



This announcement contains inside information

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

Full Year Results

A Year of Progress Across Key Drug Discovery Programmes

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

Dr Clive Dix, CEO of C4X Discovery, said: *"2020 has also been a year of significant and focused progress for C4XD as we continue to advance our key Drug Discovery programmes within our portfolio. With robust finances now in place we are strongly positioned to generate commercially attractive data packages for future partners and to deliver long term value to our shareholders."*

"Despite the hurdles that have arisen this year as a result of the COVID-19 pandemic, the pharmaceuticals sector has shown great resilience, and continues to thrive and deliver innovation. This reinforces our belief in the central role and strength of the industry and the opportunity for C4XD in meeting its need for a sustainable source of high-quality assets to build pipelines."

Highlights (including post-period end)

Operational Highlights

- Post-period: Indivior commenced Phase 1 clinical trial for C4XD's Orexin-1 antagonist, C4X_3256 (also known as INDV-2000), for the treatment of opioid dependence, with first subject dosed
- NRF-2 lead activator molecule C4X-6746 shown to significantly inhibit disease score in pre-clinical model of inflammatory bowel disease ("IBD"). Candidate nomination studies continue
- IL-17 oral inhibitor programme for treatment of psoriasis has been shown to significantly reduce inflammation *in vivo*, and is being optimised towards candidate shortlist
- $\alpha 4\beta 7$ integrin inhibitor programme for the treatment of IBD demonstrated significant selectivity vs $\alpha 4\beta 1$ *in vitro* and oral bioavailability in PK studies. Discussions with several potential partners under CDA continue
- LifeArc risk-share collaboration continues to progress well. C4XD and LifeArc have completed the initial phase of the collaboration to progress a small molecule MALT-1 inhibitor programme, with three novel series identified. Optimisation studies continue
- Post-period: new collaboration with GEN-COVID Consortium to investigate the role genetics play in the susceptibility, severity and prognosis between different individuals with COVID-19
- Conformetrix technology patent was granted in the USA

Financial Highlights

- Revenue was £nil (2019: £nil)
- Total loss after tax of £7.8 million or 8.10 pence per share (2019: £10.9m or 18.82 pence per share)
- R&D expenses reduced by 35% to £6.9 million (2019: £10.6m), reflecting focused investment in key Drug Discovery programmes
- Net assets of £8.1 million (2019: £7.0m)
- Total fundraising of £24.2 million (before expenses) in three tranches, one post-period end:
 - October 2019 - fundraise of £7.6 million (before expenses) with a total of 50,573,808 shares issued to both new and existing investors
 - May 2020 - £1.6 million investment (before expenses) by key strategic shareholder Polar Capital with total of 10,836,700 Shares issued

- Post-period end: October 2020 –fundraise of £15.0 million (before expenses) with a total of 107,142,858 Placing Shares and 99,169,286 Warrants issued to new and existing shareholders
- Cash:
 - Net cash as at 31 July 2020: £5.6 million (31 July 2019: £2.4m)
 - Net cash as at 30 November 2020 following fundraise: £17.3 million

Analyst conference call today

Dr Clive Dix, Chief Executive Officer, and members of the management team will host a webcast for analysts at 10am GMT today. A copy of the final results presentation will be released later this morning on the Company website at www.c4xdiscovery.com. Please contact Consilium Strategic Communications for details on C4XDiscovery@consilium-comms.com / +44 203 709 5700.

The Annual Report will be sent to shareholders prior to the Annual General Meeting on 19 January 2021 and will be made available on the Company’s website at that time..

—ENDS—

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About C4X Discovery

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

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

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

NON-EXECUTIVE CHAIRMAN STATEMENT

Building for success

“We are now in a strong position to generate significant value to our shareholders by advancing our proprietary portfolio of programmes and translating some of our key programmes into partnerships.”

The financial year ended 31 July 2020 was a year of significant and focused progress with some key milestones achieved for C4XD. The commitment and dedication of the C4XD team, together with our unique technologies, mean our portfolio of assets has matured significantly during the year.

We have made great strides advancing our early stage Drug Discovery programmes by applying our cutting-edge technologies, which has resulted in a solid portfolio of novel, pre-clinical, small molecule programmes. While our proprietary portfolio is predominantly focused in the area of inflammation, we are actively pursuing other therapeutic areas including oncology and neurology.

The Board fully supports the current business strategy of out-licensing programmes at the pre-clinical stage through partnerships with pharmaceutical companies who have development and commercial capabilities, as well as significant expertise in the relevant therapeutic area. We were therefore pleased to see our first candidate CX_3256 (now INDV-2000), out-licensed to Indivior, entering Phase I clinical trials during the year. This is great news for C4XD and as we continue to drive forward potential partner discussions across the portfolio, the Company routinely assesses the partnering landscape to identify the right opportunities for out-licensing of our other lead programmes.

I am happy to say we have a diverse Board, which continues to be closely aligned with the Company’s strategy and has been particularly supportive during recent months when working practices have had to change. The Company is tracking the COVID-19 pandemic situation closely and is continuously monitoring for any potential challenges that may arise. To date there are no significant implications to our core operations due to the pandemic and we continue to focus on creating long-term value for our shareholders.

In addition, I would like to say how proud we are at C4XD of the work our CEO, Clive Dix, is doing in the fight against COVID-19. His role in the UK Vaccines Taskforce is important for our country. I believe that his appointment reflects his commitment to our industry as a whole, and the respect the industry has for his expertise. Whilst supporting the efforts to find a vaccine for COVID-19, Clive continues to be dedicated to C4XD and I am impressed by his professionalism and drive to build a successful company.

We have completed three successful financings, including an additional £15 million raise in October 2020 supported by our key existing shareholders as well as new shareholders, enabling the Company to further advance its portfolio of unique assets to near term inflection points and to strengthen the balance sheet as partnering discussions and strategic collaborations progress.

On behalf of the Board, I would like to thank our dedicated employees and management team for their ongoing commitment, creativity and hard work to make C4XD a successful global discovery player. I would like to thank our shareholders for their continued support and belief in our vision, and I am thrilled to welcome our new shareholders to the Company.

We are poised for a new and exciting year ahead.

Eva-Lotta Allan
Non-Executive Chairman
9 December 2020

CEO STATEMENT

Portfolio continues to deliver strong value potential

“It is in challenging times such as these that you understand the importance of building a strong, talented and motivated team and it is due to their resilience and fortitude that we have continued to make great progress across the C4XD Drug Discovery portfolio throughout 2020.”

Progress across our portfolio and, in particular, our key Drug Discovery programmes has continued apace. Each of our programmes has advanced, with new data and key milestones met. We were delighted to see our first molecule reach the clinic, with the first subject dosed in Indivior’s Phase 1 clinical trial for opioid dependence. This is a huge milestone for the Company and clearly demonstrates C4XD’s scientific expertise and capabilities to generate, develop and deliver new molecules that the pharmaceutical industry wants and needs to create new medicines. We look forward to the results of this trial next year.

Our oral NRF-2 programme for the treatment of inflammatory diseases continues to make progress, with compounds now showing promise in a number of indications including sickle cell disease, pulmonary arterial hypertension and, more recently, inflammatory bowel disease. More work is underway to identify the right candidate molecule to progress into IND enabling studies. We have also seen important scientific developments in both our IL-17 and $\alpha 4\beta 7$ integrin inhibitor programmes, with our novel oral series of IL-17 inhibitors being optimised towards a candidate shortlist and commercial discussions with potential partners continuing. Whilst at an earlier stage, our $\alpha 4\beta 7$ integrin inhibitor programme has made significant progress in 2020 and we aim to shortly move the lead series into *in vivo* studies. Furthermore, the identification of a second series of $\alpha 4\beta 7$ integrin inhibitors underlines the value that our Conformetrix technology offers in the Drug Discovery process.

Our partnership with LifeArc® developing novel MALT-1 inhibitors for haematological cancer is progressing nicely and there is now external commercial evidence that validates this as a target in oncology. We have also entered a new partnership focused on studying the genetics of COVID-19 patients with the GEN-COVID consortium in Italy. The understanding of COVID-19 is still very naïve and we do not fully understand how it affects the human physiology and why it affects people differently, such as some ethnic minority patient groups or those with underlying health issues such as obesity. Therefore, understanding the role of genetics in this disease, which our Taxonomy3 platform does, may be key to understanding this disease better. This project has the potential to produce exciting data that may explain the way different people react to the disease and subsequently influence not only how they are treated for COVID-19, but diseases of this type in the future.

What we do is early stage work, but it is at the forefront of the next generation of medicines. Our scientists’ expertise in the Drug Discovery process, combined with our cutting-edge technologies, enable us to seek out and investigate potential targets, and to undertake complex chemistry and biological studies to create what are the beginnings of future drugs. This places us in a strong position to fulfil the pharmaceutical industry’s demand for high quality early stage drug candidates.

Whilst 2020 has presented challenges for all companies that no one could have foreseen, we have been able to adapt quickly and efficiently in how we work. As a result of our decisive initiatives, we have seen limited impact to our day-to-day activities from the COVID-19 pandemic.

Where we work with partners who have been impacted due to COVID-19, we have seen nothing but determination and commitment to enable work to progress. To this effect, our timelines may have been stretched in some cases but as the majority of our work is in the earlier non-clinical stages, we remain on track.

We thank our shareholders for their continued support that enables us to do this important work. The pharmaceutical industry has an opportunity, right now, to demonstrate its value to world health, and with the recent fundraising, we can use our Drug Discovery expertise to support our partners, for the benefit of patients. Polar Capital increased its investment with us earlier this year, and again in a post-period fundraising along with new investors, demonstrating confidence in our strategy. In total we raised £24.2 million which we will use to advance our key programmes towards out-licensing and this money sets us in good stead for the coming year.

Finally, I would like to thank our employees for their continued hard work and flexibility, despite the challenges this year has presented. Without their dedication, we could not have made the progress we have, and because of that progress, received the investment that will allow us to drive our programmes forward.

Portfolio Review

Making significant headway across our portfolio

Despite the challenges across the pharmaceutical industry caused by the COVID-19 pandemic, we have continued to make significant headway across our portfolio. Our first potential drug, discovered by harnessing our Conformetrix technology, has entered the clinic with our partner, Indivior, for the treatment of opioid addiction. In November 2019, C4XD's Conformetrix technology patent was granted in the USA.

The team at C4XD has worked hard to ensure all discovery programmes remain on track where possible and as a result, our key programmes continue to demonstrate progress and generate positive data. We also entered into a new partnership with the GEN-COVID consortium to study the role genetics plays on how COVID-19 affects different individuals through utilising our proprietary Taxonomy3[®] platform.

Addictive disorders (Orexin-1)

Entering the clinic

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

In September 2019, Indivior announced that it had been awarded a NIH HEAL grant for "Clinical Evaluation of C4X_3256, a non-opioid, highly-selective Orexin-1 Receptor Antagonist for the Treatment of Opioid Use Disorder", providing funding for key Phase I and Phase II enabling studies. In July 2020, Indivior commenced a Phase I clinical trial for C4X_3256, for the treatment of opioid dependence, with the first subject now dosed. This single ascending dose study in healthy volunteers is anticipated to complete by the end of 2020, with topline data expected next year. <https://www.clinicaltrials.gov/ct2/show/NCT04413552>

Inflammation (NRF-2 Activator)

Expanding into new markets

In October 2019, the Company announced progression of a series of novel potent activators of the NRF-2 pathway for the treatment of a variety of inflammatory diseases. The identified series of keap-1 inhibitors has been found to significantly activate NRF-2 following oral dosing, providing anti-inflammatory and anti-oxidant activity.

In C4XD studies, multiple lead compounds show greater than a 12-hour duration of action following low oral dosing on activation of NRF-2 in key tissues such as the lung, the liver and in blood. More recently, one of C4XD's lead NRF-2 activator molecules has also been shown to significantly inhibit the disease score in a pre-clinical model of IBD in a dose-dependent manner.

The Company has received non-binding term sheets for SCD and IBD indications and is currently under CDA for PAH, however, progression into IND enabling studies is now considered to be required in order to increase value and further differentiate from competitor molecules.

Inflammation (IL-17 Inhibitor)

Progressing towards commercialisation

In October 2019, C4XD announced it had identified small molecules in its oral IL-17 inhibitor programme that can selectively block IL-17 activity whilst maintaining molecular size of the molecule in the traditional "drug-like" range.

A novel, potent oral series of IL-17 inhibitors that significantly reduce IL-17 induced inflammation *in vivo* is being optimised towards candidate shortlist. A recently filed IND by a pharmaceutical company for the first oral IL-17 inhibitor has intensified the Company's commercial discussions with potential partners. The oral IL-17 inhibitor programme is a significant opportunity across multiple indications.

Haematological cancer (MALT-1 Inhibitor)

Major milestones met

In November 2018, C4XD entered into a discovery collaboration with LifeArc[®], a UK medical research charity, to progress medicinal chemistry efforts on a MALT-1 inhibitor programme with applicability across oncology and inflammation indications. Despite being impacted by COVID-19, the collaboration continues to progress well with the initial phase successfully completed. We note that Johnson & Johnson has progressed its small molecule MALT-1 inhibitor into Phase 1 clinical trials for chronic lymphocytic leukaemia and non-Hodgkin's lymphoma, with potential to provide the first clinical validation for MALT-1 as a target in oncology.

Three novel series have been identified by harnessing C4XD's Conformetrix technology and data obtained in 2020 has demonstrated functional cell activity and oral bioavailability. Optimisation studies continue to increase cellular potency with the aim of showing *in vivo* inhibition of the target for a prototype molecule.

Inflammation ($\alpha 4\beta 7$ Integrin Inhibitor)

Exciting early progress

In August 2020, the Company announced that significant progress has been made on C4XD's early oral inhibitor programme targeting $\alpha 4\beta 7$ integrin for the treatment of IBD. Effective antibody therapy against this target is already approved, removing the clinical target risk, but effective oral therapy remains highly sought after. C4XD has identified a second series of novel, potent and selective inhibitors providing a further competitive edge for this programme. This reaffirms the capability of C4XD's Conformetrix technology to discover novel chemical scaffolds for high value challenging drug targets.

Both series have recently demonstrated oral bioavailability in PK studies with the current focus on improving PK properties to demonstrate functional inhibition of $\alpha 4\beta 7$ integrin *in vivo* following oral dosing. The Company is currently generating improved molecules to move to *in vivo* studies and, despite being early stage, the Company is in confidential discussions with several potential partners.

COVID-19

Applying Taxonomy3[®] to understand the genetics of COVID-19

In August 2020, C4XD announced that it had entered a new collaboration with the GEN-COVID consortium, a network of more than 20 hospitals in Italy led by Professor Alessandra Renieri of the University of Siena. The collaboration will use the unique mathematical genetic analysis methodology of Taxonomy3[®] to investigate the role genetics plays in the widely varied disease susceptibility, severity and prognosis observed between individuals with COVID-19.

Outlook and summary

Overall, we have made significant headway across the portfolio. Our focus for the coming year is to drive our key Drug Discovery programmes, particularly those in our inflammation franchise, to the next milestone. We will continue to build out our network of partnerships and progress our pipeline of proprietary and partnered projects to a strong commercial position.

With robust finances now in place, we can continue to advance our portfolio and deliver shareholder value through the generation of high quality data packages that will be commercially attractive to future partners in the pharmaceutical industry. We remain confident that through the delivery of the next generation of high quality out-licensing opportunities, we can deliver significant value for all our shareholders.

Clive Dix
Chief Executive Officer
9 December 2020

FINANCIAL REVIEW

Continued support from our investors to execute our strategy

“The strong support from our shareholders will enable us to drive forward our portfolio of proprietary assets and to ultimately deliver shareholder value through partnerships and out-licensing opportunities.”

Revenue for the 12 months ended 31 July 2020 was £nil (2019: £nil). Grants secured are accounted for as a reduction to research and development expenses and not included in revenue.

R&D expenses, which comprise invoiced material costs, payroll costs and software costs, have decreased by 35% to £6.9 million for the year ended 31 July 2020 (2019: £10.6m). This reflects focused investment in key Drug Discovery programmes as outlined in the Non-Executive Chairman’s and CEO’s Statements.

Administrative expenses reduced during the year to £2.7 million (2019: £3.0m).

The loss after tax for the year ended 31 July 2020 was £7.8 million or 8.10 pence per share (2019: £10.9m or 18.82 pence per share).

The Group had net assets at 31 July 2019 of £8.1 million (2019: £7.0m) and cash and cash equivalents of £5.6 million (2019: £2.4m).

In November 2019 the Company raised £7.6 million before expenses on the issue of ordinary shares at 15 pence each via a placing, subscription by Directors and open offer. In May 2020, Polar Capital and other shareholders increased their investment in the business by £1.6 million before expenses through a Placing of ordinary shares at 15 pence each. Post-period, in October 2020, the Company raised £15.0 million before expenses on the issue of ordinary shares at 14 pence each via a placing. In total, the Company has raised £24.2 million (before expenses) this year including the post-period fundraise.

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

By order of the Board

Brad Hoy

Chief Financial Officer

9 December 2020

COVID-19

Operating during a global pandemic

In addressing the COVID-19 pandemic, C4XD is proactively monitoring and assessing potential impacts, and working to avoid or minimise any interruption or delay in our plans. The health and safety of our employees is paramount and we intend to do everything reasonably possible to reduce potential exposure to the virus causing COVID-19. Employees who need to maintain facility-dependent research are reporting to work under strict protocols designed to ensure they remain healthy and, where possible, we have enabled employees to work remotely. C4XD has suspended all international business and non-essential domestic business travel.

To date, C4XD has not seen a material impact on its business and the overall context of the business and the landscape in which we operate has not materially changed. However, C4XD works on a partnership model and with the duration of the outbreak unknown, its impact on C4XD's partners' working situation and the prospects of additional development of the Drug Discovery portfolio remain unclear.

COVID-19 has caused some disruption to business development activities with scientific conferences cancelled and travel restricted. However, as the duration of the pandemic prolongs, the industry is finding new ways of creating a virtual space for these important networking events and partners have demonstrated ongoing commitment to progressing discussions virtually. We remain confident with industry licensing deals continuing to progress throughout 2020.

AGM notice

The AGM of the Company will be held on 19 January 2021. The notice convening the AGM which will confirm the details of the AGM format, together with an explanation of the resolutions to be proposed at the meeting, is contained in the Notice of Annual General Meeting.

On behalf of the Board

Clive Dix

Chief Executive Officer

9 December 2020

C4X Discovery Holdings PLC
Manchester One
53 Portland Street
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2020

	Notes	2020 £000	2019 £000
Revenue	4	-	-
Cost of sales		-	-
Gross profit		-	-
Research and development expenses		(6,858)	(10,585)
Administrative expenses		(2,708)	(3,052)
Operating loss	5	(9,566)	(13,637)
Finance income	7	5	15
Finance costs	7	(18)	-
Loss before taxation		(9,579)	(13,622)
Taxation	8	1,790	2,710
Loss for the year and total comprehensive loss for the year		(7,789)	(10,912)
Loss per share			
Basic and diluted loss for the year	9	(8.10)p	(18.82)p

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

There were no other items of comprehensive income for the year (2019: £nil) and therefore the loss for the year is also the total comprehensive loss for the year.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 July 2020

	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 2018	2,490	22,844	509	920	195	(18,784)	8,174
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(10,912)	(10,912)
Issue of share capital	112	9,978	-	-	-	-	10,090
Expenses of placing	-	(566)	-	-	-	-	(566)
Share-based payments	-	-	227	-	-	-	227
Transactions with owners	112	9,412	227	-	-	-	9,751
At 31 July 2019	2,602	32,256	736	920	195	(29,696)	7,013
Impact of change in accounting policy	-	-	-	-	-	(28)	(28)
At 31 July 2019 adjusted	2,602	32,256	736	920	195	(29,724)	6,985
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(7,789)	(7,789)
Issue of share capital	614	8,598	-	-	-	-	9,212
Expenses of placing	-	(547)	-	-	-	-	(547)
Share-based payments	-	-	206	-	-	-	206
Transactions with owners	614	8,051	206	-	-	-	8,871
At 31 July 2020	3,216	40,306	942	920	195	(37,513)	8,066

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2020

	Issued equity capital £000	Share premium £000	Share- based payment reserve £000	Revenue reserve £000	Total £000
At 31 July 2018	2,490	22,844	480	-	25,814
Loss for the year and total comprehensive loss for the year	-	-	-	(32,987)	(32,987)
Issue of share capital	112	9,978	-	-	10,090
Expenses of placing	--	(566)	-	-	(566)
Share-based payments	-	-	227	-	227
Transactions with owners	112	9,412	227	-	9,751
At 31 July 2019	2,602	32,256	707	(32,987)	2,578
Impact of change in accounting policy	-	-	-	-	-
At 31 July 2019 adjusted	2,602	32,256	707	(32,987)	2,578
Profit for the year and total comprehensive profit for the year	-	-	-	24,752	24,752
Issue of share capital	614	8,598	-	-	9,211
Expenses of placing	--	(547)	-	-	(547)
Share-based payments	-	-	206	-	206
Transactions with owners	614	8,051	206	-	8,871
At 31 July 2020	3,216	40,306	913	(8,235)	36,200

STATEMENTS OF FINANCIAL POSITION
at 31 July 2020

		31 July 2020	31 July 2020	31 July 2019	31 July 2019
	Notes	Group £000	Company £000	Group £000	Company £000
Assets					
Non-current assets					
Tangible Fixed Assets	10	424	-	78	-
Intangible assets	11	157	-	295	-
Goodwill	12	1,192	-	1,192	-
Investments in and loans to subsidiaries	13	-	36,200	-	2,578
		1,773	36,200	1,565	2,578
Current assets					
Trade and other receivables	14	438	-	641	-
Income tax asset	15	1,780	-	4,076	-
Cash and cash equivalents	16	5,648	-	2,383	-
		7,866	-	7,100	-
Total assets		9,639	36,200	8,665	2,578
Liabilities					
Current liabilities					
Trade and other liabilities	17	1,166	-	1,652	-
Lease liabilities	18	189	-	-	-
		1,355	-	1,652	-
Non-Current liabilities					
Lease liabilities	18	218	-	-	-
		218	-	-	-
Total liabilities		1,573	-	1,652	-
Net assets		8,066	36,200	7,013	2,578
Capital and reserves					
Issued equity capital	19	3,216	3,216	2,602	2,602
Share premium	19	40,306	40,306	32,256	32,256
Share-based payment reserve	20	942	913	736	707
Merger reserve	21	920	-	920	-
Capital contribution reserve	22	195	-	195	-
Revenue reserve	23	(37,513)	(8,235)	(29,696)	(32,987)
Total equity		8,066	36,200	7,013	2,578

Approved by the Board and authorised for issue on 9 December 2020.

Clive Dix
Chief Executive Officer
9 December 2020

Registered number: 09134041

CASH FLOW STATEMENTS

For the year ended 31 July 2020

		31 July 2020 Group £000	31 July 2020 Company £000	31 July 2019 Group £000	31 July 2019 Company £000
(Loss)/Profit after interest and tax		(7,789)	24,752	(10,912)	(32,987)
<i>Adjustments for:</i>					
Depreciation of tangible fixed assets	10	45	-	53	-
Depreciation of right-of-use assets	10	302	-	-	-
Amortisation of intangible assets	11	138	-	138	-
Reversal of impairment of investments in and loans to subsidiaries I		-	(24,752)	-	32,987
Share-based payments	19	206	-	227	-
Finance income	7	(5)	-	(15)	-
Finance costs	24	18	-	-	-
Taxation		(1,790)	-	(2,710)	-
Changes in working capital:					
(Increase)/decrease in trade and other receivables	14	203	-	(253)	(9,525)
Increase/(decrease) in trade and other payables	17	(486)	-	786	-
Cash outflow from operating activities		(9,158)	-	(12,686)	(9,525)
Research and development tax credit received		4,086	-	-	-
Net cash outflow from operating activities		(5,072)		(12,686)	(9,525)
Cash flows from investing activities					
Increase in investment in and loans to subsidiaries			(8,664)		
Purchases of tangible fixed assets	10	(14)	-	(48)	-
Finance income	7	5	-	15	-
Net cash outflow from investing activities		(9)	-	(33)	-
Cash flows from financing activities					
Payment of lease liabilities	24	(319)	-	-	-
Proceeds from issues of ordinary share capital	19	9,212	9,211	10,090	10,090
Expenses of share capital issue	19	(547)	(547)	(566)	(566)
Net cash inflow from financing activities		8,346	8,664	9,524	9,524
Decrease in cash and cash equivalents		3,265	-	(3,195)	(1)
Cash and cash equivalents at the start of the year		2,383	-	5,578	1
Cash and cash equivalents at the end of the year		5,648	-	2,383	-
Cash, cash equivalents and deposits at the end of the year	16	5,648	-	2,383	-

NOTES TO THE FINANCIAL INFORMATION

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 2020.

The financial statements of the Company and the Group for the year ended 31 July 2020 were authorised for issue by the Board of Directors on 9 December 2020 and the statement of financial position was signed on the Board's behalf by Clive Dix.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 July 2020 or 2019. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 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 profit for the year ended 31 July 2020 was £24,752,000 (2019: loss of £32,987,000) see note 13.

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 2020.

(b) Basis of measurement

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

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

(c) Going concern

Notwithstanding a consolidated operating loss for the year ended 31 July 2020 of £9.6 million (2019: £13.6 million), revenues of £nil (2019: £nil) and net cash used in operating activities of £5.1 million (2019: £12.7 million), the Directors have prepared both the consolidated and Company financial statements on a going concern basis, which the Directors believe to be appropriate for the following reasons.

The Board has prepared cash flow forecasts for the period to 31 July 2022, being 19 months from the date of signing the financial statements, including consideration of a severe but plausible downside scenario which takes into consideration the anticipated impact of COVID-19. The downside sensitivity considered reflects a delay of six months in the receipt of forecast research and development tax credits from HMRC.

The Group completed a £14.5 million fundraising with new and existing investors in November 2020 (. The base case and sensitised cash flow forecasts, which include this fundraise but assume no revenue generation during the forecast period, show that the Group and Company have sufficient cash resources to meet their liabilities as they fall due during the forecast period.

The Board have a reasonable expectation they will be able to raise further equity or debt financing to support their ongoing research activities if required. The Board also have a reasonable expectation that a new licencing deal will be signed and that a further milestone payment on the Orexin-1 contract will be achieved within the forecast period, although there can be no guarantees that either of these events will occur, and they are not reflected in the Board's base case or sensitised cash flow forecasts.

The Group has cash and cash equivalents at 31 July 2020 of £5.6 million (2019: £2.4 million) and at 30 November 2020 had cash resources of £17.3 million. In the event that a cash shortfall arises in the forecast period, the Board consider they are able to take reasonable mitigating action, which includes but is not limited to a reduction in expenditure on certain discretionary research programmes to focus purely on commercialising earlier stage drug molecules, and reducing other discretionary administrative expenditure, which would enable the Group and Company to continue to operate within its existing cash resources during the forecast period without the need for additional funding.

The Directors have considered the potential impact of Brexit and consider the risk to be minimal.

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

(d) Functional and presentational currency

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

(e) Use of judgements and estimates

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

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

Judgements

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

Research and development

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

Estimates

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

- **Revenue 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 giving rise to the estimation uncertainty for the Group are the achievement of milestones by the licensee as set out within the licence agreement and described in note 4. The Group has fulfilled all performance obligations under the licenced Orexin-1 receptor antagonist. The variable consideration for the Group's licensed Orexin-1 receptor antagonist is currently estimated to be constrained to £nil; however, the range of possible outcomes is from £nil to £216 million (US\$284 million).

- **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 a value in use model. 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.

- **Investments in and loans to subsidiaries**

The recoverable amount of investments in subsidiaries are tested for impairment when indicators of impairment arise. The potential recoverable amounts have been determined based on a value in use model. 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 and related sensitivity analysis in these calculations are included in note 13.

Loans to subsidiaries are tested for impairment using an expected credit loss model. This requires estimation of the probability of default, the exposure at default and the loss given default in order to calculate the expected credit loss of the loans to subsidiaries.

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 has no revenues in either the current or prior year.

Revenues received from development programmes are 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.

(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.

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

(g) IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

The Group has adopted IFRS 16 Leases from 1 August 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies, however, the Group does not act as a lessor.

As a lessee

The Group initially applied IFRS 16 Leases from 1 August 2019. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 August 2019. Accordingly, the comparative information presented for 2019 is not restated and continues to be reported under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 August 2019.

As a lessee, the Group leases assets including property and IT equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the

right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Leases classified as operating leases under IAS 17

Previously, the Group classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 August 2019.

Lease payments included in the measurement of the lease liability comprise the following:

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Right-of-use assets are measured at either: their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application the Group applied this approach to its largest property lease; or an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments the Group applied this approach to all other leases. The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

Short-term leases and leases of low-value assets

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment); excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and used hindsight when determining the lease term.

Impacts on transition

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 August 2019
Right-of-use assets – property, plant and equipment	432
Lease liabilities	(460)
Retained earnings	(28)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 August 2019. The weighted average rate applied is 4.25%.

	1 August 2019
Operating lease commitments	668
Discounted lease payments	(236)
Right of use assets	432

(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 reporting date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(j) Tangible fixed assets

Owned assets

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

Leased assets

Policy applicable before 1 August 2019

Assets funded through finance leases and similar hire purchase contracts are capitalised as tangible fixed assets where the Group assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element, which reduces the outstanding obligation for future instalments so as to give a constant charge on the outstanding obligation. All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease. Lease incentives are credited to the profit and loss account on a straight-line basis over the life of the lease.

Legal fees and other costs associated with the acquisition of a leasehold interest are capitalised as other assets within fixed assets. These costs are amortised over the life of the lease.

Policy applicable from 1 August 2019

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

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

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

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

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

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

(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 20 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 are corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the

consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

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

(n) Investments in subsidiaries

Investments in subsidiaries are stated in the Company's 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 measured at amortised cost. Loss allowances for trade receivables are measured at an amount equal to a lifetime expected credit loss ("ECL"). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the receivables. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. The gross carrying amount of trade receivables are written off to the extent that there is no realistic prospect of recovery

(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 12 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 2020 (2019: £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 (2019: £nil).

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

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

ii) Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial liabilities

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

At the year end, the Group had no financial assets or liabilities designated at FVOCI (2019: £nil).

(t) Share capital

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

(u) Share-based payments

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

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

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period.

In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

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

(v) Defined contribution pension scheme

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

(w) New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations have been endorsed by the EU and are effective for annual periods commencing on or after 1 January 2020 or ending 31 July 2021 or thereafter and have not been applied in preparing these consolidated financial statements and those are summarised below. None of these are expected to have a significant effect on the consolidated financial statements of the Group in the period of initial application.

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

	EU effective date
Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (issued on 26 September 2019)	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018)	1 January 2020

(x) Research partnerships

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

4. Revenue

Revenue from contracts with customers

	2020	2019
	£000	£000
Revenue recognised at a point in time		
- Right-to-use licence revenue	-	-
- Joint development agreements	-	-
Revenue recognised over time	-	-
Total revenue	-	-

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

	2020	2019
	£000	£000
Trade receivables	-	-

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

Impairment losses recognised on receivables arising from contracts with customers are £nil (2019: £nil).

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

Revenue relates to the Group's only reportable segment and arises in the UK. The Group had no revenue during the current financial year (2019: £nil).

5. Operating loss

	31 July	31 July
	2020	2019
The Group	£000	£000
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment (see note 10)	45	53
Depreciation on right-of-use assets (see note 10)	302	-
Amortisation of tangible assets (see note 11)	138	138
Interest on lease liabilities	18	-
Research and development expense*	6,858	10,585
Grant income	(34)	(443)
Rentals payable under non-cancellable operating leases for:		
Land and buildings	-	142
Auditor's remuneration		
Audit services:		
-Fees payable to Company auditor for the audit of the parent and the consolidated accounts	52	50
Fees payable in respect of the audit of subsidiary companies:		
-Auditing the accounts of subsidiaries pursuant to legislation	26	25
-Other services	22	6
Total auditor's remuneration	100	81

*Included within research and development expense are staff costs totalling £2,335,000 (2019: £2,685,000) also included in note 6.

6. Staff costs and numbers

	31 July	31 July
	2020	2019
	£000	£000
Wages and salaries	2,725	3,273
Social security costs	304	411
Pension contributions	428	394

Share-based payments	206	227
	3,665	4,305

Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:

Emoluments for qualifying services	620	627
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Directors' emoluments (excluding social security costs, but including benefits in kind) disclosed above include £162,000 paid to the highest paid Director (2019: £160,000).

Retirement benefits are accruing to two Directors (2019: two Directors).

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

<i>The Group</i>	31 July 2020 Number	31 July 2019 Number
Directors	7	7
Technological staff	32	34
Administrative staff	7	7
	46	48

7. Finance income and costs

<i>The Group</i>	31 July 2020 £000	31 July 2019 £000
Finance income		
Bank interest receivable	5	15
	5	15
Interest on lease liabilities	18	-
	18	-

8. Income tax

The tax credit is made up as follows:

<i>The Group</i>	31 July 2020 £000	31 July 2019 £000
Current income tax		
UK corporation tax on losses in the year		
Research and development income tax credit receivable	(1,780)	(2,700)
Adjustment in respect of prior years	(10)	(10)
Total current income tax	(1,790)	(2,710)
The tax assessed for the year varies from the standard rate of corporation tax as explained below:	31 July 2020	31 July 2019
	£000	£000
Loss before taxation	(9,459)	(13,622)

Tax at standard rate of 19.00% (2019: 19.00%)	(1,797)	(2,588)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	4
Movement in unprovided net deferred tax asset	69	(7)
Research and development tax credit receivable, net of R&D relief surrendered	(760)	(1,165)
Share options exercised (CTA 2009 Pt 12 deduction)	-	(4)
Tax losses carried forward/(utilised) for which no deferred tax asset is recognised	707	1,060
Adjustment in respect of prior years	(10)	(10)
Tax credit in income statement	(1,790)	(2,710)

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 19% (2019: 17%), is £3,265,000 (2019: £2,287,000), of which £nil (2019: £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 19% (2019: 17%) is £24,000 (2019: £49,000).

The Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 19% (2019: 17%), is £179,000 (2019: £125,000).

The net deferred tax asset of £155,000 (2019: £76,000) has not been recognised.

9. Earnings per share

	31 July 2020 £000	31 July 2019 £000
<i>The Group</i>		
Loss for the financial year attributable to equity shareholders	(7,790)	(10,912)
Weighted average number of shares		
Ordinary shares in issue	96,123,309	57,978,890
Basic loss per share (pence)	(8.10)	(18.82)

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

10. Tangible fixed assets

<i>The Group</i>	Office equipment, fixtures and fittings £000	Building improvements £000	Right-of- use assets £000	Total £000
Cost				
At 31 July 2018	188	38	-	226
Additions	48	-	-	48
Disposals	-	-	-	-
At 31 July 2019	236	38	-	274
Recognition of right-of-use assets	-	-	432	730
Adjusted balance at 31 July 2019	236	38	432	706
Additions	13	-	248	261
Disposals	-	-	(137)	(137)
At 31 July 2020	249	38	543	830
Depreciation				
At 31 July 2018	117	26	-	143
Provided during the year	46	7	-	53
Eliminated on disposal	-	-	-	-
At 31 July 2019	163	33	-	196
Recognition of right-of-use assets	-	-	-	-
Adjusted balance at 31 July 2019	163	33	-	196
Provided during the year	40	5	302	347
Eliminated on disposal	-	-	(137)	(137)
At 31 July 2020	203	38	165	406
Net book value				
At 31 July 2020	46	-	378	424
At 31 July 2019	73	5	-	78

The Company has no property, plant and equipment.

The Company adopted IFRS16 as at 1 August 2019 and therefore now recognises right-of-use assets with respect to its property leases.

11. Intangible assets

<i>The Group</i>	Patents	IP assets	Software	Total
<i>Cost</i>	£000	£000	£000	£000
At 31 July 2018	138	600	50	788
Additions	-	-	-	-
At 31 July 2019	138	600	50	788
Additions	-	-	-	-
At 31 July 2020	138	600	50	788
<i>Amortisation</i>				
At 31 July 2018	45	290	20	355
Provided during the year	8	120	10	138
At 31 July 2019	53	410	30	493
Provided during the year	8	120	10	138
At 31 July 2020	61	530	40	631
<i>Net book value</i>				
At 31 July 2020	77	70	10	157
At 31 July 2019	85	190	20	295

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

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

The recoverable amount of goodwill and intangible assets for the Group financial statements are determined by a value in use calculation. This calculation takes into account cash flows from expected future licence agreements at each expected contract milestone, and the costs incurred in securing those licence agreements, discounted to present value using a pre-tax discount rate of 25% (2018: 25%). The cash flows are projected until 2034 which reflects the early stage of a number of the research programmes and the time period over which cash inflows are expected to occur. The model includes expected licence agreements in relation to the Group's four core research programmes, with initial payments assumed for prudent modelling purposes by FY23 along with additional milestone payments on the Orexin-1 licence agreement.

The key assumptions used in the net present value calculation are the timing of signing future licence agreements, the upfront and milestone licence payments 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 model does not assume any future royalties are received.

The recoverable amount exceeds the carrying value of the combined intangible assets and goodwill by £34.9 million. The key assumptions considered most sensitive for the net present value calculations are those regarding the timing of signing future licence agreements and the value of up front and milestone licence payments. The sensitivity analysis shows that all licensing opportunities could slip by 10 years before an impairment is triggered and all except one of the Group's licensing opportunities could fail compared to the base case before an impairment would be triggered. No impairment charge was recorded during the period.

The Company has no intangible assets.

12. Goodwill

<i>The Group</i>	Purchased goodwill	Total
<i>Cost</i>	£000	£000
At 31 July 2018, 31 July 2019 & 31 July 2020	1,192	1,192
Impairment		
At 31 July 2018	-	-
Provided during the year	-	-
At 31 July 2019	-	-
Provided during the year	-	-
At 31 July 2020	-	-
Net book value		
At 31 July 2020	1,192	1,192
At 31 July 2019	1,192	1,192

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

Management assesses goodwill for impairment annually.

The recoverable amount of goodwill and intangible assets for the Group financial statements are determined by a value in use calculation. This calculation takes into account cash flows from expected future licence agreements at each expected contract milestone, and the costs incurred in securing those licence agreements, discounted to present value using a pre-tax discount rate of 25% (2018: 25%). The cash flows are projected until 2034 which reflects the early stage of a number of the research programmes and the time period over which cash inflows are expected to occur. The model includes expected licence agreements in relation to the Group's four core research programmes, with initial payments assumed for prudent modelling purposes by FY23 along with additional milestone payments on the Orexin-1 licence agreement.

The key assumptions used in the net present value calculation are the timing of signing future licence agreements, the upfront and milestone licence payments 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 model does not assume any future royalties are received.

The recoverable amount exceeds the carrying value of the combined intangible assets and goodwill by £34.9 million. The key assumptions considered most sensitive for the net present value calculations are those regarding the timing of signing future licence agreements and the value of up front and milestone licence payments. The sensitivity analysis shows that all licensing opportunities could slip by 10 years before an impairment is triggered and all except one of the Group's licensing opportunities could fail compared to the base case before an impairment would be triggered. No impairment charge was recorded during the period.

The Company has no goodwill.

13. Investment in and loans to subsidiaries

<i>The Company</i>	Total £000
At 31 July 2019	2,578
Cash advance to subsidiary	8,664
(Impairment charge)/reversal of past impairments	24,752
Increase in respect of share-based payments	206
At 31 July 2020	36,200
<i>By subsidiary</i>	
C4X Discovery Limited	36,200
C4X Drug Discovery Limited	-
Adorial Limited	-
At 31 July 2020	36,200

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

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

**The registered office address is C/O Schofield Sweeney Springfield House, 76 Wellington Street, Leeds, West Yorkshire LS1 2AY.

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

The recoverable amount of investments in subsidiaries in the parent company financial statements are determined by a value in use calculation. This calculation takes into account cash flows from expected future licence agreements at each expected contract milestone, and the costs incurred in securing those licence agreements, discounted to present value using a pre-tax discount rate of 25% (2018: 25%). The cash flows are projected until 2034 which reflects the early stage of a number of the research programmes and the time period over which cash inflows are expected to occur. The model includes expected licence agreements in relation to the Group's four core research programmes, with initial payments assumed for prudent modelling purposes by FY23 along with additional milestone payments on the Orexin-1 licence agreement.

The key assumptions used in the value in use calculation are the timing of signing future licence agreements, the upfront and milestone licence payments and the discount rate used. These assumptions have been benchmarked against the Company's own experience of such deals and external sources of information within the industry. The model does not assume any future royalties are received.

The recoverable amount of loans to subsidiaries is determined by using an expected credit loss model which takes into account the probability of default, the exposure at default and the loss given default. The Directors have also considered the value in use of the Group. The model demonstrates that the combined recoverable amount of the investments in and loans to subsidiaries is £36.2m which has resulted in a net impairment reversal of £24.8m. The carrying amount of the investment in and loans to subsidiaries is sensitive to assumptions about the future.

The gross amounts granted to the subsidiary, before impairment, are £2.8m of investment and £41.7m of loans.

14. Trade and other receivables

	31 July 2020 Group £000	31 July 2020 Company £000	31 July 2019 Group £000	31 July 2019 Company £000
Trade receivables	14	-	31	-
Prepayments	329	-	377	-
Inter-company short-term loan to subsidiary	-	-	-	-
VAT receivables	95	-	233	-
	438	-	641	-

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 (2019: £nil).

All trade receivables are denominated in Sterling.

15. Income tax asset

	31 July 2020 Group £000	31 July 2020 Company £000	31 July 2018 Group £000	31 July 2018 Company £000
Research and development income tax credit receivable	1,780	-	4,076	-
	1,780	-	4,076	-

16. Cash, cash equivalents and deposits

	31 July 2020 Group £000	31 July 2020 Company £000	31 July 2019 Group £000	31 July 2019 Company £000
Cash and cash equivalents	5,648	-	2,383	-
	5,648	-	2,383	-

Cash and cash equivalents at 31 July 2020 include deposits with original maturity of three months or less of £nil (2019: £nil).

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

17. Trade and other payables

	31 July 2020 Group £000	31 July 2020 Company £000	31 July 2019 Group £000	31 July 2019 Company £000
Current payables	558	-	671	-
Other payables	134	-	88	-
Accruals	474	-	893	-
	1,166	-	1,652	-

18. Lease liabilities

	31 July 2020 Group £000	31 July 2020 Company £000	31 July 2019 Group £000	31 July 2019 Company £000
<i>Current Liabilities</i>				
Lease liabilities	189	-	-	-
	189	-	-	-
<i>Non-Current Liabilities</i>				
Lease liabilities	218	-	-	-
	218	-	-	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 August 2019. The weighted average rate applied is 4.25%.

	£000
At 31 July 2019	-
Operating lease commitments	668
Adoption of IFRS 16	(208)
Cash outflow	(319)
New leases	248
Fair value movement recorded in finance costs	18
At 31 July 2020	407

19. Issued equity capital

<i>The Company</i>	Deferred shares Number	Ordinary shares Number	Share capital £000	Deferred shares £000	Share premium £000	Total £000
<i>Allotted, called up and fully paid ordinary shares of 1p</i>						
At 31 July 2018	2,025,000	46,555,087	465	2,025	22,844	25,334
Issue of share capital on placing	-	11,111,111	111	-	9,889	10,000
Issue of share capital on open offer	-	99,563	1	-	88	89
Expenses of placing and open offer	-	-	-	-	(566)	(566)
Shares issued on exercise of options	-	26,875	-	-	1	1
At 31 July 2019	2,025,000	57,792,636	577	2,025	32,256	34,858
Issue of share capital on placing	-	57,303,367	573	-	8,022	8,595
Issue of share capital on open offer	-	3,907,141	39	-	547	586
Issue of share capital on subscription by Directors	-	200,000	2	-	28	30
Expenses of placing, open offer and subscription by Directors	-	-	-	-	(547)	(547)
Ordinary and deferred shares at 31 July 2020	2,025,000	119,203,144	1,191	2,025	40,306	43,522

<i>The Group</i>	Share capital £000	Deferred shares £000	Share premium £000	Total £000
<i>Allotted, called up and fully paid ordinary shares of 1p</i>				
At 31 July 2018	465	2,025	22,844	25,334
Issue of share capital on placing	111	-	9,889	10,000
Issue of share capital on open offer	1	-	88	89
Expenses of placing and open offer	-	-	(566)	(566)
Shares issued on exercise of options	-	-	1	1
At 31 July 2019	577	2,025	32,256	34,858
Issue of share capital on placing	573	-	8,022	8,595
Issue of share capital on open offer	39	-	547	586
Issue of share capital on subscription by Directors	2	-	28	30
Expenses of placing, open offer and subscription by Directors	-	-	(547)	(547)
Ordinary and deferred shares at 31 July 2020	1,191	2,025	40,306	43,522

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

During November 2020 £15.0 million (before expenses) was raised via a placing of 99,169,286 ordinary shares and an open offer for 7,973,572 ordinary shares at 14 pence each.

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.

20. Share-based payment reserve

The Group	£000
At 31 July 2018	509
Share-based payments	227
At 31 July 2019	736
Share-based payments	206
At 31 July 2020	942
The Company	£000
At 31 July 2018	480
Share-based payments	227
At 31 July 2019	707
Share-based payments	206
At 31 July 2020	913

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 £206,000 has been recognised in the statement of comprehensive income for the year (2019: £227,000). This includes £427 of incremental fair value on replacement of options, £152,508 relating to the original options which were replaced, with the balance of the charge in respect of new options issued during the year.

On 28 July 2020, a number of unexpired existing share options were cancelled and reissued to staff and Directors. The regrant brought the strike price of the share options into line with the current market price of the Company's shares and should now deliver a viable incentive and reward package to the employees and Directors of the Company. The fair value of the replacement options is greater than the value of the existing options at the date of grant and therefore the incremental fair value at date of modification will be recognised over the modified vesting period. 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 option schemes

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

C4X Discovery Holdings plc Long Term Incentive Plan ("LTIP") Grant in September 2009

Share options were granted to a staff member on 29 September 2009. The options granted are exercisable in the event of the listing of the Company, its acquisition or at the absolute discretion of the Board. The exercise price was set at

2.05 pence (the original exercise price of £22.00 was adjusted for a subdivision of 1,075 share options in C4X Discovery Holdings plc for each share option originally held in C4X Discovery Limited), being the estimated fair value of the shares on the day preceding the issue of the share options. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

Grant in August 2012

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

Grant in July 2013

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

Grant in May 2014

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

Grant in June 2015

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

Grant in December 2015

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

Grant in November 2016

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

Grant in February 2017

Share options were granted to staff and a Director on 1 February 2017. The options granted are exercisable, at any time between three years and 10 years of them being granted. The exercise price was set at 91 pence, being the average of the mid-market closing price over the three days prior to 1 February 2017. The fair value benefit is

measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued. Options which had not been cancelled or lapsed were replaced on 28 July 2020.

Grant in May 2017

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

Grant in September 2017

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

Grant in October 2018

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

Grant in November 2019

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

Grant in December 2019

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

Grant in February 2020

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

Grant in June 2020

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

Cancellation and regrant of existing options in July 2020

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

measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

The Group designated the new equity instruments as replacements for the cancelled equity instruments and as such, modification accounting has been applied. As the new options have an increased fair value compared to the previous awards, the incremental fair value of £154,571 is recognised over the modified three year vesting period, in addition to the amount recognised based on the grant date fair value of the original instruments, which continues to be recognised over the remainder of the original vesting period. The charge in the current year on the new options amounted to £427.

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.

	2020	2019
The Group and Company	Number	Number
Outstanding at 1 August	3,786,853	3,185,414
Granted during the year	6,387,447	960,000
Exercised during the year	-	(26,875)
Lapsed/cancelled	(3,116,778)	(331,686)
Outstanding at 31 July	7,057,522	3,786,853
Exercisable at 31 July	795,075	1,282,075

During the year ended 31 July 2020, no options were exercised (2019: 26,875).

Weighted average exercise price of options

	2020	2019
The Group and Company	Pence	Pence
Outstanding at 1 August	76.58	75.67
Granted during the year	18.53	89.20
Exercised during the year	-	5.58
Outstanding at 31 July	17.34	76.58

A total of 6,387,447 share options were granted during the year (2019: 960,000). These included 2,714,298 of replacement options (2019: Nil). The range of exercise prices for options outstanding at the end of the year was 2.05 pence – 83.50 pence (2019: 2.05 pence – 105.00 pence).

For the share options outstanding as at 31 July 2020, the weighted average remaining contractual life is 8.8 years (2019: 6.8 years).

The following table lists the inputs to the models used for the years ended 31 July 2020 and 31 July 2019.

The Group and Company	2020	2019
Expected volatility (%)	52.5%	52.5%
Risk-free interest rate (%)	0.35%-1.00%	0.50%-1.00%
Expected life of options (year's average)	3 years	3 years
Weighted average exercise price (pence)	n/a	n/a
Weighted average share price at date of grant (pence)	18.53	89.20

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

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

21. Merger reserve

The Group	£000
At 31 July 2018, 31 July 2019 and 31 July 2020	920

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

22. Capital contribution reserve

The Group	£000
At 31 July 2018, 31 July 2019 and 31 July 2020	195

23. Revenue reserve

The Group	£000
At 31 July 2018	(18,784)
Loss for the year	(10,912)
At 31 July 2019	(29,696)
Impact of change in accounting policy	(28)
At 31 July 2019 adjusted	(29,724)
Loss for the year	(7,789)
At 31 July 2020	(37,513)

The Company	£000
At 31 July 2018	-
Loss for the year	(32,987)
At 31 July 2019	(32,987)
Loss for the year	(8,664)
At 31 July 2020	(41,651)

24. Leases

Leases as lessee (IFRS16)

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

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

	Land and Buildings Group £000	Total Group £000
31 July 2020		
Recognition of right-of-use assets	432	432
Depreciation charge for the year	(302)	(302)
Additions to right-of-use assets	248	248
Derecognition of right-of-use assets	-	-
	378	378

Amounts recognised in income statement

31 July 2020		
Interest on lease liabilities	18	18
	18	18

Amounts recognised in statement of cash flows

31 July 2020		
Lease payments	319	319
	319	319

25. Commitments

At 31 July 2020, the Group had capital commitments amounting to £nil in respect of orders placed for capital expenditure (2019: £nil).

26. Financial risk management

Overview

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

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

Capital risk management

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

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in notes 19 to 23 and in the Group statement of changes in equity. Total equity was £8,066,000 at 31 July 2020 (£7,013,000 at 31 July 2019).

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

<i>Financial assets/(liabilities)</i>	<i>Loans and receivables</i>	<i>Financial liabilities at amortised cost</i>	<i>Group</i>	<i>Company</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
31 July 2020				
Trade receivables	14	-	14	-
Inter-company short-term loan to subsidiary	-	-	-	-
Cash, cash equivalents and deposits	5,648	-	5,648	-
Trade and other payables*	-	(692)	(692)	-
	5,662	(692)	4,970	-
31 July 2019				
Trade receivables	31	-	31	-
Inter-company short-term loan to subsidiary	-	-	-	-
Cash, cash equivalents and deposits	2,383	-	2,383	-
Trade and other payables*	-	(759)	(759)	-
	2,414	(759)	1,655	-

*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 ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's maximum exposure is the carrying amount of trade receivables as disclosed in note 14, which was neither past due nor impaired. All trade

receivables are ultimately overseen by the Chief Executive Officer and are managed on a day-to-day basis by the finance team. Credit limits are set as deemed appropriate for the customer.

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

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company and its subsidiaries. Other than Pounds Sterling (“GBP”), the currencies that sales and purchases most often arise in are US Dollars (USD) and Euros. 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 2020 or at 31 July 2019 and the Group did not enter into any such contracts during 2020 or 2020.

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

				2020		2019		
	GBP £000	USD £000	EUR £000	Total £000	GBP £000	USD £000	EUR £000	Total £000
The Group								
Cash, cash equivalents and deposits	5,623	16	9	5,648	2,219	125	39	2,383
Trade receivables	14	-	-	14	31	-	-	31
Trade payables	(654)	(3)	(35)	(692)	(645)	-	(26)	(671)
	4,983	13	(26)	4,970	1,605	125	13	1,743

Sensitivity analysis to movement in exchange rates

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

Interest rate risk

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

	31 July 2020			31 July 2019		
	Fixed rate £000	Floating rate £000	Total £000	Fixed rate £000	Floating rate £000	Total £000
The Group						
Cash, cash equivalents and deposits	-	5,648	5,648	-	2,383	2,383
The Company						
Cash, cash equivalents and deposits	-	-	-	-	-	-

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

Maturity profile

Set out below is the maturity profile of the Group's financial liabilities at 31 July 2020 based on contractual undiscounted payments including contractual interest.

	Less than one year £000	One to five years £000	Total £000
2020			
Financial liabilities			
Trade and other payables *	692	-	692
Lease liabilities	189	218	407
	881	218	1,099
	Less than one year £000	One to five years £000	Total £000
2019			
Financial liabilities			
Trade and other payables *	759	-	759
	759	-	759

*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 12 months an aged analysis of financial assets has not been presented.

27. Related party transactions

During the year there was a subscription by Directors for 200,000 ordinary shares at 15 pence each (2019: £nil).

During the year, shareholder Aquarius Equity Partners Limited charged the Group £15,450 (2019: £15,450) for monitoring fees and was owed £nil at 31 July 2020 (2019: £1,288).

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 (2019: £2,025,000).

During the year, Director Harry Finch charged the Group £nil (2019: £2,200) for services which he provided as a technical consultant and was owed £nil at 31 July 2020 (2019: £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 2020 £000	31 July 2019 £000
Short term loans owed to C4X Discovery Holdings plc by:			
C4X Discovery Limited	14	-	-
C4X Drug Discovery Limited		-	-
Adorial Limited		-	-
		-	-

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

None of the loans are interest bearing.

28. Compensation of key management personnel (including Directors)

	2020	2019
	£000	£000
Short-term employee benefits	1,199	1,296
Pension costs	164	141
Benefits in kind	2	2
Share-based payments	100	121
	1,465	1,560

29. Post-balance sheet events

On 11th November 2020, the Company raised £15.0m before expenses via a placing of 99,169,286 ordinary shares and an open offer for 7,973,572 ordinary shares at 14 pence each.

Following the issue of these shares, the Company's ordinary share capital increased to 228,371,002 ordinary shares.