	**271**

26. Commitments

At 31 July 2022, the Group had capital commitments amounting to £nil in respect of orders placed for capital expenditure (2021: £nil).

27. Financial risk management

Overview

This note presents information about the Group's exposure to various kinds of financial risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Executive Directors report regularly to the Board on Group risk management.

Capital risk management
The Group reviews its forecast capital requirements on a half-yearly basis to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 19 to 24 and in the Group statement of changes in equity.

Total equity was £11,804,000 at 31 July 2022 (£19,286,000 at 31 July 2021).

The Group is not subject to externally imposed capital requirements.

Liquidity risk
The Group's approach to managing liquidity is to ensure that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages all of its external bank relationships centrally in accordance with defined treasury policies. The policies include the minimum acceptable credit rating of relationship banks and financial transaction authority limits. Any material change to the Group's principal banking facility requires Board approval. The Group seeks to mitigate the risk of bank failure by ensuring that it maintains relationships with a number of investment grade banks.

At the reporting date the Group was cash positive with no outstanding borrowings.

Categorisation of financial instruments

Financial assets/(liabilities)	Loans and receivables £000	Financial liabilities at amortised cost £000	Group £000	Company £000
31 July 2022				
Trade receivables	2,524	-	2,524	-
Inter-company loan to subsidiary	-	-	-	56,798
Cash, cash equivalents and deposits	5,079	-	5,079	-
Trade and other payables*	-	(1,128)	(1,128)	-
Lease liabilities	-	(729)	(729)	-
	7,603	**(1,857)**	**5,746**	**56,798**

Financial assets/(liabilities)	Loans and receivables £000	Financial liabilities £000	Group £000	Company £000
31 July 2021				
Trade receivables	21	-	21	-
Inter-company loan to subsidiary	-	-	-	56,460
Cash, cash equivalents and deposits	17,103	-	17,103	-
Trade and other payables*	-	(599)	(599)	-
Lease liabilities	-	(404)	(404)	-
	17,124	**(1,003)**	**16,121**	**56,460**

* Excluding accruals and deferred revenue.

The values disclosed in the above table are carrying values. The Board considers that the carrying amount of financial assets and liabilities approximates to their fair value.

The main risks arising from the Group's financial instruments are credit risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk
The Group's principal financial assets are cash, cash equivalents and deposits. The Group seeks to limit the level of credit risk on the cash balances by only depositing surplus liquid funds with multiple counterparty banks that have investment grade credit ratings.

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's maximum exposure is the carrying amount of trade receivables as disclosed in note 14, which was neither past due nor impaired. All trade receivables are ultimately overseen by the Chief Executive Officer and are managed on a day-to-day basis by the finance team. Credit limits are set as deemed appropriate for the customer.

The maximum exposure to credit risk in relation to cash, cash equivalents and deposits is the carrying value at the balance sheet date.

Foreign currency risk
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company and its subsidiaries. Other than Pounds Sterling (GBP), the currencies that sales and purchases most often arise in are US Dollars (USD) and Euros (EUR). Transactions in other foreign currencies are limited.

The Group may use forward exchange contracts as an economic hedge against currency risk, where cash flow can be judged with reasonable certainty. Foreign exchange swaps and options may be used to hedge foreign currency receipts in the event that the timing of the receipt is less certain.

There were no open forward contracts as at 31 July 2022 or at 31 July 2021 and the Group did not enter into any such contracts during 2022 or 2021.

The split of Group assets between Sterling and other currencies at the year end is analysed as follows:

The Group	**GBP £000**	**USD £000**	**EUR £000**	**2022 Total £000**	GBP £000	USD £000	EUR £000	2021 Total £000
Cash, cash equivalents and deposits	**764**	**75**	**4,240**	**5,079**	11,094	35	5,974	17,103
Trade receivables	**5**	**–**	**2,519**	**2,524**	21	–	–	21
Trade payables	**(905)**	**(162)**	**(61)**	**(1,128)**	(494)	(80)	(25)	(599)
	(136)	**(87)**	**6,697**	**6,474**	10,621	(45)	5,949	16,525

Sensitivity analysis to movement in exchange rates
A reasonably possible strengthening (weakening) of the Euro or US Dollar against Sterling at 31 July would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Profit or loss		Equity	
	Strengthening £000	Weakening £000	trengthening £000	Weakening £000
31 July 2022				
EUR (10% movement)	744	(601)	744	(601)
USD (10% movement)	(10)	8	(10)	8
31 July 2021				
EUR (5% movement)	313	(283)	313	(283)
USD (5% movement)	(2)	2	(2)	2

27. Financial risk management continued

Interest rate risk
As the Group has no borrowings the risk is limited to the reduction of interest received on cash surpluses held at bank which receive a floating rate of interest. The principal impact to the Group is the result of interest bearing cash and cash equivalent balances held as set out below:

	31 July 2022			31 July 2021		
The Group	**Fixed rate £000**	**Floating rate £000**	**Total £000**	Fixed rate £000	Floating rate £000	Total £000
Cash, cash equivalents and deposits	**–**	**5,079**	**5,079**	–	17,103	17,103
The Company						
Cash, cash equivalents and deposits	**–**	**–**	**–**	–	–	–

As the majority of cash and cash equivalents are held on floating deposit and the overall level of interest rates is low, the exposure to interest rate movements is immaterial.

Maturity profile
Set out below is the maturity profile of the Group's financial liabilities at 31 July 2022 based on contractual undiscounted payments including contractual interest.

2022	Less than one year £000	One to five years £000	Total £000
Financial liabilities			
Trade and other payables *	1,128	–	1,128
Lease liabilities	305	424	729
	1,433	**424**	**1,857**

2021	Less than one year £000	One to five years £000	Total £000
Financial liabilities			
Trade and other payables*	599	–	599
Lease liabilities	217	187	404
	816	**187**	**1,003**

* Excluding accruals and deferred revenue. Trade and other payables are due within three months.

The Directors consider that the carrying amount of the financial liabilities approximates to their fair value.

As all financial assets are expected to mature within the next 12 months an aged analysis of financial assets has not been presented.

28. Related party transactions

During the year there were no subscriptions by Directors for ordinary shares (2021: no subscriptions).

During the year, shareholder Aquarius Equity Partners Limited charged the Group £nil (2021: £11,588) for monitoring fees and was owed £nil at 31 July 2022 (2021: £nil).

During the year, The Aquarius IV Fund LLP, a fund managed by shareholder Aquarius Equity Partners Limited, held 2,025,000 deferred shares of £1 each (2021: £2,025,000).

The Group
There were no sales to, purchases from or, at the year end, balances with any related party.

The Company
C4X Discovery Holdings plc holds loans due > 1 year from its subsidiary undertaking C4X Discovery Limited of £56.8 million (2021: £56.5m). No repayments have been made in the year (2021: none).

There are no formal terms of repayment in place for these loans and it has been confirmed by the Directors that the long-term loans will not be recalled within the next 12 months.

None of the loans are interest bearing.

There are no short term loans owed to C4X Discovery Holdings plc (2021: none).

29. Compensation of key management personnel (including Directors)

	2022 £000	2021 £000
Short-term employee benefits	**1,331**	1,476
Pension costs	**165**	151
Benefits in kind	**3**	2
Share-based payments	**128**	112
	1,627	1,741

30. Post Balance Sheet Events

On 16th August 2022, the Company raised £5.7m before expenses via a placing of 22,781,200 ordinary shares at 25 pence each.

Following the issue of these shares, the Company's ordinary share capital increased to 252,013,172 ordinary shares.

Corporate Information

Directors

Ms E-L Allan (Non-Executive Chair)
Dr C Dix (Chief Executive Officer)
Mr B Hoy (Chief Financial Officer)
Mrs B Hunjan (Chief Business Officer)
Dr A Stevenson (Non-Executive Director)
Ms N Walter (Non-Executive Director)
Mr S Harford (Non-Executive Director)
Dr M Polywka (Non-Executive Director)

Secretary

Mr B Hoy

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