

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who specialises in advising on the acquisition of shares and other securities and is duly authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA"), if you are a resident in the United Kingdom or, if you are not a resident in the United Kingdom, from another appropriately authorised independent financial adviser.

Application has been made for the issued and to be issued ordinary shares in the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence on 23 October 2014. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies published by London Stock Exchange plc (the "AIM Rules"), to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the UK Listing Authority nor London Stock Exchange plc has examined or approved the contents of this Document.

Prospective investors should read the whole text of this Document and should be aware that an investment in the Company is speculative and involves a high degree of risk and prospective investors should carefully consider the section entitled "Risk Factors" set out in Part II of this Document. All statements regarding the Group's business, financial position and prospects should be viewed in light of these risk factors.

This Document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the issued and to be issued ordinary shares of the Company. This Document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this Document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules, and has not been pre-approved by the Financial Conduct Authority ("FCA") pursuant to section 85 of FSMA. Copies of this Document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital, 82 King Street, Manchester M2 4WQ and the registered office of the Company, Unit 310 Ducie House, Ducie Street, Manchester, M1 2JW from the date of this Document until one month from the date of Admission in accordance with the AIM Rules.

The Directors, whose names appear on page 8 of this Document, and the Company accept responsibility, both individually and collectively, for the information contained in this Document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

C4X Discovery Holdings plc

(a company incorporated in England and Wales under the Companies Act 2006 with company number 9134041)

Placing of 11,000,000 Ordinary Shares at 100 pence per Ordinary Share and Admission to trading on AIM

Nominated Adviser and Broker:

Zeus Capital

Expected Ordinary Share Capital immediately following Admission

<i>Number</i>	<i>Issued and fully paid</i>	<i>Amount £</i>
30,988,550	ordinary shares of 1p each	309,885.50

The Placing is conditional, *inter alia*, on Admission taking place by 8.00 a.m. on 23 October 2014 (or such later date as the Company and Zeus Capital may agree, being not later than 3.00 p.m. 31 October 2014). The Placing Shares will, upon Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission. It is emphasised that no application is being made for the Enlarged Ordinary Share Capital to be admitted to the Official List of the UK Listing Authority or to any other recognised investment exchange.

Zeus Capital, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser and broker to the Company in connection with the proposed admission of the Enlarged Ordinary Share Capital to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this Document. No representation or warranty, express or implied, is made by Zeus Capital as to any of the contents of this Document (without limiting the statutory rights of any person to whom this Document is issued). Zeus Capital will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Zeus Capital or for providing advice in relation to the contents of this Document or any other matter.

This Document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this Document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia,

Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, neither the Existing Ordinary Shares nor the Placing Shares may, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Existing Ordinary Shares and the Placing Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 as amended).

The distribution of this Document outside the UK may be restricted by law. No action has been taken by the Company or Zeus Capital that would permit a public offer of shares in the Company or possession of this Document in any jurisdiction outside the UK where action for that purpose is required. Persons outside the UK who come into possession of this Document should inform themselves about the distribution of this Document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdiction.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see "Part II: Risk Factors" of this Document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that investors will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this Document you should consult your stockbroker or your financial or other independent professional adviser who specialises in the acquisition of shares and other securities and is duly authorised under FSMA.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this Document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Document are based on the laws and practices currently in force in England and Wales and are subject to changes therein.

This Document should be read in its entirety before making any investment in the Company.

Forward looking statements

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "may", "should", "will", "intends", "plans", "believes", "targets", "seeks", "estimates", "aims", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only as of the date of this Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new

information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Presentation of financial information

The financial information contained in this Document, including that financial information presented in a number of tables in this Document, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in the tables in this Document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

General notice

This Document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Rules in the United Kingdom. It has been drawn up in accordance with the requirements of the Prospectus Directive only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This Document has been prepared for the benefit only of a limited number of persons all of whom qualify as “qualified investors” for the purposes of the Prospectus Directive, to whom it has been addressed and delivered and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this Document (either in whole or in part) without the prior written consent of the Company and Zeus Capital is prohibited.

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KEY STATISTICS

Existing share capital at the date of this Document

Current number of Existing Ordinary Shares	19,988,550
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Placing

Number of Placing Shares	11,000,000
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Gross proceeds of the Placing	£11.00 million
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Estimated net proceeds of the Placing (payable to the Company)	£10.00 million
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Upon Admission

Number of Ordinary Shares in issue at Admission	30,988,550
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Percentage of Enlarged Ordinary Share Capital represented by the Placing Shares	35.50%
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Number of Options in issue at Admission	1,699,575
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Number of Warrants in issue at Admission	309,886
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Estimated market capitalisation of the Company at Admission ⁽¹⁾	£31.00 million
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AIM symbol	C4XD
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ISIN number	GB00BQQ2RV18
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Notes

(1) This is based on the Placing Price and on the assumption that the Options and Warrants will not be exercised. If the Options and Warrants are exercised in full then the estimated market capitalisation at Admission, based on the Placing Price, would be approximately £33 million.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Publication of this Admission Document	17 October
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	8.00 a.m. on 23 October
CREST accounts credited (where applicable)	23 October
Dispatch of definitive share certificates (where applicable)	31 October

Notes

1. References to time in this Document are to London (GMT) time.
2. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise or unless defined in Part III of this Document, for the purposes of that part only:

“Act”	the Companies Act 2006 (as amended)
“Admission”	admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“Admission Document” or “Document”	this Document dated 17 October 2014
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) which govern the rules and responsibilities of companies whose shares are admitted to trading on AIM
“Articles”	the articles of association of the Company adopted from Admission
“Audit Committee”	the audit committee of the Board, as constituted from time to time
“Board”	the board of Directors of the Company from time to time, or a duly constituted committee thereof
“C4XD”	C4X Discovery Limited, a company incorporated in England and Wales with company number 6324250 and the principal trading company of the Group
“certificated” or “in certificated form”	recorded on the relevant register of the share or security concerned as being held in certificated form (that is not in CREST)
“Company”	C4X Discovery Holdings plc, a company incorporated in England and Wales with company number 9134041
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council as modified by the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland
“CREST Regulations”	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or replaces those regulations; and (ii) any applicable rules made under those regulations or such enactment or subordinate legislation for the time being in force
“Directors”	the directors of the Company as at the date of this Document, whose details are set out on page 8 of this Document
“EIS”	the Enterprise Investment Scheme

“EMI 2009 Plan”	the C4X Discovery Limited 2009 Enterprise Management Incentive Scheme
“EMI Plan”	the C4X Discovery Holdings plc Enterprise Management Incentive Share Option Plan
“Enlarged Ordinary Share Capital”	the entire issued Ordinary Share capital of the Company as enlarged by the issue of the Placing Shares
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales with registered number 2878738 and the operator of CREST
“Existing Ordinary Shares”	the 19,988,550 Ordinary Shares held by the Shareholders as at the date of this Document
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiary undertakings
“ITEPA”	the Income Tax (Earning and Pensions) Act 2003
“London Stock Exchange”	London Stock Exchange plc
“Nomination Committee”	means the nomination committee of the Board as constituted from time to time
“Options”	rights granted to subscribe for Ordinary Shares pursuant to the Share Plans
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placees”	the subscribers for Placing Shares pursuant to the Placing
“Placing”	the conditional placing of the Placing Shares by Zeus Capital, as agent for the Company, pursuant to the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 17 October 2014 between (1) Zeus Capital (2) the Company, (3) the Directors and (4) Charles Douglas Blundell relating to the Placing
“Placing Price”	100 pence per Placing Share
“Placing Shares”	the 11,000,000 new Ordinary Shares to be issued pursuant to the Placing
“Proposals”	the Placing and Admission
“Prospectus Directive”	EU Prospectus Directive 2003/71/EC, as amended
“Prospectus Rules”	the Prospectus Rules made by the FCA pursuant to sections 73(A)(1) and (4) of FSMA
“Recognised Stock Exchange”	means any market of a recognised investment exchange as defined by section 1005 of the Income Tax Act 2007
“Remuneration Committee”	means the remuneration committee of the Board as constituted from time to time

“RIS”	Regulatory Information Service
“Shareholder(s)”	holders of Ordinary Shares
“Share Plans”	together the EMI 2009 Plan and the EMI Plan
“Takeover Code”	the City Code on Takeovers and Mergers
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FCA, acting in its capacity as the competent authority for the purposes of FSMA
“uncertificated” or “uncertificated form”	recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“US”	the United States of America and all of its territories and possessions
“VAT”	value added tax
“VCT”	venture capital trust
“Warrant”	the right to subscribe for 309,886 Ordinary Shares pursuant to the terms of the Warrant Instrument
“Warrant Instrument”	the warrant instrument of the Company dated 17 October 2014 further details of which are set out in paragraph 10.3 of Part V
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with registered number 4417845
“£” or “Sterling”	British pounds sterling

GLOSSARY

“BBSRC”	Biotechnology and Biological Sciences Research Council
“Biological Therapeutics” or “Biologics”	medicinal products manufactured in or extracted from biological sources, as distinct from chemically synthesised pharmaceutical products
“COPD”	Chronic obstructive pulmonary disorder
“GLP-1R”	Glucagon-like peptide 1 receptor
“GPR-142R”	G-protein coupled receptor Protein-142 Receptor
“Hit Identification”	a technique used in early stage drug development to identify chemical starting points for drug compounds
“Lead Optimisation”	a phase of the drug discovery process in which promising candidates are tested and further developed to make them more effective and safer
“Medicinal Chemist”	a chemist working in the pharmaceutical industry with particular expertise in the development of new medicines
“Nuclear Magnetic Resonance” or “NMR”	a physical phenomenon in which nuclei in a magnetic field absorb and re-emit electromagnetic radiation
“Nuclear Magnetic Resonance Spectroscopy”	a research technique used to determine the physical and chemical properties of molecules
“Orexin” or “Orexinergic Mechanism”	a biochemical mechanism in the brain controlling sleeping/wakeful states, feeding behaviour and reward processes
“Oxidative Stress”	a disturbance in the balance between the body’s production of reactive Oxygen substances and Anti-oxidants
“Recombinant Proteins”	a manipulated form of protein, used to modulate natural biochemical processes and facilitate large scale protein manufacture
“X-Ray Crystallography”	a laboratory technique for analysing the atomic and molecular structure of a crystal

EXECUTIVE SUMMARY

The following information is derived from, and should be read in conjunction with, the whole of this Document including in particular the section headed Risk Factors relating to the Group in Part II of this Document. Shareholders should read the whole of this Document and not rely on this Executive Summary section.

1. INTRODUCTION

C4XD is a leader in the development of new technologies to improve the drug discovery process for novel small molecule therapies. It is using these new technologies to collaborate with pharmaceutical and major biotech companies on novel drug programmes and, separately, to develop its own proprietary pipeline of drug candidates.

The acceleration in research productivity achieved by C4XD allows for development that is:

- Safer;
- Better; and
- Faster.

The Board believes that C4XD offers the pharmaceutical industry improved productivity in the development of small molecule drugs with the opportunity to rationally develop drugs which are safer and better than can be achieved using traditional empirical approaches.

C4XD's rational drug design software suite enables users to see the shapes of small molecules in a new level of detail and sophistication. This improved understanding of the three dimensional structures of drugs, and how they bind with target proteins, enables medicinal chemists to pursue rational design of new drugs. This novel approach compares favourably with traditional medicinal chemistry methods which are much more reliant on multiple iterations and trial-and-error.

Challenges that have historically frustrated pharmaceutical companies can be solved through the application of C4XD's technology. The approach enables the design of safer and better drugs on a much faster timescale and at substantially cheaper cost than traditional approaches. Also, the technology potentially increases the probability of successfully completing drug development and obtaining regulatory approvals given the superior design characteristics of the drugs.

On its lead internal program, C4XD has identified multiple drug candidates with substantially safer and better characteristics compared to current 'best-in-class' alternatives that were discovered by competitors using traditional pharmaceutical methodologies. The Board estimates this has been achieved at less than 10% of the industry cost and delivered in a fraction of the time normally required.

Within its proprietary pipeline, C4XD has targeted areas of substantial unmet medical need: diabetes, chronic obstructive pulmonary disease and stress related substance addiction (including nicotine, alcohol, cocaine and opiates). C4XD intends to progress its proprietary programmes towards clinical development, before seeking major partners to complete the development and commercialise the products.

In parallel with its proprietary programmes, C4XD has generated modest revenue through collaborations with large pharmaceutical and research organisations, as well as grants. As such, the Group recorded revenues in the year ended 31 July 2014 of £619,000 with an operating loss of £1,118,000.

The Directors believe that net proceeds of the Placing and associated Admission will provide further credibility to the Group's offering and provide the resources to progress C4XD's proprietary programmes into clinical development, thereby creating significant Shareholder value.

The Company is seeking Admission and at the same time Zeus Capital is using its reasonable endeavours to find places for 11,000,000 Placing Shares at the Placing Price.

2. SMALL MOLECULE vs BIOLOGIC THERAPEUTICS

The pharmaceutical industry has seen a substantial shift over the last 15 years, with reducing reliance on more traditional small molecule drugs and increasing proportions of research and development efforts focused towards new biologic therapies, such as antibodies and recombinant proteins, which now represent approximately 50 per cent. of new drug applications. However, while these biologic therapies offer real patient benefit opportunities, they are complex and expensive to manufacture. They may also be characterised by much higher user-prices compared to traditional small molecules, although there will be many factors which influence the prices of drugs during the period they are protected by patents.

National health structures and medical insurance companies are facing increasing pressure on healthcare budgets. The consequent requirement for price reductions is forcing pharmaceutical companies to look again at how they can improve the productivity of their small molecule drug discovery and development operations. C4XD expects that its rational drug design platform will lead to a substantial improvement in the productivity of small molecule drug design and development.

Finally, sales of small molecule drugs are expected to amount to \$1 trillion by 2016, compared to \$200 billion for biologics. Small molecules remain of fundamental importance to the pharmaceutical industry, and the Board believes that improved research productivity will become increasingly important within the industry.

3. THE C4XD RATIONAL DRUG DESIGN PLATFORM

For a number of years industry has used Nuclear Magnetic Resonance (NMR) to understand two dimensional molecular structures. However, the majority of data obtained using NMR has, until now, been too complex to determine the accurate three dimensional shapes of drug molecules. Over the last seven years C4XD has developed a suite of algorithms that provides an accurate determination of the three dimensional shapes of drug molecules from NMR data. Furthermore, the Directors have built one of the largest teams of NMR operators in Europe to support the application of the software and exploitation of the resulting data.

C4XD's rational drug design platform produces three dimensional representations of the dynamic shapes of drug molecules in solution. This approach differs from traditional techniques for measuring molecular shape, such as X-ray crystallography that, although effective in determining the rigid shape of a molecule in a solid crystal, cannot measure the flexibility of drug molecules in the body in solution. By understanding the dynamic molecular shape in solution and linking this to an understanding of how the drug binds to its target protein, C4XD is able to rationally design and develop improved drug candidates.

The C4XD rational drug design platform is proprietary to the Company and is not shared with third parties. A patent to protect C4XD's approach has been granted in Japan and grants are expected in Europe, the US and Canada.

4. PROPRIETARY PIPELINE

C4XD has selected three areas for initial development:

- Stress-related addictive disorders;
- Diabetes; and
- Chronic obstructive pulmonary disorder.

These areas represent multi-billion dollar markets with significant unmet medical needs. There are many other equally attractive areas that C4XD could enter if it had additional resources.

5. PLACING, PLACING AGREEMENT AND USE OF PROCEEDS

The Company is proposing to raise £11.00 million pursuant to the Placing at the Placing Price. The Placing Shares will represent approximately 35.50 per cent. of the Enlarged Ordinary Share Capital at Admission.

The estimated net proceeds of the Placing are approximately £10.00 million and will principally be used to progress the best two programmes through to clinical trials, towards generating Proof of Concept in man as well as continuing to apply the technology to other high-value, high-impact targets. The balance of the net proceeds will be used for working capital and entering into selected partnerships with pharmaceutical and biotechnology companies to generate additional cash flow and future upside from partnered programmes.

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

C4XD is a leader in the development of new technologies to improve the drug discovery process for novel small molecule therapies. It is using these new technologies to collaborate with pharmaceutical and major biotech companies on novel drug programmes and, separately, to develop its own proprietary pipeline of drug candidates.

The acceleration in research productivity achieved by C4XD allows for development that is:

- Safer;
- Better; and
- Faster.

The Board believes that C4XD offers the pharmaceutical industry improved productivity in the development of small molecule drugs with the opportunity to rationally develop drugs which are safer and better than can be achieved using traditional empirical approaches.

C4XD's rational drug design software suite enables users to see the shapes of small molecules in a new level of detail and sophistication. This improved understanding of the three dimensional structures of drugs, and how they bind with target proteins, enables medicinal chemists to pursue rational design of new drugs. This novel approach compares favourably with traditional medicinal chemistry methods which are much more reliant on multiple iterations and trial-and-error.

Challenges that have historically frustrated pharmaceutical companies can be solved through the application of C4XD's technology. The approach enables the design of safer and better drugs on a much faster timescale and at substantially cheaper cost than traditional approaches. Also, the technology potentially increases the probability of successfully completing drug development and obtaining regulatory approvals given the superior design characteristics of the drugs.

On its lead internal program, C4XD has identified multiple drug candidates with substantially safer and better characteristics compared to current 'best-in-class' alternatives that were discovered by competitors using traditional pharmaceutical methodologies. The Board estimates this has been achieved at less than 10% of the industry cost and delivered in a fraction of the time normally required.

Within its proprietary pipeline, C4XD has targeted areas of substantial unmet medical need: diabetes, chronic obstructive pulmonary disease and stress related substance addiction (including nicotine, alcohol, cocaine and opiates). C4XD intends to progress its proprietary programmes towards clinical development, before seeking major partners to complete the development and commercialise the products.

In parallel with its proprietary programmes, C4XD has generated modest revenue through collaborations with large pharmaceutical and research organisations, as well as grants. As such, the Group recorded revenues in the year ended 31 July 2014 of £619,000 with an operating loss of £1,118,000.

The Directors believe that net proceeds of the Placing and associated Admission will provide further credibility to the Group's offering and provide the resources to progress C4XD's proprietary programmes into clinical development, thereby creating significant shareholder value.

The Company is seeking Admission and at the same time Zeus Capital is using its reasonable endeavours to find places for 11,000,000 Placing Shares at the Placing Price.

Further details of the Placing are outlined in paragraph 10 of this Part I of this Document.

2. HISTORY AND BACKGROUND

C4XD was founded in July 2007 by Dr Andrew Almond and Dr Charles Blundell as a spin-out from The University of Manchester. The original research ideas were generated in Andrew's research group and were of sufficient commercial potential to attract Proof-of-Principle funding for 12 months from UMIP (The University of Manchester's commercialisation arm) in March 2007.

Initially, Andrew and Charles explored core ideas around the development and utility of a rational drug design platform and filed a patent application on the core technology in September 2007. They won two BBSRC Follow-on Fund awards to promote development of the core software and its commercialisation and in 2008 secured seed funding from Aquarius Equity Partners Limited.

As the core platform developed, experimental evidence of its utility in drug design was sought and in March 2009, C4XD received a one year grant from the North West Development Agency to commence a drug-discovery program. This research was successful and demonstrated rapid identification of novel molecules active against a G-protein coupled receptor target on a limited budget.

In parallel, novel molecules were also identified around the alpha-7 nicotinic acetylcholine receptor, a key pharmaceutical target in both Alzheimer's disease and Schizophrenia. These results prompted further funding from Aquarius Equity Partners Limited in July 2010 and, as the head-count increased, additional funding rounds and a move to larger premises in Manchester. C4XD commenced work in earnest on early-stage drug discovery programmes that focus on stress-related addictive disorders, diabetes and chronic obstructive pulmonary disorder.

Over the last two years, C4XD has entered into collaboration agreements with a number of pharmaceutical and biotechnology partners to explore the applications and advantages of its rational drug design approach in Hit Identification and Lead Optimisation programmes.

In July 2014, C4XD had its core technology patent granted in Japan. The patent has also been filed in North America and Europe.

3. SMALL MOLECULE vs BIOLOGIC THERAPEUTICS

The pharmaceutical industry has seen a substantial shift over the last 15 years, with reducing reliance on more traditional small molecule drugs and increasing proportions of research and development efforts focused towards new biologic therapies, such as antibodies and recombinant proteins, which now represent approximately 50 per cent. of new drug applications. However, while these biologic therapies offer real patient benefit opportunities, they are complex and expensive to manufacture. They may also be characterised by much higher user-prices compared to traditional small molecules, although there will be many factors which influence the prices of drugs during the period they are protected by patents.

National health structures and medical insurance companies are facing increasing pressure on healthcare budgets. The consequent requirement for price reductions is forcing pharmaceutical companies to look again at how they can improve the productivity of their small molecule drug discovery and development operations. C4XD expects that its rational drug design platform will lead to a substantial improvement in the productivity of small molecule drug design and development.

Finally, sales of small molecule drugs are expected to amount to \$1 trillion by 2016, compared to \$200 billion for biologics⁽¹⁾. Small molecules remain of fundamental importance to the pharmaceutical industry, and the Board believes that improved research productivity will become increasingly important within the industry.

4. THE C4XD RATIONAL DRUG DESIGN PLATFORM

For a number of years industry has used Nuclear Magnetic Resonance (NMR) to understand two dimensional molecular structures. However, the majority of data obtained using NMR has, until now, been too complex to determine the accurate three dimensional shapes of drug molecules. Over the last seven years C4XD has developed a suite of algorithms that provides an accurate determination of the three dimensional shapes of drug molecules from NMR data. Furthermore, the Directors have built what they believe to be one of the

(1) Source: IMS The Global Use of Medicines: Outlook through 2016.

largest teams of NMR operators in Europe to support the application of the software and exploitation of the resulting data.

C4XD's rational drug design platform produces three dimensional representations of the dynamic shapes of drug molecules in solution. This approach differs from traditional techniques for measuring molecular shape, such as X-ray Crystallography that, although effective in determining the rigid shape of a molecule in a solid crystal, cannot measure the flexibility of drug molecules in the body in solution. By understanding the dynamic molecular shape in solution and linking this to an understanding of how the drug binds to its target protein, C4XD is able to rationally design and develop improved drug candidates.

The C4XD rational drug design platform is proprietary to the Company and is not shared with third parties. A patent to protect C4XD's approach has been granted in Japan and grants are expected in Europe, the US and Canada.

5. PROPRIETARY PIPELINE

C4XD has selected three areas for initial development:

- Stress-related addictive disorders;
- Diabetes; and
- Chronic obstructive pulmonary disorder.

These areas represent multi-billion dollar markets with significant unmet medical needs. There are many other equally attractive areas that C4XD could enter if it had additional resources.

Stress-related addictive disorders

The Orexinergic Mechanism in the brain mediates a number of behaviours through activation of its two receptor types: activation of orexin-1 is associated with stress related addictive disorders (e.g. alcohol, nicotine, cocaine and opiates), while activation of orexin-2 is associated with biorhythms and wakefulness. Orexin-mediating drugs to treat addiction should therefore selectively inhibit only the orexin-1 pathway, thus avoiding the sedative effects associated with inhibition of orexin-2. This is highly challenging and many of the current best-in-class drug candidates have demonstrated sedative effects at close to therapeutic doses and are not regarded as acceptable candidates for clinical evaluation, despite the investment of substantial funding and resources by a number of pharmaceutical companies. Therefore, there is an unmet clinical need for a drug that selectively targets only the orexin-1 pathway.

C4XD has developed several series of orexin-1 inhibitors that are highly potent, selective and in the Directors' opinion more suitable for development than the current best-in-class drug candidates. Figures one and two below show the C4XD lead compound achieving a statistically highly significant reduction in a stress-related activity (grooming) whilst maintaining mobility at a statistically significant level. Furthermore, this success has been achieved by C4XD within a short time frame and for a fraction of the investment in funds and personnel that would have been required using traditional drug discovery techniques.

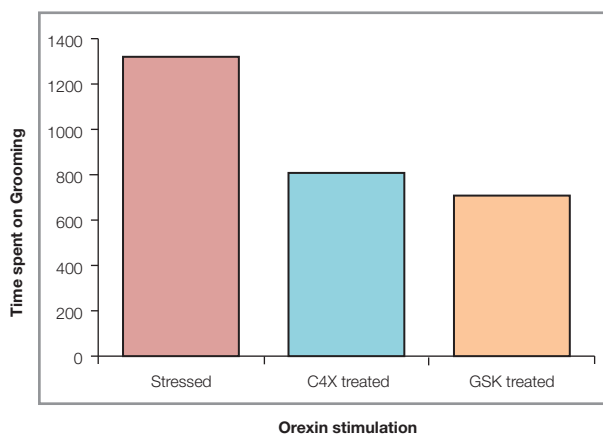


Figure 1: Impact of C4XD's compound on stress-related behaviour; probability of effect observed statistically highly significant ($p < 0.1\%$).

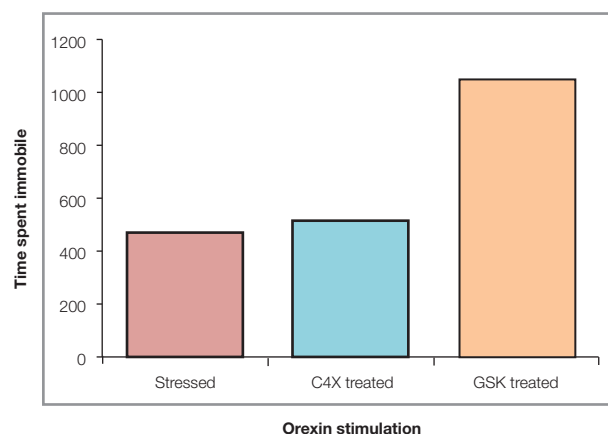


Figure 2: Impact of C4XD's compound on immobility, probability of effect observed statistically significant ($p < 5\%$).

Diabetes

The market for diabetes treatments is estimated to reach approximately \$50 billion by 2016⁽¹⁾. Type-2 diabetes comprises approximately 90 per cent. of the patient population, and less than a third of these patients achieve proper control of their glycemia levels with standard non-injectable therapies, which usually leads to further health complications.

C4XD has initiated two programmes that the Board believes will lead to new therapies to treat this important and growing disease. The first programme is to stimulate GLP-1R, which is involved in glycaemic control and is seen as a highly attractive route to manage Type-2 diabetes by tightly controlling natural insulin secretion. However, existing GLP-1R drugs require injection, are expensive to manufacture, and may be linked to potentially severe side effects. The Board believes C4XD's approach is enabling the rational design of orally bioavailable small molecule drug candidates. C4XD has recently been awarded a grant by the UK's innovation agency, the Technology Strategy Board, to work on the feasibility of generating new drug candidates.

C4XD's second diabetes programme aims to enhance the body's natural secretion of insulin, an important hormone in the treatment of diabetes, via an alternative mechanism to GLP-1. Through improved understanding of the three dimensional shapes of molecules that bind to the GPR-142R target, C4XD expects to design a more potent and safe therapy for diabetes treatment. In this programme, significant progress has already been made in generating drug candidates.

Chronic Obstructive Pulmonary Disorder

The global market for COPD and asthma therapies is expected to exceed \$44 billion by 2016⁽¹⁾, driven by the increasing prevalence of this disease particularly in the developed world through its tight link to smoking.

C4XD is designing new drug candidates to help the body respond better to oxidative stress, an important mechanism in controlling the body's innate immune response and resulting health complications. The initial indications being explored include respiratory diseases, such as COPD, where the immune response may trigger inflammation of the respiratory system, restricting a patient's ability to breathe and leading to increased mortality.

(1) Source: IMS The Global Use of Medicines: Outlook through 2016.

6. FINANCIAL INFORMATION

The following financial information on C4XD has been derived from Part III of this Admission Document and should be read in conjunction with the full text of this Admission Document. Investors should not rely solely on the summarised information.

<i>Year ended 31 July</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	619	736	440
Gross Profit	596	735	439
Operating Profit/(Loss)	(1,220)	(587)	(430)
Net Finance Expense	(118)	(89)	–
Taxation	220	195	109
Profit/(Loss) after tax	(1,118)	(481)	(321)

7. CURRENT TRADING AND PROSPECTS

In the two months following the financial year ending 31 July 2014, the Group has traded in line with management expectations. The Group continues to benefit from the incremental revenues deriving from the recently announced collaborations with Takeda Cambridge Limited and Evotec AG. Upon receipt of the net proceeds of the Placing, the Group will have no long term debt and will have the necessary resources to progress its proprietary programmes into clinical development.

8. THE DIRECTORS AND SENIOR MANAGEMENT

The Directors

The Board have a proven track record of rapidly creating shareholder value and developing successful healthcare businesses.

Clive James Dix PhD (Chairman, aged 60)

Clive has over 20 years' experience in the pharmaceutical and biotechnology industries. He was CEO and co-founder of PowderMed Limited, which was sold to Pfizer Inc. in 2006 for more than \$300 million. Following post-doctoral roles and a period at Ciba-Geigy AG (now Novartis AG), Clive joined GlaxoWellcome plc where he became UK Research Director.

Other previous roles include: Senior Vice President of research and development at PowderJect Pharmaceuticals plc, which was acquired by Chiron Corporation for £542 million in 2003, Chairman of the UK BioIndustry Association and Chairman of Auralis Limited (acquired by ViroPharma Inc).

Clive is currently CEO of Convergence Pharmaceuticals Limited and Chairman of Crescendo Biologicals Limited and Touchlight Genetics Limited.

Piers John Morgan (Chief Executive Officer, aged 48)

Piers is an experienced European Biotech sector Chief Executive, having held executive board level positions within various companies in the sector over the last 14 years. Prior to this Piers spent 10 years working within the investment banking industry, both with Close Brothers Group plc and Ernst & Young, following qualification as a Chartered Accountant with Coopers & Lybrand.

Piers was the founding Chief Financial Officer at uniQure N.V., a world leading company in the field of gene therapy responsible for the only gene therapy product to receive regulatory approval within the European Union. Piers played a key role in uniQures development, from its incorporation and in April 2012 the acquisition of Amsterdam Molecular Therapeutics Holding N.V. assets, in a transaction valued at £15 million. Subsequently, Piers oversaw uniQure's listing on NASDAQ in February 2014, with a market cap of \$299 million.

In 2005, Piers joined BioAlliance Pharma SA, a specialist pharma company based in France, as Chief Financial Officer. After reshaping the company through a number of successful changes, Piers led the successful IPO on Euronext in December 2005, valuing the company at €110 million.

Alexander James Stevenson PhD (Non-Executive Director, aged 43)

Alex has a proven track record in identifying, investing and growing business within the pharmaceutical sector. He began his career as a scientist, working in research and for a NYSE quoted drug development company, before moving into early stage pharmaceutical and healthcare investments. He has fulfilled board level investment and operational management roles. He is Chief Scientific Officer at 4d pharma plc.

From 2008, he has been a director and shareholder in Aquarius Equity Partners Limited. Aquarius Equity Partners Limited invested in C4XD in 2008, when Alex joined the board as a non-executive director. Prior to joining Aquarius Equity Partners Limited, Alex worked for IP Group plc where he specialised in life science investments, identifying, developing and advising a number of companies in its portfolio, some of which went on to list on AIM.

Alex has been involved in a number of private and public companies, including Nanoco Group plc, admitted to AIM in 2009 with a market capitalisation of £29 million and, at the beginning of September 2014, had a market capitalisation of £247 million; Retroscreen Virology Group plc admitted to AIM in 2012 with a market capitalisation of £32 million and, at the beginning of September 2014, had a market capitalisation of £206 million; Tissue Regenix Group plc admitted to AIM in 2010 with a market capitalisation of £23 million and at the beginning of September 2014, had a market capitalisation of £173 million; Auralis Limited, which, after investment through Aquarius Equity Partners Limited, delivered a 7 fold return through to its trade sale to ViroPharma Inc in 2010; 4d pharma plc, admitted to AIM in 2014 with a market capitalisation of £37 million and at the beginning of September 2014, had a market capitalisation of £167 million, having raised £22 million in June 2014.

Harry Finch PhD (Non-Executive Director, aged 65)

Harry has significant experience within the pharmaceutical industry, specialising in drug discovery and development, currently holding the position as Senior Vice President of Therapeutics at Pulmagen Therapeutics LLP.

Following attaining a PhD in Organic Chemistry, Harry worked at Ciba-Geigy AG (Now Novartis AG) and Roche Allen & Hanburys Limited, before joining GlaxoWellcome plc where he became Director of Chemistry.

Harry is an expert in the respiratory area of the pharma industry and is co-inventor of GSK's successful asthma drug salmeterol (Serevent). In addition, he has worked across a range of therapeutic areas and at several biotechnology companies.

Samuel Cameron Williams PhD (Cantab) (Non-Executive Director, aged 45)

Sam is CEO and co-founder of Modern Biosciences plc, a drug development company that progresses products acquired from UK universities. He is a Non-Executive Director at the UK BiIndustry Association and Managing Director of Biotechnology at IP Group plc.

Sam previously spent over a decade as an analyst in healthcare investment banking, during the last three years of which he was top rated. He has a degree in Pure and Applied Biology from the University of Oxford and a Cambridge PhD from the Laboratory of Molecular Biology.

Senior Management

Andrew Almond PhD (Chief Technology Officer, aged 42)

Andrew is the co-founder of C4XD and co-inventor of its core technology, having jointly led the spin-out from The University of Manchester in 2007. Andrew is a physicist turned structural biologist who has published in world-class structural biology journals and obtained highly competitive research funding over the last 15 years.

He has a Physics Degree from the University of Edinburgh and a PhD in Biochemistry from The University of Manchester. His post-doctoral research was undertaken in Manchester, Copenhagen and Oxford.

Charles Douglas Blundell DPhil (Oxon) (Chief Scientific Officer, aged 37)

Charles is the co-founder of C4XD and co-inventor of its core technology, having jointly led the spin-out from The University of Manchester in 2007. He has been awarded a number of grants from top UK research councils during his career and has had more than 20 publications in leading scientific journals. Charles studied for his undergraduate masters degree and DPhil in Biochemistry from the University of Oxford (Keble College), graduating within the top 5 of his peer group.

Thorsten Nowak PhD (Cantab) (Head of Medicinal Chemistry, aged 48)

Thorsten is an experienced pharmaceutical researcher, having joined C4XD from AstraZeneca plc, where he worked for 16 years in drug design and project management. Thorsten has a PhD from the University of Cambridge and a first class chemistry degree from the University of Heidelberg, Germany and has worked across a range of therapeutic areas and drug targets.

Martin Watson PhD (Head of NMR, aged 34)

Martin was one of the first employees of C4XD, coming from AstraZeneca plc where he had worked for 4 years in the industrial application of NMR to drug discovery. He has a first class masters chemistry degree from the University of Birmingham and a PhD from the University of Sheffield. He has applied NMR techniques across a wide range of drug targets.

9. SHARE PLANS

The Directors recognise the importance of ensuring that employees of the Group are well motivated and identify closely with the future success of the Group. They therefore regard employee share ownership as a key incentive.

EMI 2009 Plan

At the date of this Document, there are existing Options over 1,699,575 Ordinary Shares outstanding pursuant to the EMI 2009 Plan in favour of Group employees. These options were originally granted in respect of ordinary shares of 1p in the capital of C4XD. In accordance with the rules of the EMI 2009 Plan, the Company and C4XD have required holders of such options to release them in consideration of the grant to them of new options over Ordinary Shares (equivalent to 1,075 Ordinary Shares for every one ordinary share of 1p in the capital of C4XD the subject of the original option) on the acquisition of C4XD by the Company. These Options remain subject to the rules of the EMI 2009 Plan and, in accordance with such rules, will become exercisable following Admission.

Certain holders of such Options, holding in aggregate Options in respect of 1,699,575 Ordinary Shares, have given undertakings not to exercise such Options (subject to certain exceptions) within the 12 month period from Admission.

Options over a total of 1,699,575 Ordinary Shares are currently outstanding and, no further Options will be granted under the EMI 2009 Plan.

The EMI Plan

The Company has also resolved to adopt the EMI Plan with effect from Admission; however, no immediate option grants are proposed under it.

Under the rules of the EMI Plan, no grant may be made under it if it would result in the aggregate number of Ordinary Shares issued (or committed to be issued) under the EMI Plan (together with those issued, or committed to be issued, under all other share incentive schemes including the EMI 2009 Plan) exceeding 10 per cent. of the issued Ordinary Shares at that time.

Further details of the Share Plans are set out in paragraph 11 of Part V of this Document.

10. PLACING, PLACING AGREEMENT AND USE OF PROCEEDS

The Company is proposing to raise £11.00 million pursuant to the Placing at the Placing Price. The Placing Shares will represent approximately 35.50 per cent. of the Enlarged Ordinary Share Capital at Admission. Pursuant to the Placing Agreement, Zeus Capital has conditionally agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price and the Company, the Directors and Charles Douglas Blundell have each given certain warranties (and the Company has given an indemnity) to Zeus Capital, all of which provisions are customary for this type of agreement.

The Placing, which is not underwritten, is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring no later than 8.00 a.m. 23 October 2014 (or such later date as Zeus Capital and the Company may agree, being no later than 3.00 p.m. on 31 October 2014).

Further details of the Placing Agreement are set out in paragraph 10.1 of Part V of this Document.

The estimated net proceeds of the Placing are approximately £10.00 million and will principally be used to progress the best two programmes through to clinical trials, towards generating Proof of Concept in man as well as continuing to apply the technology to other high-value, high-impact targets. The balance of the net proceeds will be used for working capital and entering into selected partnerships with pharmaceutical and biotechnology companies to generate additional cash flow and future upside from partnered programmes.

11. EIS/VCT

The Company has received notification from HM Revenue & Customs that the Placing Shares should qualify for EIS and VCT relief. The availability of tax relief will depend, *inter alia*, upon the investor and the Company continuing to satisfy various qualifying conditions. The Company cannot guarantee to conduct its activities in such a way as to maintain its status as a qualifying EIS or VCT investment but the Directors intend, as far as possible, to do so. Investors considering taking advantage of EIS relief or making a qualifying VCT investment are recommended to seek their own professional advice in order that they may fully understand how the relief legislation may apply in their individual circumstances. Any Shareholder who is in any doubt as to his taxation position under the EIS and VCT legislation, or who is subject to tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

12. TAXATION

Information regarding taxation is set out in paragraph 15 of Part V of this Document. These details are intended only as a general guide to the current tax position in the UK. **If an investor is in any doubt as to his or her tax position or is subject to tax in a jurisdiction other than the UK, he or she should consult his or her own independent financial adviser immediately.**

13. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 23 October 2014.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

14. INTERESTS IN ORDINARY SHARES

At Admission, the Directors will in aggregate be interested in, directly and indirectly, 2,547,703 Ordinary Shares representing approximately 8.22 per cent. of the Enlarged Ordinary Share Capital. In addition Piers

has options over 860,000 Ordinary Shares, exercisable at 5.58 pence per Ordinary Share. Further information is available in paragraph 6 of Part V of this Document.

Certain Shareholders who in aggregate have an interest in 19,813,130 Ordinary Shares (representing 63.94 per cent. of the issued Ordinary Shares at Admission) have given undertakings not to sell, charge or grant any interest over any Ordinary Shares they hold (subject to certain exceptions) within the 12 month period from Admission. In addition, they have undertaken to consult Zeus Capital prior to any disposal and to make any disposal through the Company's broker for a 12 month period thereafter so as to maintain an orderly market. Similar undertakings have been received from the holders of Options under the EMI 2009 Plan, holding in aggregate Options in respect of 1,699,575 Ordinary Shares. Further details are set out in paragraph 10.4 of Part V of this Document.

15. CORPORATE GOVERNANCE

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code.

Although the Corporate Governance Code is not compulsory for AIM quoted companies, the Directors intend to apply the principles contained therein, as far as they consider appropriate for a company of its size and nature.

Following Admission, the Board will comprise 5 directors, 1 of whom shall be an executive director and 4 of whom shall be non-executive directors, reflecting a blend of different experience and backgrounds.

The Board intends to meet regularly to consider strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors will receive appropriate and timely information. Briefing papers will be distributed to all Directors in advance of Board meetings. All Directors will have access to the advice and services of the Company Secretary, who will be responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. In addition, procedures will be in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Board Committees

The Company will, upon Admission, have established Audit, Nomination and Remuneration Committees.

The Audit Committee will have Samuel Williams as chairman, and will have primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit Committee will meet at least twice a year. Clive Dix and Harry Finch will be the other members of the Audit Committee.

The Nomination Committee will have Alex Stevenson as chairman, and will identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee will meet at least once a year. Clive Dix and Samuel Williams will be the other members of the Nomination Committee.

The Remuneration Committee will have Harry Finch as chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee will meet at least once a year. Clive Dix and Alex Stevenson will be the other members of the Remuneration Committee.

Share Dealing Code

The Directors understand the importance of complying with the AIM Rules relating to dealings by Directors and certain other employees of the Group in the Ordinary Shares and has established a share dealing code which is appropriate for an AIM quoted company. The Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

16. DIVIDEND POLICY

The Company is at an early stage of development and the Board therefore believes that it is inappropriate for the Company to give an indication of its future dividend policy.

17. APPLICABILITY OF THE TAKEOVER CODE

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage interest in the Company's shares.

18. RISK FACTORS

Your attention is drawn to the risk factors set out in Part II of this Document and to the section entitled "Forward Looking Statements" therein. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

19. ADDITIONAL INFORMATION

You should read the whole of this Document and not just rely on the information contained in this Part I.

Your attention is drawn to the information set out in Parts II to V (inclusive) of this Document which contains further information on the Group.

PART II

RISK FACTORS

Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below.

Ordinary Shares may not be a suitable investment for all recipients of this Document. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Directors consider that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.

It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Directors currently consider not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.

Risks specific to the Group

The Group's success depends to a material extent on the outcome of its lead product candidates, which it is developing for the treatment of stress-related addictive disorders, diabetes and COPD.

The Group has invested a significant portion of its financial and other resources in the development of its proprietary programmes. The Group's prospects for the foreseeable future, including its ability to continue to develop its products will depend heavily on whether these product candidates reach clinical development and attract suitable collaborators.

The Group may not be successful in its efforts to use and expand its technology platform, to build a pipeline of product candidates and develop marketable products.

The Group uses its rational drug design platform to discover its product candidates. The Group believes its technology can be applied to various areas of the pharmaceutical industry and is currently focusing on stress-related addictive disorders, diabetes and COPD. The Group is at a relatively early stage of development and may not be successful in its efforts to use and expand its rational drug design platform to build a pipeline of product candidates and develop approved or marketable products.

The Group may establish collaborations in the future and its ability to do so may affect its development plans.

For some or all product candidates, the Group may seek to collaborate with pharmaceutical and biotechnology companies to complete the development and commercialise those product candidates. The Group may face significant competition as well as risks in seeking and maintaining appropriate collaborators.

Whether the Group reaches a definitive agreement for a collaboration will depend upon, among other things, its assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors, including the perceived outcome of progressing the Group's products through clinical trials.

Any collaboration agreement into which the Group may enter may call for licensing or cross-licensing of potentially blocking patents, know-how or other intellectual property. Due to the potential overlap of data,

know-how and intellectual property rights, there can be no assurance that one of the Group's collaborators will not dispute its right to use, license or distribute such data, know-how or other intellectual property rights, and this may potentially lead to disputes, liability or termination of the collaboration.

Should the Group seek to enter into collaboration agreements, but not be able to negotiate the terms of such agreements on a timely basis, on acceptable terms, or at all, it may have to curtail the development of a product candidate or reduce or delay its development programme or one or more of its other development programmes.

If the Group is not able to prevent disclosure of its trade secrets, know-how or other proprietary information, the value of its technology and product candidates could be significantly diminished.

The Group relies on trade secret protection to protect its interests in proprietary know-how and in processes for which patents are difficult to obtain or enforce. The Group may not be able to protect its trade secrets adequately.

There is also no assurance that such agreements will provide for a meaningful protection of confidential information in the event of any unauthorised use or disclosure of information. Furthermore, the Group cannot provide assurance that any of its employees, consultants, contract personnel or third-party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing confidential information to its competitors.

It is also possible that confidential information could be obtained by third parties as a result of breaches of its physical or electronic security systems. Any disclosure of confidential data into the public domain or to third parties could allow the Group's competitors to learn confidential information and use it in competition against the Group.

C4XD has incurred losses since its inception and anticipates that it will continue to incur losses for the foreseeable future.

C4XD expects to continue to make substantial expenditures whilst it takes its two lead programmes to clinical trials, and, based on the amount of these expenditures, it expects to continue to make losses for at least the next two years.

The Group's limited operating history may make it difficult for a prospective investor to evaluate the success of the Group's business to date and to assess its future viability.

C4XD commenced operations in 2007. To date, its activities have been limited to staffing, business planning, raising capital, developing its technology, identifying potential product candidates and undertaking pre-clinical studies.

The Group has not yet demonstrated its ability to progress a product into clinical trials. In addition, given its limited operating history, the Group may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors.

Future Funding

Whilst the Directors have no current plans for raising additional capital immediately and are of the opinion that the working capital available to the Group will be sufficient for its present requirements, it is possible that the Group will need to raise extra capital in the future to develop fully the Group's business or to take advantage of future opportunities. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Group or Shareholders.

If serious adverse side effects are identified for any product candidate, the Group may need to abandon or limit its development of that product candidate.

Not all adverse effects of drugs can be predicted or anticipated. Serious unforeseen side effects from any of the Group's product candidates could arise during clinical development. All of the Group's product candidates are in pre-clinical development or research and the results of future clinical studies may show that the Group's product candidates cause undesirable or unacceptable side effects, which could interrupt, delay or halt clinical studies, and result in delay of, or failure to obtain, marketing approval from the Food and Drug Administration, the European Medicines Agency and other regulatory authorities.

The Group faces significant competition from other biotechnology and pharmaceutical companies.

The biotechnology and pharmaceutical industries are intensely competitive. The Group's competitors include major multinational pharmaceutical companies, biotechnology companies and research institutions. Many of its competitors have substantially greater financial, technical and other resources, such as larger research and development staff. The Group's competitors may succeed in developing, acquiring or licensing drug product candidates that are more effective or less costly than any product candidate which the Group is currently developing or which it may develop.

Adverse decisions of regulators, including tax authorities, or changes in tax treaties, laws, rules or interpretations could reduce or eliminate research and development tax credits the Group are eligible for in the United Kingdom.

The Group is eligible for and has received tax credits for qualifying R&D expenditures in the United Kingdom. The tax laws and regulations in the United Kingdom may be subject to change and there may be a change in the interpretation and enforcement of the law. As a result, the Company may no longer be eligible for R&D tax credits in the United Kingdom, which could have a negative effect on the Company's cash flow.

General Risk Factors

Quotation on AIM, liquidity and possible price volatility

Following Admission, the market price of the Ordinary Shares may be subject to significant fluctuations in response to many factors, including variations in the results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Group's sector and other events and factors outside of its control.

In addition, stock market prices may be volatile and may go down as well as up. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. These factors could include the performance of the Group's business, changes in the Group's operating expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Group encounters competition, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, legislative or regulatory or taxation changes and general economic conditions. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority.

In addition, there can be no guarantee that the Ordinary Shares will continue to trade on AIM in the future or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Reliance on the retention of Directors and Senior Management

The Company will rely heavily on a small number of key individuals, to identify, develop and manage C4XD's software, companies and/or businesses. These key individuals are under contract with the Company, though the retention of their services cannot be guaranteed. Accordingly the loss of any of such key individuals may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Legislation and tax status

This Document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Group or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

Economic, political, judicial, administrative, taxation or other regulatory matters

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

Taxation

The attention of potential investors is drawn to paragraph 15 of Part V of this Document headed "United Kingdom Taxation".

The tax rules and their interpretation relating to an investment in the Company may change during its life.

Representations in this Document concerning the taxation of the Group and its investors are based upon current tax law and practice which is, in principle, subject to change.

EIS and VCT relief

Clearance has been received from HM Revenue and Customs ("HMRC") that the Group's business qualifies for EIS relief and is a qualifying business for VCT relief. Although qualifying investors should obtain tax relief on their investments under EIS relief or VCT relief, neither the Group nor the Directors can provide any warranty or guarantee in this regard. Investors must take their own advice and rely on it.

Neither the Group nor the Directors give any warranties or undertakings that EIS relief or VCT relief, if granted, will not be withdrawn. Investors must take their own advice and rely on it. If the Group carries on activities beyond those disclosed to HMRC, then Shareholders may cease to qualify for the tax benefits.

Forward looking statements

All statements other than statements of historical fact included in this Document, including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements.

Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future.

These forward looking statements speak only as of the date of this Document. The Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in its expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

PART III

FINANCIAL INFORMATION

The Directors are required to prepare the financial information in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In accordance with the legislation applicable within the United Kingdom, the financial information is required to give a true and fair view of the state of affairs of C4XD for that period.

In preparing that financial information, the Directors are required to:

- (a) Select suitable accounting policies and apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent; and
- (c) Prepare the financial information on the going concern basis unless it is inappropriate to presume that C4XD will continue in business.

Section A of this Part III sets out a report from KPMG LLP, the Reporting Accountants, required by Paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as if they had been applied by part (a) of Schedule Two to the AIM Rules and given for the purpose of complying with that paragraph and for no other purpose.

Historical financial information for the Company has not been presented in this document. The Company was incorporated on 16 July 2014 and has not traded for any period since incorporation. Save for the issue of two subscriber shares of £1.00 and the subsequent acquisition of C4XD by way of a share for share exchange, as detailed in paragraph 10.2 of Part V, the Company has the following contracts and obligations: service agreements with Directors; letters of appointment for Directors; other arrangements as set out in paragraph 7 of Part V; and engagement letters with advisers.

The historical financial information for C4XD is set out in Section B of this Part III. This financial information comprises information for C4XD for the financial years ended 31 July 2014, 31 July 2013 and 31 July 2012.

The unaudited pro forma statement of net assets of the Group is set out in Part IV. This unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Placing on the Group's net assets as if the Placing had taken place on 31 July 2014.

SECTION A – ACCOUNTANTS’ REPORT



KPMG LLP
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Private & confidential

The Directors
C4X Discovery Holdings plc
Unit 310
Ducie House
37 Ducie Street
Manchester
M1 2JW

17 October 2014

Dear Sirs

C4X Discovery Limited

We report on the financial information set out on pages 32 to 54 for the years ended 31 July 2014, 31 July 2013 and 31 July 2012. This financial information has been prepared for inclusion in the AIM Admission Document dated 17 October 2014 of C4X Discovery Holdings plc (the “Company”) on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.



Opinion on financial information

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 17 October 2014, a true and fair view of the state of affairs of C4X Discovery Limited as at 31 July 2014, 31 July 2013 and 31 July 2012 and of its losses, cash flows and changes in equity for the years ended 31 July 2014, 31 July 2013 and 31 July 2012 in accordance with the basis of preparation set out in note 2.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

KPMG LLP

SECTION B – FINANCIAL INFORMATION RELATING TO C4X DISCOVERY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 July

	<i>Notes</i>	<i>2014</i> £000	<i>2013</i> £000	<i>2012</i> £000
Revenue	4	619	736	440
Cost of sales		(23)	(1)	(1)
Gross profit		596	735	439
Administrative expenses		(1,816)	(1,322)	(869)
Operating loss	5	(1,220)	(587)	(430)
Finance income	7	1	–	–
Finance expense	7	(119)	(89)	–
Loss on ordinary activities before taxation		(1,338)	(676)	(430)
Taxation	8	220	195	109
Loss for the year and total comprehensive loss for the year		(1,118)	(481)	(321)
Basic and diluted loss per share – pence	9	(6,012.7p)	(2,594.9p)	(1,829.7p)

All losses arose from continuing operations.

There were no other items of comprehensive income and therefore the losses were also the total comprehensive losses.

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

STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to equity holders</i>				
	<i>Issued equity capital</i> £000	<i>Share-based payment reserve</i> £000	<i>Share premium</i> £000	<i>Revenue reserve</i> £000	<i>Total equity</i> £000
At 1 August 2011	–	–	620	(562)	58
Loss and total comprehensive loss for the year	–	–	–	(321)	(321)
Issue of share capital	–	–	455	–	455
Share-based payments	–	1	–	–	1
At 31 July 2012	–	1	1,075	(883)	193
Loss and total comprehensive loss for the year	–	–	–	(481)	(481)
Issue of share capital	–	–	45	–	45
Share-based payments	–	2	–	–	2
At 31 July 2013	–	3	1,120	(1,364)	(241)
Loss and total comprehensive loss for the year	–	–	–	(1,118)	(1,118)
Share-based payments	–	26	–	–	26
At 31 July 2014	–	29	1,120	(2,482)	(1,333)

STATEMENT OF FINANCIAL POSITION

at 31 July

	Notes	2014 £000	2013 £000	2012 £000
Assets				
Non-current assets				
Property, plant and equipment	10	21	23	19
Intangible assets	11	56	60	64
Investments	12	–	–	–
		<u>77</u>	<u>83</u>	<u>83</u>
Current assets				
Trade and other receivables	13	157	129	48
Income tax asset		250	304	109
Cash and cash equivalents	14	673	1,514	648
		<u>1,080</u>	<u>1,947</u>	<u>805</u>
Total assets		<u>1,157</u>	<u>2,030</u>	<u>888</u>
Liabilities				
Current liabilities				
Trade and other payables	15	227	127	115
Financial liabilities	16	43	–	–
		<u>270</u>	<u>127</u>	<u>115</u>
Non-current liabilities				
Financial liabilities	16	2,220	2,144	580
		<u>2,220</u>	<u>2,144</u>	<u>580</u>
Total liabilities		<u>2,490</u>	<u>2,271</u>	<u>695</u>
Net (liabilities)/assets		<u>(1,333)</u>	<u>(241)</u>	<u>193</u>
Capital and reserves				
Issued equity capital	17	–	–	–
Share-based payment reserve	18	29	3	1
Share premium account	19	1,120	1,120	1,075
Revenue reserve	20	(2,482)	(1,364)	(883)
Total equity		<u>(1,333)</u>	<u>(241)</u>	<u>193</u>

STATEMENT OF CASH FLOWS

for the years ended 31 July

	Notes	2014 £000	2013 £000	2012 £000
Loss after tax		(1,118)	(481)	(321)
Adjustments for:				
Depreciation of property, plant and equipment	10	9	10	3
Amortisation of intangible assets	11	4	4	5
Share-based payments	18	26	2	1
Finance expense	7	119	89	–
Taxation	8	(220)	(195)	(109)
Changes in working capital				
(Increase) in trade and other receivables	13	(28)	(36)	(30)
Increase in trade and other payables	15	56	12	48
Increase in deferred revenue	15	44	–	–
Cash outflows from operating activities		(1,108)	(595)	(403)
Research and development tax credit received		274	–	49
Net cash outflows from operating activities		(834)	(595)	(354)
Cash flows from investing activities				
Purchases of plant and equipment	10	(7)	(14)	(21)
Purchases of intellectual property	11	–	–	(8)
Net cash outflows from investing activities		(7)	(14)	(29)
Cash flows from financing activities				
Loans received		–	1,475	550
Proceeds from issue of ordinary share capital	17,19	–	–	450
Net cash inflows from financing activities		–	1,475	1,000
(Decrease)/increase in cash and cash equivalents		(841)	866	617
Cash and cash equivalents at the start of the year		1,514	648	31
Cash and cash equivalents at the end of the year	14	673	1,514	648

NOTES TO THE FINANCIAL INFORMATION

1. Reporting entity

C4X Discovery Limited (formerly known as Conformetrix Limited) is a limited liability company, was incorporated on 25 July 2007 and is domiciled in England and Wales (registered number 06324250). C4X Discovery Limited's principal activity is that of biotechnology and its registered office is Unit 310, Ducie House, Manchester, M1 2JW.

2. Basis of preparation

The company is planning to seek admission to AIM through an Initial Public Offering ("IPO"). This will enable the company to secure a source of future financing in order to further develop its drug discovery process. There will be a restructure prior to flotation such that the company will be acquired by a new parent entity, C4X Discovery Holdings plc, created for the purpose.

The financial information has been prepared for the purposes of the Prospectus in accordance with the requirements of the Listing rules and the Prospectus Directive Regulation and in accordance with this basis of preparation, including the significant accounting policies set out below.

This financial information has been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("EU IFRS").

The financial information does not consolidate the financial information of wholly-owned dormant subsidiary, C4X Drug Discovery Limited, on the grounds that it is not material.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information. The 2013 financial statements of the company were the first to be presented under EU IFRS with a transitional balance sheet dated 31 July 2012 and other notes included in those financial statements.

(a) Basis of measurement

The company's financial statements have been prepared on the historical cost basis.

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

(b) Going concern

C4X Discovery Limited conducts scientific research and development. As noted in Part I "Information on the Group", the company has invested significantly in developing an innovative process for the development of new technologies to improve the drug discovery process for novel small molecule therapies. The directors believe that this investment positions the company to deliver to the pharmaceutical industry improved productivity in the development of small molecule drugs with pricing that is more attractive to the healthcare budgets of national health bodies and health insurance companies.

As at 31 July 2014, the company had cash balances of £673,000. On the basis of current projections and plans, the company will require additional funding within the next 12 months in order to continue realising its assets and discharging its liabilities in the normal course of business.

However, the directors have a high degree of certainty that there will be a receipt of funds from parent company C4X Discovery Holdings plc following its listing of shares and admission to the Alternative Investment Market.

In the unlikely event that the above funding is not achieved, plans can be curtailed, such that the company could meet all of its liabilities as they fall due over the next 12 months.

Therefore, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company will have adequate resources to continue in operation for the

foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial information.

(c) Functional and presentational currency

These financial statements are presented in pounds sterling, which is the company's functional currency. All financial information presented has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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. While every effort is made to ensure that such estimates and judgements are reasonable, by their nature they are uncertain and, as such, changes in estimates and judgements may have a material impact on the financial statements.

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

● Revenue recognition

Judgements are required as to whether and when contractual milestones have been achieved and, in turn, the period over which development revenue should be recognised. Management judgements are similarly required to determine whether services or rights under licence agreements have been delivered so as to enable licence revenue to be recognised.

Further information on critical judgements made in applying accounting policies, including details of significant methods and assumptions used, is included in note 3.

● Research and development

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain until such time as technical viability has been proven and commercial supply agreements are likely to be achieved. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are continuously monitored by the directors.

● Taxation

Management judgement is required to determine the amount of tax assets (including R & D tax credits) that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised tax losses at 31 July 2014 was £101,000 (2013: £58,000 and 2012: £69,000). The value of the tax asset (net of the deferred tax liability) not recognised at the year-end is £96,000 (2013: £47,000 and 2012: £57,000).

● Equity-settled share-based payments

The determination of share-based payment costs requires: the selection of an appropriate valuation method, consideration as to the inputs necessary for the valuation model chosen, judgement regarding when and if performance conditions will be met, and the estimation of the number of awards that will ultimately vest. Inputs required for this arise from judgements relating to the future volatility of the share price of C4X Discovery Limited and comparable companies, the company's expected dividend yields, risk free interest rates and expected lives of the options. The directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations. The share-based payment expense is most sensitive to the future volatility of the future share price factor.

3. Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, excluding discounts, rebates, VAT and other sales taxes or duties.

The company's revenues to date comprise amounts earned for the rendering of services under collaboration agreements.

Revenues received in advance of work performed, 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.

Contractual payments received from licence agreements are recognised as revenue when goods, services or rights and entitlements are supplied or when contractual rights for the customer to recoup such payments have lapsed.

(b) 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 recognised as revenue in the 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.

(c) Research and development

Research costs are charged in the Statement of Comprehensive Income as they are incurred. Development costs could be capitalised as intangible assets if it is probable that future economic benefits will flow to the company. Such intangible assets would 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 would be reviewed for impairment at each 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, within administrative expenses, against income as incurred since the criteria for their recognition as an asset are not met.

(d) Lease payments

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

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

(e) Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through the Statement of Comprehensive Income. Interest income is recognised as interest accrues using the effective interest rate method.

Finance expense comprises interest expense on financial liabilities. All borrowing costs are recognised using the effective interest method.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the 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 is uncertain.

(g) Property, plant and equipment

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

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

The following bases and rates are used to depreciate assets:

Office equipment, fixtures and fittings – straight line over 3 years

(h) Intangible assets

The carrying values of intangible assets 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.

An intangible asset item is de-recognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the Statement of Comprehensive Income in the period of de-recognition.

Intangible assets acquired from contractual or other legal rights are recognised provided 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
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(i) Impairment of assets

At each reporting date the company reviews the carrying value of its property, plant and equipment, and intangible assets to determine whether there is an indication that these assets have suffered an impairment loss. If any such indication exists, the company 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 to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the 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 Statement of comprehensive income unless the asset is carried at re-valued amount, in which case the reversal is treated as a valuation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

(j) Trade and other receivables

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

Provision is made when there is objective evidence that the company will not be able to recover balances in full. Significant financial difficulties faced by the customer, probability that the customer will enter

bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within administrative expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables.

(k) Cash and cash equivalents

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

(l) 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.

(m) Borrowings

Interest bearing borrowings (categorised as financial liabilities) are recognised when the company becomes party to related contracts and are measured initially at fair value, net of directly attributable transaction costs incurred. After initial recognition, borrowings are stated at amortised cost.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Costs of borrowing funds are expensed in the period in which they occur.

(n) Share capital

Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not re-measured in subsequent years.

(o) 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 company'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 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 the 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.

(p) New standards and interpretations not yet adopted

The company has adopted IFRS13 'Fair value measurements' for the first time. IFRS13 establishes a single framework for measuring fair value and making disclosures were required or permitted by other IFRSs. As the company does not currently engage in the use of derivative financial instruments, the impact on disclosure has been minimal.

There are no other standards, adopted for the first time this year, that have had a material effect on the financial information.

A number of new standards, amendments to standards and interpretations are effective for annual periods ending 31 July 2015 or thereafter and have not been applied in preparing this financial information and those that are relevant to the company are summarised below. None of these is expected to have a significant effect on the company.

The following standards and interpretations have an effective date after 31 July 2014:

	<i>Effective date – years commencing on or after</i>
IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements	1 January 2014
IFRS 11 Joint agreements	1 January 2014
IFRS 12 Disclosure of investments in Other Entities	1 January 2014
IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32	1 January 2014
IFRS 9 Financial Instruments (issued in 2010)	1 January 2015
IFRS 15 Revenue from customer contracts	1 January 2017 (not yet endorsed by EU)

4. Segmental information

Operating segments

The company operates as one segment, being the development of new and innovative technical applications for the pharmaceutical sector. This is the level at which operating results are reviewed by the chief operating decision maker (ie. the CEO) to make decisions about resources, and for which financial information is available. All revenues have been generated from continuing operations and are from external customers.

Currently 100 per cent. (2013: 100 per cent. and 2012: 100 per cent.) of the company's revenue arises from the rendering of services.

Revenue includes £513,000 from one material customer (2013: £736,000 from one material customer and 2012: £440,000 from one material customer).

Geographical information

Currently 100 per cent. (2013: 100 per cent. and 2012: 100 per cent.) of the company's revenue arises in the UK.

All the company's assets are held in the UK and all of its capital expenditure arises in the UK.

5. Operating loss

This is stated after charging:

	2014 £000	2013 £000	2012 £000
Depreciation of property, plant and equipment (see note 10)	9	10	3
Amortisation of intangible assets (see note 11)	4	4	5
Staff costs (see note 6)	810	607	310
Research and development expense*	1,180	813	418
Operating lease rentals – land and buildings	26	25	25
	<u> </u>	<u> </u>	<u> </u>

Auditor's remuneration:

	2014 £000	2013 £000	2012 £000
Audit services:			
Audit of these financial statements	12	13	8
Fees payable to the auditor for other services – taxation	5	15	3
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

* Included within research and development expense are staff costs totalling £670,000 (2013: £381,000 and 2012: £237,000) also included in note 6.

6. Staff costs

	2014 £000	2013 £000	2012 £000
Wages and salaries	706	544	278
Social security costs	78	61	31
Share-based payments	26	2	1
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

The average number of employees during the year, including directors, was as follows:

	2014 No.	2013 No.	2012 No.
Directors	6	6	6
Scientists and administrative staff	12	9	3
	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>

Directors' remuneration included in the aggregate remuneration above comprised:

	2014 £000	2013 £000	2012 £000
Emoluments for qualify services	290	258	187
	<u> </u>	<u> </u>	<u> </u>

The emoluments of the highest paid director were £94,000 (2013: £90,000 and 2012: £73,000) of which £45,000 was paid to third parties (2013: £44,000 and 2012: £41,000) in respect of his services.

7. Finance income and expense

	2014 £000	2013 £000	2012 £000
<i>Finance income:</i>			
Bank interest receivable	<u>1</u>	<u>-</u>	<u>-</u>
<i>Finance expense:</i>			
Preference share interest payable	(2)	(11)	-
Loan note interest payable	<u>(117)</u>	<u>(78)</u>	<u>-</u>
	<u>(119)</u>	<u>(89)</u>	<u>-</u>

The interest on preference shares and the interest on loan notes are payable after the period end.

8. Taxation

The tax credit is made up as follows:

	2014 £000	2013 £000	2012 £000
<i>Current income tax:</i>			
Research and development income tax credit receivable	(250)	(200)	(109)
Adjustment in respect of prior periods	<u>30</u>	<u>5</u>	<u>-</u>
	<u>(220)</u>	<u>(195)</u>	<u>(109)</u>

Factors affecting tax charge for the year:

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

	2014 £000	2013 £000	2012 £000
Loss on ordinary activities before taxation	<u>(1,338)</u>	<u>(676)</u>	<u>(430)</u>
Loss on ordinary activities multiplied by effective rate of tax of 22.33% (2013: 23.67% and 2012: 25.33%)	(299)	(160)	(109)
<i>Effects of:</i>			
Expenses not deductible for tax purposes	33	3	2
Movement in un-provided deferred tax	-	(2)	(6)
Surrender of research and development expenditure	217	159	108
Research and development tax credit receivable	(250)	(200)	(109)
Adjustment in respect of prior periods	30	5	-
Tax losses carried forward (see below)	<u>49</u>	<u>-</u>	<u>5</u>
Tax credit in income statement	<u>(220)</u>	<u>(195)</u>	<u>(109)</u>

Reductions of the main rate of corporation tax from 23 per cent. to 21 per cent. from 1 April 2014 and to 20 per cent. from 1 April 2015 were substantively enacted on 3 July 2013. The changes in tax rate are not considered to have had a material impact.

The company 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 20 per cent. (2013: 20 per cent. and 2012: 24 per cent.), is £101,000 (2013: £58,000 and 2012: £69,000). These losses have not been recognised as an asset as the transfer of economic benefits in the future is uncertain (2013: £nil and 2012: £nil).

The company has a deferred tax liability being accelerated capital allowances, for which the tax, measured at a standard rate of 20 per cent. (2013: 20 per cent. and 2012: 24 per cent.), is £11,000 (2013: £12,000 and 2012: £12,000).

The company also has as a deferred tax asset being share-based payments, for which the tax, measured at a standard rate of 21 per cent. (2013: 21 per cent. and 2012: 24 per cent.) is £6,000 (2013: £1,000 and 2012: £nil).

The net deferred tax liability of £5,000 (2013: £11,000 and 2012: £12,000) has not been recognised as it is covered by accumulated tax losses (2013: £nil and 2012: £nil).

9. Earnings per share

	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loss for the financial year attributable to equity shareholders	<u>(1,118)</u>	<u>(481)</u>	<u>(321)</u>
Weighted average number of shares:			
Ordinary shares in issue	<u>18,594</u>	<u>18,536</u>	<u>17,544</u>
Basic loss per share (pence)	<u>(6,012.7p)</u>	<u>(2,594.9p)</u>	<u>(1,829.7p)</u>

Diluted loss per share has not been provided above as the effect of share options, described in note 21, is anti-dilutive.

10. Property, plant and equipment

	<i>Office equipment, fixtures and fittings £000</i>
Cost:	
At 1 August 2011	2
Additions	<u>21</u>
At 31 July 2012	23
Additions	<u>14</u>
At 31 July 2013	37
Additions	<u>7</u>
At 31 July 2014	<u>44</u>
Depreciation:	
At 1 August 2011	1
Provided during the year	<u>3</u>
At 31 July 2012	4
Provided during the year	<u>10</u>
At 31 July 2013	14
Provided during the period	<u>9</u>
At 31 July 2014	<u>23</u>
Net book value:	
At 31 July 2014	<u>21</u>
At 31 July 2013	<u>23</u>
At 31 July 2012	<u>19</u>

11. Intangible assets

	<i>Patents</i> £000
Cost:	
At 1 August 2011	71
Additions	8
	<hr/>
At 31 July 2012	79
Additions	–
	<hr/>
At 31 July 2013	79
Additions	–
	<hr/>
At 31 July 2014	79
	<hr/>
Amortisation:	
At 1 August 2011	10
Provided during the year	5
	<hr/>
At 31 July 2012	15
Provided during the year	4
	<hr/>
At 31 July 2013	19
Provided during the period	4
	<hr/>
At 31 July 2014	23
	<hr/>
Net book value:	
At 31 July 2014	56
	<hr/> <hr/>
At 31 July 2013	60
	<hr/> <hr/>
At 31 July 2012	64
	<hr/> <hr/>

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

12. Investments

	<i>Shares in</i> <i>group</i> <i>undertakings</i> £
Cost:	
At 1 August 2011, 31 July 2012, 31 July 2013 and 31 July 2014	1
	<hr/>
Net book value:	
At 1 August 2011, 31 July 2012, 31 July 2013 and 31 July 2014	1
	<hr/> <hr/>

The company's investments at the balance sheet date in the share capital of companies include the following:

C4X Drug Discovery Limited
Country of incorporation: England and Wales
Nature of business: Dormant

Class of shares:	Ordinary
% holding	100%

13. Trade and other receivables

	2014 £000	2013 £000	2012 £000
Trade receivables	15	38	–
Prepayments	28	25	31
Other receivables	114	66	17
	<u>157</u>	<u>129</u>	<u>48</u>

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

All trade receivables are denominated in Sterling.

Other receivables includes £50,000 in respect of unpaid ordinary shares (2013: £50,000 and 2012: £5,000) and £61,000 in respect VAT receivables (2013: £12,000 and 2012: £9,000).

14. Cash and cash equivalents

	2014 £000	2013 £000	2012 £000
Cash and cash equivalents per the balance sheet and cash flow statement	<u>673</u>	<u>1,514</u>	<u>648</u>

15. Trade and other payables

	2014 £000	2013 £000	2012 £000
Trade payables	107	69	59
Other payables	32	22	14
Deferred revenue	44	–	–
Accruals	44	36	42
	<u>227</u>	<u>127</u>	<u>115</u>

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

16. Financial liabilities

	2014 £000	2013 £000	2012 £000
<i>Current</i>			
Preference shares	30	–	–
Interest accruing on preference shares	13	–	–
	<u>43</u>	<u>–</u>	<u>–</u>
<i>Non-current</i>			
Preference shares	–	30	30
Interest accruing on preference shares	–	11	–
Loan notes	2,025	2,025	550
Interest accruing on loan notes	195	78	–
	<u>2,220</u>	<u>2,144</u>	<u>580</u>

The preference shares are classed as a financial liability and carry a fixed cumulative preferential dividend of 7 per cent. per annum and are redeemable on the earlier of 31 July 2015 or the sale or listing of the company.

The loan notes attract interest at the rate of 5 per cent. above Bank of England base rate, compounded on a semi-annual basis, and are repayable on the earlier of 23 August 2016 or the sale or listing of the company.

However, all of the loan notes and accrued interest will be converted into deferred shares in the company if the value of the company's issued share capital on a sale or listing exceeds certain pre-determined thresholds.

17. Share capital

<i>Allotted, called up and fully paid</i>	<i>2014 No.</i>	<i>2013 No.</i>	<i>2012 No.</i>	<i>2014 £000.</i>	<i>2013 £000</i>	<i>2012 £000</i>
Ordinary shares of 1p each	14,469	14,469	13,717	–	–	–
Ordinary A shares of 1p each	4,125	4,125	4,125	–	–	–
Preference shares of £1 each	30,000	30,000	30,000	<u>30</u>	<u>30</u>	<u>30</u>

As at 31 July 2014 a total of 995 ordinary shares were unpaid (2013: 995).

	<i>2014 £000</i>	<i>2013 £000</i>	<i>2012 £000</i>
Shares classified as financial liabilities	30	30	30
Shares classed as shareholders' funds	<u>–</u>	<u>–</u>	<u>–</u>
	<u>30</u>	<u>30</u>	<u>30</u>

The balance classified as share capital represents the element of the proceeds from the issue of equity share capital attributable to the nominal value of the shares issued.

18. Share-based payment reserve

	<i>£000</i>
As at 31 July 2011	–
Share-based payments	<u>1</u>
As at 31 July 2012	1
Share-based payments	<u>2</u>
As at 31 July 2013	3
Share-based payments	<u>26</u>
As at 31 July 2014	<u>29</u>

The share-based payment reserve accumulates the corresponding entry in respect of the share-based payment charge.

19. Share premium account

	<i>£000</i>
As at 31 July 2011	620
Issue of share capital	<u>455</u>
As at 31 July 2012	1,075
Issue of share capital	<u>45</u>
As at 31 July 2013	1,120
Issue of share capital	<u>–</u>
As at 31 July 2014	<u>1,120</u>

The share premium account accumulates the proceeds from the issue of equity share capital over and above that attributed to share capital and includes £50,000 in respect of unpaid ordinary shares (2013: £50,000 and 2012: £5,000).

20. Revenue reserve

	£000
As at 31 July 2011	(562)
Loss for the year	(321)
	<hr/>
As at 31 July 2012	(883)
Loss for the year	(481)
	<hr/>
As at 31 July 2013	(1,364)
Loss for the year	(1,118)
	<hr/>
As at 31 July 2014	(2,482)
	<hr/>

The revenue reserve accumulates the results of the business since it was incorporated.

21. Share-based payments and share option schemes

Share-based payments

A charge of £26,000 has been recognised in the Statement of Comprehensive Income for the year (2013: £2,000 and 2012: £1,000). The corresponding credit entry is to the share-based payment reserve.

Share option schemes

The company operates the following share option schemes all of which are operated as Enterprise Management Incentive (“EMI”) schemes in so far as the share options being issued meet the EMI criteria as defined by HM Revenue & Customs.

– 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 £22.00, 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 £60.00, 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 £60.00, 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 £60.00, 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.

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

	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>
Outstanding at beginning of year	771	75	75
Granted during the year	860	696	–
Lapsed/cancelled	(50)	–	–
Outstanding at end of year	<u>1,581</u>	<u>771</u>	<u>75</u>
Exercisable at 31 July	–	–	–

Weighted average exercise price of options

	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Outstanding at beginning of year	56.30	22.00	22.00
Granted during the year	60.00	60.00	–
Lapsed/cancelled	60.00	–	–
Outstanding at end of year	<u>58.20</u>	<u>56.30</u>	<u>22.00</u>

The weighted average value of options granted during the year to 31 July 2014 was £60.00 (2013: £60.00 and 2012: no options granted). The range of exercise prices for options outstanding at the end of the year was £22.00 – £60.00 (2013: £22.00 to £60.00 and 2012: all at £22.00).

The following table lists the inputs to the models used for the years ended 31 July 2014, 31 July 2013 and 31 July 2012.

	<i>2014</i>	<i>2013</i>	<i>2012</i>
Expected volatility (%)	52.5%	52.5%	52.5%
Risk-free interest rate (%)	1.34%-2.00%	1.57%-1.75%	1.34%
Expected life of options (year's average)	0.25 years	6-7 years	8 years
Weighted average exercise price	£60.00	£60.00	£22.00

The expected life of the options is based on estimates and judgements 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.

22. Commitments

Operating lease commitments

The company leases office facilities under a licence agreement. The future aggregate minimum lease and service charge payments under non-cancellable operating leases are as follows:

	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Land and buildings:</i>			
Not more than one year	<u>2</u>	<u>2</u>	<u>2</u>

23. Financial risk management

Overview

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

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

Capital risk management

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

The capital structure of the company consists of equity attributable to equity holders, comprising issued equity capital, share-based payment reserve, share premium account and revenue reserve as disclosed in notes 17, 18, 19 & 20 and in the statement of changes in equity. Deficit of total equity was (£1,333,000) at 31 July 2014 (2013: (£241,000) and 2012: £193,000).

The company is not subject to externally imposed capital requirements.

Liquidity risk

The company'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 company's reputation.

The company manages all of its external bank relationships 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 company's principal banking facility requires approval by the board. The company 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 company was cash positive with no outstanding borrowings, apart from loan notes which are repayable at the earlier of 23 August 2016, the sale or listing of the business or a conversion event.

Categorisation of financial instruments

<i>Financial assets/liabilities</i>	<i>Loans and receivables</i> £000	<i>Financial liabilities</i> £000	<i>Total</i> £000
31 July 2014			
Trade and other receivables	157	–	157
Cash and cash equivalents	673	–	673
Trade and other payables*	–	(183)	(183)
Financial liabilities	–	(2,263)	(2,263)
	<u>830</u>	<u>(2,446)</u>	<u>(1,616)</u>
<i>Financial assets/liabilities</i>	<i>Loans and receivables</i> £000	<i>Financial liabilities</i> £000	<i>Total</i> £000
31 July 2013			
Trade and other receivables	129	–	129
Cash, cash equivalents and deposits	1,514	–	1,514
Trade and other payables*	–	(91)	(91)
Financial liabilities	–	(2,144)	(2,144)
	<u>1,643</u>	<u>(2,235)</u>	<u>(592)</u>

<i>Financial assets/liabilities</i>	<i>Loans and receivables</i>	<i>Financial liabilities</i>	<i>Total</i>
	£000	£000	£000
31 July 2012			
Trade and other receivables	48	–	48
Cash, cash equivalents and deposits	648	–	648
Trade and other payables*	–	(73)	(73)
Financial liabilities	–	(580)	(580)
	<u>696</u>	<u>(653)</u>	<u>43</u>

* 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 company's financial instruments are credit risk and interest risk. The board of directors reviews and agrees policies for managing these and other risks which are summarised below.

Credit risk

The company's principal financial assets are cash, cash equivalents and deposits. The company seeks to limit the level of credit risk on the cash balances by only depositing surplus liquid funds with reputable counterparty banks.

The company trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. The company's maximum exposure is the carrying amount as disclosed in note 13, which was neither past due nor impaired. All trade receivables are ultimately overseen by the director responsible for finance and are managed on a day-to-day basis by the credit control team. Credit limits are set as deemed appropriate for the customer.

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

Foreign currency risk

The company currently has no foreign currency denominated sales and minimal foreign currency denominated purchases.

The company similarly has no foreign currency denominated financial assets or liabilities.

Accordingly the company believes its foreign currency risk is negligible.

Interest rate risk

At the balance sheet date the interest rate profile of the company's interest-bearing financial instruments was:

	<i>Fixed rate</i>	<i>Floating rate</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
31 July 2014			
Cash and cash equivalents	–	673	673
Financial liabilities	(43)	(2,220)	(2,263)
Net financial liabilities	(43)	(1,547)	(1,590)
31 July 2013			
Cash and cash equivalents	–	1,514	1,514
Financial liabilities	(41)	(2,103)	(2,144)
Net financial liabilities	(41)	(589)	(630)
31 July 2012			
Cash and cash equivalents	–	648	648
Financial liabilities	(30)	(550)	(580)
Net financial liabilities	(30)	98	68

After deducting cash and cash equivalents subject to floating interest rates, the company has net borrowings subject to floating interest rates and is therefore at risk from changes in the Bank of England base rate.

Sensitivity analysis to movement in interest base rates

The following table demonstrates the sensitivity to a reasonably possible change in Bank of England base rate with all other variables held constant, on the company's loss before tax (on Bank of England base rate denominated deposits and borrowings) and the company's equity.

<i>Increase/(decrease) in</i>	<i>Impact on</i>	<i>Impact on</i>	<i>Impact on</i>
<i>Bank of England</i>	<i>loss before</i>	<i>loss before</i>	<i>loss before</i>
<i>base rate</i>	<i>tax and on</i>	<i>tax and on</i>	<i>tax and on</i>
<i>%</i>	<i>equity</i>	<i>equity</i>	<i>equity</i>
	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
(0.5%)	7	3	–
1.0%	(14)	(6)	1
2.0%	(27)	(12)	2
3.0%	(41)	(18)	3

Maturity profile

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

	<i>Less than 1 year</i>	<i>2 to 5 years</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
2014			
Financial liabilities			
Trade and other payables*	183	–	183
Preference shares classed as liabilities and accruing interest	43	–	43
Loan notes and accruing interest	–	2,220	2,220
	226	2,220	2,446

2013	Less than 1 year £000	2 to 5 years £000	Total £000
Financial liabilities			
Trade and other payables*	91	–	91
Preference shares classed as liabilities and accruing interest	–	41	41
Loan notes and accruing interest	–	2,103	2,103
	<u>91</u>	<u>2,144</u>	<u>2,235</u>

2012	Less than 1 year £000	2 to 5 years £000	Total £000
Financial liabilities			
Trade and other payables*	73	–	73
Preference shares classed as liabilities and accruing interest	–	30	30
Loan notes and accruing interest	–	550	550
	<u>73</u>	<u>580</u>	<u>653</u>

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

The directors consider that the carrying amount of the financial liabilities approximate to their fair value.

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

24. Related party transactions

Amounts charged by related parties during each financial period were as follows:

	2014 £000	2013 £000	2012 £000
Aquarius Equity Partners Limited – arrangement fees	–	–	60
Aquarius Equity Partners Limited – monitoring fees	40	40	38
The Aquarius IV Fund LLP, a fund managed by shareholder Aquarius Equity Partners Limited – loan note interest	117	78	–
The University of Manchester – use of equipment	46	41	12
The University of Manchester – services of Dr A Almond*	45	44	41
	<u>248</u>	<u>203</u>	<u>151</u>

* Disclosed as director's remuneration.

Amounts owed to related parties at the end of each financial period were as follows:

	2014 £000	2013 £000	2012 £000
Aquarius Equity Partners Limited – arrangement fees	–	–	–
Aquarius Equity Partners Limited – monitoring fees	–	–	–
The Aquarius IV Fund LLP, a fund managed by shareholder Aquarius Equity Partners Limited – loan notes	2,025	2,025	550
The Aquarius IV Fund LLP, a fund managed by shareholder Aquarius Equity Partners Limited – loan note interest	195	78	–
The University of Manchester – use of equipment	5	3	4
The University of Manchester – services of Dr A Almond	4	4	5
	<u>2,229</u>	<u>2,110</u>	<u>559</u>

The above are all related parties by virtue of being shareholders of the company or funds managed by shareholders of the company.

Key management personnel are deemed to be the statutory directors of the entity and their remuneration is disclosed in note 6. This is broken down as follows:

	<i>2014</i>	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Emoluments for qualifying services	282	258	187
Share-based payments	8	–	–
	<u>290</u>	<u>258</u>	<u>187</u>

PART IV

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

Unaudited pro forma statement of net assets

Set out below is an unaudited pro forma statement of net assets for the Group as at 31 July 2014. It has been prepared on the basis set out in the notes below to illustrate the effect of the Admission and the Placing described in Part I, as if both had occurred as at 31 July 2014. It has been prepared for illustrative purposes only. Because of its nature, the pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It is based on the audited net assets of C4X Discovery Limited as at 31 July 2014 as shown in section B of Part III of this Document. Shareholders should read the whole document and not rely solely on summarised financial information contained in this Part IV.

	<i>As at 31 July 2014 Note 1 £000s</i>	<i>Placing proceeds Note 2 £000s</i>	<i>Repayment of preference shares Note 3 £000s</i>	<i>Reclassification of loan notes Note 4 £000s</i>	<i>Unaudited pro forma net assets Note 5 £000s</i>
Assets					
Non-current assets					
Property, plant and equipment	21				21
Intangible assets	56				56
Investments	–				–
	<u>77</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>77</u>
Current assets					
Trade and other receivables	157				157
Income tax asset	250				250
Cash and cash equivalents	673	10,000	(43)		10,630
	<u>1,080</u>	<u>10,000</u>	<u>(43)</u>	<u>0</u>	<u>11,037</u>
Total assets	<u><u>1,157</u></u>	<u><u>10,000</u></u>	<u><u>(43)</u></u>	<u><u>0</u></u>	<u><u>11,114</u></u>
Liabilities					
Current liabilities					
Trade and other payables	227				227
Financial liabilities	43		(43)		–
	<u>270</u>	<u>–</u>	<u>(43)</u>	<u>0</u>	<u>227</u>
Non-current liabilities					
Financial liabilities	2,220			(2,220)	–
	<u>2,220</u>	<u>–</u>	<u>–</u>	<u>(2,220)</u>	<u>–</u>
Total liabilities	<u>2,490</u>	<u>–</u>	<u>(43)</u>	<u>(2,220)</u>	<u>227</u>
Net (liabilities)/assets	<u><u>(1,333)</u></u>	<u><u>10,000</u></u>	<u><u>0</u></u>	<u><u>2,220</u></u>	<u><u>10,887</u></u>

Notes

- The net assets of C4X Discovery Limited are extracted without material adjustment from the historical financial information as at 31 July 2014 set out in Part III of this Document. The balance sheet of C4X Discovery Holdings Plc has not been presented as its inclusion would have no impact on the pro forma net assets of the Group.
- The Placing proceeds are calculated on the basis that the Company issues 11,000,000 Ordinary shares at 100 pence per share. The placing proceeds are net of estimated expenses in relation to the Placing of £1,000,000 which includes the payment of a bonus to a director of £75,000.
- Interest will continue to accrue on the preference shares between 31 July 2014 and the repayment date, further details of which are set out in paragraph 10.7 of Part V.
- On Admission the loan notes will convert to deferred shares which will continue to be held by the Company. These shares will not be listed. Interest will continue to accrue on the loan notes between 31 July 2014 and the repayment date.
- No account has been taken for any changes in trading or financial position since 31 July 2014.

PART V

ADDITIONAL INFORMATION

1. Responsibility

The Company (whose registered office appears on page 8 of this Document) and the Directors (whose names and functions appear on page 8 of this Document) accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Company and of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Group

2.1 The Company was incorporated in England and Wales under the Act on 16 July 2014 as a public company limited by shares with the name Schosween 24 plc and registered number 09134041. On 13 October 2014 the Company changed its name to C4X Discovery Holdings plc.

2.2 The liability of the Shareholders is limited. The principal legislation under which the Company was formed is the Act.

2.3 The registered office and head office of the Company is Unit 310, Ducie House, Ducie Street, Manchester M1 2JW (telephone number 0161 606 7203).

2.4 The Company's website address, at which the information required by Rule 26 of the AIM Rules can be found, is www.c4xdiscovery.com.

2.5 The Company is the holding company of the following subsidiaries:

<i>Company Name</i>	<i>Place of Incorporation</i>	<i>Percentage of Issued share capital or interest held</i>	<i>Principal Activity</i>
C4X Discovery Limited	England and Wales	100%	Drug discovery optimisation
C4X Drug Discovery Limited	England and Wales	100%	Dormant

3. Share capital of the Company

3.1 There have been the following changes to the share capital of the Company between the date of incorporation and the date of this Document:

3.1.1 on incorporation two ordinary shares of £1.00 each were subscribed for fully paid; and on 3 September 2014 such shares were each sub-divided into 100 ordinary shares of £0.01 each and then transferred to Charles Blundell and Andrew Almond in equal shares;

3.1.2 on 13 October 2014 the Company issued 15,553,975 ordinary shares of £0.01 each and 4,434,375 A ordinary shares of £0.01 each to the shareholders of C4XD in consideration for the transfer of the entire issued share capital of C4XD to the Company pursuant to the Share Exchange Agreement summarised at paragraph 10.2 of this Part V; and

3.1.3 by a resolution dated 17 October 2014 each of the issued A ordinary shares of £0.01 each was converted into and redesignated as an ordinary share of £0.01 each ranking equally with the existing ordinary shares of £0.01 each in the Company.

3.2 On 17 October 2014, conditionally (save in the case of the resolutions referred to in paragraphs 3.2.1 and 3.2.2 below) upon Admission occurring not later than 8.00 a.m. on 23 October 2014 (or such later time and/or date, not being later than 3.00 p.m. on 31 October 2014, as the Company and Zeus Capital may agree) shareholder resolutions of the Company having the following effect were passed:

- 3.2.1 the Directors were authorised to allot up to 11,000,000 Ordinary Shares and the Warrant in accordance with section 551 of the Act in connection with the Placing, such authority expiring (unless previously renewed, revoked, varied or extended) on 31 October 2014;
- 3.2.2 the Directors were given the power (pursuant to section 571 of the Act) to allot equity securities (as defined in section 560 of the Act) pursuant to the authority referred to in paragraph 3.2.1 above as if section 561 of the Act did not apply to any such allotment, such power being limited to the allotment for cash of up to 11,000,000 Ordinary Shares in connection with the Placing and the allotment of the Warrant;
- 3.2.3 the Directors were generally and unconditionally authorised, until the conclusion of the Company's first annual general meeting or 14 January 2016 whichever is the earlier, to allot equity securities (as defined in section 560 of the Act) in accordance with section 551 of the Act up to an aggregate nominal amount of £103,295; and
- 3.2.4 the Directors were given the power (pursuant to sections 570 and 573 of the Act) to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred by the resolution referred to in paragraph 3.2.3 above and to sell treasury shares as if section 561 of the Act did not apply to any such allotment or sale, such power being limited to allotment or sale in relation to rights issues and otherwise up to an aggregate nominal amount of £30,989.
- 3.3 The issued share capital of the Company as at the date of this Document is £199,855.50 divided into 19,988,550 Ordinary Shares. The Company will, pursuant to the Placing (and in accordance with the terms of the Placing Agreement), allot 11,000,000 Ordinary Shares at the Placing Price, conditionally upon Admission occurring not later than 8.00 a.m. on 23 October 2014 (or such later time and/or date, not being later than 3.00 p.m. on 31 October 2014, as the Company and Zeus Capital may agree). Accordingly, immediately following Admission there will be 30,988,550 Ordinary Shares in issue.
- 3.4 As the date of this Document 1,699,575 Ordinary Shares are under option under the EMI 2009 Plan, on the terms described in paragraph 11 of this Part V.
- 3.5 With effect from Admission, the Company will have granted Zeus Capital the right to subscribe for up to 309,886 Ordinary Shares at the Placing Price pursuant to the Warrant Instrument, further details of which are set out at paragraph 10.3 of this Part V.
- 3.6 The provisions of section 561 of the Act (which, to the extent not disapplied pursuant to sections 570 and 573 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash and the sale of treasury shares) will, following Admission, apply to the allotment by the Company of equity securities, except to the extent disapplied by the resolution referred to in paragraph 3.2.4 above.
- 3.7 Save as disclosed in this Part V:
- 3.7.1 no share or loan capital in the Company is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
- 3.7.2 no share or loan capital of the Company has been issued, or is now proposed to be issued, otherwise than fully paid;
- 3.7.3 no person has any preferential subscription rights for any share capital of the Company;
- 3.7.4 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
- 3.7.5 the Company does not hold any of its own Ordinary Shares as treasury shares and none of the Company's subsidiaries hold any Ordinary Shares;
- 3.7.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
- 3.7.7 there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

- 3.8 The Ordinary Shares have been created under the Act.
- 3.9 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form. Records in respect of Ordinary Shares held in uncertificated form will be kept by the Company's registrars, Capita Registrars Limited, at The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- 3.10 It is expected that CREST accounts will be credited as applicable on the date of Admission. The ISIN of the Ordinary Shares is GB00BQQ2RV18. Share certificates (where applicable) will be despatched by first class post within fourteen days of the date of Admission at the risk of the Shareholder.
- 3.11 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.12 There are no issued but not fully paid Ordinary Shares.
- 3.13 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.
- 3.14 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made, and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
- 3.15 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

4. Articles

The Articles, in the form which has been adopted by the Company conditional on Admission occurring not later than 8.00 a.m. on 23 October 2014 (or such later time and/or date, not being later than 3.00 p.m. on 31 October 2014, as the Company and Zeus may agree), contain provisions to the following effect:

4.1 Objects

The Articles do not provide for: (i) any objects of the Company and accordingly the Company's objects are unrestricted; or (ii) any purposes for which the Company was established.

4.2 Share rights

Subject to applicable laws, the Articles and to any rights for the time being attached to any existing share, any shares may be issued with such rights or restrictions as the Company may from time to time by ordinary resolution determine, or, if the Company has not so determined, as the Board may determine.

Subject to applicable laws, any share may be issued which is to be redeemed, or is to be liable to be redeemed at the option of the Company or the holder, on such terms, conditions and in such manner as the Board may determine.

4.3 Share class rights

If the Company's share capital is divided into shares of different classes, any rights attached to any class of shares may (subject to the rights attached to the shares of the class) be varied or abrogated in any manner, either with the written consent of the holders of not less than three-quarters in nominal value of the shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of such class of shares.

4.4 **Share transfers**

- 4.4.1 A Shareholder may transfer certificated shares to another person by a written instrument of transfer in any usual form (or any other form approved by the Board) executed by or on behalf of the Shareholder and, in the case of a share which is not fully paid, by or on behalf of that person. The Board may refuse to register the transfer of a certificated share which is in respect of a partly paid share or in respect of more than one class of share or in favour of more than four joint transferees or not duly stamped or not delivered for registration with appropriate evidence of the transferor's title to the Company's registered office or its share registrars.
- 4.4.2 A Shareholder may transfer uncertificated shares without a written instrument if such shares are a participating security held in uncertificated form in accordance with the Uncertificated Securities Regulations 2001. The Board is required to register a transfer of any uncertificated share in accordance with those regulations. The Board may refuse to register any such transfer which is in favour of more than four persons jointly or in any other circumstance permitted by those regulations.

4.5 **Dividends**

All dividends on shares are to be paid according to the amounts paid up on their nominal value, or otherwise in accordance with the terms concerning entitlement to dividends on which shares were issued. All unclaimed dividends may be made use of by the Board for the Company's benefit until claimed. Any dividend unclaimed for 12 years shall revert to the Company.

The deferred shares of £1 in the Company shall carry no right to participate in dividends in respect of any financial year of the Company, 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.

4.6 **General meetings**

- 4.6.1 Every Shareholder who is present at a general meeting in person or by proxy is entitled to one vote on a resolution put to the meeting on a show of hands and to one vote for every Ordinary Share of which he is the holder on a resolution put to the meeting on a poll. The vote of the senior of joint holders who tenders a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders appear in the Company's register of members in respect of the joint holding. The holders of the deferred shares of £1 in the Company shall not be entitled to receive notice of or to attend or speak at any general meetings of the Company.
- 4.6.2 The Board is required to convene annual general meetings in accordance with the Act. The Board may convene a general meeting which is not an annual general meeting whenever it thinks fit. The Company is required to give notice of a general meeting to each Shareholder (other than a person who, under the Articles or pursuant to any restrictions imposed on any shares, is not entitled to receive such a notice or to whom the Company, in accordance with applicable law, has not sent and is not required to send its latest annual accounts and reports), to the Directors and to the auditors. For these purposes Shareholders are the persons registered in the Company's register of members as being holders of Ordinary Shares at any particular time on any particular record date fixed by the Board that (in accordance with the Uncertificated Securities Regulations 2001) is not more than 21 days before the sending out of the notices. The notice of a general meeting may specify a time by which a person must be entered on the Company's register of members in order to have the right to attend or vote at the meeting.
- 4.6.3 A Shareholder who is entitled to attend and vote at a general meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend and to speak and to vote at the meeting.
- 4.6.4 A corporation which is a Shareholder may, by resolution of its directors or other governing body, authorise one or more persons as it thinks fit to act as a representative for it at any

general meeting of the Company. The Company may require such a representative to produce a certified copy of the authorising resolution or such other reasonable evidence of his authority before permitting him to exercise any powers on the corporation's behalf at the meeting.

4.7 **Interests in shares not disclosed to the Company**

If a Shareholder or any person appearing to be interested in a share has been duly served with a notice under section 793 of the 2006 Act and has failed in relation to any shares to give the Company the information thereby required within the prescribed period from the date of the service of the notice, then, unless the Board otherwise determines, the Shareholder shall not be entitled to attend or vote at any general meeting or any separate meeting of the holders of that class of shares or on a poll. Where the holding represents more than 0.25 per cent. of the issued shares of that class, the payment of dividends shall be retained by the Company and such member shall not be entitled to transfer such shares unless the Shareholder himself is not in default, or the transfer is an approved transfer or the registration of the transfer is required under the Uncertificated Securities Regulations 2001.

4.8 **Alteration of share capital**

The Company may alter its share capital in any way permitted by the Act and applicable law and confer any preference or other advantage on one or more of the shares resulting from any division or sub-division of its share capital as compared with the others and make any such share subject to any restriction as compared with the others.

4.9 **Return of capital**

On a winding up of the Company, the Company's assets available for distribution will, subject as hereafter provided, be divided among the Shareholders in proportion to the nominal amount paid up in respect of the shares held by them, subject to any rights attached to any shares. The liquidator may divide among the Shareholders in kind the whole or any part of the Company's assets. The liquidator may set the value he deems fair on any property of the Company and determine how the division is to be carried out between Shareholders or classes of Shareholders. The liquidator may not distribute to a Shareholder without his consent an asset to which there is attached a liability or potential liability for the owner. The deferred shares of £1 shall entitle the holders to payment of 1 penny for each deferred share held after the repayment of the capital paid up on each Ordinary Share and the payment of £1,000,000 on each Ordinary Share.

4.10 **Lien and forfeiture**

4.10.1 The Company has a first and paramount lien on every share which is not fully paid for all amounts payable to the Company (whether actually or contingently and whether presently or not) in respect of that share. The Board may sell any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

4.10.2 Subject to the terms on which shares are allotted, the Board may make calls on Shareholders in respect of any money unpaid on their shares. Each Shareholder shall (subject to receiving at least 14 days' notice) pay to the Company the amount called on his shares. If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the Board may give the person from whom it is due not less than 14 days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

4.11 **Board powers**

4.11.1 The Company's business is to be managed by the Board. The Board may exercise all the Company's powers and may do on its behalf anything that can be done by the Company or on its behalf which is not required by law or the Articles to be exercised or done by the

Company in general meeting, subject to applicable laws, the Articles and such directions as may be prescribed by the Company by special resolution.

4.11.2 The Board may delegate to a Director holding executive office any of its powers, authorities and discretions on such terms as it thinks fit. The Board may grant to a Director the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the Director.

4.11.3 The Board may delegate any of its powers, authorities and discretions on such terms as it thinks fit to a committee consisting of one or more Directors and, if thought fit, one or more other persons. The Board may grant to the committee the power to sub-delegate, and may retain or exclude the right of the Board to exercise the delegated powers, authorities or discretions collaterally with the committee.

4.12 **Directors – appointment, retirement and removal**

4.12.1 At any one time the total number of Directors may not be less than two. This limit may be changed by ordinary resolution of the Company. The Company may by ordinary resolution appoint as a Director a person who is willing to act as such, either to fill a vacancy or as an addition to the existing Directors. The Board may appoint as a Director any person who is willing to act as such, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board is required to retire at the next annual general meeting. He will be eligible to stand for election as a Director at that meeting and will not be taken into account in determining the number or identity of Directors who are to retire by rotation at it.

4.12.2 At each annual general meeting one-third of the Directors who are subject to retirement by rotation in accordance with the Articles or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, are required to retire from office. A Director who retires at an annual general meeting may, if willing to act, be reappointed at it.

4.12.3 The Company may remove any Director from office and appoint as a Director another person who is willing to act as such in his place, in each case by ordinary resolution.

4.13 **Directors – fees and remuneration**

4.13.1 The maximum aggregate amount of fees that the Company may pay to all the Directors (but not alternate Directors) for their services as such is £250,000 per annum, or such larger amount as the Company may by ordinary resolution decide. These fees are to be divided among the Directors as the Board decides or, if no decision is made, equally. An executive Director may receive from the Company salary or other remuneration, in addition to or instead of such fees. At Admission such fees shall be payable only to non-executive Directors.

4.13.2 The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the discharge of their duties as Directors, including any professional fees incurred by him.

4.13.3 The Board may provide pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of the Company and their relatives and dependants.

4.14 **Directors' interests**

4.14.1 A Director is not required (provided he has disclosed his interest in the matter) to account to the Company for any profit, remuneration or other benefit which he derives from or in connection with (i) being interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, (ii) holding any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and acting by himself or through his firm in a professional capacity for the Company (and being entitled to remuneration as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article), or (iii) being a director or other officer of, or employed by, or a party to any contract, arrangement, transaction or proposal with or

otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment.

4.14.2 A Director may not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company), nor can he be counted in the quorum in relation to it, other than a resolution that relates to any of the following:

- (i) the giving of any guarantee, security or indemnity in respect of (a) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (b) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (ii) any contract concerning the subscription or purchase by him of shares, debentures or other securities of the Company under an offer or invitation to members or debenture holders of the Company, or any class of them, or to the public or any section of them;
- (iii) any contract concerning any issue or offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings, including participation in the underwriting or sub-underwriting of the offer;
- (iv) any contract concerning another company in which he has a direct or indirect interest whether as an officer, shareholder or otherwise, unless he holds an interest in shares representing one per cent. or more of any class of equity share capital, or the voting rights, in such company;
- (v) any contract for the benefit of employees of the Company or of any of its subsidiary undertakings which does not award the director any privilege or benefit not generally awarded to the employees to whom such contract or arrangement relates;
- (vi) any contract concerning the purchase or maintenance of any insurance policy for the benefit of any director or for persons who include directors;
- (vii) any proposal for the Company (1) to provide him with an indemnity permitted by the Act, (2) to provide him with funds in circumstances permitted by that Act to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief permitted by that Act, or (3) to do anything to enable him to avoid incurring any such expenditure.

4.14.3 A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) or as the holder of any office or place of profit with the Company or any company in which the Company is interested.

4.14.4 The Board may authorise any matter proposed to it which, if not authorised, would involve a breach by a director of his duty to avoid conflicts of interest under the Act. Such provisions of the Articles do not apply where a conflict of interest arises in relation to a transaction or arrangement with the Company. The Board may make such authorisation subject to any limits or conditions it expressly imposes, but the authorisation is otherwise to be given to the fullest extent permitted. The authorisation may be terminated by the Board at any time.

4.15 **Directors' indemnity and insurance**

Subject to the Act and applicable law, the Company may:

4.15.1 indemnify any Director or any director of any associated company against any liability pursuant to any qualifying third party indemnity provision or any qualifying pension scheme indemnity

provision, or on any other basis as is then lawful, in each case on such terms as the Board may decide; and

4.15.2 purchase and maintain for any Director or any director of any associated company insurance against any liability.

4.16 **Borrowing powers**

4.16.1 Subject to the limitations referred to in paragraph 4.16.2 below, the Board may exercise all the Company's powers to borrow money and to mortgage or charge all or part of the Company's undertaking, property and assets (present or future) and uncalled capital of the Company and (subject to applicable laws) to create and issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party.

4.16.2 The Board must restrict the Company's borrowings and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure that the aggregate principal amount outstanding in respect of 'monies borrowed' (as defined in the Articles) by group undertakings does not at any time (without the prior sanction of an ordinary resolution) exceed a sum equal to three times the Company's 'adjusted capital and reserves' (as defined in the Articles).

4.17 **Untraced shareholders**

Subject to the Articles, the Company may sell any shares registered in the name of a Shareholder remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the Shareholder, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Board. The proceeds will not carry interest.

5. **Mandatory bids, Squeeze-Out and Sell-Out Rules relating to the Ordinary Shares**

5.1 **Mandatory bid**

5.1.1 The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeover and Mergers) to make a cash offer for all of the remaining Ordinary Shares at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.1.2 This requirement would also be triggered by any acquisition of Ordinary Shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

5.2 **Squeeze-out**

5.2.1 Under the Act, if an offeror were to acquire 90 per cent. or more of the Ordinary Shares within the period specified by the Act, it could then compulsorily acquire the remaining Ordinary Shares. It would do so by sending a notice to the relevant Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold such consideration on trust for such Shareholders.

5.2.2 The consideration offered to Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the relevant takeover offer, unless such Shareholders can show that the offer value is unfair.

5.3 **Sell-out**

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of Ordinary Shares to which such offer relates who has not accepted the offer can by written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. If a Shareholder exercises its right to be bought out, the offeror is bound to acquire the relevant Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

6. **Disclosure of Interests**

6.1 **Directors' and other interests**

6.1.1 As at the date of this Document, and immediately following Admission (and taking into account the allotment of the Placing Shares), the interests of the Directors (including persons connected with the Directors within the meaning of section 252 of the Act) in Ordinary Shares will be as follows:

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>No of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
Clive James Dix	591,250	2.96	591,250	1.91
Piers Morgan	–	–	30,000	0.10
Harry Finch	321,425	1.61	321,425	1.04
Samuel Cameron Williams	1,069,625	5.35	1,119,625	3.61
Alexander James Stevenson*	485,403	2.43	485,403	1.57

*Alex Stevenson's interest is by way of shares held on his behalf by Aquarius Equity Partners Limited and his participation in The Aquarius Origin Fund Co-investment LLP and The Aquarius IV Fund Co-investment LLP.

6.1.2 As at the date of this Document, the following options to subscribe for Ordinary Shares are held by Directors under the EMI 2009 Plan, pursuant to the Rollover Option described in paragraph 11.1 of this Part V.

<i>Director</i>	<i>Number of Ordinary Shares</i>	<i>Exercise Price</i>
Piers John Morgan	860,000	5.58 pence per share

Other option grants

6.1.3 Save as disclosed in this paragraph 6, none of the Directors, and no member of any of their respective families or person connected with any of them (within the meaning of section 252 of the Act), has any interest in the issued share capital of the Company or of any of its subsidiaries or will at Admission have any such interest.

6.1.4 Save for the Placing Agreement, the Share Exchange Agreement, the Nominated Adviser and Broker Agreement referred to in paragraph 10.5 of this Part V, the service agreements and letters of appointment referred to in paragraph 7 of this Part V and the agreements described in paragraph 13 of this Part V, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent directors, Shareholders or recent Shareholders of the Company connected with or dependent upon Admission or the Placing.

6.2 **Major Shareholders**

6.2.1 As at the date of this Document, each of the Directors own shares as set out in paragraph 6.1.1 above.

6.2.2 The Company is aware that, in addition to the holdings referred to in paragraph 6.1.1 above, the following persons are or will be interested, directly or indirectly, in three per cent. or more of the Ordinary Shares prior to and immediately following Admission (taking into account the allotment of the Placing Shares):

<i>Shareholder</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>No of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>No of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>
The Aquarius IV Fund LLP	4,864,375	24.34	4,864,375	15.07
Andrew Almond	3,010,000	15.06	3,010,000	9.71
Charles Blundell	3,010,000	15.06	3,035,000	9.79
The Aquarius Origin Fund LLP	2,595,050	12.98	2,595,050	8.37
The Aquarius IV Fund Co-investment LLP	886,875	4.44	886,875	2.86
Stephen Sealey	874,553	4.38	874,553	2.82
The University of Manchester	752,500	3.76	752,500	2.43

The holdings of both The Aquarius IV Fund LLP and The Aquarius Origin Fund LLP are managed by Aquarius Equity Partners Limited.

6.2.3 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have at the date of this Document an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights, or who, at the date of this Document, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

6.2.4 Save as disclosed in paragraph 6.2.2 above, the Directors are not aware of any person or persons who, directly or indirectly, will immediately following Admission have an interest in the Company which represents 3 per cent. or more of the issued Ordinary Shares or voting rights or who immediately following Admission will, directly or indirectly, jointly or severally, exercise, or could then exercise, control over the Company.

6.3 Neither the Directors nor any of the Shareholders listed in paragraph 6.2 above have different voting rights to other holders of Ordinary Shares.

7. Directors' Service Agreements and Letters of Appointment

7.1 Summary details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

7.1.1 Executive Directors

Piers John Morgan entered into a service agreement with the Company on 27 May 2014. His appointment is terminable on 12 months' notice by either party (and pursuant to the Placing Agreement, Piers cannot give such notice prior to the first anniversary of Admission). Piers' salary will be £200,000 per annum with effect from Admission. The salary is subject to annual review. Piers may receive a discretionary annual bonus of up to 50 per cent of base salary, subject to such conditions as the Remuneration Committee may in its absolute discretion determine taking into account specific performance targets. In the event of Admission, Piers will become entitled to a separate bonus of £75,000.

Piers has agreed to confidentiality undertakings, without limitation as to time, and has agreed to restrictive covenants as to non-competition and non-solicitation of staff and customers that apply for a period of 12 months following termination of employment.

7.1.2 **Non-Executive Directors**

Clive James Dix (Chairman) entered into a letter of appointment with the Company on 17 October 2014. The appointment will (subject to Admission) continue for a period of three years from Admission (subject to re-election by Shareholders as required by the Articles), and is terminable earlier by the Company in various specified circumstances and in any event by either party on six months' notice. The annual fee payable for Clive's services as a non-executive Director is £25,000 per annum.

Alexander James Stevenson (Non-Executive Director) entered into a letter of appointment with the Company on 17 October 2014. The appointment will (subject to Admission) continue for a period of three years from Admission (subject to re-election by Shareholders as required by the Articles), and is terminable earlier by the Company in various specified circumstances and in any event by either party on six months' notice. The annual fee payable for Alex's services as a non-executive Director is £15,450 per annum.

Harry Finch (Non-Executive Director) entered into a letter of appointment with the Company on 17 October 2014. The appointment will (subject to Admission) continue for a period of three years from Admission (subject to re-election by Shareholders as required by the Articles), and is terminable earlier by the Company in various specified circumstances and in any event by either party on six months' notice. The annual fee payable for Harry's services as a non-executive Director is £15,450 per annum.

Samuel Cameron Williams (Non-Executive Director) entered into a letter of appointment with the Company on 17 October 2014. The appointment will (subject to Admission) continue for a period of three years from Admission (subject to re-election by Shareholders as required by the Articles), and terminable earlier by the Company in various specified circumstances and in any event by either party on six months' notice. The annual fee payable for Samuel's services as a non-executive Director is £15,450 per annum.

7.2 Save as set out in paragraph 7.1 above, there are no contracts providing for benefits upon the termination of employment of any Director.

8. Additional information in relation to the Directors

8.1 The Directors (in addition to their directorships of the Company) are or have been a member of the administrative, management or supervisory bodies, or directors or partners of the following companies or partnerships, within the five years immediately prior to the publication of this Document:

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
Clive Dix	C4X Discovery Limited Crescendo Biologics Limited Convergence Pharmaceuticals Limited Convergence Pharmaceuticals Holdings Limited Touchlight Genetics Limited Calchan Holdings Limited Calchan Limited Panion Limited Tea Green Golf Company Limited	Modern Biosciences plc
Piers Morgan	C4X Discovery Limited Pathway Biotech Limited Trino Therapeutics Limited	uniQure N.V. Amsterdam Molecular Therapeutics (AMT) Holding N.V.

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
Alex Stevenson	4d pharma plc Aquarius Equity Partners Limited Aquarius Equity Holdings Limited Aquarius Equity Director Limited Aquarius Origin Fund Managing Member Limited Aquarius IV Fund Managing Member Limited Aquarius Northern Entrepreneurs Managing Member Limited Aquarius Life Science Limited North West Seed Fund General Partner Limited GT Biologics Limited Brabant Pharma Limited The Microbiota Company Limited Microbiomics Limited Schosween 18 Limited	Tissue Regenix Group plc Tissue Regenix Limited The Northern Entrepreneurs Fund Co-Investment LLP The Aquarius Origin Fund Co-Investment LLP The Aquarius IV Fund Co-Investment LLP
Harry Finch	C4X Discovery Limited Twofold First Services LLP Pulmagen Therapeutics (Asthma) Limited Pulmagen Therapeutics (Holdings) Limited Pulmagen Therapeutics (Inflammation) Limited	Pulmagen Therapeutics LLP Pulmocide Limited Argenta Discovery 2009 Limited
Samuel Williams	C4X Discovery Limited C4X Drug Discovery Limited Bioindustry Association Modern Biosciences Plc MBS Director Limited MBS Secretarial Limited Modern Biosciences Nominees Limited PIMCO 2664 Limited	Photopharmica Leeds Limited Karus Therapeutics Limited

8.2 Save as set out in this Document, no Director has:

- 8.2.1 any unspent convictions in relation to indictable offences (including fraudulent offences);
- 8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;
- 8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, became the subject of any receivership;
- 8.2.6 received any official public criticism and/or sanction by any statutory or regulatory authority (including recognised professional bodies); or

8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

9. Employees

As at the date of this Document, the Group had 15 employees. In addition to the executive Director, there are 4 employees of the Group who are members of the senior management team. Biographies of these employees are set out in paragraph 8 of Part I of this Document.

10. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) entered into by a member of the Group either have been entered into within the two years immediately preceding the date of this Document and are or may be material or contain a provision under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this Document:

10.1 The Placing Agreement

The Placing Agreement contains the following terms:

- 10.1.1 the Company appoints Zeus Capital as its agent and Zeus Capital agrees to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price;
- 10.1.2 the obligations of Zeus Capital are conditional, *inter alia*, upon Admission occurring on or before 8.00 a.m. on 23 October 2014 or such later time and/or date, not being later than 3.00 p.m. on 31 October 2014, as the Company and Zeus Capital may agree;
- 10.1.3 subject to Admission the Company shall pay Zeus Capital (together with VAT) a corporate finance fee of £200,000 and a commission at the rate of 4 per cent. of the value of the Placing Shares at the Placing Price;
- 10.1.4 subject to certain restrictions the Company shall pay all the costs and expenses (including any applicable VAT) of and incidental to the Placing including the fees and costs of legal advisers incurred by Zeus Capital and printing, filing and distribution charges;
- 10.1.5 the Company, the Directors and Charles Douglas Blundell give certain customary warranties and representations to Zeus Capital in relation, *inter alia*, to the accuracy of the information contained in this Document, financial information relating to the Group and other matters in relation to the Group and its business. In addition each of the Directors give certain customary warranties and representations to Zeus Capital in relation, *inter alia*, to the accuracy of the information contained in this Document relating to him;
- 10.1.6 Zeus Capital, its group companies and their respective directors, officers and employees have, subject to certain customary restrictions, the benefit of certain indemnities provided by the Company relating to certain losses and liabilities if they are incurred by such persons in the performance of their obligations and services pursuant to the Placing;
- 10.1.7 Zeus Capital may terminate the Placing Agreement at any time prior to Admission in certain circumstances, including a breach of any of the warranties contained in the Placing Agreement which is in the reasonable opinion of Zeus Capital material in the context of the Placing and upon the occurrence of certain force majeure events.

10.2 The Share Exchange Agreement

On 13 October 2014 the Company entered into a share purchase agreement to acquire the entire issued share capital of C4XD in consideration for the receipt by C4XD's shareholders of 15,553,975 ordinary shares of £0.01 each and 4,434,375 A ordinary of £0.01 each on the basis of 1,075 ordinary shares of £0.01 and 1,000 A ordinary shares of £0.01 for respectively each ordinary share of £0.01 and each A ordinary share of £0.01 in the capital of C4XD allowing for subscriber shares in issue. The Company also agreed to acquire the £2,025,000 unsecured loan notes 2011 of C4XD in consideration for the issue (to the holders of such notes) of new unsecured loan notes of the Company, as constituted by the instrument further details of which are set out in paragraph 10.7 of this Part V. Further, the Company shall perform a shareholders agreement relating to C4XD dated

23 August 2011, to the extent unperformed. The terms of the shareholders agreement will terminate immediately prior to Admission.

10.3 **Warrant Instrument**

The Company has granted a warrant to Zeus Capital to subscribe for 309,886 Ordinary Shares (representing approximately 1 per cent. of the Enlarged Ordinary Share Capital) at a price equal to the Placing Price. The Warrant is capable of exercise from the date which is one year after Admission for a period of 10 years from the date of Admission.

10.4 **Lock In Agreements**

Under lock in and orderly market agreements dated 17 October 2014, Shareholders holding legally or beneficially, in aggregate 19,813,130 Ordinary Shares, representing 63.94 per cent. of the Enlarged Ordinary Share Capital, have undertaken to Zeus Capital, subject to certain limited exceptions:

10.4.1 not to dispose of any Ordinary Shares for a period of 12 months from the date of Admission; and

10.4.2 only to dispose of Ordinary Shares in accordance with the reasonable requirements of Zeus Capital for a further 12 month period so as to ensure an orderly market for the Ordinary Shares.

In addition holders of Options, holding in aggregate Options in respect of 1,699,575 Ordinary Shares, have also undertaken not to exercise such Options (subject to certain exceptions) within the 12 month period from Admission.

10.5 **The Nominated Adviser and Broker Agreement**

On 17 October 2014, the Company and the Directors entered into a Nominated Adviser and Broker Agreement with Zeus Capital, pursuant to which Zeus Capital agreed to act as the Company's nominated adviser and broker for a fixed period of 12 months, terminable by either party on three months' prior written notice after the expiry of the initial term. Zeus Capital undertakes to provide the services of a nominated adviser as required under the AIM Rules and the Company and the Directors agree to comply with their obligations under the AIM Rules. The Company will pay Zeus Capital a fee of £50,000 per annum (plus applicable VAT) pursuant to the terms of the agreement.

10.6 **The letter of engagement dated 16 June 2014 whereby C4XD engaged Zeus Capital in relation to the Placing and Admission.**

Under this letter, the Company is to pay to Zeus Capital the corporate finance fee and commission referred to in paragraph 10.1 of this Part V; and Zeus Capital is to receive a warrant over 1 per cent of the share capital of the Company on Admission.

The letter contains an indemnity (subject to certain customary restrictions) from the Company in favour of Zeus Capital, its group companies and their respective directors, officers and employees in relation to certain losses and liabilities if they are incurred in connection with the services to be provided by Zeus Capital pursuant to the letter.

10.7 **Loan Note Instrument**

On 13 October 2014 the Company executed an instrument constituting £2,025,000 unsecured loan notes, with a view to issuing them as consideration for the acquisition of the £2,025,000 unsecured loan notes 2011 of C4XD pursuant to the Share Exchange Agreement. Such loan notes have rights equivalent to the unsecured loan notes 2011 of C4XD; namely they are repayable on 23 August 2016, together with interest at the rate of 5 per cent. above the base interest rate of the Bank of England, which shall be deemed to have accrued from the issue of the relevant unsecured loan notes 2011; the loan notes and accrued interest will on Admission convert automatically, at nominal value, into deferred shares of £1 in the Company having limited rights set out in the Articles as set out in paragraph 4 of this Part V.

11. Share Incentive Schemes

11.1 EMI 2009 Plan

In accordance with the rules of the EMI 2009 Plan, the Company has required holders of options under the EMI 2009 Plan to release their unexercised options in consideration of the grant to them of new options over Ordinary Shares, equivalent (as nearly as practicable without involving fractions of shares) to 1,075 Ordinary Shares for every one ordinary share of £0.01 in C4XD the subject of the existing option (“Rollover Option”).

All such Rollover Options remain subject to the rules of the EMI 2009 Plan and, in accordance with such rules, will be exercisable at any time following Admission by the Option holder.

11.2 EMI Plan

The Company has also resolved to adopt the EMI Plan with effect from Admission; however, no immediate option grants are proposed under it.

Grants under the EMI Plan may be subject to performance conditions on exercise and, subject to continued employment and achievement of any relevant performance conditions, can normally be exercised at any time between the third and the tenth anniversary of the date of grant.

The Remuneration Committee will assume responsibility for the operation of the EMI Plan. The Remuneration Committee may grant share options over ordinary Shares (each an “Award”) to eligible employees under the EMI Plan.

It is intended that Awards under the EMI Plan will be satisfied by the new issue of Ordinary Shares with the exercise price determined by the Remuneration Committee (but such exercise price shall not be lower than the nominal value of an Ordinary Shares in the case of an option to subscribe for new shares).

Eligibility

The Remuneration Committee will have the discretion to select the participants in the EMI Plan from eligible employees of the Company.

Timing of Awards

It is intended that Awards may be issued at such times as the remuneration committee may determine, subject to the AIM Rules.

Limits on the grant of Awards

An Award may not be made under the EMI Plan if the result of making the Award would be that the aggregate number of Ordinary Shares issued or committed to be issued under Awards under the EMI Plan or under option or awards made in the preceding ten year period under all other share incentive schemes adopted by the Group would exceed 10 per cent. of the Company’s issued ordinary share capital at that time.

This limit includes Rollover Options and any Awards which have been exercised but excludes any Awards which have lapsed.

Exercise of Awards under the EMI Plan

The Remuneration Committee may determine the basis on which Awards may become exercisable. Awards will generally become exercisable from the third anniversary of the date of grant but may be exercisable earlier in the event of a change of control of the Company, or on the occurrence of certain ‘good leaver’ events (as more fully described in the section on ‘Leavers’ below).

The Remuneration Committee can choose to apply performance conditions to the exercise of options if it determines such conditions are appropriate.

Regulatory and tax issues on vesting

The option holders are liable to pay all income tax and employee national insurance that would arise on the exercise of any Awards including any employers NIC.

An Award shall not vest unless the issue of Ordinary Shares on such vesting is lawful and in compliance with the AIM Rules, the Company's share dealing code and all other relevant regulations and enactments.

Leavers

An option shall generally cease to be capable of exercise immediately on cessation of employment for any reason, other than where that employment ceases by reason of certain 'good leaver' reasons, being the option holder's redundancy or because of the option holder's death, injury, ill health or disability (provided that this is not the result of drug or alcohol abuse).

In the event of cessation of employment for a 'good leaver' reason the Award will normally be capable of exercise for a period of up to 90 days following cessation of employment (or one year in the case of the employee's death) and at the end of that period the Award shall lapse. The number of options over which the option may be exercised will be determined by reference to the period of time from the date of grant of that option to the date on which it would normally have first become exercisable, at the relevant date of cessation.

The Remuneration Committee can, at their discretion, establish a different basis to that described above for determining the period over which an Award remains capable of exercise and the number of Awards which are capable of exercise following cessation of employment for any reason.

Corporate events

In the event of any person becoming bound or entitled to acquire Ordinary Shares by exercising rights of compulsory acquisition under sections 974 to 991 of the Act, the option holder shall be entitled to exercise his option at any time while that person remains bound or entitled and upon the date upon which such person ceases to be bound or entitled all the options if unexercised shall cease to be exercisable and shall lapse.

In addition, in the event of a resolution being passed for the winding up of the Company, the option holder shall be entitled at any time prior to the commencement of and conditional upon such winding up to exercise his option in whole or in part.

Adjustments of Awards

If there is a variation of the share capital of the Company (including a capitalisation or rights issue, subdivision, rights issue, consolidation or reduction of share capital), the Remuneration Committee may make such adjustments as it considers appropriate to the exercise price or number of shares in an Award.

Awards not pensionable

No Awards or benefits under the Share Plans are pensionable.

12. Litigation

No member of the Group is or has been engaged in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this Document, a significant effect on the Group's financial position or profitability and the Directors are not aware of any such proceedings which are pending or threatened by or against any member of the Group.

13. Related Party Transactions

Save as set out in: (i) paragraph 7 of this Part V of this Document (Directors' Service Agreements and Letters of Appointment); (ii) paragraph 10 of this Part V of this Document (Material Contracts); and (iii) this paragraph 13, as far as the Directors are aware there have been and currently there are no agreements or other

arrangements between the Company or another member of the Group, and individuals or entities that may be deemed to be related parties prior to 16 October 2014 (being the latest practicable date prior to the publication of this Document).

13.1 On 23 August 2013, C4XD entered into a shareholders agreement with the Managers (as defined therein, including Clive Dix, Harry Finch, Charles Blundell, Andrew Almond and Samuel Williams), the Investors (as defined therein, including The Aquarius IV Fund LLP, The Aquarius Origin Fund LLP and Aquarius Equity Partners Limited) and The University of Manchester. Under this agreement the Company and the said Managers gave covenants in relation to the management of C4XD; and the said Managers gave non-compete covenants. Pursuant to the Share Exchange Agreement summarised at paragraph 10.2 of this Part V, the Company shall perform this agreement, to the extent unperformed; and this agreement will terminate immediately prior to Admission.

13.2 On 23 August 2013, C4XD entered into an investment agreement with the Managers (as defined therein, including Clive Dix, Harry Finch, Charles Blundell, Andrew Almond and Samuel Williams) and The Aquarius IV Fund LLP and The Aquarius IV Fund Co-Investment LLP. Under this agreement The Aquarius IV Fund LLP agreed to subscribe for A ordinary shares of £0.01, and unsecured loan notes, in C4XD; and the said Managers gave certain warranties relating to C4XD. Pursuant to the Share Exchange Agreement summarised at paragraph 10.2 of this Part V, this agreement will terminate immediately prior to Admission.

14. Working Capital

The Directors, having made due and careful enquiry, are of the opinion that the working capital available to the Group, taking into account the bank facilities available and the estimated net proceeds of the Placing receivable by the Company, will be sufficient for its present requirements, that is for at least the 12 months from the date of Admission.

15. United Kingdom Taxation

15.1 General

15.1.1 The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident and domiciled in the UK, holding shares as investments. We have not considered the implications for Shareholders who acquire any shares or rights over shares in connection with any office or employment. The position of certain Shareholders who are subject to special rules, such as dealers in securities, broker-dealers, insurance companies and collective investment schemes is not considered in this section. The paragraphs below are based on current UK legislation and HMRC practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares traded on AIM are generally treated as unquoted for these purposes.

15.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

15.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and should not be construed as constituting advice.

15.2 Taxation of dividends

15.2.1 Under current UK legislation, no UK tax is required to be withheld from dividend payments by the Company.

15.2.2 A UK tax resident individual Shareholder will be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "gross dividend"). The value of the tax credit is one ninth of the dividend received (or ten per cent. of the gross dividend). Dividend income from the Company will be treated as forming the highest part of a Shareholder's income.

- 15.2.3 A UK tax resident Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross dividend. The income tax rates in respect of dividends are 10 per cent., 32.5 per cent. or 37.5 per cent. depending on the taxable income of the individual but the individual will be able to set off the tax credit against this liability.
- 15.2.4 UK tax resident Shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals, are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HMRC.
- 15.2.5 A UK tax resident corporate holder of Ordinary Shares which receives a dividend paid by the Company will not generally be subject to tax in respect of that dividend, subject to certain exceptions.
- 15.2.6 Trustees of discretionary trusts receiving dividends from Ordinary Shares are also liable to account for income tax generally at the rate 37.5 per cent.
- 15.2.7 Whether a Shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit, will depend, in general, on the provisions of any double taxation convention which exists between the Shareholder's country of residence and the UK. A non-UK tax resident Shareholder may also be subject to foreign taxation on dividend income.
- 15.2.8 Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed, and what tax may be payable in respect of a dividend received from the Company, in the jurisdiction in which they are resident.
- 15.3 **Taxation of chargeable gains**
- 15.3.1 For the purpose of UK tax on chargeable gains, the acquisition of Ordinary Shares pursuant to the Placing will be regarded as an acquisition of a new holding in the share capital of the Company. The amount paid for the Ordinary Shares will usually constitute the base cost of a Shareholder's holding.
- 15.3.2 If a Shareholder disposes of all or some of his or her Ordinary Shares, a liability to tax on chargeable gains may, depending on his or her circumstances and subject to any available exemptions or reliefs, arise.
- 15.3.3 A UK tax resident individual Shareholder who disposes (or is deemed to dispose) of all or any of their Ordinary Shares may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK Shareholder who ceases to be resident in the UK for a period of less than five complete years and who disposes of the Ordinary Shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.
- 15.3.4 A UK tax resident corporate Shareholder disposing of its Ordinary Shares may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (the main rate currently being 21 per cent.).
- 15.3.5 In computing the chargeable gain liable to corporation tax, the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the Ordinary Shares as increased by an indexation allowance to adjust for inflation, together with incidental costs of acquisition and disposal costs.
- 15.3.6 The UK operates a substantial shareholding exemption regime which may apply to the disposal of Ordinary Shares by corporate Shareholders subject to certain conditions being met.

15.4 **Inheritance tax**

- 15.4.1 Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax.
- 15.4.2 Individuals and trustees subject to UK inheritance tax in relation to a holding of Ordinary Shares may be entitled to business property relief of up to 100 per cent. after a holding period of two years, provided that all the relevant conditions for the relief are satisfied at the appropriate time.
- 15.4.3 You should consult your taxation adviser if you are concerned with the potential UK inheritance tax implications of your Ordinary Shares.

15.5 **Enterprise Investment Scheme**

- 15.5.1 The following provides an outline of the EIS tax reliefs potentially available to individuals and trustee investors. Any potential investor should obtain independent advice from a professional advisor as a claim for relief will be conditional upon his or her own circumstances and is subject to holding the shares throughout the relevant three year period.
- 15.5.2 In addition, for EIS relief not to be withdrawn, the Company must comply with a number of conditions throughout the qualifying period relating to Ordinary Shares.
- 15.5.3 In summary, EIS relief may be available where a qualifying company issues new ordinary shares, the purpose of which is to raise money for a qualifying business activity. The EIS shares must be subscribed for in cash and be fully paid up at the date of issue and must be held, broadly, for three years after they were issued.
- 15.5.4 EIS income tax relief is available to individuals only – the current relief is 30 per cent. of the amount subscribed for EIS shares to be set against the individual's income tax liability for the tax year in which the EIS investment is made, and is available up to a maximum of £1,000,000 in EIS subscriptions per tax year. This relief can be “carried back” one tax year (subject to the overriding limit for relief in that tax year). This relief is only available to individuals who are not connected with the Company in the period of two years prior to and three years after the subscription.
- 15.5.5 Very broadly, an individual is connected with the issuing company if, *inter alia*, he or his associates are employees or directors or have an interest in more than 30 per cent. of the Company's ordinary share capital or voting rights.
- 15.5.6 Where EIS income tax relief has been given and has not been withdrawn, any gain on the subsequent disposal of the shares in qualifying circumstances is generally free from capital gains tax. If the shares are disposed of at a loss, capital gains tax relief will generally be available for that loss net of any income tax relief previously given. Alternatively, an election can be made to set that loss (less any income tax relief already given) against income of that year or any income of the previous year.
- 15.5.7 Individuals and trustees who have realised gains on other assets within one year before or up to three years after the EIS shares are issued, are able to defer a capital gains tax liability arising on those gains by making a claim to reinvest an amount of those gains against the cost of the EIS share subscription. Deferred gains will become chargeable on a disposal or deemed disposal of the EIS shares. The investor can be connected with the Company (as outlined above) and obtain such capital gains tax deferral relief.

15.6 **Stamp Duty and Stamp Duty Reserve Tax**

- 15.6.1 No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Placing Shares.
- 15.6.2 Paperless transfers of Ordinary Shares within CREST will generally be liable to SDRT (usually at a rate of 0.5 per cent. of the amount or value of the consideration). However please note that SDRT and stamp duty charges on trades made on AIM have been abolished from 28 April 2014 where the securities are not listed on any other market

15.6.3 The transfer of Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration (with such stamp duty being rounded up to the nearest £5), but stamp duty is not chargeable on documents relating to stock or marketable securities admitted to trading on AIM as long as they are not listed on any other market.

15.6.4 The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

16. General

- 16.1 Total costs and expenses payable by the Company in connection with Admission and the Placing (including professional fees, commissions, the costs of printing and the fees payable to the Registrars) are estimated to amount to £1,000,000 (excluding VAT).
- 16.2 KPMG LLP, as the reporting accountant, has given and not withdrawn its written consent to the inclusion of its reports in Part III of this Document in the form and context in which they are included.
- 16.3 Zeus Capital has given and not withdrawn its consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 16.4 The financial information in this Document relating to the Group does not comprise statutory accounts within the meaning of section 434(3) of the Act. No statutory accounts of the Company have been delivered to the Register of Companies in England and Wales. Statutory accounts of C4XD for the three financial years ending 31 July 2014, on which the auditors gave an unqualified report and which did not contain statements made under section 498(2) or 498(3) of the Act, have been delivered to the Registrar of Companies in England and Wales.
- 16.5 The Directors are not aware of any patents or intellectual property rights, licences or industrial, commercial or financial contracts or new manufacturing processes which may be of material importance to the Group's business or profitability.
- 16.6 There has been no significant change in the financial or trading position of C4XD since 31 July 2014 being the date to which the audited financial information relating to C4XD has been prepared as set out in Part III of this Document .
- 16.7 There have been no interruptions in the business of the Group, which may have or have had since incorporation a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Company for the next 12 months.
- 16.8 The Directors are not aware of (i) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects in the period commencing on the date of this Document until 31 July 2015 or (ii) any trends in production, sales and inventory, and costs and selling prices between incorporation and the date of this Document.
- 16.9 The Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 16.10 The accounting reference date of the Company is 31 July. The auditor of the Company is KPMG LLP, whose registered office is at 15 Canada Square, London E14 5GL, a member firm of the Institute of Chartered Accountants in England and Wales.
- 16.11 C4XD's statutory accounts for the years ended 31 July 2012, 31 July 2013 and 31 July 2014 were audited by KPMG LLP of 1 The Embankment, Neville Street Leeds LS1 4DW.
- 16.12 Other than contractual arrangements with employees and consultants and payments in the ordinary course of business, and save as set out in this Document, no person (excluding those professional advisers referred to in this Document and trade suppliers) has:

- 16.12.1 received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
- 16.12.2 entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, any of the following:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the issue price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

16.13 There are no investments to be made by the Company or any other member of the Company in the future in respect of which firm commitments have been made.

17. Availability of Admission Document

A copy of this Document is available free of charge from the registered office of the Company, and at the offices of Zeus Capital at 82 King Street, Manchester, M2 4WQ, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until one month after the date of Admission. A copy of this Document is also available on the Company's website, www.c4xdiscovery.com.

Dated 17 October 2014

