This announcement contains inside information

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

Full year results for the year ended 31 July 2018

21 November 2018 - C4X Discovery Holdings plc (AIM: C4XD), a pioneering drug discovery company, today announces its full year results for the year ended 31 July 2018.

Financial highlights

- Revenue increased to £7,064,000 (2017: £143,000), driven entirely by the Indivior licensing agreement.
- R&D expenses increased 15% to £6,992,000 (2017: £6,100,000), reflecting the Company's investment in drug discovery activity and its continued development of lead drug candidates.
- Total loss after tax was £1,135,000 or 2.44 pence per share (2017: £6,782,000 or 16.88 pence per share).
- Post period end, C4XD completed a £10.1 million fundraise (before expenses) in October 2018 through the placing and open offer of 11,210,674 new ordinary shares in the capital of the Company (Ordinary Shares) at a price of 90 pence (GBX) per Ordinary Share.

Operational highlights

Business model validated

- Licensing deal with Indivior in March 2018 for our Orexin-1 antagonist programme; $10 million upfront with up to $284 million in milestone payments.

Discovery Engine progress

- C4XD's proprietary drug asset portfolio has grown from three programmes in 2014 to nine active programmes spread across multiple therapeutic areas.
- Disease areas of focus are inflammation, neurodegeneration, immune-oncology/oncology and additional opportunistic areas (e.g., addiction and diabetes).
- To date, the Taxonomy3® platform has identified 285 novel, genetically-validated and disease-linked genes that will generate target insights for future discovery programmes in inflammation and neurodegeneration.
- Launched Stage 1 of virtual reality-based molecular visualisation tool, 4Sight with the aim of increasing the throughput of the Company's pre-clinical portfolio by accelerating hit generation and lead optimisation timeframes.

Partnerships

- Continued to enhance core, state-of-the-art target identification and drug design capabilities through synergistic strategic partnerships:
    - Joint research collaboration with e-Therapeutics plc (AIM:ETX) to identify novel mechanistic insights in Parkinson's Disease was announced in May 2018.

Senior appointments

- Eva-Lotta Allan, Non-Executive Chairman, and Natalie Walter, Non-Executive Director, were appointed to the Board of Directors in July 2018.

Dr Clive Dix, CEO of C4X Discovery, said: *"C4X Discovery has had a transformational year in 2018, underlined by the successful completion of our pre-clinical licensing deal with Indivior in March. This pivotal milestone validated our* *business model. Our pipeline continues to progress, with NRF-2 entering a formal partnering process and excellent in vivo data on IL-17 moving this programme towards partnering. This maturing pipeline, combined with our enhanced commercial capabilities and our innovative collaborations with multiple partners, positions us well to carry out our strategy of becoming the world's most productive drug discovery engine and delivering returns to our shareholders."*

A copy of the final results presentation given by Clive Dix (Chief Executive Officer) will be released later this morning on the Group's website at www.c4xdiscovery.com.

Analyst conference call today

Dr Clive Dix, Chief Executive Officer, will present the results at 11:30am GMT on 21 November 2018 during a live conference call. A copy of the results presentation will be released later this morning on the Company website at www.c4xdiscovery.com.

Please visit the website approximately 10 minutes before the conference call to download the presentation slides. Dial-in details are:

Participant local dial-in: +44 (0) 2071 928000
Participant free phone dial-in: 08003767922
Participant code: 7559969#

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About C4X Discovery

C4X Discovery aims to become the world's most productive drug discovery engine by exploiting cutting edge technologies to design and create best-in-class small-molecule candidates targeting a range of high value therapeutic areas. The company's goal is to drive returns through early-stage revenue-generating deals with the pharmaceutical industry.

C4X Discovery has a state-of-the-art suite of proprietary technologies across the drug discovery process. The company's innovative DNA-based target identification platform (Taxonomy3®) utilises human genetic datasets to identify novel patient-specific targets leading to greater discovery productivity and increased probability of clinical success. This is complemented by C4XD's novel drug design platform which comprises two innovative chemistry technologies, Conformetrix and Molplex, that combine 4D molecular shape analyses (based on experimental data) with best-in-class computational chemistry. This provides new and unprecedented insight into the behaviour of drug molecules, enabling the production of potent selective compounds faster and more cost effectively than the industry standard.

C4X Discovery is advancing its in-house pipeline that is primarily focused on the high value therapeutic areas of inflammation, neurodegeneration and cancer (including immuno-oncology) with a number of new drug candidates identified and further progress made towards the pre-clinical licensing discussions. In selecting new targets and executing new drug discovery programmes, C4X Discovery focuses on high-value disease areas that are the subject of significant licensing activity and will continue to also maximise value from opportunistic areas such as addiction and diabetes. The Company recently signed a licensing agreement with Indivior for a pre-clinical addiction programme worth up to $294m.

The Company was founded as a spin-out from the University of Manchester. It has a highly experienced management team and Board who have delivered significant value creation within the healthcare sector historically and have enabled C4XD to reach multiple value inflexion points since IPO. For additional information please go to: www.c4xdiscovery.com

NON-EXECUTIVE CHAIRMAN'S STATEMENT

C4XD has a unique and clear ambition within the UK biotechnology sector and I am delighted to have joined at such an exciting time. I believe the Company has, and continues to build, the right tools, talent and partnership network to deliver its vision of supplying pharmaceutical companies with a constant stream of high-value, innovative, pre-clinical assets. C4XD reached a pivotal milestone this year through the out-licensing of our Orexin-1 antagonist programme, which alongside our post-period c.£10 million fundraise, has strengthened our cash position to enable the Company to continue accelerating towards becoming a self-sustaining drug discovery engine.

C4XD's next generation of programmes, such as our NRF-2 activator and oral small molecule IL-17 inhibitor are gathering momentum and gaining interest from potential partners. Beyond these, we continue to apply our expertise to unlocking challenging areas of biology and chemistry expanding and diversifying our pipeline in the process.

We understand the importance of working with others to drive our future success and we continue to invest into our commercial capabilities to ensure this remains at the core of our business model. We are proud of our diverse existing partnerships such as those with Evotec and Epic Games and we continue to be open to new technologies and ways of thinking that can enhance our capabilities, exemplified by our recent collaboration with e-Therapeutics. This openness, coupled with our deep and growing in-house expertise across discovery disciplines, truly differentiates C4XD from its peers.

C4XD has demonstrated its ability to deliver commercial value and strong growth. We appreciate our shareholders' support and confidence and we look forward to delivering significant value over the next year as we continue our journey to becoming the world's most productive drug discovery engine.

Eva-Lotta Allan
Chairman

CEO'S STATEMENT

Introduction

2018 has been a landmark year for C4XD. Our first commercialisation deal combined with another strong fundraise, post period end, has given us the capital to develop our pipeline and continue progressing towards our vision of being the most productive drug discovery company in the world. We have turned the engine over, it is now time to accelerate.

Commercialisation

In March 2018, C4XD successfully out-licensed its oral Orexin-1 receptor antagonist (C4X_3256) to addiction market leaders Indivior, generating $10 million upfront and up to $284 million of potential development, regulatory and commercialisation milestones, in addition to royalties. This ground-breaking pre-clinical licensing deal provides validation of C4XD's stated business model of entering early stage revenue-generating licensing agreements with the aim of building a self-sustainable Drug Discovery Engine.

C4XD is now focused on progressing its next generation of programmes through the pipeline, notably our NRF-2 activator, a promising inflammation target in multiple chronic conditions (e.g. COPD, Pulmonary Arterial Hypertension (PAH) and Sickle Cell Disease (SCD)), for out-licensing to strategically targeted partners.

In order to execute our growth strategy, a proactive commercial function is critical and will continue to grow in importance as our pipeline expands and the business grows. As such, C4XD has and continues to expand its commercial function with recruits from blue chip firms to ensure that our scientific innovation translates to commercialisation.

Forming strategic alliances

Strategic alliances play a crucial role in C4XD's business model, allowing our team of expert chemists to access the right external expertise and technology at the right time to add value to our discovery programmes in a fashion that is synergistic to our existing technologies.

In May 2018, C4XD announced a joint research collaboration with e-Therapeutics plc (AIM:ETX) to identify novel mechanistic insights in Parkinson's Disease by combining outputs from Taxonomy3® with e-Therapeutics' Network-driven Drug Discovery capabilities. It is our ambition that this will drive the selection of pathways and targets for the initiation of drug discovery programmes over the coming period, bolstering our promising neurodegeneration portfolio.

C4XD's established alliances with Evotec and the SGC enhance our unique pre-clinical discovery platform to build upon our ground-breaking technologies in a synergistic manner and ensure that our scientists our provided with the right capabilities to become the world's most productive drug discovery engine.

Modifying and improving our Engine

In addition to forming external collaborations, C4XD has continued to invest prudently in its in-house proprietary technologies. In combination with Epic Games, the Company successfully launched Phase 1 of its virtual reality-based molecular visualisation tool, 4Sight. This aims to increase throughput of the Company's pre-clinical portfolio by accelerating hit generation and lead optimisation timeframes.

We also continue to invest in improving our existing technologies to ensure that we maintain our cutting-edge in genetic target identification and conformational drug design.

Strengthening our leadership

In July 2018, C4XD welcomed the appointment of Eva-Lotta Allan, previously Chief Business Officer at Immunocore, as Non-Executive Chairman. Simultaneously, Natalie Walter, most recently an Equity Partner at Covington & Burling LLP, was announced as Non-Executive Director.

Together, Eva-Lotta and Natalie provide decades of industry experience to an already sector-leading board and bring complimentary expertise in business development, strategy and capital markets. Additionally, their appointment has helped further promote independence of the Board from the Company, providing a fresh and objective perspective on C4XD's strategic course.

Successful fundraise

Post year end, in October 2018, C4XD completed a successful fundraise of £10.1 million (before expenses) with a total of 11,210,674 shares issued to both new and existing investors. Proceeds from this successful fundraise will be used to support the execution of C4XD's strategy by strengthening its balance sheet as partnering discussions and strategic collaborations progress; expanding its commercial capability and supporting working capital during the growth of its pipeline.

Building our discovery portfolio

Scientific and commercial intelligence drives the development of our portfolio, with nine active discovery programmes now composing our pipeline across neurodegeneration, oncology and inflammation.

Furthermore, C4XD completed Taxonomy3® analysis of Alzheimer's Disease and Parkinson's Disease genetic datasets. Combined with the previously completed Rheumatoid Arthritis analysis, C4XD has now identified 285 novel, genetically-validated and disease-linked genes that will generate target insights for future discovery programmes in inflammation and neurodegeneration.

As we continue to raise funds and out-license candidates, C4XD will strategically reinvest in our discovery engine and pipeline to continue developing innovative drug discovery programmes. C4XD is building a balanced pipeline across high unmet need therapeutic areas, in order to reach a steady state of producing 4 or more partnerable assets per year.

Outlook

C4XD's strategy has been validated with our first commercial licensing deal, positioning us well to achieve our drug discovery ambitions and deliver value to our shareholders. The next year will focus on securing deal revenue from our next generation of discovery programmes, advancing our early stage pipeline towards commercialisation, and continuing to replenish and build our portfolio by identifying novel and exciting drug targets from Taxonomy3® and beyond. I am excited about what we can achieve and I look forward to sharing this journey with you.

Drug Discovery Engine and portfolio review

C4X Discovery continues to advance its in-house pipeline that is primarily focused on the high value therapeutic areas of immunology/inflammation, neurology/neurodegeneration and cancer (including immuno-oncology) as these areas are subject to the most significant R&D licensing activity in the pharmaceutical sector[1].

Partnered Programmes

Oral Orexin-1 Receptor Antagonist Programme

In March 2018, C4XD successfully out-licensed its novel, oral Orexin-1 receptor antagonist (C4X_3256) to addiction market leaders Indivior, generating $10 million upfront and up to $284 million of potential development, regulatory and commercialisation milestones, in addition to royalties. Prior to deal signature, the pivotal pre-clinical GLP safety and toxicology studies were completed successfully and our partner Indivior is progressing this investigational drug towards initiation of the first clinical studies.

The Orexin-1 receptor is considered to be central to the brain's "craving" and "reward" pathways with pre-clinical efficacy observed in multiple addiction models. Prior to the licensing deal with Indivior, C4XD had demonstrated that C4X_3256 attenuated cocaine-induced brain dopamine elevation supporting its potential in this important therapeutic area and added to the compelling pre-clinical efficacy data already achieved in nicotine addiction showing reductions in self-administration and re-instatement.

In July 2018 C4XD was delighted to announce that the C4X_3256 programme had been awarded a grant from the National Institute on Drug Abuse (NIDA, a division of National Institute of Health (NIH)). The grant of approximately $480k will support the investigation of the effects of C4X_3256 in cocaine addiction efficacy models extending the pre-clinical pharmacology package in parallel with clinical development.

Immunology / Inflammation

Oral NRF-2 Activator Programme

C4XD has designed and discovered novel potent activators of the NRF-2 pathway, which is important in mediating lung diseases such as chronic obstructive pulmonary disease (“COPD”), and pulmonary arterial hypertension (“PAH”), and other inflammatory diseases. In addition, recent scientific attention for this target has also extended to Sickle Cell Disease (“SCD”) where pre-clinical data suggests that the anti-oxidant and anti-inflammatory activity provided by NRF-2 activators may ameliorate haemolysis-related complications such as severe pain episodes, organ damage, heart attacks and stroke.

COPD represents an area of substantial unmet medical need and a $41 billion market[2] and, therefore, activators of NRF-2 are the subject of considerable interest by the pharmaceutical industry. GSK has filed several further patents on their molecules against this target in the last 12 months and is likely to be close to clinical development. C4XD has made critical progress in the programme recently, with multiple C4XD compounds now shown to significantly increase NRF-2 activation in the lungs and other target tissues following low dose oral administration in pre-clinical studies. These novel compounds are currently being optimised for solubility and pharmacokinetic properties ahead of pre-clinical candidate short-list selection.

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 $9 billion per annum[3]), As previously reported, our programme, 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. To date, the identification of orally available small molecules has proved extremely challenging but they are highly sought after by the pharmaceutical industry.

Recently we have identified multiple potent compounds suitable for oral delivery and have shown that these can inhibit the release of IL-17 induced cytokines in the blood *in vivo* when administered orally prior to IL-17 administration. Commercially this is a critical requirement as current marketed drugs that target IL-17 are based on injectable monoclonal antibodies so an oral treatment would increase the number of patients who can access drugs targeting this mechanism. This is highly desired by potential partners. Currently, a novel lead oral compound is being extensively profiled ahead of being selected to be examined in a disease efficacy model driven by endogenous IL-17.

Oral α4β7 Integrin Inhibitor Programme

During 2018, C4XD initiated an evaluation stage drug discovery programme to harness the synergy between our proprietary Conformetrix technology and protein crystallography to expedite the identification of novel, selective α4β7 integrin inhibitors for the treatment of Inflammatory Bowel Disease (IBD).

IBD is a collection of idiopathic diseases caused by a dysregulated immune response to host intestinal microflora. The most common sub-types are ulcerative colitis and Crohn's disease. Moderate/severe patients that do not respond to immunosuppressants are progressed on to biological therapies which have revolutionised the treatment of moderate/severe disease. Unfortunately, a significant proportion of patients do not respond to biological therapies and the first effective oral treatment for decades in this disease area is highly sought after.

Rheumatoid Arthritis

Analysis of a rheumatoid arthritis dataset using C4XD’s proprietary target discovery technology Taxonomy3® identified 66 novel genes that have not previously been associated with this major disease. Of these, nine were prioritised based on corroborative biology in the scientific literature and druggability. These potential targets are from protein families whose function suggests that any resulting drug molecules will have a very different biological impact on disease from that of existing rheumatoid arthritis therapies, enabling considerable therapeutic and commercial differentiation. One of these highly novel drug targets is currently being evaluated as potential new pipeline programme.

Neurology / Neurodegeneration

Parkinson’s Disease

As mentioned in previous updates, analysis of two publicly available Parkinson’s Disease (PD) datasets using C4XD’s proprietary target discovery technology Taxonomy3® has identified multiple novel disease associated genes in discrete patient sub-groups that could potentially provide an opportunity in stratified medicine. Informatic analysis of proprietary genes discovered with Taxonomy3®, together with known genetic susceptibility genes has flagged new pathways relevant to the disease aetiology: identification of such disease-relevant pathways is a pivotal step in drug discovery. During 2018, we nominated and initiated the first drug discovery evaluation stage programme in PD from this analysis and continue to work through the other novel drug targets from the genes we have discovered to provide the biological validation ahead of initiating further drug discovery programmes.

As an approach to further maximise the value from these novel findings in PD in May 2018 we announced a collaboration with e-Therapeutics. This collaboration is based on leveraging the power of e-Therapeutics' proprietary Network-Driven Drug Discovery (NDD) platform with C4XD's Taxonomy3 technology. E-Therapeutics has applied its pioneering NDD platform to PD with the addition of C4XD's novel and proprietary results from Taxonomy3® to derive further new insights into the corresponding cellular mechanisms in order to understand their interplay and centrality in the pathology of the disease. It is hoped that this work will ultimately lead to the identification of new treatment strategies, molecular targets and ultimately, novel drugs. The collaboration has progressed very well with an update expected to be announced in the near future.

Alzheimer's Disease

Following the significant genetic discoveries in Parkinson's Disease using our Taxonomy3® platform we initiated analysis of an Alzheimer's Disease dataset in 2017 that has now been completed. Excitingly, as observed with the Parkinson's Disease dataset, we've identified discrete patient sub-groups in this disease that have not been described previously and characterisation of the novel genetic associations are underway. A short-list of potential targets from this analysis has been prioritised and is being refined ahead of the initiation of new drug discovery programmes.

Cancer / Immuno-oncology

C4XD's Drug Discovery Engine is currently being utilised to target two key therapeutic targets for the treatment of cancer in the immuno-oncology space and these programmes are at the evaluation stage. Both of these targets have been subject to licensing deals recently and there continues to be demand for further novel molecules for these targets, particularly for use in combination with other agents. These programmes are being prosecuted as part of the multi-target risk-sharing alliance with Evotec AG (Evotec) announced in September 2016.

Opportunistic Disease Area Programmes

Diabetes

In late 2016 C4XD was awarded a ~£140k Biomedical Catalyst feasibility study award from InnovateUK to progress hits for the GPR142 agonist programme for diabetes. Type-2 diabetes (T2D) affects over 420 million people worldwide, creating an enormous healthcare and socio-economic burden. The GPR142 receptor has been recently reported to be a potential and exciting novel target for the treatment of T2D with several advantages. Firstly, its activation results in insulin secretion but only in the presence of high blood sugar levels, avoiding the life-threatening side effect of low blood sugar associated with insulin-based therapies. Secondly, GPR142-based medicines would be orally administered, avoiding compliance issues caused by injectable therapies. Prosecution of this programme has gone well with several novel lead C4XD compounds showing significant activity in a pre-clinical oral glucose tolerance test.

Lilly are the leader in this area and completed a Phase 1 clinical study with their candidate during the middle of 2018 which also had an additional diabetes patient cohort as a preliminary investigation into its activity in patients. The results from this study will drive commercial interest for this programme and discussions with potential partners.

Four drug discovery programmes have been paused during 2018 targeted at the disease areas of diabetes, rheumatoid arthritis, and oncology. Progress has been limited for each of these due to the chemical series tractability for these targets and so management and project teams have decided to prioritise resources for other programmes in the pipeline. Due to C4XD's virtual R&D model (wet biology and chemistry conducted by C4XD's extensive CRO network), C4XD remains very nimble and flexible in portfolio management. Each of these four programmes remain commercially attractive and so efforts are underway to source new chemical starting points for these programmes.

[1] BIO Industry Analysis "Emerging, Therapeutic Company Investment and Deal Trends" May 2018.

[2] Visiongain, Asthma and COPD Therapies: World Market 2013–2023.

[3] Visiongain, Psoriasis Treatment: World Market 2013–2023.

Clive Dix

Chief Executive Officer

FINANCIAL REVIEW

Revenue for the 12 months ended 31 July 2018 was £7,064,000 (2017: £143,000) and comprises solely of the amount received under the Indivior licensing agreement. Revenue in the prior year related to revenue earned under joint development arrangements. Grants secured are accounted for as a reduction to research and development expenses.

R&D expenses, which comprise invoiced material costs, payroll costs and software costs, have increased by 15% to £6,992,000 for the year ended 31 July 2018 (2017: £6,100,000). 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 £72,000 during the year to £2,605,000 (2017: £2,533,000.

The loss after tax for the year ended 31 July 2018 was £1,135,000 or 2.44 pence per share (2017: £6,782,000 or 16.88 pence per share).

The Group had net assets at 31 July 2018 of £8,174,000 (2017: £9,060,000) and cash and cash equivalents of £5,578,000 (2017: £6,031,000).

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

Brad Hoy
Chief Financial Officer

Consolidated statement of comprehensive income

for the year ended 31 July 2018

	Notes	2018 £000	2017 £000
Revenue	4	7,064	143
Cost of sales		-	(3)
Gross profit		7,064	140
Research and development expenses		(6,992)	(6,100)
Administrative expenses		(2,605)	(2,533)
Operating loss		(2,533)	(8,493)
Finance income	7	7	3
Loss before taxation		(2,526)	(8,490)
Taxation	8	1,391	1,708
Loss for the year and total comprehensive loss for the year		(1,135)	(6,782)
Loss per share			
Basic and diluted loss for the year	9	(2.44)p	(16.88)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 (2017: £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 is anti-dilutive.

The notes below form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 July 2018

	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 2016	**2,350**	**11,597**	**110**	**920**	**195**	**(10,867)**	**4,305**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(6,782)	**(6,782)**
Issue of share capital	140	11,939	-	-	-	-	**12,079**
Expenses of placing	-	(692)	-	-	-	-	**(692)**
Share-based payments	-	-	150	-	-	-	**150**
Transactions with owners	140	11,247	150	-	-	-	**11,537**
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**

Company statement of changes in equity
for the year ended 31 July 2018

	Issued equity capital £000	Share premium £000	Share-based payment reserve £000	Total £000
At 31 July 2016	**2,350**	**11,597**	**81**	**14,028**
Loss for the year and total comprehensive loss for the year	-	-	-	-
Issue of share capital	140	11,939	-	**12,079**
Expenses of placing	-	(692)	-	**(692)**
Share-based payments	-	-	150	**150**
Transactions with owners	140	11,247	150	**11,537**
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**

Statements of financial position

at 31 July 2018

	Notes	31 July 2018 Group £000	31 July 2018 Company £000	31 July 2017 Group £000	31 July 2017 Company £000
Assets					
Non–current assets					
Property, plant and equipment	10	83	-	90	-
Intangible assets	11	433	-	570	-
Goodwill	12	1,192	-	1,192	-
Investment in subsidiaries	13	-	2,351	-	2,102
		1,708	**2,351**	**1,852**	**2,102**
Current assets					
Trade and other receivables	14	388	23,462	548	23,462
Income tax asset	15	1,366	-	1,700	-
Cash and cash equivalents	16	5,578	1	6,031	1
		7,332	**23,463**	**8,279**	**23,463**
Total assets		**9,040**	**25,814**	**10,131**	**25,565**
Liabilities					
Current liabilities					
Trade and other liabilities	17	866	-	1,071	-
		866	**-**	**1,071**	**-**
Total liabilities		**866**	**-**	**1,071**	**-**
Net assets		**8,174**	**25,814**	**9,060**	**25,565**
Capital and reserves					
Issued equity capital	18	2,490	2,490	2,490	2,490
Share premium	18	22,844	22,844	22,844	22,844
Share-based payment reserve	19	509	480	260	231
Merger reserve	20	920	-	920	-
Capital contribution reserve	21	195	-	195	-
Revenue reserve	22	(18,784)	-	(17,649)	-
Total equity		**8,174**	**25,814**	**9,060**	**25,565**

Approved by the Board and authorised for issue on 21st November 2018.

The notes below form an integral part of these financial statements.

Clive Dix
Chief Executive Officer
21st November 2018

Cash flow statements

For the year ended 31 July 2018

	Notes	31 July 2018 Group £000	31 July 2018 Company £000	31 July 2017 Group £000	31 July 2017 Company £000
Loss after interest and tax		(1,135)	-	(6,782)	-
Adjustments for:					
Depreciation of tangible fixed assets	10	51	-	44	-
Amortisation of intangible assets	11	137	-	135	-
Share-based payments	19	249	-	150	-
Finance income	7	(7)	-	(3)	-
Taxation		(1,391)	-	(1,708)	-
Changes in working capital:					
Decrease/(increase) in trade and other receivables	14	160	-	(119)	(11,357)
(Decrease)/increase in trade and other payables	17	(205)	-	392	-
Decrease in deferred revenue		-	-	(83)	-
Cash outflow from operating activities		(2,141)	-	(7,974)	(11,357)
Research and development tax credit received		1,725	-	1,408	-
Net cash outflow from operating activities		(416)	-	(6,566)	(11,357)
Cash flows from investing activities					
Purchases of tangible fixed assets	10	(44)	-	(40)	-
Purchases of intangible assets	11	-	-	(51)	-
Finance income	7	7	-	3	-
Net cash outflow from investing activities		(37)	-	(88)	-
Cash flows from financing activities					
Proceeds from issues of ordinary share capital	18	-	-	12,049	12,049
Expenses of share capital issue	18	-	-	(692)	(692)
Net cash inflow from financing activities		-	-	11,357	11,357
(Decrease)/increase in cash and cash equivalents		(453)	-	4,703	-
Cash and cash equivalents at the start of the year		6,031	1	1,328	1
Cash and cash equivalents at the end of the year		5,578	1	6,031	1
Cash, cash equivalents and deposits at the end of the year	16	5,578	1	6,031	1

The notes below form an integral part of these 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 2018.

The financial statements of the Company and the Group for the year ended 31 July 2018 were authorised for issue by the Board of Directors on 20th November 2018 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 2018 or 2017. Statutory accounts for 2017 have been delivered to the Registrar of Companies, and those for 2018 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 result for the year ended 31 July 2018 was £nil (2017: £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 2018.

This is the first set of the Group's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described in note 3(y).

(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

The Chairman's and CEO's statements outline the business activities of the Group along with the factors which may affect its future development and performance. The Group's financial position is discussed in the Financial review along with details of its cash flow and liquidity. Note 24 sets out the Group's financial risks and the management of those risks.

Having prepared management forecasts, which incorporate the post-year-end £10 million cash raise, and made appropriate enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly they have continued to adopt the going concern basis in preparing the Group and Company financial statements. However, given the nature of the Group's biotechnology-based business and need for ongoing investment in its drug development activities, the Group will be looking to raise additional funds in the future to allow continued development.

(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 regularly 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 research and development costs have been met. This is necessary as the economic success of any product development or licensing is uncertain until such time as technical viability has been proven and commercial 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 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.

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.

(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 re-valued 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 2018 (2017: 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 (2017: £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 – policy applicable from 1 August 2017

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.

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses are recognised in profit or loss.

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. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. 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 (2017: £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 re-measured 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 2018 or ending 31 July 2019 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 22 Foreign currency Transactions and Advance Consideration	1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	To be confirmed
Annual Improvements to IFRS Standards - 2014-2016 Cycle	1 January 2018
Amendments to IAS 40 Investment Property	1 January 2018
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	To be confirmed
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance contracts	1 January 2018

Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 2 Share-based Payments	1 January 2018
Annual improvements to IFRSs 2015-2017 Cycle	To be confirmed
Amendments to IAS19 Employee Benefits	To be confirmed
Amendments to References to the Conceptual Framework in IFRS Standards	To be confirmed

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

The Group has initially applied IFRS 15 and IFRS 9 from 1 August 2017.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

There is no significant impact of the application of these new standards.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods and services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 August 2017). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

There is no significant financial impact arising in consequence of the transition to IFRS 15.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line in the statement of profit and loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses. Impairment losses on other financial assets are presented under "finance costs" similar to the presentation under IAS 39, and not presented separately in the statement of profit and loss and OCI due to materiality considerations.

Additionally, The Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures about 2018 but have not been generally applied to comparative information.

There is no significant financial impact arising in consequence of the transition to IFRS 9 on the opening balances.

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group and Company has determined that the application of IFRS 9's impairment requirements at 1 August 2017 results in no material additional allowance for impairment.

4. Revenue

Revenue from contracts with customers

	2018	2017
	£000	£000

Revenue recognised at a point in time		
- Right to use licence revenue	7,064	-
- Joint development agreements	-	143
Revenue recognised over time	-	-
Total revenue	7,064	143

Revenue in the current year is generated from the license of IP to a customer to enable the customer to further develop and commercialise a drug from the Group's discovery portfolio. C4XD has no control over when and if licence milestones are achieved. 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 license 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:

	2018	2017
	£000	£000
Trade receivables	-	78

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 (2017: £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 revenue is earned from one (2017: one) material customer.

5. Operating loss

The Group	**31 July 2018 £000**	**31 July 2017 £000**
Operating loss is stated after charging /(crediting):		
Depreciation of property, plant and equipment (see note 10)	51	44
Amortisation of intangible assets (see note 11)	137	135
Research and development expense**	6,992	6,100
Cost of inventories recognised as an expense (included in cost of sales)	-	3
Grant income	(77)	(117)
Operating lease rentals:		
Land and buildings	264	201

** Included within research and development expense are staff costs totalling £3,025,000 (2017: £2,286,000) also included in note 6.

Auditor's remuneration:

Audit services:			
	- Fees payable to Company auditor for the audit of the parent and the consolidated accounts	40	35
Fees payable in respect of the audit of subsidiary companies:			
	- Auditing the accounts of subsidiaries pursuant to legislation	20	15
	- Other services	6	6
Total auditor's remuneration		**66**	**56**

6. Staff costs and numbers

	31 July 2018 £000	31 July 2017 £000
Wages and salaries	3,288	2,605
Social security costs	489	351
Pension contributions	325	213
Share-based payments	249	150
	4,351	**3,319**

Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	**607**	**460**

Directors' emoluments (excluding social security costs, but including benefits in kind) disclosed above include £183,000 paid to the highest paid director (2017: £174,000).

Retirement benefits are accruing to 2 Directors (2017: 2 Directors).

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

7.Finance income

The Group	**31 July 2018 Number**	**31 July 2017 Number**
Directors	6	6
Technological staff	34	30
Administrative staff	7	6
	47	**42**

The Group	**31 July 2018 £000**	**31 July 2017 £000**
Finance income:		
Bank interest receivable	7	3
	7	**3**

8. Income tax

The tax credit is made up as follows:

	31 July 2018	**31 July 2017**

The Group	£000	£000
Current income tax:		
UK corporation tax on losses in the year	-	-
Research and development income tax credit receivable	(1,366)	(1,700)
Adjustment in respect of prior years	(25)	(8)
Total current income tax	(1,391)	(1,708)

The tax assessed for the year varies from the standard rate of corporation tax as explained below:	**31 July 2018**	**31 July 2017**
The Group	**£000**	**£000**
Loss before taxation	(2,526)	(8,490)
Tax at standard rate of 19.00% (2017: 19.67%)	(480)	(1,670)
Effects of:		
Expenses not deductible for tax purposes	23	1
Movement in un-provided net deferred tax asset	69	26
Research and development tax credit receivable, net of R&D relief surrendered	(958)	(697)
Share options exercised (CTA 2009 Pt 12 deduction)	-	(142)
Tax losses (utilised)/carried forward	(20)	782
Adjustment in respect of prior years	(25)	(8)
Tax credit in income statement	**(1,391)**	**(1,708)**

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% (2017: 17%) is £1,405,000 (2017: £1,425,000), of which £nil (2017: £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% (2017: 17%) is £3,000 (2017: £30,000).

The Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 17% (2017: 17%) is £86,000 (2017: £44,000).
The net deferred tax asset of £83,000 (2017: £14,000) has not been recognised.

9. Earnings per share

The Group	**31 July 2018 £000**	**31 July 2017 £000**
Loss for the financial year attributable to equity shareholders	(1,135)	(6,782)

Weighted average number of shares:		
Ordinary shares in issue	46,555,087	40,171,732
Basic loss per share (pence)	**(2.44)**	**(16.88)**

Diluted loss per share has not been presented above as the effect of share options issued is anti-dilutive.

10. Property, plant and equipment

The Group	**Office equipment, fixtures and fittings £000**	**Building improvements £000**	**Total £000**
Cost:			
At 31 July 2016	**133**	**38**	**171**
Additions	40	-	40
At 31 July 2017	**173**	**38**	**211**
Additions	44	-	44
Disposals	(29)	-	(29)
At 31 July 2018	**188**	**38**	**226**
Depreciation:			
At 31 July 2016	**66**	**11**	**77**
Provided during the year	36	8	44
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**
Net book value:			
At 31 July 2018	**71**	**12**	**83**
At 31 July 2017	71	19	90

The Company has no property, plant and equipment.

11. Intangible assets

The Group	**Patents £000**	**IP assets £000**	**Software £000**	**Total £000**
Cost:				
At 31 July 2016	**87**	**600**	**50**	**737**
Additions	51	-	-	51
At 31 July 2017	**138**	**600**	**50**	**788**
Additions	-	-	-	-
At 31 July 2018	**138**	**600**	**50**	**788**
Amortisation:				
At 31 July 2016	**33**	**50**	**-**	**83**
Provided during the year	5	120	10	135
At 31 July 2017	**38**	**170**	**10**	**218**
Provided during the year	7	120	10	137
At 31 July 2018	**45**	**290**	**20**	**355**
Net book value:				
At 31 July 2018	**93**	**310**	**30**	**433**
At 31 July 2017	100	430	40	570

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 is 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 have prepared a net present value calculation taking into account cash flows from expected future license 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. The cash flows are projected until 2033.

The key assumptions used in the net present value calculation are the timing of signing future license 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 107% (£1.7m).

The key assumption considered most sensitive for the net present value calculations is that regarding the timing of signing future license agreements. This assumption could slip by 2 years compared to the base case before an impairment would be triggered. Due to the headroom which exists between the recoverable amount and the carrying value, 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

The Group	**Purchased goodwill £000**	**Total £000**
Cost:	1,192	1,192
At 31 July 2016 , 31 July 2017 & 31 July 2018	**1,192**	**1,192**

Impairment:		
At 31 July 2016	**-**	**-**
Provided during the year	-	-
At 31 July 2017	**-**	**-**
Provided during the year	-	-
At 31 July 2018	**-**	**-**

Net book value:		
At 31 July 2018	**1,192**	**1,192**
At 31 July 2017	1,192	1,192

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

Management assess goodwill for impairment annually.

The recoverable amount of goodwill and intangible assets is 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 have prepared a net present value calculation taking into account cash flows from expected future license 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. The cash flows are projected until 2033.

The key assumptions used in the net present value calculation are the timing of signing future license 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 107% (£1.7m).

The key assumption considered most sensitive for the net present value calculations is that regarding the timing of signing future license agreements. This assumption could slip by 2 years compared to the base case before an impairment would be triggered. Due to the headroom which exists between the recoverable amount and the carrying value, 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 2017	**1,871**	**231**	**2,102**
Increase in respect of share-based payments	-	249	249
At 31 July 2018	**1,871**	**480**	**2,351**

By subsidiary			
C4X Discovery Limited	200	480	680
C4X Drug Discovery Limited	-	-	-
Adorial Limited	1,671	-	1,671
At 31 July 2018	**1,871**	**480**	**2,351**

13.Investment in subsidiaries

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	31 July 2018
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	Drug discovery	Ordinary	100%
Adorial Technologies Limited*	England and Wales	Research and development	Ordinary	100%
Adorial Pharma Limited*	England and Wales	Research and development	Ordinary	100%

*The registered office address is Manchester One, 53 Portland Street, Manchester, M1 3LD.

14. Trade and other receivables

	31 July 2018 Group £000	31 July 2018 Company £000	31 July 2017 Group £000	31 July 2017 Company £000
Trade receivables	12	-	85	-
Prepayments	265	-	200	-
Inter-company short-term loan to subsidiary	-	23,462	-	23,462
Other receivables	111	-	263	-
	388	**23,462**	**548**	**23,462**

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 (2017: 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 £110,000 VAT receivable (2017: £199,000).

15. Income tax asset

	31 July 2018 Group £000	31 July 2018 Company £000	31 July 2017 Group £000	31 July 2017 Company £000
Research and development income tax credit receivable	1,366	-	1,700	-
	1,366	**-**	**1,700**	**-**

16. Cash, cash equivalents and deposits

	31 July 2018 Group £000	31 July 2018 Company £000	31 July 2017 Group £000	31 July 2017 Company £000
Cash and cash equivalents	5,578	1	6,031	1
	5,578	**1**	**6,031**	**1**

Cash and cash equivalents at 31 July 2018 include deposits with original maturity of three months or less of £nil (2017: £nil).

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

17. Trade and other payables

	31 July 2018 Group £000	31 July 2018 Company £000	31 July 2017 Group £000	31 July 2017 Company £000
Current payables	406	-	700	-
Other payables	85	-	101	-
Accruals	375	-	270	-
	866	-	**1,071**	-

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:						
As at 31 July 2016	**2,025,000**	**32,496,757**	**325**	**2,025**	**11,597**	**13,947**
Issue of share capital	-	14,058,330	140	-	11,939	12,079
Expenses of placing	-	-	-	-	(692)	(692)
Ordinary and deferred shares as at 31 July 2017 and as at 31 July 2018	**2,025,000**	**46,555,087**	**465**	**2,025**	**22,844**	**25,344**

The Group	Share capital £000	Deferred shares £000	Share premium £000	Total £000
Allotted, called up and fully paid ordinary shares of 1p:				
As at 31 July 2016	**325**	**2,025**	**11,597**	**13,947**
Issued of share capital	140	-	11,939	12,079
Expenses of placing	-	-	(692)	(692)
Ordinary and deferred shares as at 31 July 2017 and as at 31 July 2018	**465**	**2,025**	**22,844**	**25,344**

On the 6 September 2016 4,901,961 ordinary shares were issued in a placing at a price of 102p resulting in share proceeds of £5,000,000. Share issue costs of £285,000 were incurred and have been deducted from share premium.

On the 14 March 2017 8,235,294 ordinary shares were issued in a placing at a price of 85p resulting in share proceeds of £7,000,000. Share issue costs of £407,000 were incurred and have been deducted from share premium.

On the 8 June 2017 34,200 ordinary shares were issued in satisfaction of loans made to Adorial Limited by its then Directors, now employees of C4XD. The share price on the day of issue was 87 pence.

On the 8 June 2017 886,875 ordinary shares were issued on exercise of options originally granted on 27 May 2014 at 5.58 pence per share.

On the 5 October 2018, 11,210,674 ordinary shares were issued in a placing and open offer at a price of 90p resulting in share proceeds of £10,100,000 before expenses.

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 2016	**110**
Share-based payments	150
At 31 July 2017	**260**
Share-based payments	249
At 31 July 2018	**509**

The Company	£000
At 31 July 2016	**81**
Share-based payments	**150**
At 31 July 2017	**231**
Share-based payments	**249**
At 31 July 2018	**480**

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 £249,000 has been recognised in the Statement of comprehensive income for the year (2017: £150,000).

Share option schemes

The Group operates the following share option schemes all of which are operated as Enterprise Management Incentive ("EMI") schemes in so far 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 01 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 01 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.

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

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

The Group and Company	**2018 Number**	**2017 Number**
Outstanding at 1 August	3,185,414	2,657,325
Granted during the year	-	1,802,464
Exercised during the year	-	(886,875)
Lapsed/cancelled	-	(387,500)
Outstanding at 31 July	**3,185,414**	**3,185,414**
Exercisable at 31 July	1,257,950	812,700

During the year ended 31 July 2018, no options were exercised (2017: 886,875).

Weighted average exercise price of options

The Group and Company	2018 Pence	2017 Pence
Outstanding at 1 August	75.67	32.33
Granted during the year	-	99.36
Exercised during the year	-	5.58
Forfeited/cancelled	-	77.00
Outstanding at 31 July	**75.67**	**75.67**

No options were granted during the year (the weighted average fair value of options granted during the year to 31 July 2017 was 99.36 pence). The range of exercise prices for options outstanding at the end of the year was 2.05 pence – 105.00 pence, (2017: 2.05 pence – 105.00 pence).

For the share options outstanding as at 31 July 2018, the weighted average remaining contractual life is 7.1 years (2017: 8.1 years).

The following table lists the inputs to the models used for the years ended 31 July 2018 and 31 July 2017.

The Group and Company	**2018**	**2017**
Expected volatility (%)	**52.5%**	52.5%
Risk-free interest rate (%)	**0.41%-0.91%**	0.44%-1.00%
Expected life of options (year's average)	**3 years**	3 years
Weighted average exercise price (pence)	**n/a**	5.58
Weighted average share price at date of grant (pence)	**n/a**	99.36

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**
As at 31 July 2016, 31 July 2017 and 31 July 2018	**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 2016, 31 July 2017 and 31 July 2018	**195**

22. Revenue reserve

The Group	**£000**
At 31 July 2016	**(10,867)**
Loss for the year	(6,782)
At 31 July 2017	**(17,649)**

Loss for the year	(1,135)
At 31 July 2018	**(18,784)**

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 2018 Group £000	**31 July 2017 Group £000**
Land and buildings:		
Not later than one year	113	150
After one year but not more than five	71	143
After five years	-	-
	184	**293**

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 £8,174,000 at 31 July 2018 (£9,060,000 at 31 July 2017).

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 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**

Financial assets/(liabilities)	*Loans and receivables £000*	*Financial liabilities £000*	*Group £000*	*Company £000*
31 July 2017				
Trade receivables	85	-	85	-
Inter-company short-term loan to subsidiary	-	-	-	23,462
Cash, cash equivalents and deposits	6,031	-	6,031	1
Trade and other payables *	-	(801)	(801)	-
	6,116	**(801)**	**5,315**	**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 arises 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 2018 or at 31 July 2017 and the Group did not enter into any such contracts during 2018 nor 2017.

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**	**2018 Total £000**	**GBP £000**	**USD £000**	**EUR £000**	**2017 Total £000**
Cash, cash equivalents and deposits	5,489	56	33	5,578	5,986	40	5	6,031
Trade receivables	12	-	-	12	85	-	-	85
Trade payables	(395)	(6)	(5)	(406)	(629)	(20)	(51)	(700)
	5,106	**50**	**28**	**5,184**	**5,442**	**20**	**(46)**	**5,416**

Sensitivity analysis to movement in exchange rates

Given the immaterial net payable 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 2018			**31 July 2017**		
The Group	**Fixed rate £000**	**Floating rate £000**	**Total £000**	**Fixed rate £000**	**Floating rate £000**	**Total £000**
Cash, cash equivalents and deposits	-	**5,578**	**5,578**	-	**6,031**	**6,031**
The Company						
Cash, cash equivalents and deposits	-	**1**	**1**	-	**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 2018 based on contractual undiscounted payments including contractual interest.

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

2017	**Less than 1 year £000**	**1 to 5 years £000**	**Total £000**
Financial liabilities			
Trade and other payables *	801	-	801
	801	**-**	**801**

*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 (2017: £15,450) for monitoring fees and were owed £nil at 31 July 2018 (2017: £1,545).

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 (2017: £2,025,000).

During the year, director Harry Finch, charged the Group £12,822 (2017: £2,800) for services which he provided as a technical consultant and was owed £nil at 31 July 2018 (2017: £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 2018 £000	31 July 2017 £000
Short term loans owed to C4X Discovery Holdings plc by:			
C4X Discovery Limited	14	23,462	23,462
C4X Drug Discovery Limited		-	-
Adorial Limited		-	-
		23,462	**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 is interest bearing.

26. Compensation of key management personnel (including Directors)

	2018 £000	2017 £000
Short-term employee benefits	1,110	1,032
Pension costs	88	72
Benefits in kind	1	-
Share-based payments	79	86
	1,278	**1,190**

27. Post balance sheet events

On the 5 October, the Company raised cash proceeds of £10.1 million (before expenses) through a Placing and Open offer of ordinary share capital which resulted in an increase in the Company’s ordinary share capital to 57,765,761 ordinary shares.