This announcement contains inside information

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

Full Year Results

Evolution of strategy as immuno-inflammation company to deliver greater value to shareholders

14 December 2023 - C4X Discovery Holdings plc (AIM: C4XD), a pioneering Drug Discovery company, today announces its full year audited results for the year ended 31 July 2023.

Dr Clive Dix, CEO of C4X Discovery, said: *"This year has seen C4XD evolve significantly to build on its proven strengths and expertise and focus on immuno-inflammation. The licensing of our NRF-2 programme to AstraZeneca reinforced our confidence in our ability to discover high value new small molecule drugs in the space and the strategic divestment of our Orexin-1 programme further streamlined our portfolio and provided further resources to pursue this more defined path to value. The market potential in immuno-inflammation is large and growing, reflecting the need for better treatments. With a robust balance sheet, focused strategy and streamlined portfolio, we believe we are strongly positioned in immuno-inflammation and excited about the future."*

Operational highlights (including post-period events)

- New strategic focus as an immuno-inflammation company.
- C4XD signed an exclusive worldwide licensing agreement with AstraZeneca in November 2022, worth up to $402 million, for its NRF2 Activator programme.
- α4β7 integrin inhibitor programme for inflammatory bowel disease ("IBD") delivered compounds showing improved activity at a lower dose compared to example competitor compounds in a pharmacodynamic model after oral dosing.
- C4XD internal portfolio expanded in inflammatory diseases and new programmes identified progressing towards Lead Optimisation and beyond.
- Launch of PatientSeek, C4XD's precision medicine platform for optimised patient selection.
- Indivior acquired C4XD's oral Orexin-1 receptor antagonist, C4X_3256 (INDV-2000), for substance use disorder under an asset purchase agreement for £15.95 million (recognised post period).
- Sanofi is progressing C4XD's IL-17A inhibitor programme for inflammatory diseases towards the next milestone.
- MALT-1 inhibitor programme moving forward to identification of candidate shortlist molecules as partnering process initiated.
- Executive changes: Clive Dix's appointed at interim Executive Chairman & CEO as Eva-Lotta Allan steps down as Chair and Dr Nick Ray appointed as Chief Scientific Officer.

Financial highlights

- Revenue of £1.7 million (2022: £2.7m).
- Total loss after tax of £11.1 million or 4.42 pence per share (2022: £8.2m or 3.57 pence per share).
- R&D expenses increased by 16% to £10.9 million (2022: £9.4m), reflecting focused investment in key Drug Discovery programmes.
- Net assets of £6.5 million (2022: £11.8m).
- Net cash as at 31 July 2023: £4.2 million (31 July 2022: £5.1m).
- Post-period, payment of £15.95 million received from Indivior for the outright acquisition of Orexin-1 Receptor Antagonist Programme.

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.

Contacts

C4X Discovery Holdings

Mo Noonan, Communications +44 (0)787 6444977

Panmure Gordon (UK) Limited (NOMAD and Broker)

Freddy Crossley, Emma Earl (Corporate Finance) +44 (0)20 7886 2500

Rupert Dearden (Corporate Broking)

C4X Discovery Media – ICR Consilium

Mary-Jane Elliott, Chris Gardner, Matthew Neal +44 (0)203 709 5700

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

Executive Chairman & CEO Statement

Growth, focused approach and evolution

"Our focused immuno-inflammation strategy will allow us to garner greater value for our programmes as we extend the development pathway and create new innovative therapies for patients."

The last twelve months have been a period of evolution for the business. To ensure we continue to deliver a strong performance, the Board and senior management continually assess whether the Company's strategy is in line with its expertise and market opportunities. With a successful track record of three programmes out-licensed to world-leading pharmaceutical companies, and the majority of our portfolio already focused on immuno-inflammatory diseases, we announced in our half year results in April 2023 our strategic decision to focus on immuno-inflammation as a company. This is an area where we already have proven drug discovery and development expertise as well as an expert team of scientists who understand this disease area. This evolution of our approach enables us to harness our skillset more fully and take the development of our programmes further towards and into the clinic, providing greater value for shareholders.

Millions of people's lives are impacted by immuno-inflammatory diseases every year. For some, even the simplest of normal every day activities become impossible, restricting what they can do and how they can live their lives without excruciating pain, or being dismissed as minor afflictions, impacting both their physical and psychological health. These poorly understood diseases are a growing burden on healthcare systems, with an increasing prevalence combined with an ageing population. We believe that through our unique approach to small molecule drug discovery and our track record in developing viable immuno-inflammation candidates, we will be able to offer new innovative and safe therapies for these patients in the future.

In line with our new strategy to become an immuno-inflammatory therapeutics company, we were proud to announce in July 2023 Indivior PLC's ("Indivior") outright £15.95 million asset acquisition of C4XD's oral Orexin-1 receptor antagonist programme for the treatment of substance abuse disorder. This divestment enables us to further streamline our portfolio whilst crystallising value early for the programme. Indivior's decision validates our expertise to produce valuable, commercially relevant, small-molecule drug candidates as well as the high value of our molecules. This non-dilutive funding in combination with potential preclinical milestone payments from our licensing deals with Sanofi and AstraZeneca provide the runway to advance our newly focused portfolio towards, and potentially into, the clinic.

In June 2023, with the new strategy in place, Eva-Lotta Allan took the decision to step down as Chair after five years of service. This change at the Board level has opened the door to bringing in a new CEO, with strong leadership skills and a track record of building a company with products that have entered clinical development. The Nomination Committee has been tasked with running the process for the new CEO search. In the meantime, I have taken on the role of both interim Executive Chairman and CEO to ensure a smooth transition. Thereafter, I expect to take a Non-Executive Board role to ensure continuity and to support the delivery of our vision and strategy to develop new therapies that will improve the lives of patients living with immuno-inflammatory diseases. Once the CEO is in place, we will assess and commence the appointment of Chairman for the Company.

Another key appointment to ensure delivery of our new strategy was the appointment of Nick Ray as our Chief Scientific Officer in January 2023. Having been at C4XD for seven years, and with expertise in medicinal chemistry, structural analysis and computational chemistry/cheminformatics, Nick has already shown strong leadership across the scientific teams as we take these programmes further into development.

Internal portfolio

Our internal portfolio will now focus on the discovery and development of novel oral small molecule medicines to treat patients across a range of immuno-inflammatory diseases.

Our lead internal programme, focused on oral small molecule inhibitors of $\alpha 4\beta 7$, has the potential to expand patient access to $\alpha 4\beta 7$ inhibitor therapy for the treatment of inflammatory bowel disease ("IBD"). This programme is making significant headway through late-stage discovery and progressing towards preclinical studies, with the aim of delivering a low dose Best-In-Class therapy.

We have a portfolio of early-stage discovery immuno-inflammatory projects which are progressing through the required studies to assess scientific potential. Our rigorous project initiation process assesses the contributions that our proprietary platforms, Conformetrix and PatientSeek, can provide, together with a thorough analysis of the commercial viability of a small molecule approach for any target under consideration. Once through this phase successfully and heading towards or into Lead Optimisation, we will provide greater detail. This way, we ensure that only the best projects with strong scientific and commercial attributes will become C4XD portfolio programmes. We still anticipate moving two of these early evaluation projects into Lead Optimisation by the end of 2024.

Partnered portfolio
In November 2022, we out-licensed our NRF2 Activator programme to AstraZeneca for up to $402 million. C4XD has received an upfront payment of $2 million and the deal terms highlight the potential for C4XD to receive up to $400 million in development and commercial milestones, including potential preclinical milestone payments ahead of the first clinical trial. If successful, we will also receive mid-single digit royalties upon commercialisation. AstraZeneca is developing the programme further with the aim to 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]

Having received the first milestone payment of €3 million in July 2022 from our out-licensing agreement worth up to €414 million with Sanofi for our IL-17A oral inhibitor programme, the programme continues to make strong progress. Under the license, Sanofi is developing the programme with the aim to 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.

In February 2023, we added to our pioneering technology, Conformetrix, with the launch of our patient stratification platform, PatientSeek. We have always believed in a science first approach but by having access to the right tools available to our scientists, we can advance our programmes smarter and with more accuracy. PatientSeek has the ability to optimise patient selection with the potential to match the most effective treatments with groups of patients who are most likely to benefit thereby ensuring the right drug is given to the right patient, based on their genetics. We are working with organisations such as Sano Genetics, to access comprehensive data from immuno-inflammatory patients and bring precision medicine approaches to our drug development programmes.

With the evolution of our strategy to take our internal portfolio further along the development pathway, it is incredibly important to appreciate the continued support of our shareholders. In August 2022, through an investor-led fund raise, we raised £5.7 million which has allowed us to make these important changes that we believe will deliver greater long-term value for C4XD's highly prized portfolio of small molecule programmes in immuno-inflammation.

Finally, none of this progress can happen without the C4XD team. Often changes such as these have a more immediate impact internally for those working on the programmes and I am grateful for their continued belief and commitment to C4XD's vision. We truly have a great and highly skilled team that will make this vision a success.

Outlook and summary
We have made excellent progress this year, including partnering our NRF2 programme with AstraZeneca, and continuing key studies to advance our internal portfolio. The decision to focus on immuno-inflammatory diseases sets a defined path forward, allowing us to take our portfolio further into the development pathway. This, we believe, will allow us to garner greater value for our programmes as we extend the partnering timeline with the potential of including clinical data where suitable. With a newly focused immuno-inflammation strategy, a robust balance sheet and streamlined portfolio, C4XD is in a strong position, and we are excited for our future.

Clive Dix
Executive Chairman & CEO
13 December 2023

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

Financial Review

Strong investor support for new immuno-inflammation strategy

"C4XD has a robust balance sheet following the divestment of our Orexin-1 programme to Indivior and when combined with potential milestones from our partnered programmes provides a clear runway for the development of our portfolio of immuno-inflammation programmes."

Revenue for the 12 months ended 31 July 2023 was £1.7 million (2022: £2.7m). The revenue recognised in the current year includes deferred revenues relating to the ongoing research workplan with Sanofi and upfront payment of $2 million by AstraZeneca for C4XD's NRF2 Activator programme. Revenue of £15.95 million from the agreement with Indivior for the outright acquisition of Orexin-1 Receptor Antagonist Programme executed on 31 July 2023 was subject to certain performance obligations which were met on 4 August 2023 resulting in this revenue being recognised shortly after the year end.

R&D expenses, which comprise invoiced material costs, payroll costs and software costs, have increased by 16% to £10.9 million for the year ended 31 July 2023 (2022: £9.4m). This reflects focused investment in key Drug Discovery programmes as outlined in the Executive Chairman & CEO Statement.

Administrative expenses increased during the year to £4.2 million (2022: £3.7m) 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 £2.3 million (2022: £2.4m) and is reflective of the continuing investment in R&D costs over the last 12 months.

The loss after tax for the year ended 31 July 2023 was £11.1 million (2022: £8.2m). This equates to a basic and diluted loss per share of 4.42 pence per share (2022: 3.57 pence per share).

The Company had net assets at 31 July 2023 of £6.5 million (2022: £11.8m). Cash and cash equivalents of £4.2 million (2022: £5.1m) were improved post balance sheet by the receipt of £15.95 million from Indivior for the outright acquisition of C4XD's Orexin 1 programme.

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

Notwithstanding a consolidated operating loss for the year ended 31 July 2023 of £13.4 million (2022: loss of £10.5m) and net cash used in operating activities of £5.9 million (2022: £12.1m), these financial statements have been prepared on a going concern basis. 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 2025. Base case scenario shows that cash resources are maintained throughout the period to July 2025 whilst severe but plausible downside scenario shows cash resource to April 2025, both being more than 12 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 2025. 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. This 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
13 December 2023

Portfolio Review

Streamlined portfolio focused on immuno-inflammatory diseases

Small molecule focus

We are focused on the discovery and development of small molecule therapeutics for the treatment of a range of immuno-inflammatory diseases. Our Conformetrix technology for the elucidation of ligand shape in the physiologically-relevant solution state plays a key role in guiding our team of industry-experienced medicinal chemists to identify novel chemical space, whilst our biologists have decades of experience in designing effective assay cascades to support the prosecution of time- and cost-effective drug discovery campaigns. All wet laboratory science is conducted through a worldwide network of tested and trusted CROs, employing the right CRO at the right time for the right activity whilst maintaining flexibility and cost-effectiveness.

Internal portfolio

Inflammation (α4β7 Integrin Inhibitor)

Programme transitioned into Lead Optimisation

C4XD's oral α4β7 integrin inhibitor programme has identified multiple series of novel, potent and selective α4β7 integrin inhibitors for the treatment of IBD. Effective antibody therapy (Vedolizumab, 'Entyvio') against this target is already approved, removing the clinical target risk, but an effective oral therapy remains highly sought after. During 2023, Morphic Therapeutics reported positive topline data from a Phase 2a clinical study in adults with moderate to severe ulcerative colitis (UC) at a dose of 100 mg twice daily (BID). C4XDs programme is targeting a more optimal dosing regimen.

Oral bioavailability has been demonstrated and there is particular focus on improving PK properties to achieve a good oral half-life. C4XD has compounds that match or exceed both whole blood potency and selectivity over the related integrin α4β1 when compared to examples from current clinical patent estates, with correspondingly improved activity at a lower dose when profiled in a T-cell gut-homing pharmacodynamic model. In parallel, we are using the PatientSeek platform to identify stratification signals in IBD patients that could inform the clinical development path for the α4β7 programme.

Haematological cancer (MALT-1 Inhibitor)

In partnering process

MALT1 is one of the key regulators of B-cell receptor (BCR) and T-cell receptor (TCR) signalling. Mutations that lead to constitutive activation of MALT1 are associated with aggressive forms of non-Hodgkin B-cell lymphoma and inhibition of MALT1 has potential therapeutic applicability as a mono therapy for MALT1-driven cancers such as activated B-cell diffuse large B-cell lymphoma (ABC-DLBCL) and in combination with BTK and Bcl inhibitors across multiple haematological indications, as well as broader potential in solid tumours and inflammation.

Our Conformetrix technology has yielded multiple structurally distinct series. Profiling of a Lead compound in a mouse xenograft study has shown equivalent efficacy at equivalent dose to the Johnson & Johnson clinical compound JnJ-67856633 (in Phase 1) and the programme is progressing to complete the datapack on a set of preclinical candidate molecules.

New discovery early-stage programmes

Expansion of Pipeline

As we look to scale our portfolio, investigation of a number of targets across a range of immuno-inflammatory diseases are being resourced to identify those with the highest potential to warrant increased commitment of resources to progress novel series into Lead Optimisation and beyond. These programmes target clear unmet medical need, combined with significant commercial potential and a unique opportunity to produce valuable chemical equity through interpretation of conformational insight via C4XD's Conformetrix technology. Additionally, we are using our PatientSeek platform to inform our target selection choices, based on identification of patient stratification opportunities. Details of each programme will be provided once they have matured to Lead Optimisation stage.

Partnered portfolio

Inflammation (NRF2 Activator)

Programme continues to move forward under a license agreement with AstraZeneca

C4XD signed an exclusive worldwide licensing agreement with AstraZeneca in November 2022, worth up to $402 million, for C4XD's 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 has received an upfront payment of $2 million, with the potential to receive a further $400 million in preclinical development, clinical development and commercial milestones, as well as tiered mid-single digit royalties upon commercialisation.

Inflammation is a key driver in many pathological conditions. NRF2 plays a pivotal role in controlling the expression of antioxidant genes that ultimately exert anti-inflammatory functions. Targeting the NRF2 pathway to reduce inflammatory damage offers the potential for a new approach to treat a variety of inflammatory diseases. Interest in this therapeutic approach across the industry covers multiple therapeutic areas including chronic obstructive pulmonary disease, atopic dermatitis, IBD, pulmonary arterial hypertension and sickle cell disease.

Inflammation (IL-17A Inhibitor)

Sanofi-led programme making significant progress

Under the exclusive worldwide licensing agreement worth up to €414 million, Sanofi continues to make strong preclinical progress towards the second milestone; C4XD received the first milestone payment of €3 million in July 2022. The small molecules in C4XD's oral IL-17A inhibitor programme can selectively block IL-17 activity whilst maintaining molecular size of the molecule in the traditional "drug-like" range. Sanofi has development and commercial rights to the programme and is continuing to work with C4XD in the next discovery phase, utilising our Conformetrix technology, interpretation and application to compound design as the programme progresses towards the clinic.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Revenue	4	1,710	2,699
Cost of sales		(38)	(130)
Gross profit		1,672	2,569
Research and development expenses		(10,894)	(9,426)
Administrative expenses		(4,192)	(3,665)
Operating loss	5	(13,414)	(10,522)
Finance income	7	22	-
Finance costs	7	(24)	(12)
Loss before taxation		(13,416)	(10,534)
Taxation	8	2,305	2,374
Loss for the year and total comprehensive loss for the year		(11,111)	(8,160)
Loss per share			
Basic loss for the year	9	(4.42)p	(3.57)p
Diluted loss for the year	9	(4.42)p	(3.57)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 (2022: £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 2023

	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 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)**
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**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	-	(11,111)	**(11,111)**
Issue of share capital	228	5,467	-	-	-	-	-	**5,695**
Expenses of placing	-	(287)	-	-	-	-	-	**(287)**
Exercise of options	1	5	-	-	-	-	-	**6**
Share-based payments	-	-	-	425	-	-	-	**425**
Transactions with owners	229	5,185	-	425	-	-	-	**5,839**
As at 31 July 2023	**4,545**	**58,540**	**968**	**1,968**	**920**	**195**	**(60,604)**	**6,532**

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2023

	Issued equity capital £000	Share premium £000	Warrant Reserve £000	Share-Based Payment Reserve £000	Retained earnings reserve £000	Total £000
At 31 July 2021	**4,302**	**53,043**	**979**	**1,162**	**13**	**59,499**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	-
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**
Loss for the year and total comprehensive loss for the year	-	-	-	-	(3,810)	**(3,810)**
Issue of share capital	228	5,467	-	-	-	**5,695**
Expenses of placing	-	(287)	-	-	**-**	**(287)**
Exercise of options	1	5	-	-	**-**	**6**
Share-based payments	-	-	-	425	-	**425**
Transactions with owners	**229**	**5,185**	**-**	**425**	**-**	**5,839**
As at 31 July 2023	**4,545**	**58,540**	**968**	**1,939**	**(3,786)**	**62,206**

STATEMENTS OF FINANCIAL POSITION
at 31 July 2023

	Notes	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Assets					
Non–current assets					
Tangible Fixed Assets	10	39	-	47	-
Right of Use Assets	10	402	-	707	-
Intangible assets	11	54	-	61	-
Goodwill	12	1,192	-	1,192	-
Investments in and loans to subsidiaries	13	-	62,206	-	60,183
		1,687	**62,206**	**2,007**	**60,183**
Current assets					
Trade and other receivables	14	572	-	3,069	-
Income tax asset	15	2,305	-	4,427	-
Cash and cash equivalents	16	4,220	-	5,079	-
		7,097	**-**	**12,575**	**-**
Total assets		**8,784**	**62,206**	**14,582**	**60,183**
Liabilities					
Current liabilities					
Trade and other liabilities	17	1,828	-	2,049	6
Lease liabilities	18	337	-	305	-
		2,165	**-**	**2,354**	**6**
Non-Current liabilities					
Lease liabilities	18	87	-	424	-
		87	**-**	**424**	**-**
Total liabilities		**2,252**	**-**	**2,778**	**6**
Net assets		**6,532**	**62,206**	**11,804**	**60,177**
Capital and reserves					
Issued equity capital	19	4,545	4,545	4,316	4,316
Share premium	19	58,540	58,540	53,355	53,355
Share-based payment reserve	20	1,968	1,939	1,543	1,514
Warrant reserve	21	968	968	968	968
Merger reserve	22	920	-	920	-
Capital contribution reserve	23	195	-	195	-
Retained earnings	24	(60,604)	(3,786)	(49,493)	24
Total equity		**6,532**	**62,206**	**11,804**	**60,177**

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 loss of £3,810,000 for the year ended 31 July 2023 (2022: loss of £nil). Current year's loss in its entirety was as a result of the provision for impairment of the Company's investment in its subsidiary as described in the note 13.

Approved by the Board and authorised for issue on 13 December 2023.

Clive Dix
Chief Executive Officer
13 December 2023
Registered number: 09134041

CASH FLOW STATEMENTS
For the year ended 31 July 2023

	Notes	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Profit / (loss) after interest and tax		(11,111)	(3,810)	(8,160)	-
Adjustments for:					
Depreciation of tangible fixed assets	10	26	-	23	-
Depreciation of right-of-use assets	10	305	-	212	-
Amortisation of intangible assets	11	7	-	8	-
Net foreign exchange differences		(89)	-	-	-
Provision for impairment of investments in subsidiaries	13	-	3,810	-	-
Share-based payments	20	425	-	352	-
Finance income	7	(22)	-	-	-
Interest payments on leases	25	24	-	12	-
Taxation	8	(2,305)	-	(2,374)	-
Changes in working capital:					
(Increase)/decrease in trade and other receivables	14	2,497	-	(2,495)	6
Increase/(decrease) in trade and other payables	17	(211)	(6)	338	6
Cash (used in) / generated from operating activities		(10,454)	(6)	(12,084)	12
Research and development tax credit received		4,427	-	-	-
Net cash (used in) / from operating activities		(6,027)	(6)	(12,084)	12
Cash flows from investing activities					
Increase in investment in and loans to subsidiaries		-	(5,408)	-	(338)
Purchases of tangible fixed assets	10	(18)	-	(37)	-
Finance income	7	22	-	-	-
Net cash from / (used in) investing activities		4	(5,408)	(37)	(338)
Cash flows from financing activities					
Payment of lease liabilities	25	(329)	-	(229)	-
Proceeds from issues of ordinary share capital	19	5,701	5,701	326	326
Expenses of share capital issue	19	(287)	(287)	-	-
Net cash from financing activities		5,085	5,414	97	326
Net decrease in cash and cash equivalents		(938)	-	(12,024)	-
Net foreign exchange differences		79	-	-	-
Cash and cash equivalents at the start of the year		5,079	-	17,103	-
Cash and cash equivalents at the end of the year		4,220	-	5,079	-
Cash, cash equivalents and deposits at the end of the year	16	4,220	-	5,079	-

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

C4X Discovery Holdings plc (the "Company") is an AIM listed company incorporated, registered and domiciled in England and Wales within the UK.

These Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") for the year ended 31 July 2023.

The financial statements of the Company and the Group for the year ended 31 July 2023 were authorised for issue by the Board of Directors on 13 December 2023 and the statement of financial position was signed on the Board's behalf by Clive Dix.

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

2. Basis of preparation

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 2023.

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
Group has reported consolidated operating loss for the year ended 31 July 2023 of £13.4 million (2022: £10.5m), revenues of £1.7 million (2022: £2.7m) and net cash used in operating activities of £6.0 million (2022: £12.1m). 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 has executed an asset purchase agreement for Indivior PLC to acquire the proprietary rights to C4XD's oral Orexin-1 receptor antagonist for substance use disorder on 31 July 2023 with payment of £15.95 million being settled in full in August 2023. The Group had cash and cash equivalents at 31 July 2023 of £4.2 million (2022: £5.1m) and at 31 October 2023 had cash resources of £16.0 million.

The Board has prepared cash flow forecasts covering at least 12 months from the date of signing the financial statements, including base case forecast with further milestone payments received from the partnered programs and severe but plausible downside scenario.

The base case cash flow forecast, which assumes partnered programmes progress to deliver next milestone payments, show that no additional funding will be required in the forecasted period. The severe but plausible downside scenario reflects a case with no income modelled, receipt of research and development tax credits from HMRC 11 months after the year end, a 10% 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, 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 April 2025. 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 further milestone payments will be achieved within the forecast period. There can be no guarantees that either of these events will occur and they are therefore not reflected in the Board's severe but plausible downside cash flow forecast.

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 includes making certain judgements when determining the appropriate accounting treatment of key customer contract terms in accordance with the applicable accounting standards.

In the prior 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. In the current year, further revenue from the ongoing research work plan has been recognised.

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 prior 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. £42,000 has been released from deferred income and recognised as revenue in the year in respect of the research work plan (2022: £144,000).

When this deal was signed with Sanofi in the year ending 31 July 2021, 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 deferred. 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 at the time. 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 year ending 31 July 2021, 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 from the year ending 31 July 2021 into the year ending 31 July 2022.

On 25 November 2022, C4XD entered a worldwide license agreement with AstraZeneca for C4XD's NRF2 Activator programme. Judgement was required in identifying the number of performance obligations in the contract, specifically whether the transfer of intellectual property, provision of ad-hoc consulting and technical scientific support and facilitation of the completion of on-going research represented different performance obligations.

The Group applied the guidance in IFRS 15 by considering whether these three performance obligations were distinct from each other. It was determined that the revenue from provision of consulting and technical support is to be recorded over time and consideration allocated to it was calculated on a cost-plus margin basis using the FTE rate that was defined in the agreement. Total consideration of £15,500 was initially deferred and then recognised in the second half of the current period. The alternative judgement could be that the transfer of intellectual property and the delivery of consulting and support services is one performance obligation which would result in the upfront payment of £1.7 million being recognised over the time together with provision of consulting and technical support, however, this would still result in £1.7 million being recognised in the current period given the delivery of the consulting and support services was also completed within the financial year. In respect of facilitation of the completion of on-going research, C4XD was deemed to be an agent in this transaction on the basis that C4XD performance obligation is to arrange for the services to be provided and not to provide services itself and therefore C4XD should recognise revenue on the net basis. In the current period no revenues were recorded in respect of this performance obligation.

On 31 July 2023, C4XD entered into an asset purchase agreement for Indivior to acquire the proprietary rights to C4XD's oral Orexin-1 receptor antagonist. Judgement was required in identifying the number of performance obligations in the contract as well as the appropriate date for revenue to be recognised. It was determined that the contract only had one performance obligation to sell the asset. After applying the guidance of IFRS 15, it was determined that the revenue should be recognised at a point in time as none of the criteria for recognising revenue over time were satisfied. The revenue will therefore be recognised on the closing date, 4 August 2023, when in line with the agreement the control over the asset passes to Indivior.

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.

The following describes estimations made in connection with the revenue deferred from the contract with Sanofi signed in the year ending 31 July 2021 which has impact on the current year where part of the deferred revenue was recognised. Firstly, the allocation of the transaction price for the revenue relating to the ongoing research services for Sanofi 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.

The allocation of the transaction price for the revenue relating to the consulting and support activities for AstraZeneca was also calculated on a cost-plus margin basis. In this case the FTE rate was already defined in the agreement for the work in excess of the fixed number of hours allowed under the agreement.

- **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. As the recoverable amount is less than the carrying amount, the provision of £3,810,000 was recorded in the current year (2022: £nil). 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.

All 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 four contracts – the two of which were signed in the current year - that generate revenue and fall within the scope of IFRS 15.

As set out in more detail within note 2, it was determined that there were two performance obligations within the Sanofi contract, the first to being the transfer of IP and the second being the provision of research services through the 'research work programme'. The contract with AstraZeneca had three performance obligations - the transfer of IP, provision of consulting and technical scientific support and facilitation of the completion of on-going research. The contract with Indivior was determined to have single performance obligation, being sale of the asset.

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 right-to-use 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 customer 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 customer. The allocation of the transaction price to the sale of right-to-use licences was the remainder of the payments received less consideration allocated to other performance obligations.

The contracts with Sanofi and AstraZeneca also include future milestone payments which are contingent on the various future events such as passing 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 from the contract with Sanofi in the prior year when it was achieved and no further milestones were achieved in the current year.

Royalty payments will be received by the Group if the drugs are marketed and sold by Sanofi or AstraZeneca respectively. Revenue on royalty payments are recognised when they are earned which for the Group will be when the drugs have been developed and a set number of products sold. At this point, the royalty rate owed to Group will be applied to the portion of the net sales of 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 and AstraZeneca contracts both include a separate performance obligation to deliver services. It was determined that the services provided under the terms of these contracts meet 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 services has been calculated on a cost-plus margin basis. Contract with Indivior did not meet criteria for recognition over time and thus the revenue will be recognised at the point in time when control over the asset is transferred.

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 obligations have not yet occurred or have 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.

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 2023 (2022: £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 (2022: £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 (2022: £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
It was determined that the warrants constitute equity on a basis that these must be settled exchanging a fixed amount of cash for a fixed number of equity instruments. 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 UK and are effective for annual periods commencing on or after 1 January 2023 or ending 31 July 2024 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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements	1 January 2024
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)	1 January 2023
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024

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

	2023	**2022**
	£000	**£000**
Revenue recognised at a point in time		
- Right-to-use licence revenue	1,652	-
- Milestone revenue	-	2,555
Revenue recognised over time		
- Research services revenue	42	144
- Consultancy services	16	-
Total revenue	**1,710**	**2,699**

Revenue in the current period is generated from the contracts with Sanofi and AstraZeneca.

The revenue from the right-to-use licence agreement with AstraZeneca was recognised at a single point in time when transfer of intellectual property was completed. The revenue from provision of consulting and technical support services under the same agreement was recognised over time when the services were provided.

The revenue attributed to the delivery of research services was generated from the contract with Sanofi and is recognised over time. The progress is measured based on costs incurred to date as compared with the total projected costs for both the current and prior periods.

In the prior period, the milestone revenue from the contract with Sanofi was determined to have one performance obligation and was recognised at a point in time. The revenue attributed to the delivery of research services was recognised on the same basis as in the current period.

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

	2023	2022
	£000	£000
Trade receivables	-	**2,555**

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

	2023	2022
	£000	£000
Deferred revenue – short term	207	250
Deferred revenue – long term	-	-
Total deferred revenue	**207**	**250**

Remaining performance obligations under the contract with Sanofi 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 31 July 2023 was £207,000 (2022: £250,000). 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	Greater than 1 year	Total
	£000	£000	£000
Remaining performance obligations	**207**	**-**	**207**

Impairment losses recognised on receivables arising from contracts with customers are £nil (2022: £nil).

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

5. Operating loss

	31 July 2023	31 July 2022
The Group	**£000**	**£000**
Operating loss is stated after charging/(crediting):		
Depreciation of property, plant and equipment (see note 10)	26	23
Depreciation on right-of-use assets (see note 10)	305	212
Amortisation of intangible assets (see note 11)	7	8
Foreign exchange (gains)/losses	154	149
Research and development expense*	10,894	9,426
Auditor's remuneration		
Audit services:		
-Fees payable to Company auditor for the audit of the parent and the consolidated accounts	220	200
Fees payable in respect of the audit of subsidiary companies:		

-Auditing the accounts of subsidiaries pursuant to legislation	60	50
-Other services	23	9
Total auditor's remuneration	**303**	**259**

*Included within research and development expense are staff costs totalling £3,480,085 (2022: £2,734,000) also included in note 6.

6. Staff costs and numbers

	31 July 2023 £000	31 July 2022 £000
Wages and salaries	4,262	3,445
Social security costs	542	430
Pension contributions	614	524
Share-based payments	425	309
	5,843	**4,708**
Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	**904**	**807**

Directors' emoluments (excluding social security costs but including benefits in kind) disclosed above include £242,000 paid to the highest paid Director (2022: £204,000).

Retirement benefits are accruing to six Directors (2022: seven Directors).

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

The Group	31 July 2023 Number	31 July 2022 Number
Directors	8	8
Technological staff	34	32
Administrative staff	7	8
	49	**48**

Additional information on the emoluments and compensation, including cash or non-cash benefits, of the Directors, together with information regarding the share options of the Directors, and details of contributions paid to a pension scheme on their behalf, is included within Tables 1 and 2 on page 41, which forms part of these audited financial statements.

7. Finance income and costs

The Group	31 July 2023 £000	31 July 2022 £000
Finance income		
Bank interest receivable	22	-
	22	**-**
Finance costs		
Interest on lease liabilities	24	12
	24	**12**

8. Income tax

The tax credit is made up as follows:

	31 July 2023	31 July 2022

The Group	£000	£000
Current income tax		
Research and development income tax credit receivable	(2,305)	(2,365)
Adjustment in respect of prior years	-	(9)
	(2,3205)	(2,374)
Deferred tax		
Charge for the year	-	-
Total income tax credit	(2,305)	(2,374)

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

	31 July 2023	**31 July 2022**
The Group	**£000**	**£000**
Loss before taxation	(13,416)	(10,534)
Tax at average effective rate of 21.00% (2022: 19.00%)	(2,817)	(2,001)
Effects of:		
Additional deduction for research and development expenditure under SME scheme	(1,984)	(1,752)
Surrender of research and development relief for receivable tax credit under SME scheme	3,752	3,099
Research and development tax credit receivable under SME scheme	(2,305)	(2,365)
Tax losses carried forward for which no deferred tax asset is recognised	955	590
Non-deductible expenses	1	-
Capital allowances in excess of deprecation and share based payment charges carried forward for which no deferred tax asset is recognised	93	64
Adjustment in respect of prior years	-	(9)
Tax credit in income statement	**(2,305)**	**(2,374)**

The government enacted a change in the main corporation tax rate from 19% to 25% from 1 April 2023. The tax rate of 21% used above is therefore the average corporation tax rate applicable in the United Kingdom.

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% (to 31 March 2023) / 86% (from 1 April 2023) 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 £2,305,000 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% (2022: 25%), is £6,270,000 (2022: £5,107,000), of which £nil (2022: £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% (2022: 25%) is £9,000 (2022: £12,000).

The Group has a deferred tax asset for share-based payments, for which the tax, measured at a standard rate of 25% (2022: 25%), is £492,000 (2022: £386,000).

The net deferred tax asset of £483,000 (2022: £374,000) 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.

9. Earnings per share

The Group	31 July 2023 £000	31 July 2022 £000
Loss for the financial year attributable to equity shareholders	(11,111)	(8,160)
Weighted average number of shares		
Ordinary shares in issue for purposes of basic EPS	251,102,072	228,675,845
Effect of potentially dilutive ordinary shares:		
Number of share options and warrants	855,664	12,231,972
Ordinary share in issue for purposes of diluted EPS	251,957,736	240,907,817
Basic loss per share (pence)	**(4.42)**	**(3.57)**
Diluted loss per share (pence)	**(4.42)**	**(3.57)**

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 period the effects of these potential ordinary shares are not dilutive.

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 2021	**252**	**38**	**548**	**838**
Additions	37	-	542	579
Disposals	(11)	-	-	(11)
At 31 July 2022	**278**	**38**	**1,090**	**1,406**
Additions	18	-	-	18
Disposals	(14)	-	(253)	(267)
As at 31 July 2023	**282**	**38**	**837**	**1,157**
Depreciation				
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**
Provided during the year	26	-	305	331
Eliminated on disposal	(14)	-	(253)	(267)
As at 31 July 2023	**243**	**38**	**435**	**716**
Net book value				
As at 31 July 2023	**39**	**-**	**402**	**441**
At 31 July 2022	47	-	707	754

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 2021	**138**	**600**	**50**	**788**
Additions	-	-	-	-
At 31 July 2022	**138**	**600**	**50**	**788**
Additions	-	-	-	-
As at 31 July 2023	**138**	**600**	**50**	**788**
Amortisation				
At 31 July 2021	**69**	**600**	**50**	**719**
Provided during the year	8	-	-	8
At 31 July 2022	**77**	**600**	**50**	**727**
Provided during the year	7	-	-	7
As at 31 July 2023	**84**	**600**	**50**	**734**
Net book value				
As at 31 July 2023	**54**	**-**	**-**	**54**
At 31 July 2022	61	-	-	61

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 2021, 31 July 2022 & 31 July 2023	**1,192**	**1,192**
Impairment		
At 31 July 2021	**-**	**-**

Provided during the year	-	-
At 31 July 2022	**-**	**-**
Provided during the year	-	-
As at 31 July 2023	**-**	**-**
Net book value		
As at 31 July 2023	**1,192**	**1,192**
At 31 July 2022	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 £51 million (2022: £61m).

The assessment by the Board determined that the recoverable amount of the CGU exceeded their carrying value, and therefore no impairment was required. (2022: 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 2023.

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 2022	**3,385**	**56,798**	**60,183**
Additions	425	5,408	5,833
As at 31 July 2023	**3,810**	**62,206**	**66,016**
Provision			
At 31 July 2022	**-**	**-**	**-**
Provided during the year	**3,810**	-	**3,810**
As at 31 July 2023	**3,810**	**-**	**3,810**
Net book value			
As at 31 July 2023	**-**	**62,206**	**62,206**
At 31 July 2022	3,385	56,798	60,183

By subsidiary	
C4X Discovery Limited	**62,206**
C4X Drug Discovery Limited	-
Adorial Limited	-
As at 31 July 2023	**62,206**

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 probability adjusted value in use cashflow model. An impairment has been recorded of £3,810,000 (2022: £nil) as the recoverable amount has been determined to be below the carrying value of the investment in the subsidiary. 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.

The key assumptions of the value in use model include:

- The discount rate of 17.3% used in the risk-adjusted model is estimated using pre tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. To determine the appropriate discount rate the CGU's post tax weighted average cost of capital is adjusted to reflect the risk already factored into the probabilities but reflecting other inherent risks in the cash flows for example in relation to uncertainty in the timing of projected cashflows. The recoverable amount of the investment was determined based on a probability adjusted value in use cashflow model. For the year ending 31 July 2022, the recoverable amount was determined based on a value in use model using a single set of cash flows. As such the discount rate used in the prior year is not directly comparable.
- The probabilities of success at each stage of the drug discovery programme, which are derived from industry standards with reference to life science valuation consultancy publications and proprietary intelligence data providers' analysis. These do not account for variations in target, modality, disease area or partners expertise
- Only the potential progression of partnered programmes, one of the two most advanced programmes and a minimal early portfolio are modelled.
- Later stage milestones, including sales and royalties, are excluded from the model.
- The timing and quantum of the cash inflows relating to partnering agreements and milestone payments are modelled on basis of existing licenses.

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. 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 has assessed the expected credit loss by looking at the future cashflows of the subsidiary in order to determine the loss given default. 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 in determining the loss given default. The ECL provision is £immaterial (2022: £immaterial) as the loss given default is low given the probability weighted cashflows show sufficient headroom when compared with the total value of the loan. Failure of 3 of the 7 forecast programmes in FY24 would lead to an increase in the ECL provision of £1.8m.

14. Trade and other receivables

	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Trade receivables	31	-	2,524	-
Prepayments	401	-	398	-
Other receivables	7	-	-	-
VAT receivables	133	-	147	-
	572	**-**	**3,069**	**-**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. There is £immaterial (2022: £immaterial) expected credit loss against other receivables.

There were no revenue-related contract assets (2022: £nil).

Trade receivables are denominated in the following currency:

	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Sterling	31	-	5	-
Euros	-	-	2,519	-
	31	**-**	**2,524**	**-**

The ageing analysis of trade receivables was as follows:

	Not Yet Due £000	Due £000	<30 days overdue £000	>30 days overdue £000	Total £000
As at 31 July 2023	28	3	-	-	31
At 31 July 2022	-	2,524	-	-	2,524

15. Income tax asset

	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Research and development income tax credit receivable	2,305	-	4,427	-
	2,305	**-**	**4,427**	**-**

16. Cash, cash equivalents and deposits

	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Cash and cash equivalents	4,220	-	5,079	-
	4,220	**-**	**5,079**	**-**

Cash and cash equivalents at 31 July 2023 include deposits with original maturity of three months or less of £nil (2022: £nil).

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

17. Trade and other payables

	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Current Liabilities				
Current payables	785	-	949	-
Other payables	185	-	179	6
Deferred revenue	207	-	250	-
Accruals	651	-	671	-
	1,828	-	**2,049**	6

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. Deferred revenue recognised in the year ending 31 July 2023 was £207,000 (2022: £250,000).

18. Lease liabilities

	31 July 2023 Group £000	31 July 2023 Company £000	31 July 2022 Group £000	31 July 2022 Company £000
Current Liabilities				
Lease liabilities	337	-	305	-
	337	-	**305**	-
Non-Current Liabilities				
Lease liabilities	87	-	424	-
	87	-	**424**	-

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 discount rates used for calculating the present value of lease liabilities range from 4.25% to 5.25%.

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

	£000
2023	
Balance at 1 August 2022	729
Cash outflow	(329)
New leases	-
Interest on lease liabilities	24
As at 31 July 2023	**424**

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

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 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**
Issue of share capital on placing	-	19,781,200	198	-	-	4,460	4,658
Issue of share capital on open offer	-	3,000,000	30	-	-	720	750
Issue of share capital on exercise of share options	-	106,425	1	-	-	5	6
As at 31 July 2023	**2,025,000**	**252,119,597**	**2,520**	**2,025**	**968**	**58,540**	**64,053**

The Group	**£000**	**£000**	**£000**	**£000**	**£000**
Allotted, called up and fully paid ordinary shares of 1p					
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**
Issue of share capital on placing	198	-	-	4,460	4,658
Issue of share capital on open offer	30	-	-	720	750
Issue of share capital on exercise of share options	1	-	-	5	6
As at 31 July 2023	**2,520**	**2,025**	**968**	**58,540**	**64,053**

The amounts related to issue of share capital on open offer included in the table above are stated after deduction of expenses related to placing.

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

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

20. Share-based payment reserve

The Group	£000
At 31 July 2021	**1,191**
Share-based payments	352
At 31 July 2022	**1,543**
Share-based payments	425
As at 31 July 2023	**1,968**

The Company	£000
At 31 July 2021	**1,162**
Share-based payments	352
At 31 July 2022	**1,514**
Share-based payments	425
As at 31 July 2023	**1,939**

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 £425,000 has been recognised in the statement of comprehensive income for the year (2022: £352,000).
This includes £45,563 (2022: £46,416) 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 (2022: £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.

Grant in December 2022
Share options were granted to staff on 15 December 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 21.122 pence, being the average five-day volume weighted average price of the ordinary shares to 15 December 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 January 2023
Share options were granted to staff on 9 January 2023 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 17.58 pence, being the average five-day volume weighted average price of the ordinary shares to 9 January 2023. 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	**2023 Number**	**2022 Number**
Outstanding at 1 August	12,875,898	9,937,747
Granted during the year	156,750	3,824,000
Exercised during the year	-	(425,700)
Forfeited during the year	(105,000)	(460,149)

Lapsed/cancelled	-	-
Outstanding at 31 July	**12,927,648**	**12,875,898**
Exercisable at 31 July	5,455,676	161,250

During the year ended 31 July 2023, no options were exercised (2022: 425,700 exercised).

Weighted average exercise price of options

The Group and Company	**2023 Pence**	**2022 Pence**
Outstanding at 1 August	25.55	18.61
Granted during the year	20.41	35.86
Exercised during the year	-	5.58
Forfeited during the year	25.14	25.13
Lapsed/cancelled during the year	-	-
Outstanding at 31 July	**23.87**	**25.55**

A total of 156,750 share options were granted during the year (2022: 3,824,000). The range of exercise prices for options outstanding at the end of the year was 5.58 pence – 42.00 pence (2022: 5.58 pence – 42.00 pence).

For the share options outstanding as at 31 July 2023, the weighted average remaining contractual life is 7.3 years (2022: 8.3 years).

The following table lists the inputs to the models used for the years ended 31 July 2023 and 31 July 2022.

The Group and Company	**2023**	**2022**
Expected volatility (%)	**52.5% – 72.86%**	52.5% – 71.5%
Risk-free interest rate (%)	**0.35%-3.46%**	0.35%-1.78%
Expected life of options (year's average)	**3 years – 6.5 years**	3 years – 6.5 years
Weighted average exercise price (pence)	**n/a**	n/a
Weighted average share price at date of grant (pence)	**20.41**	35.86

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 2021	**979**
Warrant premium	-
Exercise of warrants	(11)
At 31 July 2022	**968**
Warrant premium	-
Exercise of warrants	-
As at 31 July 2023	**968**

The warrants are exercisable at 28p (2022: 28p) per ordinary share and are to be exercised within 5 years of being issued.

During the year no warrants were exercised (2022: 1,100,000).

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

The Group and Company	2023 Number	2022 Number
Outstanding at 1 August	96,790,716	97,890,716
Granted during the year	-	-
Exercised during the year	-	(1,100,000)
Lapsed/cancelled	-	-
Outstanding at 31 July	**96,790,716**	**96,790,716**
Exercisable at 31 July	96,790,716	96,790,716

22. Merger reserve

The Group	£000
At 31 July 2021, 31 July 2022 & 31 July 2023	**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 2021, 31 July 2022 & 31 July 2023	**195**

24. Retained earnings

The Group	£000
At 31 July 2021	**(41,344)**
Loss for the year	(8,160)
Warrant reserve movement	11
At 31 July 2022	**(49,493)**
Loss for the year	(11,111)
Warrant reserve movement	-
As at 31 July 2023	**(60,604)**

The Company	£000
At 31 July 2021	**13**
Loss for the year	-
Warrant reserve movement	11
At 31 July 2022	**24**
Loss for the year	(3,810)
Warrant reserve movement	-
As at 31 July 2023	**(3,786)**

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
2023		
Balance at 1 August 2022	707	707
Depreciation charge for the year	(305)	(305)
Additions to right-of-use assets	-	-
Derecognition of right-of-use assets	(253)	(253)
Depreciation eliminated on derecognition of right-of-use assets	253	253
	402	**402**
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**

Amounts recognised in income statement

31 July 2023		
Interest on lease liabilities	24	24
	24	**24**
31 July 2022		
Interest on lease liabilities	12	12
	12	**12**

Amounts recognised in statement of cash flows

31 July 2023		
Lease payments	329	329
	329	**329**
31 July 2022		
Lease payments	229	229
	229	**229**

26. Commitments

At 31 July 2023, the Group had capital commitments amounting to £nil in respect of orders placed for capital expenditure (2022: £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 £6,532,000 at 31 July 2023 (£11,804,000 at 31 July 2022).

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 2023				
Trade receivables	31	-	31	-
Inter-company loan to subsidiary	-	-	-	62,206
Cash, cash equivalents and deposits	4,220	-	4,220	-
Trade and other payables*	-	(970)	(970)	-
Lease liabilities	-	(424)	(424)	-
	4,251	**(1,394)**	**2,857**	**62,206**
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**

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

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

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company and its subsidiaries. Other than Pounds Sterling (GBP), the currencies that sales and purchases most often arise in are US Dollars (USD) and Euros (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 2023 or at 31 July 2022 and the Group did not enter into any such contracts during 2023 or 2022.

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

	GBP	**USD**	**EUR**	**2023 Total**	**GBP**	**USD**	**EUR**	**2022 Total**
The Group	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash, cash equivalents and deposits	2,689	92	1,439	4,220	764	75	4,240	5,079
Trade receivables	31	-	-	31	5	-	2,519	2,524
Trade and other payables	(785)	(155)	(30)	(970)	(905)	(162)	(61)	(1,128)
	1,935	**(63)**	**1,409**	**3,281**	**(136)**	**(87)**	**6,698**	**6,475**

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	***Weakening***	***Strengthening***	***Weakening***
	£000	**£000**	**£000**	**£000**
31 July 2023				
EUR (10% movement)	157	(128)	157	(128)
USD (10% movement)	(7)	6	(7)	6
31 July 2022				
EUR (10% movement)	744	(601)	744	(601)
USD (10% movement)	(10)	8	(10)	8

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-Jul-23	**31-Jul-22**

The Group	Fixed rate £000	Floating rate £000	Total £000	Fixed rate £000	Floating rate £000	Total £000
Cash, cash equivalents and deposits	**-**	**4,220**	**4,220**	**-**	**5,079**	**5,079**
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 2023 based on contractual undiscounted payments including contractual interest.

2023	Less than one year £000	One to five years £000	Total £000
Financial liabilities			
Trade and other payables *	970	-	970
Lease liabilities	337	87	424
	1,307	**87**	**1,394**
2022			
Financial liabilities			
Trade and other payables *	1,128	-	1,128
Lease liabilities	305	424	729
	1,433	**424**	**1,857**

*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 (2022: no subscriptions).

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 (2022: £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 £62.2 million (2022: £56.8m). No repayments have been made in the year (2022: 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 (2022: none).

29. Compensation of key management personnel (including Directors)

	2023	2022
	£000	£000
Short-term employee benefits	1,667	1,331
Pension costs	222	165
Benefits in kind	12	3
Share-based payments	171	128
	2,072	**1,627**