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This announcement contains inside information

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

Full Year Results

Building on our partnered portfolio

AstraZeneca agreement showcases depth of C4XD scientific expertise and early-stage revenue-generating partnering strategy

15 December 2022 - C4X Discovery Holdings plc (AIM: C4XD), a pioneering Drug Discovery company, today announces its full year audited results for the year ended 31 July 2022.

Dr Clive Dix, CEO of C4X Discovery, said: *"This third agreement across our partnered programmes with truly world-renowned industry leader, AstraZeneca, brings the total potential value of our deals to $1.2 billion, and our ambitious strategy and vision is now validated and visible. With our partnered programmes making good progress, we now look to advance the lead programmes in our portfolio to a partnerable stage and transition our early-stage programmes into the next phase where we will be able to provide more detail on the targets and our ambitions for the portfolio. C4XD is in its strongest position ever, with supportive investors and a reputation for unique expertise in Drug Discovery, attracting world-class partners in the pharmaceutical industry."*

Operational Highlights (including post-period events)

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

Financial Highlights

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

Analyst Webcast Today

Dr Clive Dix, Chief Executive Officer, and members of the management team will host a live webcast for analysts at 9:30am GMT today to discuss the results. The webcast can be accessed online at:
https://www.lsegissuerservices.com/spark/C4xDiscoveryHolding/events/add39e84-79c5-41b8-a497-f14f787e5d1d

A copy of the final results presentation will be released later this morning on the Company website at www.c4xdiscovery.com.

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Notes to Editors:

About C4X Discovery
C4X Discovery ("C4XD") is a pioneering Drug Discovery company combining scientific expertise with cutting-edge Drug Discovery technologies to efficiently deliver world leading medicines, which are developed by our partners for the benefit of patients. We have a highly valuable and differentiated approach to Drug Discovery through our enhanced DNA-based target identification and candidate molecule design capabilities, generating small molecule drug candidates across multiple disease areas including inflammation, oncology, neurodegeneration and addictive disorders. Our commercially attractive portfolio ranges from early-stage novel target opportunities to late-stage Drug Discovery programmes ready for out-licensing to partners and we have three commercially partnered programmes with one candidate in clinical development.

We collaborate with leading pharmaceutical and life sciences companies to enrich our expertise and take our assets through pre-clinical and clinical development. Through early-stage revenue-generating licensing deals, we realise returns from our high value pre-clinical assets which are reinvested to maximise the value of our Drug Discovery portfolio. For further information see www.c4xdiscovery.com

Chair's Statement

Strength and breadth across our portfolio of innovative small molecule programmes

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

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

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

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

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

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

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

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

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

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

Eva-Lotta Allan
Non-Executive Chair
14 December 2022

CEO Statement

Progress in expanded portfolio demonstrates scientific expertise with NRF2 out-licensing to AstraZeneca for up to $402 million

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

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

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

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

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

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

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

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

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

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

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

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

Portfolio Review

A validated and growing portfolio

Addictive disorders (Orexin-1 Antagonist)

Phase 1 MAD clinical trial initiated

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

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

Inflammation (NRF2 Activator)

Exclusive global agreement with AstraZeneca

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

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

Inflammation (IL-17A Inhibitor)

First milestone achieved for Sanofi-led programme

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

Haematological Cancer (MALT-1 Inhibitor)

Transition into Lead Optimisation phase

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

Inflammation (α4β7 Integrin Inhibitor)

Significant progress continues

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

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

New Discovery Hit Identification Stage Programmes

Expansion of C4XD Pipeline

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

Taxonomy3®

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

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

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

Outlook and summary

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

Clive Dix
Chief Executive Officer
14 December 2022

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

Financial Review

Delivering value to shareholders

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

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

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

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

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

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

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

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

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

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

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

Brad Hoy
Chief Financial Officer
14 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2022

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

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2022

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

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2022

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

STATEMENTS OF FINANCIAL POSITION
at 31 July 2022

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

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

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

Clive Dix
Chief Executive Officer
14 December 2022

Registered number: 09134041

CASH FLOW STATEMENTS
For the year ended 31 July 2022

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

NOTES TO THE FINANCIAL INFORMATION

1. Reporting entity

C4X Discovery Holdings plc (the "Company") is an AIM listed company incorporated, registered and domiciled in England and Wales within the UK. This financial information consolidates the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") for the year ended 31 July 2022. The significant accounting policies adopted by the Group are set out in note 3.

2. Basis of preparation

The financial information set out in this document does not constitute the company's statutory accounts for the years ended 31 July 2022 or 31 July 2021 but is derived from those accounts. Statutory accounts for the year ended 31 July 2021 have been delivered to the registrar of companies, and those for the year ended 31 July 2022 were approved by the Board of Directors on 14 December 2022 and will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 .

Statement of accounting compliance

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

Basis of measurement

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

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

Going concern

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Revenue recognition**

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

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

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

- **Investments in and loans to subsidiaries**

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

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

3. Significant accounting policies

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

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

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

The Group measures goodwill at the acquisition date as:

the fair value of the consideration transferred; plus

the recognised amount of any non-controlling interests in the acquiree; plus

the fair value of the existing equity interest in the acquiree; less

the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The criteria for recognising expenditure as an asset are:

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

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

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

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

The Group has lease contracts in relation to property and office equipment. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, at which point the Group assesses the term for which it is reasonably certain to hold that lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease
incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

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

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

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

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

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

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

An asset's recoverable amount is the higher of an assets or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs of disposal, an appropriate valuation model is used, these calculations are corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

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

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

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

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

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

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

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

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

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

Financial instruments

i) Recognition and initial measurement

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

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

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

ii) Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	UK effective date
IFRS 17 Insurance Contracts	1 January 2023

Research partnerships

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

4. Segmental information

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

Revenue from contracts with customers

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

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

Contract balances

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

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

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

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

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

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

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

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

5. Operating loss

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

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

6. Staff costs and numbers

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

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

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

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

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

7. Finance income and costs

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

8. Income tax

The tax credit is made up as follows:

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

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

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

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

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

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

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

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

9. Earnings per share

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

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

10. Tangible fixed assets

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

At 31 July 2022	**47**	**-**	**707**	**754**
At 31 July 2021	33	-	377	410

The Company has no tangible fixed assets.

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

11. Intangible assets

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

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

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

For impairment reviews see note 12.

The Company has no intangible assets.

12. Goodwill

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

Net book value

At 31 July 2022	**1,192**	**1,192**
At 31 July 2021	1,192	1,192

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

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

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

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

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

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

The Company has no goodwill.

13. Investment in and loans to subsidiaries

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

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

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class of shares held**	**31 July 2022**

C4X Discovery Limited*	England and Wales	Research and development	Ordinary	100%
C4X Drug Discovery Limited**	England and Wales	Dormant company	Ordinary	100%
Adorial Limited*	England and Wales	Dormant company	Ordinary	100%
Adorial Technologies Limited*	England and Wales	Dormant company	Ordinary	100%
Adorial Pharma Limited*	England and Wales	Dormant company	Ordinary	100%

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

Investment in subsidiary

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

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

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

Loans to group undertakings

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

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

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

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

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

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

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

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

14. Trade and other receivables

	31 July 2022 Group £000	31 July 2022 Company £000	31 July 2021 Group £000	31 July 2021 Company £000
Trade receivables	2,524	-	21	-
Prepayments	398	-	307	-
Other receivables	-	-	-	6
VAT receivables	147	-	246	-
	3,069	**-**	**574**	**6**

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

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

Trade receivables are denominated in the following currency:

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

The ageing analysis of trade receivables was as follows:

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

15. Income tax asset

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

16. Cash, cash equivalents and deposits

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

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

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

17. Trade and other payables

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

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

18. Lease liabilities

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

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

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

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

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

19. Issued equity capital

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

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

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

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

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

20. Share-based payment reserve

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

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

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

A charge of £352,000 has been recognised in the statement of comprehensive income for the year (2021: £249,000).
This includes £46,416 (2021: £46,342) of incremental fair value on replacement of options.

Share option schemes

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

C4X Discovery Holdings plc Long Term Incentive Plan ("LTIP")

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Weighted average exercise price of options

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

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

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

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

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

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

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

21. Warrant reserve

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

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

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

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

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

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

22. Merger reserve

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

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

23. Capital contribution reserve

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

24. Retained earnings

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

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

25. Leases

Leases as lessee (IFRS16)

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

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

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

Amounts recognised in income statement

31 July 2022		
Interest on lease liabilities	12	12
	12	**12**
31 July 2021		
Interest on lease liabilities	15	15
	15	**15**

Amounts recognised in statement of cash flows

31 July 2022		
Lease payments	229	229
	229	**229**
31 July 2021		
Lease payments	271	271
	271	**271**

26. Commitments

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

27. Financial risk management

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

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

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

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

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

The Group is not subject to externally imposed capital requirements.

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

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

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

Categorisation of financial instruments

Financial assets/(liabilities)	*Loans and receivables £000*	*Financial liabilities at amortised cost £000*	*Group £000*	*Company £000*
31 July 2022				
Trade receivables	2,524	-	2,524	-
Inter-company loan to subsidiary	-	-	-	56,798
Cash, cash equivalents and deposits	5,079	-	5,079	-
Trade and other payables*	-	(1,128)	(1,128)	-
Lease liabilities	-	(729)	(729)	-
	7,603	**(1,857)**	**5,746**	**56,798**
31 July 2021				
Trade receivables	21	-	21	-
Inter-company loan to subsidiary	-	-	-	56,460
Cash, cash equivalents and deposits	17,103	-	17,103	-
Trade and other payables*	-	(599)	(599)	-
Lease liabilities	-	(404)	(404)	-
	17,124	**(1,003)**	**16,121**	**56,460**

*Excluding accruals and deferred revenue.

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

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

Credit risk

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

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

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

Foreign currency risk

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

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

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

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

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

Sensitivity analysis to movement in exchange rates

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

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

Interest rate risk

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

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

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

Maturity profile

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

2022	Less than one year £000	One to five years £000	Total £000
Financial liabilities			
Trade and other payables *	1,128	-	1,128
Lease liabilities	305	424	729
	1,433	**424**	**1,857**
2021			
Financial liabilities			
Trade and other payables*	599	-	599
Lease liabilities	217	187	404
	816	**187**	**1,003**

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

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

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

28. Related party transactions

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

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

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

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

The Company

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

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

None of the loans are interest bearing.

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

29. Compensation of key management personnel (including Directors)

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

30. Post Balance Sheet Events

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

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