This announcement contains inside information

C4X Discovery Holdings plc
(“C4XD”, “C4X Discovery” or the “Company”)

Full Year Results

Building out the C4XD portfolio, driving early innovation and advancing near-term programmes

7 January 2020 - C4X Discovery Holdings plc (AIM: C4XD), a pioneering Drug Discovery company, today announces its full year results for the year ended 31 July 2019.

Dr Clive Dix, CEO of C4X Discovery, said: *“2019 was a year of building out the C4X Discovery portfolio and advancing our drug discovery programmes to create a sustainable pipeline of potential revenue-generating assets. As momentum continues to build across our key programmes, we remain confident in our business strategy with partner discussions to date confirming commercial interest for our NRF-2 programme. This follows our already out-licensed Orexin-1 programme which is progressing to clinical studies with Indivior. Now in 2020, we will continue to advance the next wave of potential out-licensing candidates and to drive forward partnering deals to create value for our shareholders. With the business in a strong position, we are excited by our future prospects as we focus on building our pioneering Drug Discovery company towards sustainability.”*

Highlights (including post-period end)
Financial

- Revenue was £nil (2018: £7,064,000 driven entirely by the Indivior licensing agreement in 2018)
- R&D expenses increased 51% to £10,585,000 (2018: £6,992,000), reflecting the Company’s planned increase in drug discovery investment and continued development of lead drug candidates
- Total loss after tax was £10,912,000 or 18.82 pence per share (2018: £1,135,000 or 2.34 pence per share)
- Total funds raised of £17.7 million (gross) in two tranches:
    - October 2018, raised £10.1 million (before expenses) from both new and existing investors
    - Post period, November 2019, raised £7.6 million (before expenses) via a placing, subscription by directors and open offer

Operational
Advancing the next wave of out-licensing opportunities

- Continued progress across C4XD’s proprietary portfolio of 11 drug discovery programmes in multiple therapeutic areas including neurodegeneration, oncology and inflammation
- Partnering process for oral NRF-2 activator programme launched with discussions to date confirming commercial interest for NRF-2 in Sickle Cell Disease (SCD) and Pulmonary Arterial Hypertension (PAH)
- Post-period end, Indivior awarded a National Institutes of Health (NIH) HEAL grant to take C4XD’s Orexin-1 antagonist candidate, C4X-3256, into a Phase 1 clinical trial for the treatment of opioid use disorder

Collaborating to advance our Discovery Engine

- Four new synergistic strategic partnerships to expand core state-of-the-art target identification platform, drug design capabilities and drug discovery portfolio
- Lead target identified in Horizon Discovery (“Horizon”) collaboration nearing progression into a C4XD drug discovery programme
- Dr Robin Carr to head newly formed C4XD Drug Discovery Advisory Network to identify new technologies and act as the Company's ambassadors within the Biotech and Pharmaceutical industry

Analyst conference call today

Dr Clive Dix, Chief Executive Officer, and members of the management team will host a webcast for analysts at 11am GMT today. A copy of the final results presentation will be released later this morning on the Company website at www.c4xdiscovery.com. Please contact Consilium Strategic Communications for details on C4XDiscovery@consilium-comms.com / +44 203709 5700.

The Annual Report will be sent to shareholders prior to the Annual General Meeting on 31 January 2020.

—ENDS—

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About C4X Discovery

C4X Discovery (C4XD) aims to create the world's most productive Drug Discovery engine by using cutting-edge technologies and expertise to efficiently deliver best-in-class small-molecule medicines to clinical partners for the benefit of patients. The Company's business model focuses on replenishing big pharma discovery pipelines and driving returns through revenue generating pre-clinical licensing deals. In 2018, C4XD successfully out-licensed a pre-clinical programme in addictive disorders to Indivior in a deal worth up to $294m.

C4XD has a state-of-the-art suite of proprietary technologies across the Drug Discovery process and accesses further innovative capabilities and expertise through its growing network of partners. The Company is actively advancing its diverse pre-clinical discovery portfolio which is focused on inflammation, neurodegeneration and oncology (including immuno-oncology). Opportunities to maximise value from the portfolio are proactively driven by C4XD's commercial division. The Company is led by a highly experienced management team and Board who have delivered significant value creation within the healthcare sector.

For additional information please go to: www.c4xdiscovery.com

NON-EXECUTIVE CHAIRMAN'S STATEMENT

I am inspired by the vision, dedication and hard work of the C4X Discovery team. C4XD is rapidly expanding its Drug Discovery target selection portfolio to build the basis of future out-licensing assets and we are making great strides toward our goal of one day becoming the world's most productive Drug Discovery company.

This year has continued to see great advancements across our portfolio of programmes. We are delighted that Indivior, to whom we successfully out-licensed our Orexin-1 programme to last year, is advancing C4X_3256 into clinical trials.

We have been focusing on building our next wave of out-licensing opportunities. Leading the wave is our NRF-2 programme for the treatment of inflammatory diseases where recently generated data will help to drive a competitive partnering process. Furthermore, key programmes including our oral IL-17 programme and Taxonomy3-derived projects in Parkinson's Disease, continue to produce compelling data as they progress through the Drug Discovery pipeline.

Our strategy to invest and build our portfolio through collaborations with companies using cutting-edge Drug Discovery technologies complementary to our own is gaining traction. During the year, we entered into new partnerships with Horizon Discovery, LifeArc, GTN and Phoremost. These partnerships are making good progress, further advancing C4XD's portfolio in the fields of Neurodegeneration, Inflammation and Oncology.

In order to ensure that we remain at the forefront of Drug Discovery we have tasked Dr. Robin Carr, a renowned industry veteran, to build and head up our Drug Discovery Advisory Network. This network will not only identify new and exciting technologies, but also act as the Company's ambassadors within the biotech and pharmaceutical industry.

Since July 2018, we are pleased to have secured total funding of £17.7 million despite the extremely challenging markets resulting from the current political turmoil in the United Kingdom. Our goal with the recent financing round was to maximise the capital raised to deliver on our strategy, whilst maintaining our considered approach to the deployment of available funds. Development of a continuous and sustainable pipeline not only takes the deep expertise and talent of our employees but also time, patience and belief in what we are doing. We thank you, our shareholders, both existing and new, for your patience and continued confidence in our vision.

Looking to the future, we continue to drive and deliver innovation in Drug Discovery. Our responsibility is to find novel approaches to enable the discovery of new drugs to meet the challenges faced by our industry. On behalf of the Board, I would like to take this opportunity to recognise and thank our dedicated employees, whose capabilities and expertise have helped C4XD to advance significantly in the past year. I admire the C4XD team's ability to think radically and have the courage to embrace new techniques. Our reputation is growing as a great company to work for and to collaborate with, to drive the creation of future medicines. This is why I believe in the strategy and feel so inspired by being part of the Company's Board of Directors.

In the coming year, we expect to see further commercial traction and the advancement of our existing portfolio, as well as new and exciting developments coming through. And with your continued support, together, we will break new ground and build the world's most productive Drug Discovery engine.

Eva-Lotta Allan
Non-Executive Chairman
6 January 2020

CEO'S STATEMENT

2019 has been a year of building out the C4XD portfolio, driving early innovation and rapidly advancing near-term programmes to create a sustainable pipeline of potential future out-licensing opportunities.

Advancing the next wave of out-licensing opportunities

To create a sustainable pipeline of revenue-generating assets, C4XD carefully evaluates a range of potential targets to review, assess and validate through detailed scientific work and cutting-edge technologies. From these prioritised high-potential targets, the Company undertakes Drug Discovery activities, prudently selecting drug candidates that offer true commercial potential for out-licensing.

Throughout 2019, we have worked hard to build the next wave of candidates behind our successfully out-licensed Orexin-1 receptor antagonist for the treatment of addictive disorders. The near-term focus is on our NRF-2 activator programme, which has entered into the partnering phase. Early discussions have demonstrated to us that there is clear commercial interest and opportunity for NRF-2. Recent pre-clinical studies performed by both academia and industry, combined with our own in-house data, indicate NRF-2 activation as a potentially desirable therapeutic option for the treatment of Sickle Cell Disease ("SCD"). Further studies are now underway aiming to support candidate nomination in Q1 2020. We are driving forward a competitive out-licensing process with a particular focus in SCD alongside already established interest in Pulmonary Arterial Hypertension ("PAH").

Our broader pipeline now has 11 Drug Discovery programmes across Neurodegeneration, Oncology and Inflammation and we continue to expand this pipeline. During the past year, we have made progress across several key programmes. C4XD studies have demonstrated that molecules from our oral IL-17 inhibitor series can inhibit the inflammation induced by IL-17 in the blood and we are currently working to increase the maximal concentration in the blood following oral dosing ahead of examining lead molecules from our series in disease model studies. Should these studies be successful, C4XD believes that the IL-17 programme has the potential for future out-licensing as we continue to receive significant commercial interest for this target.

Our early target discovery research is also bearing fruit, with compelling biological data for our Taxonomy3® project in Parkinson's disease and within our Horizon oncology collaboration. This validation is critical to build the evidence base required to initiate Drug Discovery programmes against promising targets and initiate early-stage partnering discussions. Working in collaboration with our partners to access their expertise and technologies means we can do this swiftly and cost effectively, creating a funnel effect to take forward only commercially viable opportunities.

Post period end, we received the positive news that Indivior has been awarded a National Institutes of Health (NIH) grant to take our Orexin-1 antagonist candidate, C4X_3256, into a Phase 1 clinical trial for the treatment of Opioid Use disorder and we eagerly await updates on its progress.

Collaborating to advance our Discovery Engine

To deliver our strategy and build our vision, strategic alliances are key to facilitating our team of Drug Discovery experts with additional expertise and technologies at the appropriate stage of each programme. C4XD was founded on cutting edge technology and we continually assess pioneering and innovative new technologies that add to our current capabilities in target identification and drug design. In 2019, we entered into four new collaborations.

In November 2018, we joined forces with LifeArc, one of the UK's leading medical research charities, on a novel, commercially attractive programme in Oncology and Inflammation. The collaboration utilises Drug Discovery expertise from both parties and C4XD's Conformetrix tool to progress a Drug Discovery programme, building on LifeArc's early-stage research with the objective of developing potent, oral and selective small molecule compounds for pre-clinical partnering.

Also in November 2018, we partnered with GTN, a new disruptive player in the field of Drug Discovery artificial intelligence focusing on novel ligand virtual screening. This collaboration uses ligand information from C4XD's Conformetrix technology which could be potentially synergistic with GTN's quantum machine learning platform.

Together, the technologies aim to unlock new areas of chemical space to identify novel small molecule hits against a C4XD identified target in Neurodegeneration.

In December 2018, we entered into an exclusive oncology target discovery partnership with Horizon, a global leader in the application of gene editing and gene modulation technologies. We are progressing target validation activities against Horizon's novel synthetic lethal oncology targets to enable drug discovery programmes and, ultimately, new therapies for patients with limited effective treatments in colorectal and lung cancer. Oncology remains a hot area for drug development and this collaboration has the potential to generate high value pre-clinical assets for partnering.

In June 2019, we partnered with Phoremost Limited, a UK-based biopharmaceutical company dedicated to drugging "undruggable" disease targets, with an initial focus on Parkinson's disease. Under the collaboration, C4XD has access to Phoremost's cutting edge SITESEEKER® phenotypic screening platform. SITESEEKER® is being used to validate novel targets already identified by C4XD's proprietary target identification platform, Taxonomy3®, with the potential to provide chemical starting points or tool molecules to initiate Drug Discovery programmes. This partnership complements C4XD's existing target validation collaborations in the field as it allows us to examine potential targets where there are no existing ligands and will enable us to accelerate our Parkinson's disease portfolio, whilst decreasing the timelines in Drug Discovery.

With each partnership progressing, understanding what further technologies and expertise we can access through synergistic relationships is critical to ensuring C4XD remains at the forefront of Drug Discovery. To aid in this endeavour, C4XD announced post-period end that it was forming a Drug Discovery Advisory Network headed by industry veteran Dr. Robin Carr.

Creating a strong foundation to deliver out-licensing deals
Since July 2018, we have raised a total of £17.7 million in two tranches, one post-period end, to support the execution of our strategy and believe that the shareholder support we have received is reflective of confidence in the future value of our business.

C4XD aims to address the pharma industry's biggest challenges by identifying promising disease targets and solving chemistry challenges to generate attractive pre-clinical programmes. Our goal is to maximise the capital raised so that we can deliver on our strategy whilst maintaining our considered approach to the deployment of available funds. The monies raised put us in a strong position to drive the expansion of our pipeline and to advance the next wave of deal opportunities in the C4XD portfolio as momentum continues to build across our key out-licensing projects.

C4XD's highly skilled team
Our employees are highly qualified and their dedication has enabled C4XD to progress so far, and so rapidly this year, and I would like to take this opportunity to thank them for their continued hard work from which we are seeing a strong pipeline of potential out-licensing opportunities growing.

Portfolio Review
Momentum continues to build across the C4XD portfolio. Recent exciting academic and industry SCD data supports the potential of our NRF-2 activator programme as an alternative treatment for poorly served SCD patients. Furthermore, the C4XD discovery team continues to build a highly valuable portfolio of new medicines across Oncology, Neurodegeneration and Inflammation, with particular focus on rapidly advancing the next wave of potential revenue-generating assets in Inflammation and Oncology to maximise value for shareholders.

The Company is progressing its strategy to deliver Drug Discovery programmes for out-licensing (e.g. NRF-2 activator, IL-17 inhibitor and LifeArc collaboration) and early stage multi-target disease area opportunities for novel targets have been identified through C4XD's discovery activities (e.g. Taxonomy3-derived novel target insights in Parkinson's Disease). Key updates on these programmes are outlined below.

Highlighted Drug Discovery programmes

Inflammation

Oral NRF-2 Activator Programme
C4XD is progressing a series of novel potent activators of the NRF-2 pathway for the treatment of inflammatory diseases. In our studies, multiple lead compounds show >12hr duration of action following low oral dosing on activation of NRF-2 in key tissues such as lung and liver, as well as blood. Recent pre-clinical studies performed by both academia and industry highlight the role of NRF-2 in the regulation of foetal haemoglobin ("HbF") in addition to providing anti-oxidant and anti-inflammatory activity which in concert may reduce severe complications of SCD including severe pain episodes and organ damage, including kidney failure, liver damage and lung problems. This scientific data, combined with our own in-house data where we have demonstrated that molecules from our series upregulate HbF in human blood progenitor cells, makes an NRF-2 activator a desirable therapeutic option for the treatment of SCD. Candidate nomination studies are underway post-period end, potentially resulting in candidate selection in Q1 2020.The C4XD Board believes that upcoming C4XD data will be valuable in driving a competitive out-licensing process focused on SCD and PAH.

Oral IL-17 Inhibitor Programme
Interleukin-17 ("IL-17") is a high-value clinically-validated target for inflammation and autoimmune diseases such as psoriasis (estimated to be worth c.$13 billion per annum by 2024[1]). C4XD has identified small molecules that can selectively block IL-17 activity whilst keeping the molecular size of the molecule in the traditional "drug-like" range. In C4XD studies, optimisation of lead oral compounds continues to increase the maximal drug concentration in the blood to enable inflammatory disease model studies. The current marketed drugs that target IL-17 are based on injectable monoclonal antibodies. Development of new oral treatments is highly desirable due to their relative ease of administration and patients' preference for pills over an injection. As such, oral medication has the potential to increase the number of patients who can access drugs targeting this mechanism. C4XD continues to receive strong interest from potential partners for this oral IL-17 inhibitor approach, particularly driven by the C4XD series profiles.

Oncology

LifeArc Oncology and Inflammation Collaboration
The initial phase of the collaboration with LifeArc has been successful. In initial studies, multiple hit compounds have progressed with the aim of generating a lead series with *in vivo* activity for oncology and inflammatory indications by second quarter of 2020. This programme is directed against a highly desirable target for both Oncology and Inflammation.

Partnered

Oral Orexin-1 Receptor Antagonist Programme
In March 2018, Indivior entered a licence agreement to obtain exclusive global rights to develop and commercialise C4X_3256, C4XD's oral Orexin-1 Receptor Antagonist programme for the treatment of opioid use disorder. Post-period end, Indivior announced in September 2019 that it had been awarded an NIH grant to advance C4X_3256

from preclinical status through Phase 1 clinical evaluation and perform the necessary toxicology and drug metabolism studies to enable Phase 2 trials.

Future opportunities

Activities continue across the remainder of C4XD's discovery portfolio to build a sustainable pipeline of potential future out-licensing opportunities.

In Oncology, C4XD has progressed two programmes within its strategic alliance with Evotec with potential application in immuno-oncology. The Company's most advanced programme reached a key milestone in second quarter 2019 through the design of small molecules with differentiated administration compared to lead competition. C4XD is now targeting progression of hits to a tractable lead series in immuno-oncology.

In Neurodegeneration, C4XD continues to evaluate two promising targets, one of which was identified using Taxonomy3®-derived novel insights in Parkinson's disease. The second programme is the subject of the Company's strategic partnership with GTN, a disruptive new player in the field of Drug Discovery artificial intelligence. The partnership, initiated in November 2018, will focus on identifying potential small molecules for a high-value neurodegeneration target selected by C4XD.

In Inflammation, C4XD's oral α4β7 integrin inhibitor programme continues to progress following an Innovate UK Feasibility Award received in September 2018 to fund the early stages of the programme. C4XD has initiated an evaluation stage Drug Discovery programme to expedite the identification of novel, selective α4β7 integrin inhibitors for the treatment of Inflammatory Bowel Disease ("IBD"). Like IL-17, a non-oral biologic therapy is already marketed against the target for use in adult IBD, with the total anti-integrin biologics market forecast to reach c.$2 billion per annum by 2023[2]. An oral therapy would be expected to increase patient access to anti-integrin therapy and thus be commercially attractive to potential partners. In addition, the Company continues to evaluate promising targets from both Taxonomy3®-derived novel insights in Rheumatoid Arthritis and from the scientific literature.

Early Stage Multi-Target Disease Area Opportunities

Oncology

Horizon

C4XD and Horizon entered into an exclusive novel target discovery partnership in December 2018 to take forward high-value novel synthetic lethal[3] oncology targets discovered through in-depth CRISPR-Cas9 analyses conducted by Horizon, which have the potential to offer an alternative route to creating new oncology drugs. The collaboration has made rapid progress and has now generated comprehensive *in vitro* validation data packages for the lead novel target in the collaboration.

In vitro studies have confirmed that inhibition of this target induces cell death that is dependent on the presence of cancer-specific mutations, thereby demonstrating synthetic lethality. Additional *in vivo* studies have shown that knock-out of the gene inhibits growth of implanted colon cancer cells with a KRAS mutant background. As an enzyme, the target is expected to be highly amenable to targeting with small molecules and is nearing progression into a C4XD-led Drug Discovery programme, with additional targets to follow the development pathway.

Neurodegeneration

Taxonomy3®-derived Parkinson's disease projects

C4XD continues to progress the validation of its proprietary Taxonomy3®-derived novel targets for Parkinson's disease, utilising a diversified strategic approach:

- C4XD's internally led biological validation studies are near completion for targets with existing tool compounds. This provides a low risk starting point from which to rapidly initiate Drug Discovery programmes for promising targets with some known chemistry and biology.

- The Phoremost collaboration, initiated in June 2019, uses Phoremost's SITESEEKER® platform to generate biological validation for all Taxonomy3® targets as well as providing chemical starting points for highly novel Taxonomy® targets without existing chemistry in the literature. This enables the progression of more novel but high potential targets.
- The e-therapeutics collaboration has identified additional novel biological pathways derived from Taxonomy3®'s novel genes which are currently being evaluated to identify additional targets with the potential to start new Drug Discovery programmes.

Enabling Drug Discovery through cutting-edge technology
C4XD leverages a suite of proprietary technologies to drive its Drug Discovery activities. In addition to the cutting-edge technologies provided by its partners, C4XD has developed and utilises technologies across the Drug Discovery process which are regularly reviewed and upgraded to ensure our technology remains at the forefront of Drug Discovery.

Taxonomy3®
Taxonomy3® is a novel in silico platform technology that utilises proprietary ground-breaking mathematical algorithms to perform complex multivariate analysis of genetic data. Since these novel targets are based on human genetic data, this enables the discovery of targets that cause disease, rather than those that are simply associated with its symptoms, and thereby provides the best starting point for drug discovery, biomarker identification and patient stratification. The resulting drugs have a greater probability of successful clinical development and product realisation[4].

Conformetrix
Conformetrix enables rational, accelerated 4D structural drug design using experimental data rather than theoretical data. The information provided by Conformetrix provides C4XD's medicinal chemists with new and unprecedented insights into the behaviour and physical properties of drug molecules to inform design choices. This has the potential to provide more accurate molecule design that is better suited for the intended therapeutic target.

4Sight
C4XD is pioneering the creation of a specialised visualiser, 4Sight, to allow its research scientists to view, understand and interrogate the complex, multidimensional molecular shape data of drug molecules. Having measured these shapes using C4XD's Conformetrix technology, this "4D molecular data" can then be visualised and manipulated to inspire the design of drug molecules in new and innovative ways. Working from both a desktop environment and within a virtual reality ("VR") space, the visualiser also facilitates simultaneous collaboration with multiple users across various sites and enables the chemists to virtually step inside and "see" those drug molecules as they are being designed. 4Sight is becoming the central tool for conformational drug design within C4XD, enabling our chemists to make faster progress in developing new candidates that will lead to more effective drugs to meet the medical industry's needs.

Outlook
C4XD's combination of state-of-the-art proprietary technologies, highly experienced scientific team and industry experience puts the Company in a strong position to fulfil the pharmaceutical industry's demand for high quality early-stage drug candidates. As momentum continues to build across our key programmes, we remain confident in our business strategy with partner discussions to date confirming commercial interest for our NRF-2 activator programme, alongside our already out-licensed Orexin-1 programme progressing to clinical studies with Indivior. In 2020, we will continue to advance the next wave of potential out-licensing candidates and to drive forward revenue generating deals to create value for our shareholders. With the business in a strong position to deliver on our strategy, we are excited by our future prospects as we build a sustainable Drug Discovery company.

By order of the Board

Clive Dix
Chief Executive Officer
6 January 2020

FINANCIAL REVIEW

Our cash position and fundraising will allow us to continue with our plan of becoming the world's most productive Drug Discovery Engine.

Results

Revenue for the 12 months ended 31 July 2019 was £nil (2018: £7,064,000). Revenue in the prior year related solely to the amount received under the Indivior licensing agreement. Grants secured are accounted for as a reduction to research and development expenses and not included in revenue.

R&D expenses, which comprise invoiced material costs, payroll costs and software costs, have increased by 51% to £10,585,000 for the year ended 31 July 2019 (2018: £6,992,000). This reflects the investment in both the increase in drug discovery activity and the continued development of lead drug candidates as outlined in the Non-Executive Chairman's and CEO's statements.

Administrative expenses increased by £447,000 during the year to £3,052,000 (2018: £2,605,000).

The loss after tax for the year ended 31 July 2019 was £10,912,000 or 18.82 pence per share (2018: £1,135,000 or 2.34 pence per share).

The Group had net assets at 31 July 2019 of £7,013,000 (2018: £8,174,000) and cash and cash equivalents of £2,383,000 (2018: £5,578,000).

In November 2019 the Company raised £7.6 million before expenses on the issue of ordinary shares at 15 pence each via a placing, subscription by Directors and open offer.

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

By order of the Board

Brad Hoy
Chief Financial Officer
6 January 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2019

	Notes	2019 £000	2018 £000
Revenue	4	-	7,064
Cost of sales		-	-
Gross profit		-	7,064
Research and development expenses		(10,585)	(6,992)
Administrative expenses		(3,052)	(2,605)
Operating loss	5	(13,637)	(2,533)
Finance income	7	15	7
Loss before taxation		(13,622)	(2,526)
Taxation	8	2,710	1,391
Loss for the year and total comprehensive loss for the year		(10,912)	(1,135)
Loss per share			
Basic and diluted loss for the year	9	(18.82)p	(2.34)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 (2018: £nil) and therefore the loss for the year is also the total comprehensive loss for the year.

The basic and diluted loss per share are the same as the effect of share options issued is anti-dilutive.

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2019

	Issued equity capital £000	Share premium £000	Share-based payment reserve £000	Merger reserve £000	Capital contribution reserve £000	Revenue reserve £000	Total £000
At 31 July 2017	**2,490**	**22,844**	**260**	**920**	**195**	**(17,649)**	**9,060**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(1,135)	**(1,135)**
Share-based payments	-	-	249	-	-	-	**249**
Transactions with owners	-	-	249	-	-	-	**249**
At 31 July 2018	**2,490**	**22,844**	**509**	**920**	**195**	**(18,784)**	**8,174**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(10,912)	**(10,912)**
Issue of share capital	112	9,978	-	-	-	-	**10,090**
Expenses of placing	-	(566)	-	-	-	-	**(566)**
Share-based payments	-	-	227	-	-	-	**227**
Transactions with owners	112	9,412	227	-	-	-	**9,751**
At 31 July 2019	**2,602**	**32,256**	**736**	**920**	**195**	**(29,696)**	**7,013**

The notes form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2019

	Issued equity capital £000	Share premium £000	Share-based payment reserve £000	Revenue reserve £000	Total £000
At 31 July 2017	**2,490**	**22,844**	**231**	**-**	**25,565**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-
Share-based payments	-	-	249	-	**249**
Transactions with owners	-	-	249	-	**249**
At 31 July 2018	**2,490**	**22,844**	**480**	**-**	**25,814**
Loss for the year and total comprehensive loss for the year	-	-	-	(32,987)	(32,987)
Issue of share capital	112	9,978	-	-	**10,090**
Expenses of placing	--	(566)	-	-	**(566)**
Share-based payments	-	-	227	-	**227**
Transactions with owners	112	9,412	227	-	**9,751**
At 31 July 2019	**2,602**	**32,256**	**707**	**(32,987)**	**2,578**

The notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

at 31 July 2019

	Notes	31 July 2019 Group £000	31 July 2019 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Assets					
Non–current assets					
Property, plant and equipment	10	78	-	83	-
Intangible assets	11	295	-	433	-
Goodwill	12	1,192	-	1,192	-
Investment in subsidiaries	13	-	2,578	-	2,351
		1,565	**2,578**	**1,708**	**2,351**
Current assets					
Trade and other receivables	14	641	-	388	23,462
Income tax asset	15	4,076	-	1,366	-
Cash and cash equivalents	16	2,383	-	5,578	1
		7,100	**-**	**7,332**	**23,463**
Total assets		**8,665**	**2,578**	**9,040**	**25,814**
Liabilities					
Current liabilities					
Trade and other liabilities	17	1,652	-	866	-
		1,652	**-**	**866**	**-**
Total liabilities		**1,652**	**-**	**866**	**-**
Net assets		**7,013**	**2,578**	**8,174**	**25,814**
Capital and reserves					
Issued equity capital	18	2,602	2,602	2,490	2,490
Share premium	18	32,256	32,256	22,844	22,844
Share-based payment reserve	19	736	707	509	480
Merger reserve	20	920	-	920	-
Capital contribution reserve	21	195	-	195	-
Revenue reserve	22	(29,696)	(32,987)	(18,784)	-
Total equity		**7,013**	**2,578**	**8,174**	**25,814**

Approved by the Board and authorised for issue on 6 January 2020.
The notes form an integral part of these financial statements.

Clive Dix
Chief Executive Officer
6 January 2020

Registered number: 09134041

CASH FLOW STATEMENTS

For the year ended 31 July 2019

	Notes	31 July 2019 Group £000	31 July 2019 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Loss after interest and tax		(10,912)	(32,987)	(1,135)	-
Adjustments for:					
Depreciation of tangible fixed assets	10	53	-	51	-
Amortisation of intangible assets	11	138	-	137	-
Impairment of inter-company receivables		-	32,987	-	-
Share-based payments	19	227	-	249	-
Finance income	7	(15)	-	(7)	-
Taxation		(2,710)	-	(1,391)	-
Changes in working capital:					
(Increase)/decrease in trade and other receivables	14	(253)	(9,525)	160	-
Increase/(decrease) in trade and other payables	17	786	-	(205)	-
Cash outflow from operating activities		(12,686)	(9,525)	(2,141)	-
Research and development tax credit received		-	-	1,725	-
Net cash outflow from operating activities		(12,686)	(9,525)	(416)	-
Cash flows from investing activities					
Purchases of tangible fixed assets	10	(48)	-	(44)	-
Finance income	7	15	-	7	-
Net cash outflow from investing activities		(33)	-	(37)	-
Cash flows from financing activities					
Proceeds from issues of ordinary share capital	18	10,090	10,090	-	-
Expenses of share capital issue	18	(566)	(566)	-	-
Net cash inflow from financing activities		9,524	9,524	-	-
Decrease in cash and cash equivalents		(3,195)	(1)	(453)	-
Cash and cash equivalents at the start of the year		5,578	1	6,031	1
Cash and cash equivalents at the end of the year		2,383	-	5,578	1
Cash, cash equivalents and deposits at the end of the year	16	2,383	-	5,578	1

The notes on 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 2019.

The financial statements of the Company and the Group for the year ended 31 July 2019 were authorised for issue by the Board of Directors on 6 January 2020 and the statement of financial position was signed on the Board's behalf by Clive Dix.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2019 or 2018. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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's loss for the year ended 31 July 2019 was £32,987,000 (2018: £nil).

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

2. Basis of preparation

(a) Statement of accounting compliance

The Group's and Parent Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and International Financial Reporting Committee ("IFRIC") interpretations as they apply to the financial statements of the Group for the period ended 31 July 2019.

(b) 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.

(c) Going concern

Notwithstanding a consolidated operating loss for the year ended 31 July 2019 of £13.6 million (2018: £2.5 million) and revenues of £nil (2018: £7.1 million) and net cash used in operating activities of £12.7 million (2018: £0.4 million), 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 Board has considered the applicability of the going concern basis of preparation of the financial statements. This included the review of internal budgets and cash flow forecasts for the period to 31 July 2021, being 18 months from the date of signing the financial statements. The base case cash flow forecasts, which assume no revenue generation during the forecast period, show that additional funding will be required in March 2021 if no mitigating action is taken. In addition, further funding may be required in the medium term to support the Group in reaching sustainable profitability. The level of additional funds required will be dependent upon the Group's performance against forecasts and the level of income generated from licencing activities which in itself is dependent upon current the licensing partner achieving certain development milestones on Orexin-1 and the agreement of new licensing deals on other drug targets.

The Directors have considered the potential impact of Brexit (refer to the strategic report) and consider the risk to be minimal.

The Group completed a £7.6 million fundraising with new and existing investors in November 2019 (2018: £10 million) and the Board have a reasonable expectation they will be able to raise further equity or debt financing to support their ongoing research activities. The Board also have a reasonable expectation that a new licence deal will be signed during the 2020 calendar year and that a further milestone payment on the Orexin-1 contract will be achieved within the forecast period, although there can be no guarantees that either of these events will occur, and they are not reflected in the Board's base case cash flow forecasts.

The Group has Cash and cash equivalents at 31 July 2019 of £2.4 million (2018: £5.6 million) and at 31 December 2019 had cash resources of £6.4 million. In the event that a cash shortfall arises in the forecast period, the Board consider 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 to continue to operate within its existing cash resources during the forecast period without the need for additional funding.

Based on the above factors the Board are satisfied that the Group has adequate resources to enable the Group to continue discharging its liabilities and realising its assets for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the Group and Company financial statements.

(d) 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.

(e) 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 on-going 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:

- **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. This is necessary as the economic success of any product development is uncertain until such time as technical viability has been proven and commercial supply agreements are 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 contracts
The determination of the transaction price requires judgement over whether the variable consideration in a contract with a customer is constrained. If the variable consideration is judged to be constrained then an estimate is required of the amount of the variable consideration to be included within the transaction price. The key variables for the Group are the achievement of milestones set out within the licence agreement and described in note 4. The variable consideration for the Group's licensed Orexin-1 Receptor Antagonist is currently estimated to be constrained to £nil; however, the range of possible outcomes is from £nil to £216m (US$284m).

- **Intangible fixed assets and goodwill**

The Group tests annually whether goodwill has suffered any impairment. The Group also tests other intangible assets for impairment when indicators of impairment arise. The potential recoverable amounts of intangible fixed assets and goodwill have been determined based on an income approach to calculating fair value less costs of disposal. 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 flows. The assumptions used and related sensitivity analysis in these calculations are included in notes 11 and 12.

The recoverable amount of investments and inter-company receivables are tested for impairment when indicators of impairment arise. The potential recoverable amounts have been determined based on an income approach to calculating fair value less costs of disposal. 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 flows. The recoverable amount of the combined value of the parent company investment in subsidiaries and its inter-company receivables now exceeds the carrying value by £0.8m (30%) after reflecting an impairment of £32,987,000 recorded in the current year to the carrying amount.

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.

***(a)* 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.

***(b)* 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.

***(c)* 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.

***(d)* Revenue**

Revenue from right-to-use licences is recognised at the point in time that the performance condition is satisfied which is when the licence agreement is signed by both parties as this is the date that the customer can begin to use and benefit from the licence.

The transaction price is determined as the consideration the Group expects to be entitled to in exchange for licensing the IP to the customer. It includes variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group updates the estimated transaction price at the end of each year based on the circumstances present at the end of that year and accounts for any change in transaction price in the period in which the change occurs.

The royalties based on sales of drugs are recognised in revenue when the subsequent sale occurs.

The Group's revenues in the prior year comprised amounts earned under joint development agreements and individual project development programmes in respect of novel small molecule therapies.

Revenues received from development programmes were recognised on a straight line basis over the period that the development work is being performed as measured by contractual milestones. Revenue is not recognised where there is uncertainty regarding the achievement of such milestones and where either revenue has not been paid, or where the customer has the right to recoup advance payments. There were no open revenue contracts at the date of first application of IFRS15.

***(e)* Government grants**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions are met, usually on submission of a valid claim for payment.

Government grants of a revenue nature are deducted from research and development expenses in the Consolidated statement of comprehensive income in line with the terms of the underlying grant agreement.

Government grants relating to capital expenditure are deducted in arriving at the carrying amount of the asset.

***(f)* 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.

(g) **Lease payments**

Rentals payable under operating leases, which are leases where the lessor retains a significant proportion of the risks and rewards of the underlying asset, are charged in the Consolidated statement of comprehensive income on a straight-line basis over the expected lease term.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

IFRS16 will be effective from 1 August 2019, please refer to note (x) below.

(h) **Finance income**

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

(i) **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 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 is uncertain.

(j) **Tangible fixed 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.

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

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 de-recognised 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 de-recognition.

(k) **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 twenty years
IP assets	-	straight line over five years
Software	-	straight line over five years

(l) **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.

(m) **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 assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, these calculations 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.

***(n)* Investments in subsidiaries**

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

***(o)* Trade and other receivables**

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. The time value of money is not material.

Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Significant financial difficulties faced by the customer, probability that the customer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated statement of comprehensive income within administrative expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

***(p)* 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 twelve months.

***(q)* 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.

***(r)* 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 2019 (2018: Nil).

(s) 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 (2018: £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.

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as FVTPL:

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

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 (2018: £nil).

iii) Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities
The Group derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(t) 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.

(u) 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.

(v) 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.

(w) 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 2019 or ending 31 July 2020 or thereafter and have not been applied in preparing these consolidated financial statements and those that are relevant to the Group 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.

	EU Effective date
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance contracts	To be confirmed
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Annual improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS19 Employee Benefits	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards	To be confirmed
Amendments to IFRS3 Business Combinations	To be confirmed
Amendments to IAS1 and IAS 8 Regarding the Definition of Material	1 January 2020

***(x)* Changes in significant accounting policies**

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)
The new leases standard changes the previous lease accounting model so a lessee will now reflect more assets and liabilities arising from leases on its balance sheet. This can substantially affect key financial ratios, including ratios related to debt covenants or debt-to-equity ratios.

Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right to use assets and corresponding lease liabilities. The Group has undertaken an assessment of the impact of IFRS 16 and currently expects that it will apply the modified retrospective approach, which means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. The Group will apply the practical expedient to grandfather the definition of a lease on transition and apply the recognition exemption for both short term and low value assets. Compared with the existing accounting for operating leases, application of the standard will have a significant impact on the classification of expenditures and consequently the classification of cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. It will also impact the timing of expenses recognised in the statement of income.

The Group expects to recognise an opening right of use asset and corresponding lease liability on 1 August 2019 of £668,000. There will be no adjustment to opening revenue reserves. These are indicative figures and reflect management’s best estimation at this stage and as such are subject to final verification.

***(y)* Research partnerships**

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

4. Revenue

Revenue from contracts with customers

	2019 £000	2018 £000
Revenue recognised at a point in time		
- Right-to-use licence revenue	-	7,064
- Joint development agreements	-	-
Revenue recognised over time	-	-
Total revenue	**-**	**7,064**

Revenue in the previous year was generated from a license of IP to a customer to enable them to further develop and commercialise a drug from the Group's discovery portfolio. C4XD has no control over when and if licence milestones are reached. Therefore, the licence is a right-to-use licence in accordance with IFRS15 and hence the performance obligation in respect of the right-to-use licence is satisfied at a point in time. This is when the licence agreement is signed by both parties as this is the date that the customer can begin to use and benefit from the licence.

The Group's right-to-use licence agreement includes the following revenue streams/milestones:

1) Upfront payment coincidental with the signing of a licensing agreement.
2) Stage payments coincidental with certain clinical trials and regulatory milestones in certain disease classifications of the licensed IP.
3) Payments coincidental with the achievement of various sales milestones.
4) Royalties at a percentage of the sales of drugs utilising the Group's technologies.

Revenues related to milestones in 2-4 above are considered to represent variable consideration. The Group has determined that achievement of these milestones is susceptible to factors outside the Group's control. Therefore, the transaction price is estimated to be the upfront payment coincidental with the signing of the licensing agreement.

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

	2019 £000	2018 £000
Trade receivables	**-**	**-**

There were no contract asset or liability balances related to contracts with customers at either the current or prior year end. No amounts were recognised in revenue in the year that were recorded in contract liabilities in the prior year.

Impairment losses recognised on receivables arising from contracts with customers are £nil (2018: £nil).

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

Revenue relates to the Group's only reportable segment and arises in the UK. The Group had no revenue during the current financial year (2018: revenue was earned from one customer).

5. Operating loss

The Group	31 July 2019 £000	31 July 2018 £000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment (see note 10)	53	51
Amortisation of tangible assets (see note 11)	138	137
Research and development expense*	10,585	6,992
Grant income	(443)	(77)
Operating lease rentals:		
Land and buildings	142	221
Auditor's remuneration		
Audit services:		
-Fees payable to Company auditor for the audit of the parent and the consolidated accounts	55	40
Fees payable in respect of the audit of subsidiary companies:		
-Auditing the accounts of subsidiaries pursuant to legislation	20	20
-Other services	6	6
Total auditor's remuneration	**81**	**66**

*Included within research and development expense are staff costs totalling £2,685,000 (2018: £3,025,000) also included in note 6.

6. Staff costs and numbers

	31 July 2019 £000	31 July 2018 £000
Wages and salaries	3,273	3,288
Social security costs	411	489
Pension contributions	394	325
Share-based payments	227	249
	4,305	**4,351**
Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	**627**	**547**

Directors' emoluments (excluding social security costs, but including benefits in kind) disclosed above include £160,000 paid to the highest paid Director (2018: £178,000).

Retirement benefits are accruing to two Directors (2018: 2 Directors).

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

The Group	**31 July 2019 Number**	**31 July 2018 Number**
Directors	7	6
Technological staff	34	34
Administrative staff	7	7
	48	**47**

Additional information on the emoluments of the Directors, together with information regarding the share interests and share options of the Directors, is included within the Remuneration Report which forms part of the audited financial statements.

7. Finance income

The Group	**31 July 2019 £000**	**31 July 2018 £000**
Finance income		
Bank interest receivable	15	7
	15	**7**

8. Income tax

The tax credit is made up as follows:

The Group	**31 July 2019 £000**	**31 July 2018 £000**
Current income tax		
UK corporation tax on losses in the year		
Research and development income tax credit receivable	(2,700)	(1,366)
Adjustment in respect of prior years	(10)	(25)
Total current income tax	(2,710)	(1,391)

The tax assessed for the year varies from the standard rate of corporation tax as explained below:	**31 July 2019**	**31 July 2018**
The Group	**£000**	**£000**
Loss before taxation	(13,622)	(2,526)
Tax at standard rate of 19.00% (2018: 19.00%)	(2,588)	(480)
Effects of:		
Expenses not deductible for tax purposes	4	23
Movement in unprovided net deferred tax asset	(7)	69
Research and development tax credit receivable, net of R&D relief surrendered	(1,165)	(958)
Share options exercised (CTA 2009 Pt 12 deduction)	(4)	-
Tax losses carried forward/(utilised) for which no deferred tax asset is recognised	1,060	(20)
Adjustment in respect of prior years	(10)	(25)
Tax credit in income statement	**(2,710)**	**(1,391)**

Reductions in the main rate of corporation tax from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future tax charge accordingly.

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 17% (2018: 17%) is £2,287,000 (2018: £1,405,000), of which £nil (2018: £nil) has been recognised. Tax losses have not been recognised as an asset as it is not 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 17% (2018: 17%) is £49,000 (2018: £3,000).

The Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 17% (2018: 17%), is £125,000 (2018: £86,000).

The net deferred tax asset of £76,000 (2018: £83,000) has not been recognised.

9. Earnings per share

The Group	**31 July 2019 £000**	**31 July 2018 £000**
Loss for the financial year attributable to equity shareholders	(10,912)	(1,135)
Weighted average number of shares		
Ordinary shares in issue	57,978,890	48,488,383
Basic loss per share (pence)	**(18.82)**	**(2.34)**

Basic and diluted loss per share are the same as the effect of share options issued is anti-dilutive.

The weighted average number of shares has been adjusted retrospectively to take account of the bonus element of the share issue in November 2019 in accordance with the requirements of IAS 33.

10. Property, plant and equipment

The Group	**Office equipment, fixtures and fittings £000**	**Building improvements £000**	**Total £000**
Cost			
At 31 July 2017	**173**	**38**	**211**
Additions	44	-	44
Disposals	(29)	-	(29)
At 31 July 2018	**188**	**38**	**226**
Additions	48	-	48
Disposals	-	-	-
At 31 July 2019	**236**	**38**	**274**
Depreciation			

At 31 July 2017	**102**	**19**	**121**
Provided during the year	44	7	51
Eliminated on disposal	(29)	-	(29)
At 31 July 2018	**117**	**26**	**143**
Provided during the year	46	7	53
Eliminated on disposal	-	-	-
At 31 July 2019	**163**	**33**	**196**
Net book value			
At 31 July 2019	**73**	**5**	**78**
At 31 July 2018	71	12	83

The Company has no property, plant and equipment.

11. Intangible assets

	Patents	IP assets	Software	Total
The Group	**£000**	**£000**	**£000**	**£000**
Cost				
At 31 July 2017	**138**	**600**	**50**	**788**
Additions	-	-	-	-
At 31 July 2018	**138**	**600**	**50**	**788**
Additions	-	-	-	-
At 31 July 2019	**138**	**600**	**50**	**788**
Amortisation				
At 31 July 2017	**38**	**170**	**10**	**218**
Provided during the year	7	120	10	137
At 31 July 2018	**45**	**290**	**20**	**355**
Provided during the year	8	120	10	138
At 31 July 2019	**53**	**410**	**30**	**493**
Net book value				
At 31 July 2019	**85**	**190**	**20**	**295**
At 31 July 2018	93	310	30	433

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

The recoverable amount of goodwill and intangible assets for the group financial statements and, for the parent company, its recoverable amount of its investment in subsidiaries and its intragroup receivables are determined by using an income approach to calculating fair value less costs of disposal which uses fair value hierarchy level 3 inputs in accordance with the definitions in IFRS13. Management has prepared a net present value calculation taking into account cash flows from expected future licence agreements at each expected contract milestone, the probability of reaching each contract milestone (a “success rate”) and the costs incurred in securing those licence agreements, discounted to present value using a pre-tax discount rate of 25% (2018 : 25%). The cash flows are projected until 2041.

The key assumptions used in the net present value calculation are the timing of signing future licence agreements, the deal value, the likely success rates of reaching licence milestones and the discount rate used. These assumptions have been benchmarked against the Group's own experience of such deals and external sources of information within the industry.

The recoverable amount of the combined value of IP assets and goodwill exceeds the carrying value by 121% (£1.8m).

The key assumptions considered most sensitive for the net present value calculations are those regarding the timing of signing future licence agreements and the value of up front licence payments. The assumption over the timing of signing future licence agreements could slip by four years compared to the base case before an impairment would be triggered. The assumption over the value of up front licence payments could decrease by c75% before an impairment is triggered. There is no reasonable possible change in other key assumptions that would cause the carrying value to exceed its recoverable amount. No impairment charge was provided during the period.

The Company has no intangible assets.

12. Goodwill

	Purchased goodwill	Total
The Group	**£000**	**£000**
Cost		
At 31 July 2017, 31 July 2018 & 31 July 2019	**1,192**	**1,192**
Impairment		
At 31 July 2017	**-**	**-**
Provided during the year	-	-
At 31 July 2018	**-**	**-**
Provided during the year	-	-
At 31 July 2019	**-**	**-**
Net book value		
At 31 July 2019	**1,192**	**1,192**
At 31 July 2018	1,192	1,192

Goodwill is allocated to the Group's only cash generating unit (CGU) which is the UK operations.

Management assesses goodwill for impairment annually.

The recoverable amount of goodwill and intangible assets for the group financial statements and, for the parent company, its recoverable amount of its investment in subsidiaries and its intragroup receivables are determined by using an income approach to calculating fair value less costs of disposal which uses fair value hierarchy level 3 inputs in accordance with the definitions in IFRS13. Management has prepared a net present value calculation taking into account cash flows from expected future licence agreements at each expected contract milestone, the probability of reaching each contract milestone (a "success rate") and the costs incurred in securing those licence agreements, discounted to present value using a pre-tax discount rate of 25% (2018 : 25%). The cash flows are projected until 2041.

The key assumptions used in the net present value calculation are the timing of signing future licence agreements, the deal value, the likely success rates of reaching licence milestones and the discount rate used. These assumptions have been benchmarked against the Group's own experience of such deals and external sources of information within the industry.

The recoverable amount of the combined value of IP assets and goodwill exceeds the carrying value by 121% (£1.8m).

The key assumptions considered most sensitive for the net present value calculations are those regarding the timing of signing future licence agreements and the value of up front licence payments. The assumption over the timing of signing future licence agreements could slip by four years compared to the base case before an impairment would be triggered. The assumption over the value of up front licence payments could decrease by c75% before an impairment is triggered. There is no reasonable possible change in other key assumptions that would cause the carrying value to exceed its recoverable amount. No impairment charge was provided during the period.

The Company has no goodwill.

13. Investment in subsidiaries

The Company	Shares £000	Loans £000	Total £000
At 31 July 2018	**1,871**	**480**	**2,351**
Increase in respect of share-based payments	-	227	227
At 31 July 2019	**1,871**	**707**	**2,578**
By subsidiary			
C4X Discovery Limited	1,871	707	2,578
C4X Drug Discovery Limited	-	-	-
Adorial Limited	-	-	-
At 31 July 2019	**1,871**	**707**	**2,578**

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	31 July 2019
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.

14. Trade and other receivables

	31 July 2019 Group £000	31 July 2019 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Trade receivables	31	-	12	-
Prepayments	377	-	265	-
Inter-company short-term loan to subsidiary	-	-	-	23,462
Other receivables	233	-	111	-
	641	**-**	**388**	**23,462**

An impairment charge of £32,987,000 was recorded in relation to the accounts owed to the Parent undertaking from subsidiaries.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

There were no revenue-related contract assets or liabilities (2018: nil).

All trade receivables are denominated in Sterling.
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.

Other receivables includes £233,000 VAT receivable (2018: £110,000).

15. Income tax asset

	31 July 2019 Group £000	31 July 2019 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Research and development income tax credit receivable	4,076	-	1,366	-
	4,076	**-**	**1,366**	**-**

16. Cash, cash equivalents and deposits

	31 July 2019 Group £000	31 July 2019 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Cash and cash equivalents	2,383	-	5,578	1
	2,383	**-**	**5,578**	**1**

Cash and cash equivalents at 31 July 2019 include deposits with original maturity of three months or less of £nil (2018: £nil).

An analysis of cash, cash equivalents and deposits by denominated currency is given in note 24.

17. Trade and other payables

	31 July 2019 Group £000	31 July 2019 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Current payables	671	-	406	-
Other payables	88	-	85	-
Accruals	893	-	375	-
	1,652	-	**866**	-

18. Issued equity capital

The Company	**Deferred shares Number**	**Ordinary shares Number**	**Share capital £000**	**Deferred shares £000**	**Share premium £000**	**Total £000**
Allotted, called up and fully paid ordinary shares of 1p						
At 31 July 2017 and at 31 July 2018	**2,025,000**	**46,555,087**	**465**	**2,025**	**22,844**	**25,334**
Issue of share capital on placing	-	11,111,111	111	-	9,889	10,000
Issue of share capital on open offer	-	99,563	1	-	88	89
Expenses of placing and open offer	-	-	-	-	(566)	(566)
Shares issued on exercise of options	-	26,875	-	-	1	1
Ordinary and deferred shares at 31 July 2019	**2,025,000**	**57,792,636**	**577**	**2,025**	**32,256**	**34,858**

The Group	**Share capital £000**	**Deferred shares £000**	**Share premium £000**	**Total £000**
Allotted, called up and fully paid ordinary shares of 1p				
At 31 July 2017 and at 31 July 2018	**465**	**2,025**	**22,844**	**25,334**
Issue of share capital on placing	111	-	9,889	10,000
Issue of share capital on open offer	1	-	88	89
Expenses of placing and open offer	-	-	(566)	(566)
Shares issued on exercise of options	-	-	1	1
Ordinary and deferred shares at 31 July 2019	**577**	**2,025**	**32,256**	**34,858**

On 5 October 2018, 11,111,111 ordinary shares were issued in a placing at a price of 90p resulting in share proceeds of £10,000,000 before expenses.

On 9 October 2018, 99,563 ordinary shares were issued in an open offer at a price of 90p resulting in share proceeds of £89,607 before expenses.

On 19 October 2018 26,875 ordinary shares were issued on exercise of options originally granted on 4 July 2013 at 5.58 pence per share.

During November 2019 £7.6 million (before expenses) was raised via a placing of 46,466,667 ordinary shares, a subscription by Directors for 200,000 ordinary shares and an open offer for 3,907,141 ordinary shares at 15 pence each.

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.

19. Share-based payment reserve

The Group	**£000**
At 31 July 2017	**260**
Share-based payments	249
At 31 July 2018	**509**
Share-based payments	227
At 31 July 2019	**736**

The Company	**£000**
At 31 July 2017	**231**
Share-based payments	249
At 31 July 2018	**480**
Share-based payments	227
At 31 July 2019	**707**

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 £227,000 has been recognised in the Statement of comprehensive income for the year (2018: £249,000).

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 September 2009
Share options were granted to a staff member on 29 September 2009. 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 2.05 pence (the original exercise price of £22.00 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 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 3 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.

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 3 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.

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 3 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.

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 3 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.

Grant in May 2017
Share options were granted to staff on 17 May 2017. The options granted are exercisable, at any time between 3 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.

Grant in September 2017
Share options were granted to staff on 26 September 2017. The options granted are exercisable, at any time between 3 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 3 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 12 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.

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.

	2019	**2018**
The Group and Company	**Number**	**Number**
Outstanding at 1 August	3,185,414	3,185,414
Granted during the year	960,000	-
Exercised during the year	(26,875)	-
Lapsed/cancelled	(331,686)	-
Outstanding at 31 July	**3,786,853**	**3,185,414**
Exercisable at 31 July	1,282,075	1,257,950

During the year ended 31 July 2019, 26,875 options were exercised (2018: Nil).

Weighted average exercise price of options

	2019	**2018**
The Group and Company	**Pence**	**Pence**
Outstanding at 1 August	75.67	75.67
Granted during the year	89.20	-
Exercised during the year	5.58	-
Outstanding at 31 July	**76.58**	**75.67**

960,000 share options were granted during the year (2018: nil). The range of exercise prices for options outstanding at the end of the year was 2.05 pence – 105.00 pence (2018: 2.05 pence – 105.00 pence).

For the share options outstanding as at 31 July 2019, the weighted average remaining contractual life is 6.8 years (2018: 7.1 years).

The following table lists the inputs to the models used for the years ended 31 July 2019 and 31 July 2018.

The Group and Company	**2019**	**2018**
Expected volatility (%)	**52.5%**	52.5%
Risk-free interest rate (%)	**0.50%-1.00%**	0.41%-0.91%
Expected life of options (year's average)	**3 years**	3 years
Weighted average exercise price (pence)	**n/a**	n/a
Weighted average share price at date of grant (pence)	**89.20**	n/a

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.

20. Merger reserve

The Group	**£000**
At 31 July 2017, 31 July 2018 and 31 July 2019	**920**

The merger reserve arises as a result of the reverse acquisition requirements of IFRS3 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).

21. Capital contribution reserve

The Group	**£000**
At 31 July 2017, 31 July 2018 and 31 July 2019	**195**

22. Revenue reserve

The Group	**£000**
At 31 July 2017	**(17,649)**
Loss for the year	(1,135)
At 31 July 2018	**(18,784)**
Loss for the year	(10,912)
At 31 July 2019	**(29,696)**

The Company	**£000**
At 31 July 2017	**-**
Loss for the year	-
At 31 July 2018	**-**
Loss for the year	(32,987)
At 31 July 2019	**(32,987)**

23. Commitments

Operating lease commitments

The Group leases premises under non–cancellable operating lease agreements. The future aggregate minimum lease and service charge payments under non–cancellable operating leases are as follows:

	31 July 2019 Group £000	**31 July 2018 Group £000**
Land and buildings:		
Not later than one year	175	113
After one year but not more than five	-	71
	175	**184**

Capital commitments

At 31 July 2019, the Group had capital commitments amounting to £nil in respect of orders placed for capital expenditure (2018: £nil).

24. 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 18 to 22 and in the Group Statement of changes in equity. Total equity was £7,013,000 at 31 July 2019 (£8,174,000 at 31 July 2018).

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 2019				
Trade receivables	31	-	31	-
Inter-company short-term loan to subsidiary	-	-	-	-
Cash, cash equivalents and deposits	2,383	-	2,383	-
Trade and other payables*	-	(759)	(759)	-
	2,414	**(759)**	**1,655**	**-**

Financial assets/(liabilities)	*Loans and receivables £000*	*Financial liabilities £000*	*Group £000*	*Company £000*
31 July 2018				
Trade receivables	12	-	12	-
Inter-company short-term loan to subsidiary	-	-	-	23,462
Cash, cash equivalents and deposits	5,578	-	5,578	1
Trade and other payables*	-	(491)	(491)	-
	5,590	**(491)**	**5,099**	**23,463**

*Excluding accruals.

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 on-going 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. 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 2019 or at 31 July 2018 and the Group did not enter into any such contracts during 2019 or 2018.

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	2019 Total £000	GBP £000	USD £000	EUR £000	2018 Total £000
Cash, cash equivalents and deposits	2,219	125	39	2,383	5,489	56	33	5,578
Trade receivables	31	-	-	31	12	-	-	12
Trade payables	(645)	-	(26)	(671)	(395)	(6)	(5)	(406)
	1,605	**125**	**13**	**1,743**	**5,106**	**50**	**28**	**5,184**

Sensitivity analysis to movement in exchange rates
Given the immaterial net asset balances in foreign currency, the exposure to a change in exchange rate is negligible.

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 2019			31 July 2018		
The Group	**Fixed rate £000**	**Floating rate £000**	**Total £000**	**Fixed rate £000**	**Floating rate £000**	**Total £000**
Cash, cash equivalents and deposits	**-**	**2,383**	**2,383**	**-**	**5,578**	**5,578**
The Company						
Cash, cash equivalents and deposits	**-**	**-**	**-**	**-**	**1**	**1**

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 2019 based on contractual undiscounted payments including contractual interest.

2019	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities			
Trade and other payables *	759	-	759
	759	**-**	**759**

2018	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities			
Trade and other payables *	491	-	491
	491	**-**	**491**

*Excluding accruals. 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 twelve months an aged analysis of financial assets has not been presented.

25. Related party transactions

During the year, shareholder Aquarius Equity Partners Limited charged the Group £15,450 (2018: £15,450) for monitoring fees and was owed £1,288 at 31 July 2019 (2018: £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 (2018: £2,025,000).

During the year, Director Harry Finch charged the Group £2,200 (2018: £12,822) for services which he provided as a technical consultant and was owed £nil at 31 July 2019 (2018: £nil).

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

The Company
The following table summarises inter-company balances at the year-end between C4X Discovery Holdings plc and subsidiary entities:

	Notes	31 July 2019 £000	31 July 2018 £000
Short term loans owed to C4X Discovery Holdings plc by:			
C4X Discovery Limited	14	-	23,462
C4X Drug Discovery Limited		-	-
Adorial Limited		-	-
		-	**23,462**

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 twelve months.

None of the loans are interest bearing.

26. Compensation of key management personnel (including Directors)

	2019 £000	2018 £000
Short-term employee benefits	1,296	1,110
Pension costs	141	88
Benefits in kind	2	1
Share-based payments	121	79
	1,560	**1,278**

27. Post balance sheet events

On 13th November 2019 the Company raised £7.6m before expenses via a placing of 46,466,667 ordinary shares, a subscription by Directors for 200,000 ordinary shares and an open offer for 3,907,141 ordinary shares at 15 pence each.

Following the issue of these shares, the Company's ordinary share capital increased to 108,366,444 ordinary shares.