C4XD

Harnessing the power of drug discovery

Novel small molecule medicines for immuno-inflammatory diseases

C4X Discovery Holdings PLC
Annual Report and Accounts 2023

Contents

Highlights

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

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

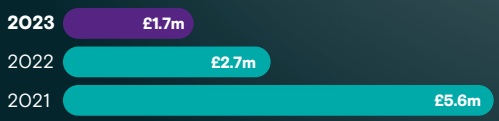
Financial highlights

- 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

Financial highlights

Revenue (£m)

£1.7m

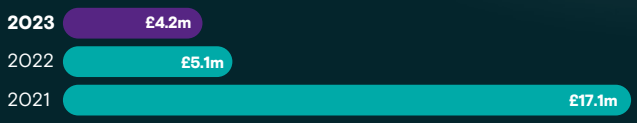


Delivering Value to Shareholders

Financial review on page 20

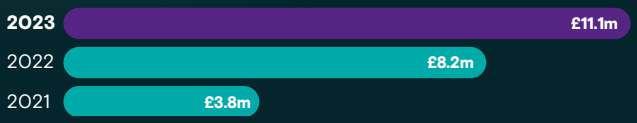
Net cash at year end (£m)

£4.2m



Loss for the year (£m)

£11.1m



Payment from Orexin-1 divestment

£15.95m

Strategic Report

"Through our unique approach to Drug Discovery, we are looking to develop the next generation of oral small molecule drugs with Best-in-Class and First-in-Class potential in immuno-inflammation"

Nick Ray PhD
Chief Scientific Officer

C4XD snapshot

Building a leading immuno-inflammation therapeutics company

Large target market in immuno-inflammatory diseases

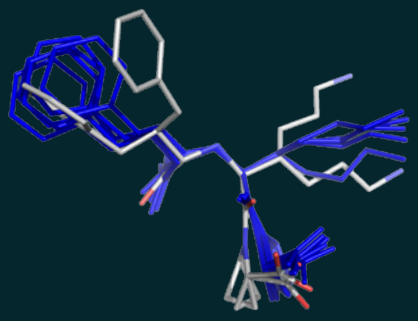
- Global anti-inflammatory market valued at US$ 104 billion in 2022 and projected to grow at 8.4% to reach US$ 233 billion by 2032[1]
- Well defined and growing market with critical unmet needs
- Established regulatory requirements

US$ 233bn

Global anti-inflammatory market projected to grow at 8.4% to reach US$ 233 billion by 2032[1]

Pioneering technology platforms to deliver the right medicines to the right patients

- Conformetrix applies cutting edge shape-based small molecule design with 4D visualiser
- PatientSeek uses genetic insights to enable identification of novel biomarkers to stratify patients for optimal clinical trial design and to support downstream companion diagnostics
- Network of expert partners to maximise data value from platforms and programmes



1. https://www.gminsights.com/industry-analysis/anti-inflammatory-drugs-market#:~:text=Anti%2Dinflammatory%20Drugs%20Industry%20Analysis,coupled%20with%20growing%20geriatric%20population.

High quality portfolio of internal and partnered programmes

- Safe and effective oral small molecules targeting validated targets
- Portfolio focused on immuno-inflammatory diseases with lead programme α4β7 integrin inhibitor for IBD
- Two partnered programmes with world leading pharmaceutical companies – Sanofi & AstraZeneca

AstraZeneca

sanofi

Robust balance sheet

- Post-period, payment of £15.95 million for the divestment of C4XD's Orexin-1 programme to Indivior
- Potential future milestone payments from Sanofi and AstraZeneca licensing deals
- Strong leadership team with big pharma, biotech and investment backgrounds
- Track record of proven delivery
- Virtual R&D model enables careful management of finances

£15.95m

Following divestment of Orexin-1 programme to Indivior

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."

Clive Dix
Executive Chairman & CEO

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 α4β7, has the potential to expand patient access to α4β7 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

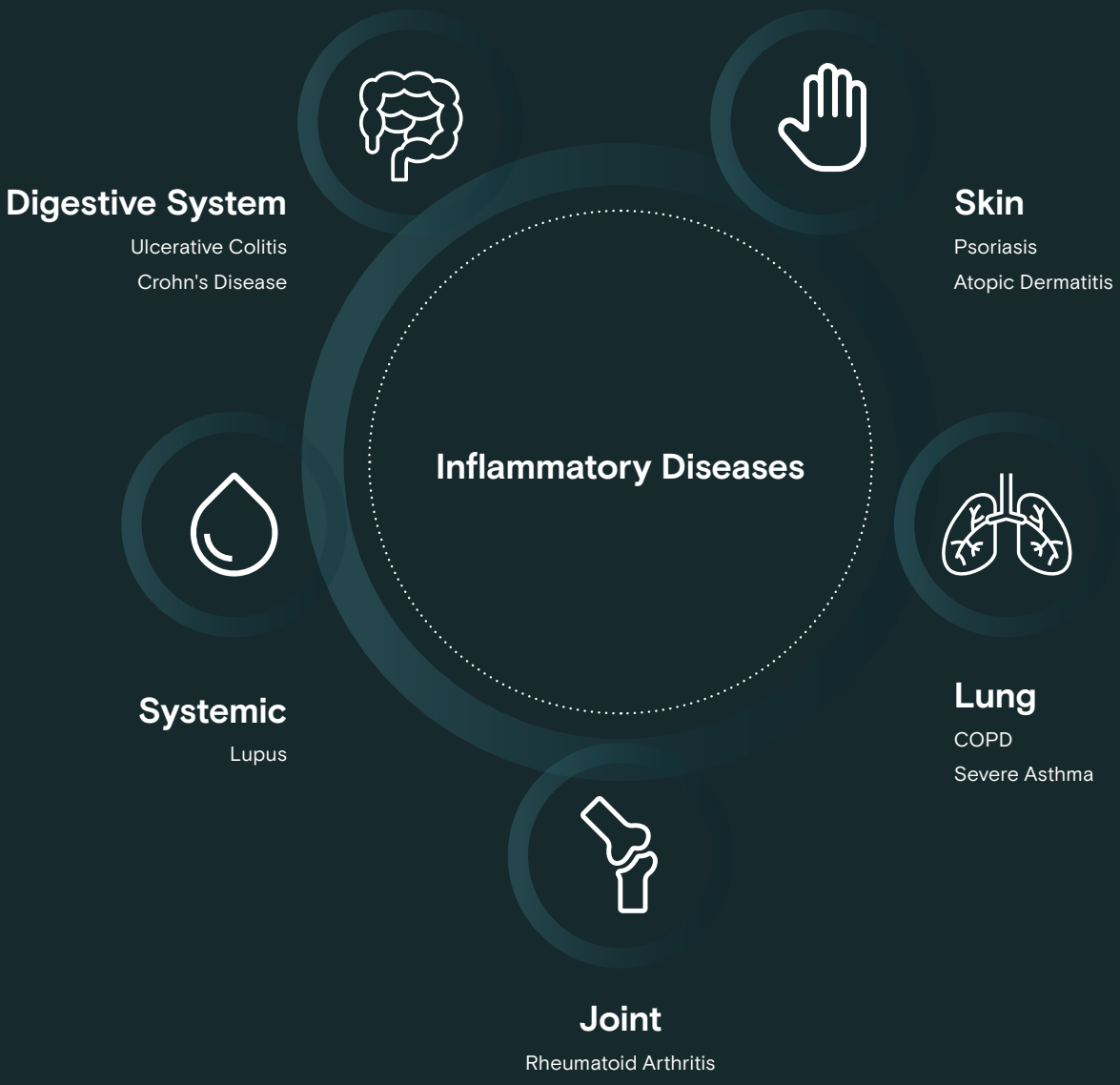
1. https://www.transparencymarketresearch.com/chronic-obstructive-pulmonary-disease-copd-treatment-market.html

Our Markets

What is immuno-inflammation

Inflammation is the normal biological protective response to tissue injury resulting from microbial infection, chemical irritants or mechanical damage. However, occasionally the immune system malfunctions and may begin producing antibodies that instead of fighting infection, attack and damage the body's own tissues.[1]

Inappropriate and poorly controlled inflammatory response can be extremely painful and debilitating, and in severe cases, fatal. With more than 100 disorders affecting a range of organs and tissues, immuno-inflammatory diseases affect around 4% of the world's population[2] and their burden is rising, with an estimated 3-9% increase in cases globally per year.[3]



Immuno-inflammatory diseases

The current situation
No Cure

There are currently no known cures for any immuno-inflammatory disorder. Current treatments help to reduce inflammation, relieve pain and slow down some disease progression by effective management of the disease. However, side-effects of current anti-inflammatory drugs include stomach ulcers, indigestion, weight gain, mood change, increased blood pressure and gastrointestinal bleeding, as well as more severe events such as heart attacks and stroke.[5]

The anti-inflammatory drugs market is currently divided into treatments using biologics, nonsteroidal anti-inflammatory drugs (NSAIDS), corticosteroids and other drug classes. Anti-inflammatory biologics accounted for 43.7% of the market share in 2022[5] but they have their limitations. In particular, they require self-injection or administration by IV infusion in a clinical setting, which is time consuming, inconvenient and may lead to adverse injection site reactions. Furthermore, they can be recognised as 'foreign' by the body's own immune system leading to the development of anti-drug antibodies which can reduce therapeutic effect.[6]

The need for safe and effective small molecules in immuno-inflammation
Oral medicine

Small-molecule drugs can be administered orally and pass through cell membranes to reach their biological targets with the ability to be adapted for specific traits. Understanding molecular interactions between small molecules and their targets is critical in drug discovery and requires an expertise in structural drug design. Several small molecule Janus kinases (JAKs) inhibitors have been approved in multiple indications but have a black box safety status and whilst TYK2's have a stronger safety record and have been approved in psoriasis, they have not shown broad applicability across indications, demonstrating there is clear opportunity for the development of safe, oral therapies.[7]

The Oral segment for immuno-inflammatory diseases is expected to grow at 9.2% CAGR by 2032 due to the rising demand for convenience and ease of accessibility.[5] C4XD is targeting small molecule therapies directed at a number of pathways, an approach we believe brings benefits to an expanded patient population, with improved safety, efficacy and convenience.

New dawn for precision medicine in immuno-inflammation
Unique to you

Precision medicine (also known as 'Personalised medicine') is defined by the FDA as "an innovative approach to tailoring disease prevention and treatment that takes into account differences in people's genes, environments and lifestyles". Utilising molecular (genetic, transcriptomic, proteomic and metabolomic) information enables identification of patient groups who would benefit from a specific treatment in contrast to the traditional "one size fits all" approach. In other medicinal fields such as oncology, the molecular profiling of tumours to identify targetable genetic mutations is now part of mainstream clinical practice.

Precision medicine in immuno-inflammation is in its infancy, although many Big Pharma organisations are implementing a precision medicine approach to a range of chronic inflammation indications.[9] While new biologic approaches have dramatically improved treatment outcomes for some patients, many experience sub-optimal results. For IBD patients, 10-40% do not respond to treatment at all[10] and up to 50% lose response in the first year[11]. Using a range of genetic and other 'omics' data, we aim to better understand the underlying disease biology and identify novel biomarkers that predict whether a small-molecule treatment will be effective for a specific patient. Understanding patient subgroups in complex disease has the potential to inform and de-risk clinical trial design, enable development of companion diagnostics and, through smarter clinical trial design, enable a speedier and more effective drug development pathway.

1. https://www.webmd.com/a-to-z-guides/autoimmune-diseases
2. National Stem Cell Foundation. Autoimmune Disease: https://nationalstemcellfoundation.org/glossary/autoimmune-disease/
3. The Guardian. Global spread of autoimmune disease blamed on western diet: https://www.theguardian.com/science/2022/jan/08/global-spread-of-autoimmune-disease-blamed-on-western-diet
4. Cleveland Clinic. Autoimmune Diseases: https://my.clevelandclinic.org/health/diseases/21624-autoimmune-diseases
5. https://www.gminsights.com/industry-analysis/anti-inflammatory-drugs-market#:~:text=Anti%2Dinflammatory%20Drugs%20Industry%20Analysis,coupled%20with%20growing%20geriatric%20population.
6. https://www.mednous.com/lasting-value-small-molecule-drugs
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8. https://onlinelibrary.wiley.com/doi/10.1111/exd.12265
9. https://www.astrazeneca.com/r-d/precision-medicine.html
10. Ben-Horin S, Kopylov U, Chowers Y. Optimizing anti-TNF treatments in inflammatory bowel disease. Autoimmun Rev. 2014;13(1):24-30
11. Papamichael K, Cheifetz AS. Therapeutic drug monitoring in inflammatory bowel disease: For every patient and every drug? Curr Opin Gastroenterol. 2019;35(4):302-10

Delivering in areas of high unmet need

C4XD Proven Expertise in >$100 billion Immuno-Inflammation Market

We aim to unlock greater value from C4XD's proven drug discovery engine and position the business for future growth. Our strategy is focused on identifying small-molecule treatments for immuno-inflammatory diseases with best-in-class and first-in-class potential.

Highly prevalent and increasingly common chronic diseases

5-9%

of the population live with autoimmune/immuno-inflamatory diseases[1-3]

12.5%

annual increase in autoimmune disease prevalance[4]

Substantial need to improve treatment standards

Biologics dominate current treatment options, despite cost, convenience and long-term efficacy limitations[5-12]

C4XD's proven capabilities

IL-17

sanofi

NRF2

AstraZeneca

C4XD's scientific expertise has generated highly competitive, clinically-relevant molecules in immuno-inflammation

1. NIH 2020, 2. The Autoimmune Association, 3. El-Gabalawy et al., JRheum 2010, 4. Miller Curr. Opin. Immunol. 2023, 5. GlobalData major immuno-inflammation markets in 2022, 6. Lin et al., Sci. Rep. 2018, 7. Roda et al., Clin. Transl. Gastroen. 2016, 8. Edward et al., Am J Gastroenterol. 2020, 9. Park et al., Inflamm. Bowel Dis. 2020, 10. Piragine et al., J Clin Med. 2022, 11. Ghezala et al., Pharmaceuticals 2021, 12. De Vera et al., Curr Rheumatol Rep . 2014

Our Path to Value

A rigorous approach to programme development and partnering

We continually analyse global industry trends in individual immuno-inflammatory diseases to understand the direction of travel, ensuring that our small molecule programmes are commercially attractive, targeting unmet industry and patient needs, and will benefit from the application of our Conformetrix and PatientSeek technologies.

Following programme initiation, we apply our discovery and translational expertise to generate high quality data packages. As programmes progress, we continuously review the emerging scientific and clinical data and identify critical inflection points to balance continued in-house development against potential partnership opportunities to ensure we crystalise maximum value for our shareholders.

Creating Next-Generation Immuno-inflammatory Therapeutics

C4XD's differentiated approach to Drug Discovery through our enhanced molecular design and patient stratification capabilities are used to generate small molecule drug candidates across multiple immuno-inflammation disease indications.

Revolutionary Molecular Design

Unique 'shape-in-solution' Conformetrix insights enable us to crack the toughest chemistry challenges

Our Drug Discovery experts design the right studies and build robust, clinic-ready data packages

Smart, Precision Medicine-enabled Clinical Development

Our Patientseek platform uncovers disease-relevant patient sub-groups and biomarkers to identify which patients are most likely to respond

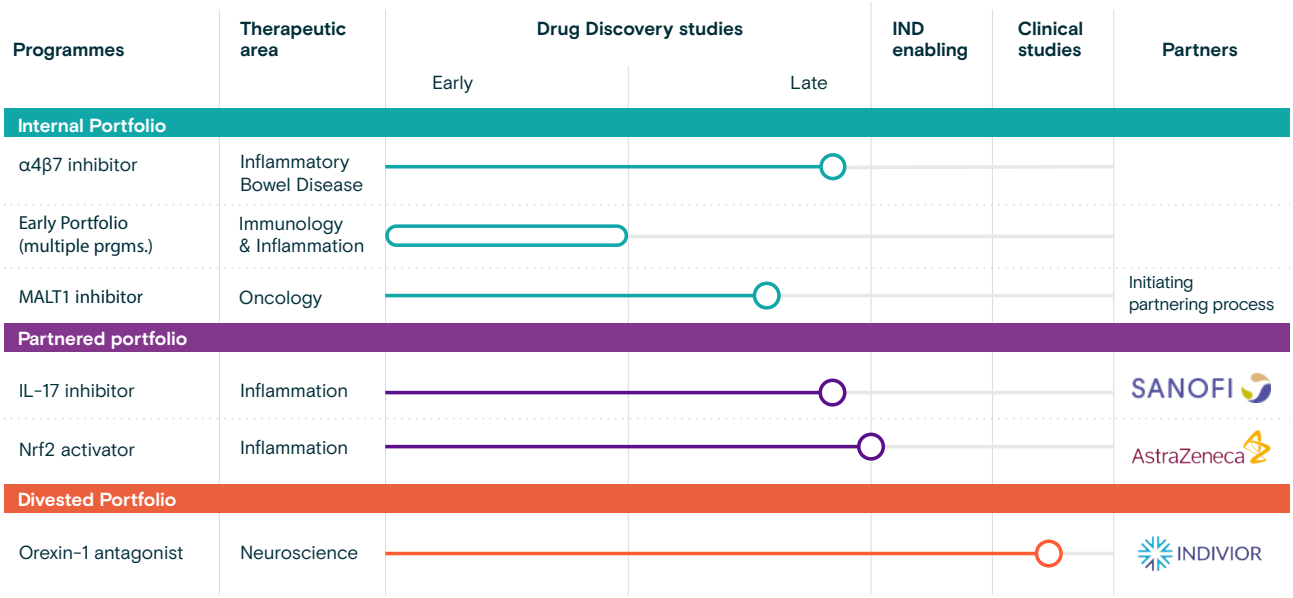
These insights will be applied to design smart clinical trials and companion diognostics which reduce clincial risk, support pricing and market access and deliver better outcomes for patients

Rigorous Target Selection

We select high value, validated targets which enable us to address an unmet patient need for safe and efficacious oral therapeutics

Portfolio Review

Streamlined portfolio focused on immuno-inflammatory diseases



As at 13 December 2023

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 α4β7 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.

Divested portfolio

Addictive disorders (Orexin-1 Antagonist)

Acquired by Indivior for £15.95 million

In July 2023, Indivior acquired the proprietary rights to C4XD's oral Orexin-1 receptor antagonist, C4X_3256 (INDV-2000) for substance use disorder, for £15.95 million. The completion of this non-dilutive strategic divestment forms part of C4XD's evolution towards becoming an immuno-inflammatory therapeutics company. The monies gained will be used to accelerate progress of C4XD's immuno-inflammatory portfolio.

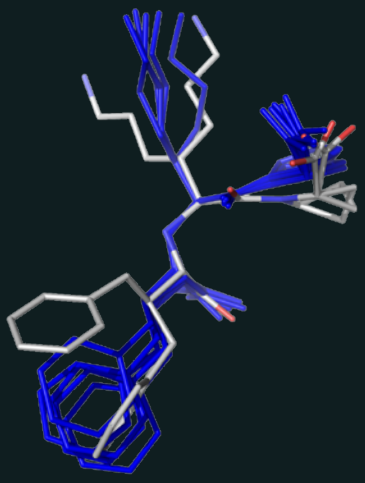
Our Technologies

Our Technologies

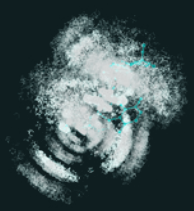
Our pioneering technologies allow us to develop novel oral small molecule medicines to treat patients across a range of immuno-inflammatory diseases.

Conformetrix & 4Sight

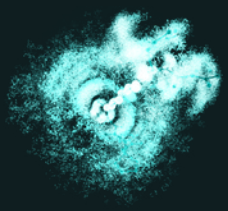
Conformetrix enables rational, accelerated 4D structural drug design using experimental data rather than theoretical data. Conformetrix provides C4XD's medicinal chemists with new and unprecedented insights into the behaviour of drug molecules to inform a more accurate molecule design that is better suited for the intended therapeutic target.



1. The 4D shape a drug molecule forms in solution determines important properties such as potency, selectivity, lipophilicity and solubility
2. Industry standard computational tools can predict shape but false positives and negatives often hide important insights
3. Conformetrix provides accurate 4D shape information based on experimental NMR data, interpreted via our revolutionary 4sight visualizer
4. Our experienced drug hunters use these insights to solve the toughest challenges in drug discovery



α4β7 integrin inhibitors



IL-17A inhibitors

MALT1 inhibitors

NRF2 activators

PATIENTSEEK precision medicine for all

Pinpointing the group of patients who will benefit most from a drug can lead to transformational benefits in the cost and time taken to bring the drug to market. PatientSeek, powered by Taxonomy3®, is C4XD's new platform for patient stratification to ensure the right drug is given to the right patient, based on their genetics and other 'omics' analyses, enabling the de-risking and acceleration of clinical trials and exploration of the pathways driving complex disease.

1. PatientSeek – Bringing Precision Medicine to Immuno-inflammatory Diseases

Despite the success of precision medicine in oncology, where over 55% of trials involve a precision medicine approach[1] and 64 drugs have approved companion diagnostics (CDx)[2], uptake in other disease areas has been slow.

However, this is changing. New technologies and improved datasets are unlocking the potential of precision medicine for complex diseases outside of oncology.

In 2023, C4XD launched its precision medicine platform PatientSeek to bring personalised approaches to immuno-inflammatory diseases.

2. What is PatientSeek?

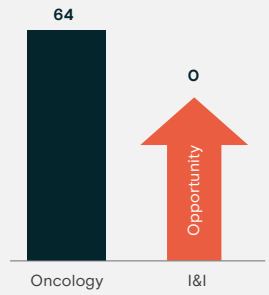
PatientSeek is a precision medicine platform which applies the unique mathematical approach of Taxonomy3® to analyse genetic and multi-modal datasets. It will enable us to identify novel biomarkers and clinically-relevant patient sub-groups and uncover the pathways driving disease. Our long-term goal is to develop diagnostic tools that can identify the patients most likely to respond to a given treatment across immuno-inflammatory diseases.

3. Validation in Parkinson's disease and application to immuno-inflammatory diseases

With our academic partners at Garvan Institute, we used PatientSeek sub-groups to stratify patients in a failed Phase 3 Parkinson's disease clinical trial and retrospectively identify the sub-group of patients that responded to the trial drug. This demonstrates the potential of these sub-groups to select the right patients for clinical trials and to inform development of companion diagnostics to guide prescription upon approval.

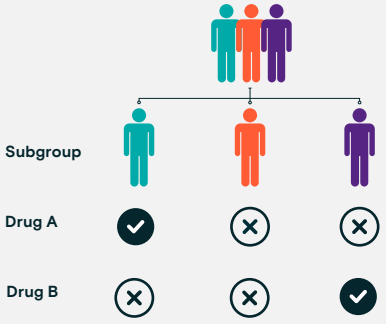
We have identified similar sub-groups in immuno-inflammatory diseases, including IBD and RA. We intend to validate these subgroups and apply them to support our development pipeline through the design of innovative and de-risked clinical trials, identifying rational combinations, and enabling the creation of companion diagnostics.

FDA approved CDx



20-50%

PatientSeek has identified genetic patient subgroups in neurodegenerative and inflammatory disease, which represent 20-50% of the overall population.



1. The Evolution of Biomarker use in Clinical trials for Cancer Treatments. Key Findings and Implications. Vadas, Bilodeau, and Oza. PMC (Personalized Medicine Coalition) and L.E.K consulting. 2020. Available at: https://www.personalizedmedicinecoalition.org/Userfiles/PMC-xCorporate/file/The_Evolution_of_Biomarker_Use_in_Clinical_Trials_for_Cancer_Treatments.pdf., 2. C4XD analysis of FDA website April 2023 https://www.fda.gov/medical-devices/in-vitro-diagnostics/list-cleared-or-approved-companion-diagnostic-devices-in-vitro-and-imaging-tools

Case study

α4β7 Integrin Inhibitor

What is α4β7 Integrin?

The α4β7 integrin is a white blood cell (leukocyte) homing receptor which enables T-cell trafficking to the gastrointestinal tract through its interaction with MAdCAM-1, an adhesion receptor expressed on the endothelium of the gut mucosa. Blocking α4β7 integrin prevents white blood cells from accumulating in the gut and reduces the pathological inflammatory response associated with IBD (crohn's disease and ulcerative colitis).

α4β7 inhibition is a proven mechanism for IBD

Current anti-α4β7 therapy is limited to Entyvio® (Vedolizumab), a monoclonal antibody approved for the treatment of ulcerative colitis and crohn's disease with a well validated mechanism of action. Since approval, vedolizumab has become the leading biologic prescribed in bio-naive IBD patients in the US. Over 265,000 patients have received vedolizumab, generating $5.2B sales globally in 2022.

However, Entyvio® treatment requires initial intravenous infusions and regular subcutaneous injections or infusions for maintenance that increase the barriers to long-term patient uptake of anti-α4β7 therapy.

What role would C4XD's α4β7 Inhibitor small molecule play?

An oral, small molecule can expand patient access to α4β7 inhibitor therapy with a de-risked path into clinical studies.

Why C4XD's α4β7 inhibitor?

C4XD's programme provides multiple opportunities to deliver a best-in-class small molecule candidate, differentiated from the current biologic therapies for IBD and with an improved profile compared to the oral inhibitors currently in clinical development. In addition, the PatientSeek platform provides the opportunity to develop a patient stratification approach for IBD enabling the identification of the patients most likely to respond to treatment.

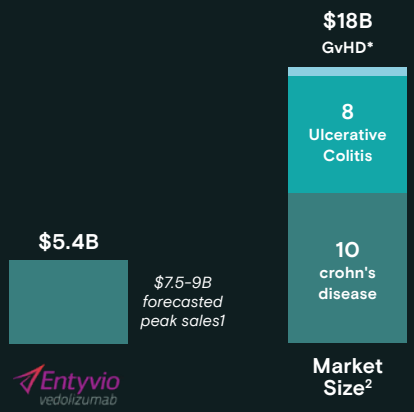
Known long-term efficacy and safety profile of α4β7 advantage over other small molecule targets in inflamatory bowel disease

Oral, small molecule advantages to improve and expand patient access beyond biologics

Established road map into clinical development

α4β7 Market Sales 2022[1,2]

(inflammatory bowel disease & GvHD)*



1. https://pubmed.ncbi.nlm.nih.gov/21047673/
2. Takeda Q2 2022 Financial Report, 2. GlobalData | *α4β7 therapy is in late-stage clinical development for GvHD

Q&A

Q&A with Neil Humphryes-Kirilov

Associate Director of Human Genomics

What is your role at C4XD? What does it incorporate?

As Associate Director of Human Genomics I am responsible for leading the Human Genomics team, focusing on precision medicine approaches to identify the right patients for our drug discovery projects. I oversee technical development and maintenance of C4XD's PatientSeek Platform, identify and access relevant patient cohort data, lead scientific projects, and find time to do hands-on bioinformatic analyses.

How did you come to work at C4XD and how has your role evolved since you first joined?

I came to work at C4XD as a Senior Bioinformatician from Eli Lilly in 2020. My initial role was to use bioinformatic tools to interpret the genetic results of Taxonomy3 analyses across disease areas and provide relevant insight to the biology team to assess potential novel drug targets. An aspect that was always highly intriguing during these analyses was the relevance of patient subgroups and stratification signals for different diseases.

Following a successful collaboration with Garvan Institute and the launch of PatientSeek, we now have the opportunity to understand these stratification signals in the context of disease progression and drug response and I am leading that team. It has been great to take on more of a leadership role, which has allowed us to advance our tech stack to work more efficiently with the focus on precision medicine.

What are the main challenges you face in your role?

The key challenge in my role is switching between multiple disciplines, including scientific data analysis, technical development, managing collaborations and identifying external opportunities and datasets. And communicating these varying aspects to multidisciplinary teams. Technology in the genomics space progresses very quickly, from data capture techniques to the latest AI/ML approaches and I need to keep up to date, decide which tools are most robust and stable, and not get distracted by the latest shiny new algorithm!

Why is working in Drug Discovery so challenging?

From my perspective, I think translatability is the most challenging aspect of drug discovery. The human body is incredibly complex and diverse, so taking a drug that works well on some cells or lab animals and applying it to a highly complex multifaceted human disease (that we only partly understand on a molecular level) in a population of diverse individuals, remains a huge challenge. Precision medicine can help this process by identifying individuals who are most likely to respond to the drug.

I also think current disease classifications are often not optimal for developing therapeutics. Many diseases are grouped based on pathologies observed decades ago. I think we should be looking to treat pathways and molecular phenotypes rather than broad disease terms.

Why do you like working at C4XD?

Working at C4XD allows me to be at the forefront of drug discovery, particularly with our focus on precision medicine, which will be critical as our understanding of complex diseases improves. One of the main reasons I have worked at C4XD longer than any other role in my career is because my growth and progression has been recognised and well supported. C4XD is good at recruiting diverse talent and experience from the industry, and this multidisciplinary workforce, combined with the size of the company provides a stimulating work environment, which exposes everyone to different perspectives, be it scientific, commercial or operational. C4XD is good at nurturing its employees with benefits, team building activities and a listening ear that is open to suggestions.

Who is your science hero and why?

My science heroes are those who have had to overcome adversity and oppression for their scientific voice and talent to shine through. Rosalind Franklin was an unsung hero, providing pivotal analysis for Watson and Crick to discover the structure of DNA. She overcame sexism in science but has only recently been recognised for her contributions. Alan Turing is another hero, basically inventing modern computing to help end WW2, but as a homosexual was marginalised by society and only recently are his crucial contributions and his horrific treatment by the British legal system being recognised. We still have a long way to go, but it's good to see science becoming a more inclusive industry.

What do you like to do to relax?

I'm not really the best at relaxing, so probably taking holidays is when I feel most relaxed or getting lost in a good book. But when I can't jump on a plane, my favourite activities for de-stressing would have to be yoga, running or singing with my choir.

What is your favourite film/ book/music, and why?

In the year of the Barbie movie, my favourite movies are those that challenge societal norms and provide visibility for underrepresented groups. My favourite movies over the past decade are Hidden Figures, Pride, and The Imitation Game. I like to feel like I'm learning something when I watch a movie.

Financial Review

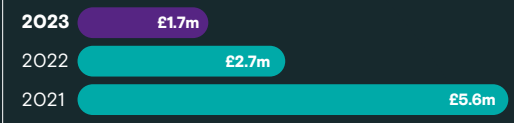
Strong investor support for new immuno-inflammation strategy

"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"

Brad Hoy
Chief Financial Officer

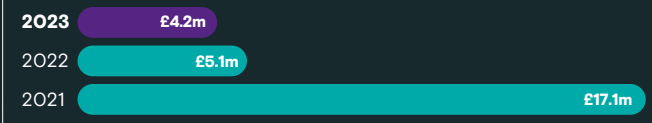
Revenue (£m)

£1.7m



Net cash at year end (£m)

£4.2m



Loss for the year (£m)

£11.1m

Payment from Orexin-1 divestment

£15.95m

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

Governance

"With an increasing trend for organisational leaders to hold accountability for a company's impact on the environment, society and governance (ESG), taking a passive approach isn't enough anymore. C4XD believes that ESG must be integrated into how the Company and Board carry out their activities, and these principles inform how we design and build new projects, operate our portfolio, collaborate with stakeholders and report progress"

Emma Blaney PhD

Chief Operating Officer

Board of Directors

Clive Dix PhD HonFBPhS

Executive Chairman & CEO

Clive has more than 30 years' experience through senior pharmaceutical industry positions and a degree and PhD in Pharmacology. His expertise includes an in-depth understanding of Drug Discovery and development, a broad knowledge of the science and commercial landscape across therapeutic areas and solid experience of the pharmaceutical business and finance community supporting the sector. Clive was Co-Founder and CEO of Convergence Pharmaceuticals Ltd, acquired by Biogen, and Co-Founder and CEO of PowderMed Ltd, acquired by Pfizer. Previously, he was SVP, Research and Development and a Board member of PowderJect Pharmaceuticals plc, acquired by Chiron Vaccines. Clive began his career in industry at Ciba-Geigy and GlaxoWellcome. Clive is currently on the Board of PHTA, the University of Birmingham's flagship research facility and Non-Executive Chairman of Kesmalea Therapeutics. He was Chairman of the BioIndustry Association and interim Chair of the UK Vaccines taskforce who oversaw the supply of one of the most successful COVID-19 vaccine rollout programmes in the world

Brad Hoy

Chief Financial Officer

Brad has more than 20 years' experience in the pharmaceutical and biotechnology industries and has held a number of senior financial and general management positions in both the UK and the US. Previously, Brad was Chief Financial Officer of Plethora Solutions Holdings plc, an AIM-listed specialty pharmaceutical company, Chief Executive Officer of Xcellsyz Limited, a UK venture capital-backed life science company, and Senior Director of Geron Corporation's stem cell-focused UK subsidiary. Brad was formerly a Non-Executive Director on the Board of Directors for e-Therapeutics plc.

Bhavna Hunjan

Chief Business Officer

Bhavna has spent 15 years in commercial and corporate roles, first as an investment banker at Lehman Brothers and Nomura International and then in corporate strategy at PwC and Cancer Research UK. In 2016, she was hired by C4XD to establish a team focused on business development, deal structuring and execution, commercial intelligence, financing, and strategic planning / M&A. Since then, Bhavna has led this team to execute a series of successful licensing deals and strategic partnerships, as well as driving business growth and capital raising as part of the Executive Management team. Bhavna has a first class Masters degree in Biochemistry from the University of Oxford. She was awarded a Rising Star in the Movers & Shakers in BioBusiness 2017, and also voted one of the 30 Rising Leaders in Life Sciences 2020 by In Vivo.

Alex Stevenson PhD

Non-Executive Director and Chair of the Nominations Committee

Alex began his career as a microbiologist, working in research for a number of years before joining an NYSE-quoted drug development company. He subsequently moved into pharmaceutical and healthcare investment and has fulfilled a number of board-level investment and operational management roles. He was a Director and shareholder in Aquarius Equity from 2008, where he was responsible for identifying new investments and developing and implementing scientific strategies both pre and post-investment. These included Tissue Regenix Group plc, C4X Discovery Holdings plc and Brabant Pharma (subsequently sold to Zogenix, Inc.). Alex joined the Board of C4XD as a Non-Executive Director following Aquarius' investment in the Company.

Natalie Walter

Non-Executive Director and Chair of the Remuneration Committee

Natalie is a corporate finance lawyer with more than 20 years of experience advising on international equity capital markets transactions in the healthcare sector. Natalie is currently Group General Counsel to Oxford Biomedica plc, a gene and cell therapy company. Prior to joining Oxford Biomedica, Natalie was an Equity Partner at Covington & Burling LLP advising Boards on a range of strategic, transactional and general corporate finance matters, with particular expertise in advising on deals in the life sciences sector. Prior to this, Natalie had been an Equity Partner at Morrison & Foerster LLP and had spent part of her career as a Director and Legal Counsel on the ECM desk at Lehman Brothers.

Mario Polywka DPhil

Non-Executive Director

Mario has more than 20 years' experience in leadership roles across the biotech industry with strong operational, commercial, strategic and drug discovery expertise. He was Chief Operating Officer of Evotec SE for 12 years, where he was involved with transactions worth more than $1.0 billion within Evotec and Oxford Asymmetry International, prior to becoming a Member of the Evotec Supervisory Board. Previously he was CEO and Chairman of Glycoform Limited, Chairman of Nanotether Discovery Sciences, and CEO of Southampton Polypeptides Limited. Mario holds a number of other Non-Executive Board Director positions in biotech companies including Exscientia, Forge, Blacksmith Medicines and Orbit Discovery. Mario studied chemistry at Oxford University, where he also completed a DPhil with Professor Steve Davies and a postdoc with the late Professor Sir Jack Baldwin. He is a Fellow of the Royal Society of Chemistry and has published a number of papers in leading publications.

Simon Harford

Non-Executive Director and Chair of the Audit Committee

Simon's career spans more than 35 years with significant financial and investor relations expertise in global pharmaceutical companies. Simon is currently CFO at Amicus Therapeutics, Inc, a NASDAQ-listed rare disease biotech and was previously CFO of Albireo Pharma Inc. a rare paediatric liver disease biotech until its sale to Ipsen. Prior to this, he was CFO of Parexel International Inc., a global clinical research organisation, which was acquired by private equity in 2017. Simon spent almost three decades in the pharmaceutical industry holding various financial leadership roles at GSK, including SVP Finance, Global Pharmaceuticals. During his tenure, he was responsible for finance in all pharmaceutical markets globally and was a member of the Global Pharmaceutical Operations Committee. Simon also held key financial management roles at Eli Lilly and Company including Vice President and Controller, CFO and Executive Director Finance for Europe, Middle East and Africa (EMEA) and led the global investor relations function as Executive Director of Investor Relations. He also received the Lilly, Chairman's Ovation Award 2004 for outstanding achievement to Lilly. Simon has an MBA from the Darden School of Business at the University of Virginia.

Principal risks and uncertainties

Understanding and managing risk

The Group remains committed to understanding, analysing and addressing risk and has developed a robust risk management framework to facilitate this process.

Risks are monitored and updated on a regular basis, together with appropriate controls and plans for mitigation. Conducting open and robust reviews ensures that mitigations remain appropriate, and activities continue to be aligned to the risk appetite agreed by the Board.

C4XD has strong corporate governance principles that focus specifically on risk management; the ability to understand and control risk enables the Group to be more confident in business decisions, enabling business objectives to be met.

The Board is ultimately responsible for the Group's internal controls, but the philosophy of risk management is embedded throughout every level of the business. The processes and procedures in place are designed to manage rather than eliminate risk and can therefore only provide a reasonable and not an absolute assurance against material misstatements or losses.

As with all businesses, the Group is affected by a number of risks and uncertainties, some of which are beyond our control. The table below highlights the principal risks and uncertainties which could impact the Group. This is not an exhaustive list and there may be risks and uncertainties of which the Board is not aware, or which are believed to be immaterial, which could have an adverse effect on the Group.

Executive Directors

Find the Board of Directors on pages 24 and 25

Implement the Board's policies on risk and control and provide assurance on compliance with these policies.

Support management and project teams to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place.

Audit Committee

Read about Audit Committee on page 39

Delegated responsibility from the Board to oversee the risk management processes and evaluate the effectiveness of the internal controls.

Assess the performance of the external auditor.

Board

Read about corporate governance from page 34

Overall responsibility for the Group's risk management.

Sets strategic objectives and risk appetite.

Accountable for the effectiveness of the Group's internal control and risk management processes.

Principal Risks and Uncertainties

Risk Category/Description	Management
SCIENTIFIC RISKS	
Drug Discovery success:	
The Group may fail to successfully identify viable drug candidates from our Drug Discovery programmes – potential drug candidates can fail due to a variety of reasons including lack of efficacy, potency, selectivity, insurmountable challenges in medicinal chemistry, or unacceptable safety/ toxicology results.	• Drug Discovery programmes are evaluated from both a commercial and a scientific perspective to ensure resource is only deployed when a robust business case exists • Our Conformetrix approach de-risks issues with potency, selectivity and off-target toxicology, or challenges in chemical ligand design. • Lack of efficacy or target-based toxicology can be mitigated by choosing preclinically or clinically validated targets • Surrogates for safety assessment are actively utilised as the programmes progress for early detection of unexpected specific risks • Programmes are actively assessed as they progress, and additional investment is only provided where this risk is low or has been overcome • Asset risk is diversified across the pipeline
Technology:	
C4XD's technologies may not enable its scientists to obtain the results required to generate meaningful value in its internal Drug Discovery programmes. The Group cannot guarantee in advance that its technologies will meet internal demands or those of its partners.	• The C4XD technical development team continues to develop and improve the Conformetrix technology in terms of functionality and efficiency of output • User focused work plans and training are implemented to embed workflows and maximise impact • The technical team have also made significant improvements to the PatientSeek platform to maximise security and stability and to facilitate integration with external platforms for data access and analysis • Initial data highlights subgroups exist in inflammatory diseases, giving confidence that stratification will be possible • The Group works closely with its collaborators and partners to ensure that the potential of C4XD's output continues to meet their expectations
Timing:	
It may take longer than anticipated for the Group's proprietary programmes to progress, and for the Group's technology to identify drug candidates that are commercially and technically attractive to pharmaceutical company collaborators.	• C4XD has established a project management process to ensure that projects are resourced appropriately to enable progression, and they are monitored and actively managed to try to avoid roadblocks • C4XD has developed a proactive commercial function to ensure that only programmes with sufficient commercial opportunity to warrant partner interest are initiated and executed • C4XD regularly takes part in multiple partnering conferences each year to present and discuss its Drug Discovery programmes to assess and confirm future customer interest. C4XD believes this strategy to be effective based upon the success of its Indivior, Sanofi and AstraZeneca partnered programmes and ongoing progress and commercial interest with its other programmes
Intellectual property:	
The success of C4XD depends in part upon the Group's ability to protect and defend its rights over current and future intellectual property in the form of products, processes or technologies. The Group may be unable to adequately protect itself from intellectual property infringement or effectively enforce its rights in certain jurisdictions.	• C4XD has developed a robust IP strategy which, to date, has provided adequate protection for its portfolio of technologies and discovery programmes. External IP counsel is sought when required. • Several patents have been filed during the year to protect the novel composition of matter on our key discovery programmes. • Trade secrets are introduced when relevant • The use of our technology platforms requires specialist expertise which would be difficult and time consuming for competitors to replicate • The external IP landscape is continually monitored, such that when new patents are published, the project teams can actively assess the relevance to ongoing projects.
FINANCIAL AND COMMERCIALISATION RISKS	
Cost management and access to future funds:	
The Group aims to execute revenue-generating deals, with subsequent milestone payments. There is a risk that partners will not reach these milestones and C4XD will not therefore receive further revenue payments. Reliance then falls on investors or potential M&A opportunities. General market trends, which are unrelated to our performance may have an adverse effect on our market capitalisation. Combined, the Group may not be able to raise sufficient capital to be able to achieve the strategic objectives.	• Proceeds of £15.95m in August 2023, from the asset purchase agreement with Indivior, provided sufficient capital to execute the immediate strategic objectives • The Group has prepared a detailed budget and performance forecasts covering several scenarios over a period covering >16 months from the date of the approval of these financial statements • Costs are carefully controlled across all activities to ensure the resources are deployed optimally to facilitate delivery of the commercial goals • We maintain close relationships with our principal and potential providers of finance and continue to review the need for additional or alternative funding. • An alliance manager is assigned to all out-licensed programmes to liaise with the partner and co-ordinate support and expertise from C4XD as required. • Partners are required to provide C4XD with regular reports summarising the progress and planned activities for the programme. The Executive Team reviews these reports to ensure that partners are using commercially reasonable efforts to progress C4XD programmes as required in the out-licensing agreement and regularly monitors any changes in the financial or strategic position of our partners

Risk Category/Description	Management
Market and competition:	
The scientific and technological sectors are fast growing, and external technological advances could overtake the technologies being developed by the Group. This could impact timings to clinic and displace the market opportunity for drug candidates discovered by the Group.	• C4XD has developed a proactive commercial function to monitor competition and develop strategies to mitigate competitive risk • C4XD reviews the commercial landscape to assess competitor technologies, and know-how and intellectual property are protected • Additionally, our experienced scientists monitor the state-of-the-art technology via conference attendance and literature reviews. C4XD believes this strategy to be effective, based upon its portfolio of competitive projects and technologies
Partnering Opportunities and Commercial delivery:	
Business resources may not be appropriately deployed, or strategies may be inadequately planned; failure to identify partnering opportunities leads to no additional revenue-generating deals.	• A strategic review is performed regularly to establish plans for revenue generation. • Performance is tracked against the plan and appropriate action is taken • Drug Discovery programmes are continually assessed for commercial appetite which is regularly reviewed at Executive and Board level • In addition, the commercial team actively works with the discovery teams to ensure full alignment. The business is focusing on the most impactful allocation of resources
OPERATIONAL RISKS	
Talent retention:	
C4XD has a high level of reliance on the skills and knowledge of its employees, many with considerable sector experience or specialist expertise, making them attractive to competitors and not easy to replace. Failure to attract and retain key personnel could potentially weaken the Group's operational or management capabilities or lead to knowledge and skills gaps reducing our ability to deliver projects, impacting the growth of the business.	• The Directors believe that the Executive Team is appropriately structured for the size of C4XD and is not overly dependent on any one individual • Recruitment processes are tailored to identify and attract the best candidates for specific roles, working with specialist recruitment consultants when relevant • Staff turnover is significantly below the industry average • A Total Rewards incentive plan is in place to ensure that the Group can attract and retain talent. This focuses on the culture, working environment and core values in C4XD, as well as development pathways and short, medium and long-term financial rewards • Team engagement is maximised through all staff meetings, feedback surveys Lunch-and-Learn sessions, and a focus on learning and development • We encourage hybrid working, providing all the necessary equipment and support to maximise cross-team collaboration when working face to face or virtually
Reliance on key suppliers:	
As a virtual drug discovery organisation, we work with various key suppliers who provide services and generate data for programmes. Loss of a key supplier could lead to delays or critical gaps in assay cascades, impairing decision making.	• Service providers are selected based on the needs of projects, and skill requirements • We have dedicated outsourcing coordinators, who develop strong relationships with our key suppliers, to ensure data quality, and that we have early visibility of any potential issues • We already work with numerous suppliers, and when appropriate we assess alternative providers, in order to minimise the risk of over-reliance on any particular supplier
Cybersecurity:	
Cyberattacks could threaten the integrity of our core technology or IP and lead to a misappropriation of our data. We hold significant amounts of confidential data relating to our programmes, commercial activities and financial transactions in electronic format, making it susceptible to being compromised through cyberattacks. The Group is increasingly exposed to cybersecurity risks as the profile of the Company increases, remote working increases and by the increasing sophistication of cyber criminals. Attacks could lead to reputational damage, financial losses, data loss or destruction.	• The Group has a comprehensive cybersecurity risk assessment in place, as well as an IT policy and IT disaster recovery plan to reduce business disruption in the event of a technological failure • A number of security measures have been implemented including use of anti-virus software, firewalls, two factor authentications, hardware encryption, file protections, an audit trail, incident logs and information asset registers • We ensure all business software remains up to date, scheduling regular system updates to provide additional in-built security • We have tightened controls around personal and mobile devices • Cybersecurity and Data Breach Training is provided to staff to ensure that they are aware of known risks • Security incidents and data breaches are reported to the Executive Committee and Board. There have been no breaches leading to loss of data or function during the year • All data is backed up with reinstatement tested • External penetration testing carried out to test our systems and highlight potential vulnerabilities, enabling remedial strategies to be implemented to enhance IT security and resilience
Data breach confidentiality:	
Confidential information may leak from the business. Threats arise not only from hackers, malware or known third parties, but can unfortunately also arise from employees, whether intentional or not.	• Significant IP and know-how are legally protected • Furthermore, confidentiality is explicitly detailed in employees' contracts, and trade secrets are introduced when relevant • Additional training is provided to staff to mitigate the risk of inadvertent data leaks

Risk Category/Description	Management
EXTERNAL FACTORS	
Pandemics, geopolitical and other worldwide events:	
There is an ongoing risk from extreme and unexpected global events affecting our ability to operate. For example, the COVID-19 pandemic; or the escalation of geopolitical events in Europe which could subject us to economic uncertainty. General inflationary pressures could negatively affect the Company's operations and financial performance.	• The Executive Team are keeping abreast of global events and economic conditions in the territories we operate to ensure risks are monitored accordingly • We have business interruption plans and disaster recover procedures in place • We maintain close working relationships with multiple service providers and are working with them to agree pricing structures which are fair to C4XD, without causing financial distress to the provider • Where appropriate, we have committed to longer term contracts to control longer term costs, whilst retaining appropriate break clauses to ensure flexibility to respond to the changing needs of programmes • We fully support hybrid working, enabling employees to balance their time in the office with home working. This has been positively received by a large majority of employees
Environmental Change:	

An emerging risk is environmental change, which is unlikely to impact the business in the near term but may potentially impact the ability of C4XD to achieve its strategic objectives in the medium-longer term.
The direct impacts could include the severity and frequency of adverse weather events, and the indirect impacts, e.g. higher energy costs, infrastructure funding, which are likely to become increasingly prevalent, as we transition to a low-carbon economy.
	• We have implemented an ESG policy highlighting the primary areas of focus from an environmental perspective (in concert with social and governance priorities)
	• Our goals have been set to:
	  ◦ Understand our environmental footprint
	  ◦ Reduce our environmental impact
	  ◦ Ensure our portfolio is resilient against climate related risks
	• A Sustainability Committee has been introduced to investigate various initiatives for the Company, focusing on waste management, sustainable procurement, travel, energy use and volunteering. For example, we have introduced a cycle to work scheme, amended our travel policy, to encourage trains rather than flights, and are transitioning to cloud computing
	• We strive to work with suppliers to manage sustainability aspects in their operations and to continually improve their sustainability performance. This could involve an increased focus on green chemistry or looking to implement ISO 50001 certified Energy Management Systems

Section 172(1) Companies Act 2006

The Directors confirm that they have acted in good faith in the way they consider what would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they have considered, among other matters, those set out in section 172(1) (a) to (f) of the Companies Act 2006: the likely consequences of any decision in the long term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customers and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly between members of the Company. This statement applies equally to the Directors individually and when acting collectively as the Board.

The Directors have considered points a to f:

a) the interests of the Company's employees;

b) the need to foster the Company's business relationships with suppliers, customers and others;

c) the impact of the Company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly between members of the Company.

For further information, see page 34 of the Corporate Governance Report which considers of each of the points above in greater detail.

By order of the Board

Brad Hoy
Chief Financial Officer
13 December 2023

Clive Dix
Executive Chairman & CEO
13 December 2023

Stakeholder Engagement

Stakeholder Engagement

Partners

Partners play a key role in the development, growth and commercial strategy of our business.

We pursue strategic collaborations that allow us to access the right technologies, data and resources to efficiently propel our drug discovery programmes forward. Alongside our internal programmes, we engage with partners who have complementary capabilities, aiming to identify and optimise chemical matter for high value targets to expand our portfolio through risk-share arrangements.

Once our programmes reach the licensing stage, our commercial team has a rigorous selection process to identify market-leading partners to license our programmes and progress them through clinical studies and beyond. It is therefore important to continually build and strengthen our industry network to access these partnerships at the appropriate time.

- Attendance of Industry events by both the scientific and commercial teams
- Promoting C4XD through our Drug Discovery Network
- All employees play an important role as ambassadors
- Alliance Management to ensure intellectual exchange and informed decision making
- Agreements detailing clear workplans and deliverables

Shareholders

Shareholder support is critical to the success of our business.

It is important to provide shareholders with a strong understanding of what we do at C4XD and where we are going, to garner their confidence in both our vision and management. It is this belief in our business that will provide the future investment we need to deliver value through our portfolio of partnered and internal programmes.

We aim to communicate regularly with our shareholders, ensuring that content is clear, fair and accurate. The Board values two-way communication to enable us to provide updates on the Company's progress and strategy, but also to listen to the views of shareholders and to understand their needs and expectations.

- Annual & interim financial disclosures
- Key industry conferences and events
- Direct interactions (meetings, phone, email)
- Annual General meeting
- Non-deal roadshows and periodic investor days
- Business updates, press releases and social media
- Proactive Investor interviews

Service Providers

As a virtual Drug Discovery organisation, we need to build strong relationships with world-leading external organisations to access experimental capabilities, including synthetic chemistry and bioscience, to progress our Drug Discovery programmes.

We are diligent in selecting the most appropriate service provider for each project, from small specialist companies to large multinationals offering integrated services. We invest internally in outsourcing management, to optimise delivery, communication and efficiency, seeking input where required to make effective data-driven decisions. These relationships are critical to enable the generation of high-quality data packages that ensure our Drug Discovery portfolio attracts world-class partners for the development and commercialisation of new and innovative therapies.

- Outsourcing roadshows
- Understanding capabilities
- Selecting the right provider for the needs of each project
- Alignment of mission
- Regular meetings to build trust and ensure progress

People

The C4XD team are crucial to the successful delivery of our Drug Discovery programmes and we ensure the best working environment to allow them to thrive and succeed.

The Board is committed to maximising employee engagement, and regularly seeks their views on matters which affect them as employees. The Directors have the opportunity to know every individual, promoting an open and honest culture, so that each employee appreciates the role that they play in the success of the Company. C4XD actively engages its employees through a variety of formats.

- Open-door policy with direct access to key management
- Monthly all-staff meetings to inform employees of key information and progress
- Workshops and seminars to enhance understanding around our company strategy and values
- Staff engagement surveys to facilitate employee feedback
- Focus on learning and development, with provision of mentors
- Committees supporting wellbeing, sustainability and diversity & inclusion
- Teambuilding events and socials

Environmental, social and governance

Environmental, social and governance (ESG)

At C4XD, we strive to deliver exemplary ESG performance, providing a foundation for C4XD to deliver long-term, sustainable value creation. We have an ESG policy, highlighting key areas of focus, and we have empowered our committees in Health & Safety, Wellbeing, Sustainability and Diversity & Inclusion, to set priorities and optimise our performance in these areas.

Our priority areas include:

- Environmental Efforts: Energy & Emissions, Waste
- Procurement Practices / Supply Chain
- Ethics & Integrity
- Diversity & Inclusion
- Talent Attraction & Retention
- Executive Compensation
- Employee / Management Relations
- Community Impact & Engagement
- Strategic Direction
- Policy Influence
- Data Security
- Company Performance, News & Reporting
- Risk Management

Environmental

We have a responsibility to minimise our environmental impact and recognise that this is not just in the daily operations of our portfolio, but also through our entire supply chain.

Our goal is to:

- Understand our environmental footprint
- Reduce our environmental impact
- Ensure our portfolio is resilient against climate related risks

Our target areas focus on our use of resources, waste management, procurement, travel, energy use, volunteering and education.

Examples of our initiatives include:

- Reducing use of consumables and purchasing recycled and ethically sourced consumables as standard
- Water efficient fixtures and energy efficient lighting and appliances (where possible)
- Upgrading existing equipment and migration of on-premise servers to more energy efficient cloud computing services
- Recycling initiatives such as specialised computer recycling to prevent toxic substances entering landfill
- Travel policy that favours use of public transport, including season ticket loans
- Cycle to work scheme & upgrade of bike storage facilities
- Raising awareness through lunch and learn sessions

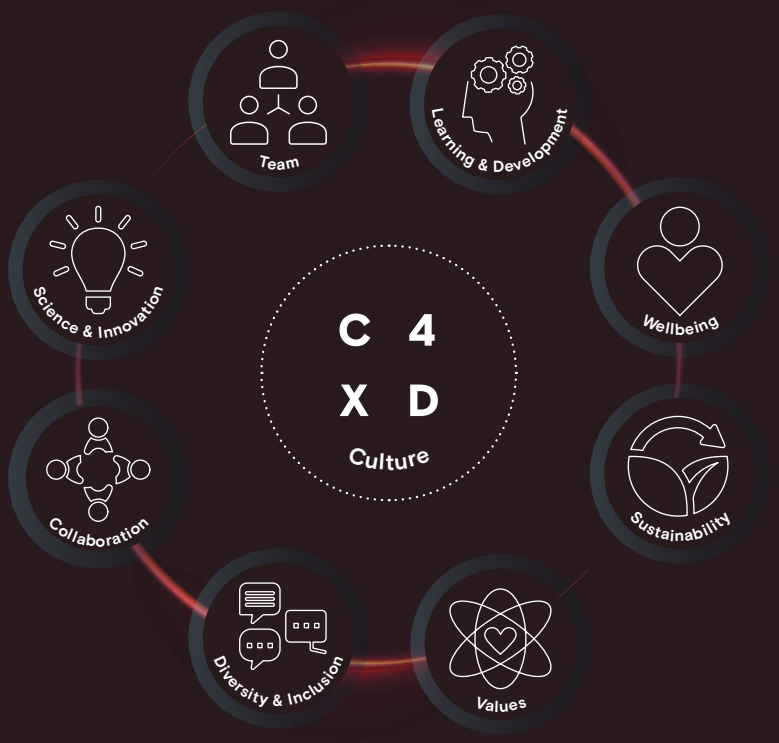
But we control only a small part of our total environmental footprint; therefore, it is critical that we engage both internal and external stakeholders to drive sustainable innovation and systematic change. We strive to engage key suppliers on sustainability, as averting a climate crisis and other environmental disasters requires large-scale transformation that we cannot achieve alone. We assess supplier and other third parties to understand what they are doing to be more sustainable and work with them to help manage sustainability aspects in their operations.

Simon Harford - Non-Executive Director and Chair of the Audit Committee

Social

We have a deep commitment to social responsibility, and aim to build a differentiated, inclusive and resilient team with a commitment to integrity and high performance. Salary inflation and access to niche skillsets within the UK provide risks, but we are committed to fair remuneration, development and engagement to retain employees.

We believe people are at the heart of our business and take pride in our outstanding work culture.



Rewarding with compelling incentives

We know that the first step in retaining the best talent is to create safe and inspiring workplaces where people feel valued. C4XD has a Total Rewards programme, which focuses on:

- Core Values
- Professional Development
- Financial Benefits
- Health and Wellbeing
- Added Extras
- Family Friendly benefits

In order to remain competitive and optimise staff retention we have enhanced this further with an increase to our holiday allowance (from 25 to 28 days), and the introduction of a volunteering day, to enable employees to take part in a community or charitable initiative.

Engagement and development

A number of mechanisms exist to optimise communication and engagement across the teams. These are highlighted on page 30.

In addition, we actively support employees to continually develop, so they can become experts in their area, driving excellence in science. We have a learning and development framework, focusing on coaching and mentoring, and hold regular Lunch and Learn sessions, with guest speakers where appropriate.

We proactively encourage hybrid working for our staff, empowering them to deliver exceptional innovation without compromising on their personal goals. This model has strong support across the Company, as it enables time together to collaborate or provide the guidance and support that we need for success, whilst retaining the flexibility, efficiency, and convenience of virtual working when appropriate.

Team building and socials

Teamwork and collaboration are central to our success, and to promote this, we hold periodic events focusing on different elements, but with a common purpose of bringing our teams together in a fun and relaxed setting. Events this year have included an Immuno-inflammation seminar, various workshops, a celebration dinner and the Christmas party.

Diversity and Inclusion

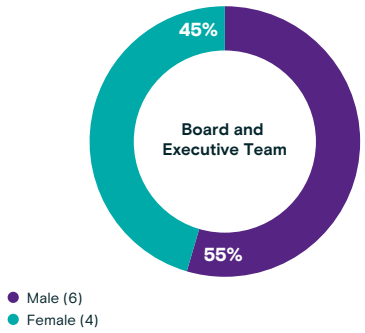
We embrace and value diversity in all its forms, whether gender, age, ethnicity or cultural background. Equal opportunity is integral to our recruitment process, as we aim to develop a community of diverse talent. We seek to maintain a positive workplace, free from discrimination and harassment.

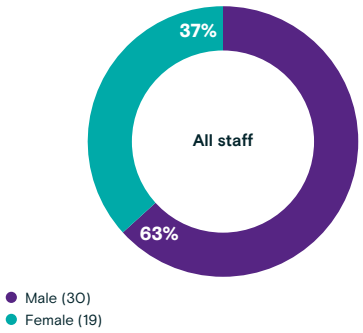
We champion pay equity and mutual respect, promoting an environment of fairness and equality. Our commitment to diversity and inclusion applies to the highest levels of the organisation, including at the board level, where we recognise that diversity strengthens board performance and promotes long-term shareholder value.

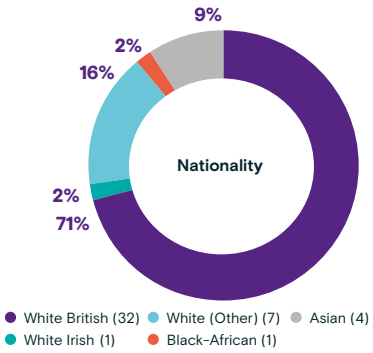
We have compiled information relating to gender: we have 38% female employees, which reflects the sector average.

C4XD has a lower proportion of staff from an ethnic minority group (<12%) compared to industry averages, and a recent survey highlighted that we have a relatively high proportion (~30%) of neurodiverse employees.

We have established a D&I committee, who has arranged an external training session in Neurodiversity and Unconscious Bias for the company, to raise awareness and provide support to managers and employees. This committee has also provided information about Women in Science, and delivered social events to celebrate Pride, including arranging LGBTQ+ tours in Manchester and London, and running an informative quiz. Running event such as this reinforces our inclusive culture and enables greater engagement from staff.







Wellbeing

We recognise the importance of creating a healthy working culture for our employees, and we aim to maintain positive physical and mental wellbeing through the provision of health focused services and events. We enable employees to access two contrasting health care plans and within the Company, we have dedicated Mental Health First Aiders, including mental health awareness training for all line managers. We encourage employees to participate in healthy activities including step challenges, photography, or encouragement to try something new. A healthier workforce facilitates focus and creativity, enabling the innovation and scientific progress that makes C4XD successful.

Communities

We may only be a small company, but we actively participate in our extended communities through volunteerism and philanthropy.

We have arranged specific Company engagement days, where we have volunteered within local schools and parks. Additionally, we encourage employee-initiated giving, to support charities close to the hearts of individuals, ranging from local charities to larger humanitarian efforts. In many cases C4XD has matched the funds raised to further increase the support that we can offer. In this way we can further strengthen our support for external communities and improve C4XD's role as a committed, responsible and compassionate company.

Governance

We view good governance as essential to creating value for our shareholders, and ensure our approach complies with all applicable laws, rules and regulations. We have a clear focus on Board performance, Risk Management, Data Protection (cyber security is a key risk) and Ethical values. Further details can be found on pages 26 to 29.

Our H&S procedures are clear and thorough, we have retained a 100% record in their sign off. Furthermore, we closely monitor and investigate H&S incidents and near misses with no items of concern highlighted.

We have similar procedures relating to data breach and security incidents, and in this area, we have seen an increase in threats. We have therefore carried out refresher training with all staff. We also commissioned an external company to run some penetration testing, to highlight any risks or vulnerabilities.

We work in a highly regulated industry, and in all areas, from IT and accounting to HR and Science we have set up a tracker to monitor changes in Laws and Regulations to ensure we keep up to date with any changes and can implement any modifications to our handbook or processes in a timely manner.

Our Directors and all employees, including senior management, are expected to conduct themselves in accordance with the highest moral and ethical standards. These values are captured in the Company handbook, the Total Rewards booklet, and the policies and working practices adopted by all employees in the Company.

Corporate governance statement

Corporate governance statement

C4XD's Directors believe that strong Corporate Governance is fundamental to the medium and long-term success of the business and have adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), to establish a robust and effective governance framework. The QCA Code identifies ten principles to be followed to enable companies to deliver growth in long-term shareholder value; the following link sets out how C4XD complies with these principles: Corporate Governance Section on website.

The Directors are responsible for ensuring that the strategy, operations, financial reporting and risk management are all underpinned by robust processes, and promote a culture of openness, transparency and responsibility throughout all levels of the organisation.

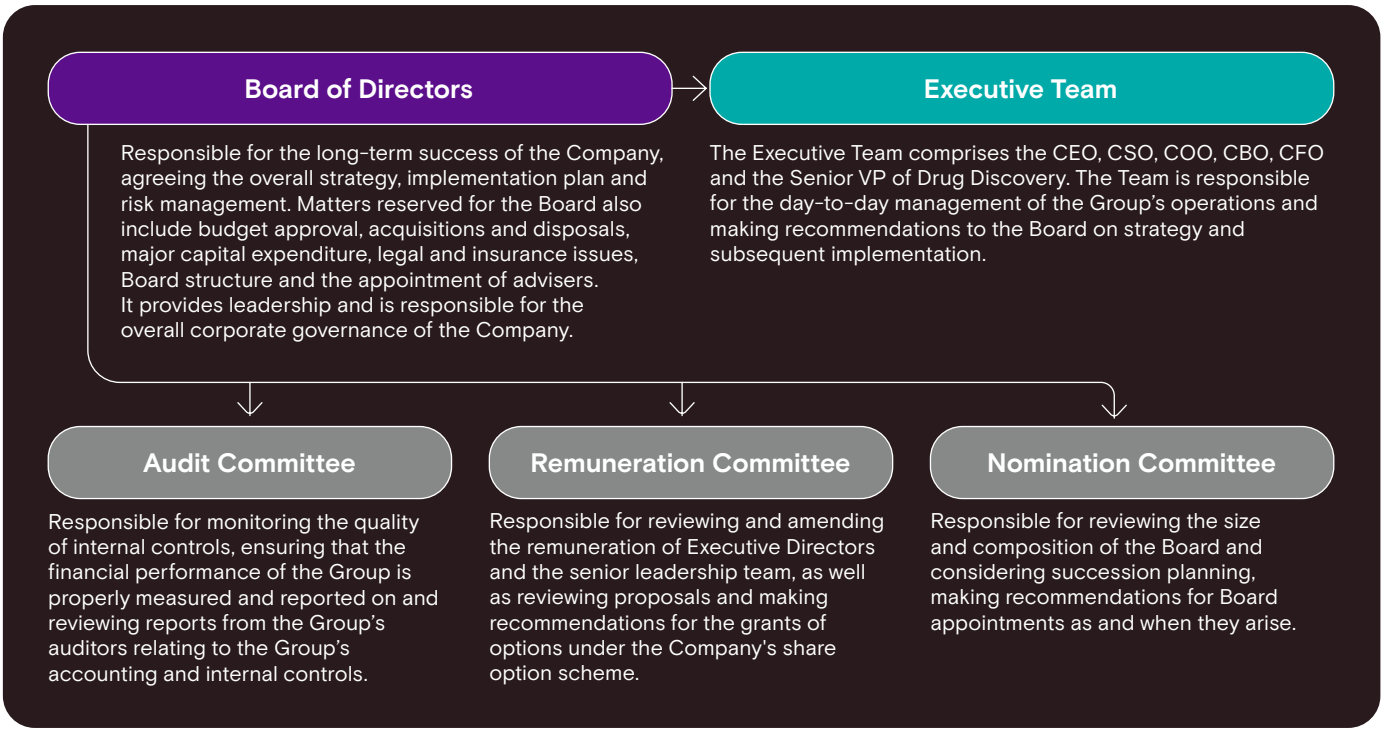
The Board

The Group is controlled through its Board of Directors, currently comprising the Executive Chairman & CEO, the Chief Financial Officer, the Chief Business Officer and four Non-Executive Directors. The names of the current Directors together with their biographical details, skills, experience and any other directorships are set out on pages 24 to 25.

The composition of the Board is regularly reviewed to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the C4XD and has the right composition to maintain positive momentum in driving the Company vision.

In June 2023, Eva-Lotta Allan stepped down as Chair, with Clive Dix (CEO) simultaneously becoming Interim Executive Chair, a move that considered appropriate for Company at its current stage of development by the Board and the Company's NOMAD. Additionally, Dr Nick Ray, Chief Scientific Officer and Dr Emma Blaney, Chief Operating Officer are members of the Executive Team and represent the scientific and operational functions at the Board meetings.

All Directors are subject to election by the shareholders at the general meeting immediately following their appointment to the Board and to re-election at intervals of not more than three years. The contracts of the Non-Executive Directors are available for inspection by shareholders at the AGM.




Alex Stevenson PhD - Non-Executive Director

Roles and responsibilities

The division of responsibilities is clearly defined:

The responsibility of the Chairman is to lead the Board in the determination of its strategy and in the achievement of its objectives, with responsibility for organising the business of the Board, ensuring its effectiveness, and setting its agenda. The Chair also facilitates the effective contribution of Non-Executive Directors and constructive relations between Executive and Non-Executive Directors. They also facilitate effective communication with shareholders.

The Chairman has overall responsibility for corporate governance matters in the Group and must set the highest standards of integrity.

Once the strategic and financial objectives of the Group have been agreed by the Board, it is the role of Clive, as Chief Executive Officer to ensure that they are achieved through the day-to-day management of the Group's business.

The Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The Company Secretary reports to the Board. The principal role of the Company Secretary is to liaise with the Group's legal advisers and registrars in connection with the maintenance of the statutory registers, the filing of statutory forms and financial statements, the provision of notice of meetings to members and the auditors, and the filing of copies of resolutions and agreements with the registrar. This role is fulfilled by the Chief Financial Officer.

Independence

The Board considers that all the Non-Executive Directors bring an independent judgement to bear. No Non-Executive Director has been an employee of the Group; has had a material business relationship with the Group; receives remuneration other than a Director's fee and share options, has close family ties with any of the Group's advisers, Directors or senior employees; or holds cross-directorships.

The Company has effective procedures in place to monitor and deal with conflicts of interest. Directors are required to complete a Register of Interests and notify the Board of any situation that could give rise to a conflict or potential conflict thereby compromising their independence and objectivity. Each member is required to disclose any such potential conflicts at the start of every meeting. Where a conflict arises, the Chair determines whether or not the Director can take part in the discussion or decision making. The Board is satisfied that potential conflicts have been effectively managed throughout the year.

Also under procedure, the Group has adopted a model code for Directors' dealings in securities of the Group which is appropriate for a company quoted on AIM. The Directors comply with Rule 21 of the AIM Rules relating to Directors' and applicable employees' dealings. All share purchases, sales and grant of options are disclosed in the Shareholding RNS releases and are published in the directors' remuneration report section of the Annual Report.

Professional development

On appointment, each Director takes part in an induction programme in which they receive comprehensive information about the Group, and the role of the Board and the matters reserved for its decision, the terms of reference and membership of the Board and Committees and the powers delegated to those Committees, the Group's corporate governance practices and procedures, including the powers reserved to the Group's most senior executives, and the latest financial information about the Group. Throughout their period in office the Directors are updated on the Group's business, the competitive environment in which it operates, corporate social responsibility matters and other changes affecting the Group and the industry it operates in as a whole.

The Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary for them to carry out their responsibilities. During this period, webinars have been attended aimed at Audit and Remuneration committee members and chairs, as well as those focused on corporate governance and risk for public companies.

Board Committees

In accordance with best practice, the Group has established Audit, Remuneration and Nomination Committees with written terms of reference for each which deal with their authorities and duties.

Audit Committee

The Audit Committee is chaired by Simon Harford with Natalie Walter as an additional member. The Committee normally meets at least twice a year and is responsible for reviewing and monitoring:

- The Annual Report and Accounts, preliminary and interim results, and statements of the Group:
  - the appropriateness of accounting policies and the critical judgements and estimates
  - the relevance of developments in accounting and reporting requirements
  - the effectiveness of internal controls and risk management systems
  - the auditor's plan for the year-end audit
- The formal engagement terms, performance, objectivity and independence of the external auditors, including the extent of non-audit work undertaken by the auditors
- The audit and non-audit fees of the external auditors. These are set out in note 5 to the financial statements

The Audit Committee reports to the Board on its activities and recommendations. The Committee has recommended to the Board that a resolution reappointing KPMG LLP as external auditors be put to the shareholders at the AGM.

C4XD prides itself on honesty, integrity and high professional standards, and a framework of internal policies and procedures has been established to clarify these standards. The Audit Committee is responsible for ensuring that any concerns raised through the Company's Whistleblowing Policy are followed up in an effective and timely manner, to address any areas where conduct or activities fall short of expectation.

Nomination Committee

The Nomination Committee is chaired by Alex Stevenson, with Mario Polywka as an additional member. The Committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Committee meets as required; other Directors may attend the meetings at the Committee's invitation and third-party advice may be sought where appropriate.

Succession planning is regarded by the Board as vitally important for the future success of the business. The Nomination Committee considers the balance of skills, knowledge and experience on the Board and makes recommendations for change where appropriate. The whole Board reviews the objective criteria against which potential candidates will be measured to ensure the Board composition remains diverse, appropriate and balanced.

Remuneration Committee

The Remuneration Committee comprises Natalie Walter, who is Chair of the Committee, and Mario Polywka. The Committee may invite anyone it deems appropriate to attend and advise at meetings. Meetings are held at least twice a year.

The Committee is responsible for establishing a formal and transparent procedure for developing policy on Executive remuneration and for setting the remuneration of the Directors and certain senior managers, as well as reviewing the performance of the Executive Directors of the Group. The Remuneration Committee takes into account the remuneration practices adopted in similar businesses and best practice in other AIM-listed businesses as well as in the general market.

The overall policy of the Board is to ensure that Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group, including, where appropriate, bonuses, pension contributions and the award of share options.

The Board as a whole is responsible for approving the recommendations made by the Remuneration Committee. No Director may be involved in any discussion relating to their own remuneration.

Board meetings

The Board meets at least five times a year, with Audit, Remuneration and Nomination Committee meetings being held as required.

The number of Board and Committee meetings attended by each of the Directors during the year is shown below.

	Full Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings in year	5	4	2	4
Executive Directors				
Clive Dix	5	-	-	-
Brad Hoy	5	4	-	-
Bhavna Hunjan	5	-		
Non-Executive Directors				
Eva-Lotta Allan*	4	-	1	-
Alex Stevenson	5	-	2	-
Natalie Walter	5	4	-	4
Simon Harford	5	4	-	-
Mario Polywka	4	-	1	4

*Eva-Lotta Allan stepped down as Non-Executive Chair on 20 June 2023

The Board is satisfied that both the Executive and Non-Executive Directors devote sufficient time to the Company's business through attendance at relevant Board and Committee meetings throughout the year.

The Board receives appropriate and timely information prior to each meeting, with a formal agenda and Board and Committee papers being distributed several days before meetings take place. From time to time, these papers are supplemented by information specifically requested by the Directors. Any Director may challenge Group proposals and decisions are taken democratically after discussion. Any Director who feels that a concern remains unresolved may ask for that concern to be noted in the minutes of the meeting. Any specific actions arising from such meetings are agreed by the Board and then followed up by management. Minutes of Board and Committee meetings are circulated to all Board members.

Performance evaluation

The Board has implemented a structured and rigorous process for the evaluation of its own performance, that of its Committees and individual Directors, including the Chair. A performance evaluation questionnaire is periodically completed by each member of the Board to explore whether: the Board is suitably equipped to explore strategic, financial performance, operational and governance matters; sufficient challenge is given to the Executive Directors in their leadership of the Company; and Board and Committee meetings are conducted and administrated effectively.

The Chair consolidates the responses, highlighting significant improvements or deteriorations in any area, leading to actions being agreed for any areas requiring improvement.

This year, as a result of feedback received, the Board members attended a Strategic Away Day, to not only build relationships and clarify roles and responsibilities, but also to review the corporate strategy and funding status. To supplement this, tools were introduced to increase visibility of the schedule of items to be reviewed by the Board.

Appraisals of the Executive Directors also takes place: the appraisal of the Chief Executive Officer was performed by the Chair, prior to Eva-Lotta Allen stepping down in June 23; and the appraisal of the other Executive Directors was performed by the Chief Executive Officer. The performance appraisals assess how effectively the Executive Directors are leading the organisation to deliver results in the short and longer term, considering their strategic planning, people management and relationships, financial management and conduct of business. The appraisals conclude by summarising the goals for the coming year, job-related strengths and plans to strengthen performance.

The Non-Executive Directors appraise the Chair's performance after consultation with the other Directors.

Internal controls and risk management

The Board has overall responsibility for the Group's system of internal controls, including reviewing the effectiveness of these controls and the processes in place for risk management. The role of the Executive Directors is to implement the Board's policies on risk and control and provide assurance on compliance with these policies.

Listed below are some key features of the internal control system:

i. Annual budgets and rolling forecasts are reviewed and approved by the Board;
ii. Monthly management accounts information is compared and reconciled with budgets;
iii. The Group has written operational, accounting and employment policies in place;
iv. The Board actively identifies and evaluates the risks inherent in the business and ensures that appropriate controls and procedures are in place to manage these risks;
v. The Group has well established financial reporting and approval systems and procedures which cover all key transactional processes and Group commitments; and
vi. The Group has a uniform system of investment appraisal

Details of the technical, product, market and operational risks of the business are disclosed in the Strategic Report.

Business risks are monitored and updated on a regular basis. Insurance is in place where appropriate, including Directors and Officers liability insurance for any claims against them in that capacity.

Details of the Group's financial risk management objectives and policies are disclosed in note 27 to the financial statements.

The Directors do not consider that the business is, at this time, significantly exposed to credit or interest risk and as such these risks are not considered to be material for an assessment of the assets, liabilities, financial position and results.

The Group seeks to manage liquidity by ensuring funds are available to meet foreseeable needs and to invest cash assets safely and profitably. The Group had cash and cash equivalents of £4.2 million at 31 July 2023 (2022: £5.1 million). Post-period, payment of £15.9 million was received from Indivior for the outright acquisition of Orexin-1 Receptor Antagonist Programme improving cash and cash equivalent balance of The Group. Cash deposits are spread across a range of financial institutions with investment grade credit status. Deposits are invested in a mixture of fixed-term and notice accounts. The Board approves all financial institutions before deposits are placed and regularly reviews the level of funds allocated to each institution.

Investor relations

The Board believes that maintaining regular and transparent dialogue with shareholders is important in order to ensure that there is a clear understanding of strategic objectives, financial and operational performance and governance of the Group.

The Chair and other Non-Executive Directors are available to shareholders to discuss strategy and governance issues at a shareholder's request. In accordance with AIM Rule 26, there is an Investors section on the Group's website, https://www.c4xdiscovery.com, which is kept up to date. Information is provided regarding our business, results and financial performance, investor news and copies of our Annual Reports and Accounts.

Annual General Meeting ("AGM")

The Board actively encourages participation at the AGM, which is the principal forum for dialogue with shareholders. The Notice of AGM and Form of Proxy are issued with the Annual Report and are made available on the Company website. At the AGM, separate resolutions will be proposed for each substantially different issue. The outcome of the voting on AGM resolutions is disclosed by means of an announcement on the London Stock Exchange.


Natalie Walter - Non-Executive Director

Audit Committee report

Statement by the Chair of the Audit Committee

On behalf of the Board, I am pleased to present our Audit Committee Report for the year ended 31 July 2023.

The Audit Committee is responsible for all aspects of the financial reporting of the business and has considered not only the financial integrity of financial reporting, but also how the activities of the company may impact internal controls and the procedures implemented to sufficiently mitigate risk.

Role and key responsibilities

Our role and primary responsibility as Committee members is to assist the Board by providing appropriate oversight of the Company's financial reporting, internal controls and risk framework.

The Audit Committee is responsible for monitoring the integrity of the Company's financial reporting and financial statements and any formal announcements relating to the Company's financial performance, including the appropriateness and application of accounting policies and areas of significant judgement and uncertainty.

Oversight of risk management and internal control is a focus of the Audit Committee, especially in the context of issues raised by our external Auditor, members of the Board or any employee under the whistleblowing policy. Details of principal risks and mitigations are shown on pages 27 to 29 of this Annual Report.

The Audit Committee manages the relationship between the Company and its external Auditor and reviews and makes recommendations to the Board, in relation to the appointment, re-appointment and removal of the Company's external auditor and the provision of non-audit services. The independence of the external Auditor is kept under review and is considered at least annually by the Audit Committee.

The Audit Committee reviews the fee proposals presented by the external Auditor and the scope of work is carefully reviewed to ensure that independence is not compromised.

Key matters considered in the year

The Audit Committee has a planned schedule of meetings in line with the Company's financial reporting calendar and met four times during the year.

The Audit Committee reviewed the re-appointment of KPMG LLP as the external Auditor and is satisfied with the independence, objectivity and effectiveness of the external Auditor and following this year's review of auditor staffing support and fees, the Audit Committee has not felt the need at this stage to propose retendering the audit contract. A resolution for re-appointment of KPMG LLP as the statutory Auditor will therefore be proposed at this year's Annual General Meeting.

The Audit Committee also reviewed the Audit fees for the Company for the year which amounted to £280,000 (2022: £250,000) and non-audit fees amounted to £23,000 (2022: £9,000) and were considered appropriate.

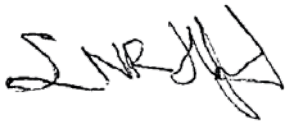
During the year, the Audit Committee also reviewed the interim results to 31 January 2023, as well as the audit planning strategy and process for the financial audit for the year ended 31 July 2023 including meeting with its external Audit to discuss audit scope. The Audit Committee also reviewed scenarios around cash forecasts as relates to the going concern analysis.

The Audit Committee monitored risks and the effectiveness of the Company's internal controls related to financial reporting. The Audit Committee believes that the internal controls and risk management framework are appropriate for the relative size and complexity of the Company's activities. No other formal recommendations have been made to the Board by the Audit Committee.

Audit Committee Members

The Audit Committee is chaired by me, Simon Harford. The other member is Natalie Walter. Both Natalie and I are considered independent, and my background of many years of financial experience in public companies in the healthcare industry is valuable for my role. Brad Hoy, CFO also attends all Audit Committee meetings.

The Audit Committee acts independently to ensure the interests of shareholders are protected in relation to financial reporting, internal controls and risk management.



Simon Harford
Chair of the Audit Committee
13 December, 2023

Director's Remuneration Report

Director's Remuneration Report

On behalf of the Board, I am pleased to present our Remuneration Committee Report for the year ended 31 July 2023.

Role and key responsibilities

The key role and primary responsibility of the Remuneration Committee is to determine and agree with the Board the framework and policy for the remuneration of the Company's Chair, the Executive Directors and senior managers, as well as reviewing the performance of the Executive Directors of the Group. The Remuneration Committee takes into account the remuneration practices adopted in similar businesses and best practice in other AIM-listed businesses as well as in the general market.

The overall policy of the Board is to ensure that Executive management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the Group, including, where appropriate, bonuses, pension contributions and the award of share options.

As a company listed on AIM, the Group is not required by the Companies Act 2006 to prepare a Directors' Remuneration Report. We have, however, provided certain information in relation to the remuneration policy of the Group in this report.

Basic annual salary

The Remuneration committee reviews the base salary annually. The review process takes into account several factors, including the current position and development of the Group, individual contributions and market salaries for comparable organisations.

Other taxable benefits

The Group provides an occupational pension scheme for employees, including Directors. The Group provides a private health insurance scheme for employees, including Executive Directors, as a benefit in kind, along with critical illness insurance.

The Group does not provide any other taxable benefits for Executive Directors.

Discretionary annual bonus

All Executive Directors and employees are eligible for a discretionary annual bonus. This takes into account individual contribution, business performance and technical and commercial progress, along with financial results. The Remuneration Committee undertook a detailed review of the bonus scheme during the year, implementing changes to the bonus scheme structure to align with market practice and to ensure the scheme effectively motivates and incentivises employees.

Discretionary share option schemes

The Remuneration Committee acknowledge the importance of properly incentivising employees and regularly discusses with the Board how best to motivate employees and retain key individuals.

All Directors and employees are eligible to receive discretionary share options to be granted in accordance with the Group's approved share option scheme. Details of the grants made under the scheme are provided in note 20 to the financial statements. Details of share option grants made to Directors are shown in the table on page 42.

Remuneration policy for Non-Executive Directors

Non-Executives receive a fixed fee and are eligible to receive pension payments or other benefits and to participate in the share option scheme at the discretion of the Remuneration Committee.

Letters of Appointment

Alex Stevenson (Non-Executive Director) entered into a letter of appointment with the Group on 17 October 2014. The appointment was for an initial period of three years from admission to the AIM market (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on six months' notice.

Natalie Walter (Non-Executive Director) entered into a letter of appointment with the Group on 4 July 2018. The appointment was for an initial period of three years (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on three months' notice.

Simon Harford (Non-Executive Director) entered into a letter of appointment with the Group on 20 April 2021. The appointment will continue for an initial period of three years (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on three months' notice.

Mario Polywka (Non-Executive Director) entered into a letter of appointment with the Group on 1 December 2021. The appointment will continue for an initial period of three years (subject to re-election by shareholders as required by the Articles) and is terminable by the Group in various specified circumstances and in any event by either party on three months' notice.

Eva-Lotta Allan (Non-Executive Chair) entered into a letter of appointment with the Group on 4 July 2018 and stepped down as Non-executive Chair on 20 June 2023.

Directors' shareholdings

Directors' interests in the shares of the Group, including family and beneficial interests, at 31 July 2023 were:

	Ordinary shares of 1p each			
	31 July 2023 Number	**31 July 2023 %**	31 July 2022 Number	31 July 2022 %
Eva-Lotta Allan*	**–**	**–**	–	–
Clive Dix	**1,588,920**	**0.63%**	1,588,920	0.69%
Brad Hoy	**–**	**–**	–	–
Alex Stevenson	**485,403**	**0.19%**	485,403	0.21%
Natalie Walter	**66,666**	**0.03%**	66,666	0.03%
Simon Harford	**–**	**–**	–	–
Mario Polywka	**–**	**–**	–	–
Bhavna Hunjan	**–**	**–**	–	–

*Eva-Lotta Allan stepped down as Non-Executive Chair on 20 June 2023

Directors' remuneration (audited information)

The remuneration of the Directors, who served on the Board of C4X Discovery Holdings plc during the year to 31 July 2023, is as follows.

Table 1	Base salary & fees £000	Other £000	Annual bonus £000	Pension costs £000	Benefits in kind £000	Gain on exercise of options £000	**Total £000**
Executive Directors							
Clive Dix	181	–	30	–	–	–	**211**
Brad Hoy	211	–	30	1	–	–	**242**
Bhavna Hunjan	152	–	30	34	2	–	**218**
Non-Executive Directors							
Eva-Lotta Allan*	97	–	–	1	–	–	**98**
Simon Harford	33	–	–	–	–	–	**33**
Mario Polywka	33	–	–	1	–	–	**34**
Alex Stevenson	33	–	–	1	–	–	**34**
Natalie Walter	33	–	–	1	–	–	**34**
	773	–	90	39	2	–	**904**

*Eva-Lotta Allan stepped down as Non-Executive Chair on 20 June 2023

31 July 2022 comparative

Table 2	Base salary & fees £000	Other £000	Annual bonus £000	Pension costs £000	Benefits in kind £000	Gain on exercise of options £000	**Total £000**
Executive Directors							
Clive Dix	169	–	18	–	–	–	**187**
Brad Hoy	184	–	18	1	–	–	**204**
Craig Fox	75	–	–	9	1	–	**85**
Bhavna Hunjan	97	–	11	13	1	–	**122**
Non-Executive Directors							
Eva-Lotta Allan*	82	–	–	1	–	–	**83**
Simon Harford	31	–	–	–	–	–	**31**
Mario Polywka	20	–	–	1	–	–	**21**
Alex Stevenson	31	–	–	1	–	–	**32**
Natalie Walter	31	–	–	1	–	–	**32**
	731	–	47	27	2	–	**807**

*Eva-Lotta Allan stepped down as Non-Executive Chair on 20 June 2023

Directors' share options (audited information)

Directors' interests in share options to acquire ordinary shares of 1 pence in the Group as at 31 July 2023 were:

Share options	Date granted	Exercise price	At 31 July 2022	Exercised during the year	Granted during the year	At 31 July 2023
Clive Dix	29 Nov 19	£0.16	250,000	-	-	**250,000**
	28 Jul 20	£0.16	195,000	-	-	**195,000**
	14 Dec 20	£0.20	200,000	-	-	**200,000**
	01 Feb 22	£0.36	200,000	-	-	**200,000**
Brad Hoy	29 Nov 19	£0.16	250,000	-	-	**250,000**
	28 Jul 20	£0.16	350,000	-	-	**350,000**
	14 Dec 20	£0.20	200,000	-	-	**200,000**
	01 Feb 22	£0.36	200,000	-	-	**200,000**
Bhavna Hunjan	29 Nov 19	£0.16	250,000	-	-	**250,000**
	28 Jul 20	£0.16	205,556	-	-	**205,556**
	14 Dec 20	£0.20	200,000	-	-	**200,000**
	01 Feb 22	£0.36	200,000	-	-	**200,000**

The options granted on 29 November 2019 are exercisable at any time between three years and 10 years of them being granted.

The options granted on 28 July 2020 are exercisable at any time between three years and 10 years of them being granted.

On 28 July 2020, a number of unexpired existing share options were cancelled and reissued to staff and Directors. The regrant brought the strike price of the share options into line with the current market price of the Company's shares and should now deliver a viable incentive and reward package to the employees and Directors of the Company.

The options granted on 14 December 2020 are exercisable at any time between three years and 10 years of them being granted.

The options granted on 1 February 2022 are exercisable at any time between three years and 10 years of them being granted.

The market price for C4XD shares as at 31 July 2023 was 20.2 pence per share; the highest and lowest prices during the year were 31.0 pence and 13.6 pence respectively.

No options were granted during the year below market value.

Remuneration Committee Members

The Remuneration Committee is chaired by me, Natalie Walter. The other member is Mario Polywka. Both Mario and I are considered independent. The Committee invites Board members and senior managers to attend and advise at meetings, as appropriate. The Board as a whole is responsible for approving the recommendations made by the Remuneration Committee although no Director may be involved in any discussion relating to their own remuneration

Natalie Walter
Chair of the Remuneration Committee
13 December 2023

Directors' report

Directors' report

The Directors present their report and the audited financial statements for the Group and parent company for the year ended 31 July 2023.

Financial instruments

Details of the Group's financial risk management objectives and policies are disclosed in note 27 to the financial statements.

Research and development

The principal activity of the Group is research and development through the identification, assessment and validation of Drug Discovery targets ahead of early commercial partnering or initiation of a C4XD Drug Discovery programme to develop a small molecule for future out-licensing. In addition, we work in collaboration with partners to access expertise and technologies complementary to our own. A review of which is included in the Chair's and CEO's Statements on pages 8 to 9.

Total research and development spend was £10,894,000 (2022: £9,426,000). No development expenditure was capitalised in the period (2022: £nil) for the reasons provided in note 3 to the accounts.

Dividends

The Directors do not recommend payment of an ordinary dividend (2022: £nil).

Share capital and funding

As at 31 July 2023 share capital comprised 252.1 million ordinary shares of 1p each (2022: 229.2 million ordinary shares), 2.0 million deferred shares of £1 each (2022: 2.0 million shares) and 96.8m warrants over ordinary shares of 1p each (2022: 96.8m). Full details of the Group's and Company's share capital movements during the period are given in note 19 to the financial statements.

Details of shares under option are provided in note 20 to the financial statements.

Directors and their interests

The following Directors held office throughout the year:

Ms Eva-Lotta Allan - resigned 19 June 2023
Dr Alex Stevenson
Ms Natalie Walter
Mr Simon Harford
Dr Clive Dix
Mr Brad Hoy
Dr Mario Polywka
Ms Bhavna Hunjan

Biographies of the Directors can be found on pages 24 to 25.

Details of Directors' remuneration and interests in the share capital of the Group are shown in the Directors' Remuneration Report on pages 40 to 42.

No Director had an interest in any contract that was significant in relation to the Group's business at any time during the year.

Directors are subject to re-election at intervals of not more than three years.

Directors' indemnity insurance

The Group has maintained insurance throughout the year for its Directors and Officers against the consequences of actions brought against them in relation to their duties for the Group. Such provision remains in force as at the date of approval of the Directors' Report.

Substantial shareholders

The Company is aware that the following had an interest in 3% or more of the issued ordinary share capital of the Company at 31 October 2023:

≈	31 Oct 2023 No. shares	%
Mr Richard I Griffiths (Guernsey)	55,670,073	22.07
Polar Capital (London)	45,000,000	17.84
Lombard Odier Asset Mgt (London)	43,597,662	17.29
Baillie Gifford & Co (Edinburgh)	21,495,228	8.52
Canaccord Genuity Wealth Mgt (Jersey)	11,446,031	4.54
Calculus Capital (London)	9,146,113	3.63

Donations

No charitable donations were made in the year (2022: £1,000). No political donations were made in the year (2022: £nil).

Employment policies

The Company handbook summarises the policies and working practices to be adopted by all employees in the Company. The Board is committed to providing a safe working environment and has a clear and robust Health and Safety Policy.

The Company also has a Whistleblowing Policy to allow staff to raise any concerns in confidence. Additionally, the Company has a broad set of policies including Bioethics, Data Processing, Anti-corruption and Bribery, Dignity at Work, Equality, Diversity and Inclusion, and Social Networking, which highlight the expected behaviours of staff.

The Group supports the employment of disabled people where possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

Clive Dix PhD – Chief Executive Officer

Going concern

The Chair's and CEO's Statements on pages 8 to 9 outline the business activities of the Group along with the factors which may affect its future development and performance. The Group's financial position is discussed in the Financial Review on pages 20 to 21 along with details of its cash flow and liquidity. Note 27 to the financial statements sets out the Group's financial risks and the management of those risks.

Having prepared management forecasts and made appropriate enquiries, the Directors are satisfied that the Group has adequate resources for the foreseeable future. Accordingly, they have continued to adopt the going concern basis in preparing the Group and Company financial statements. Please also refer to the disclosures made in Note 2.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that:

- so far as they are each aware there is no relevant audit information of which the Group's auditor is unaware; and
- each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 3 to 21.

Auditor

In accordance with Section 489 of the Companies Act 2006, ordinary resolutions to reappoint KPMG LLP as auditor and to authorise the Directors to agree its audit fee will be proposed at the forthcoming AGM.

AGM notice

The AGM of the Company will be held on 23 January 2024. The notice convening the AGM which will confirm the details of the AGM format, together with an explanation of the resolutions to be proposed at the meeting, is contained in the Notice of Annual General Meeting.

On behalf of the Board

Clive Dix
Chief Executive Officer
13 December 2023

C4X Discovery Holdings PLC
Manchester One
53 Portland Street
Manchester
M1 3LD

Statement of directors' responsibilities

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Responsibility statement of the directors in respect of the Annual Report and the financial statements

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Financial Statements

"Financial prudence is critical to the success of any company, and in particular, for smaller companies such as C4XD. We ensure our scientific work is risk-assessed, supported and funded in line with our strategy."

Brad Hoy
Chief Financial Officer

Independent auditor's report to the members of C4X Discovery Holdings plc

for the year ended 31 July 2023

1. Our opinion is unmodified

We have audited the financial statements of C4X Discovery Holdings plc ("the Company") for the year ended 31 July 2023 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, group and company statements of financial position, group and company cash flow statements, and the related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 July 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: group financial statements as a whole	£145,000 (2022: £120,000) 0.96% (2022: 0.91%) of total expenses	
Coverage	100% (2021: 100%) of group loss before tax	
Key audit matters	vs 2022	
Recurring risks	Going Concern	⇔
	Revenue recognition	⇔
	Recoverability of the parent company's investments in and loans to subsidiaries	↑

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2022).

	The risk	Our response
Going concern See Note 2 to the Group financial statements Refer to page 53 (financial disclosures)	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: • Potential delays in the receipt of milestone payments on partnered programmes, or the failure of these partnered programmes; and • The directors' ability to successfully take mitigating actions within their control, which includes but is not limited to a reduction in expenditure on certain discretionary research programmes to focus on commercialising later stage programmes. There are also less predictable but realistic second order impacts, such as ongoing economic uncertainty and associated inflationary pressures which could result in increases in operating expenses. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	We considered whether these risks could plausibly affect the liquidity in the going concern period by assessing the directors' sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of severe, but plausible, adverse effects that could arise from these risks individually and collectively. Our procedures included: • **Assessing transparency:** we assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing the risks and uncertainties specified in the disclosure against the findings from our evaluation of the directors' assessment of going concern. • **Key dependency assessment:** we assessed the Group's cash flow forecasts, including the timing and extent of the receipt of milestone payments, and the timing and extent of operating cost outflows. • **Test of detail:** we vouched income from the sale of proprietary rights after the year end to bank statements. • **Historical comparisons:** we considered the Group's historical forecasting accuracy by assessing actual performance against forecasts and evaluating the directors' explanations for variances between actual and forecast results. • **Sensitivity analysis:** we considered sensitivities over the level of available financial resources indicated by the Group's cash flow forecasts taking account of severe but plausible downside sensitivities that could arise including no milestone payments on partnered programmes and increases in operating expenses. • **Evaluating directors' intent:** we evaluated the achievability of the actions the directors consider they would take to improve the position should the risks materialise, which included reducing expenditure on certain discretionary research programmes to focus on commercialising later stage programmes, taking into account the extent to which the directors can control the timing and outcome of these. • **Our sector experience:** we critically assessed assumptions using our experience of the sector to challenge management's assumptions over the key inputs.

Independent auditor's report
Continued

	The risk	Our response
Revenue recognition (£1.7m; 2022: £2.7m) Refer to pages 54-55 and 62-63 (financial disclosures)	**Accounting treatment:** Revenue recognition for license agreements requires judgement due to the non-standard nature of the agreements. Judgement is required in assessing the implications of agreement terms, including the identification of distinct performance obligations; the determination of the transaction price; the allocation of the transaction price to each performance obligation; and consideration as to whether revenue should be recognised over time or at a point in time in relation to the appropriate revenue recognition policy. **Existence of revenue contracts:** Incentives and pressures to meet market and investor expectations in respect of programmes taken to partnering increases the risk of fraudulent revenue recognition. There is a specific risk in relation to the existence of revenue contracts, and the communication of future revenue potential for announced partnered programmes.	Our procedures included: • **Accounting analysis:** we read the key agreements and management's accounting analysis relating to the AstraZeneca and Indivior contracts, evaluating the Group's assessment of the contracts, including the determination of distinct performance obligations contained within the contract, the date on which these performance obligations were achieved, and the transaction price. • **Testing application:** we evaluated the application of the Group's revenue accounting policy through our testing over the revenue contracts. • **Test of detail:** we vouched cash consideration to bank statements. • **Assessing transparency:** we assessed the adequacy of the Group's disclosures in relation to the IFRS 15 contract revenue recognition accounting policies adopted. We performed the tests above rather than seeking to rely on any of the Company's controls because the small number of transactions meant that detailed testing is inherently the most effective means of obtaining audit evidence.
Parent Company: Recoverability of the Parent Company's investment in and loans to subsidiaries Loans to subsidiaries - £62.2m (2022: £56.8m) Investment in subsidiaries - £-m (2022: £3.3m) Refer to pages 55-56 and 68-69 (financial disclosures)	**Forecast based assessment:** The Parent Company's investment in and loans to subsidiaries are at significant risk of impairment as the Group is loss making. The estimated recoverable amount of the Parent Company's investment in subsidiaries uses a value in use model, which is subjective due to the inherent uncertainty in predicting future cash flows and estimation uncertainty in assessing an appropriate discount rate. The recoverable amount of loans to subsidiaries is determined using an expected credit loss model under IFRS 9 which takes into account the probability of default, exposure at default and the loss given default at the year end. The recoverability of the loan to subsidiary is subject to significant judgement. This is because the calculation takes into account estimated future cashflows and the probability of default on the loan. The effect of these matters is that, as part of our risk assessment, we determined that the expected credit loss for the Parent Company's loan receivable, and the valuation of the Parent Company's investment has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In conducting our final audit work, we concluded that the investment in subsidiaries was impaired in full. The financial statements (note 13) disclose the sensitivities estimated by the Company.	**Our procedures included:** • **Assessing methodology:** we obtained the discounted value in use cash flow model assessing the methodology, principles and integrity of the model. • **Benchmark assumptions**: we critically assessed the reasonableness of the key value in use cash flow model assumptions, such as the timing of future licence deals, probability of success, upfront and milestone payments, and the discount rate, with reference to external and internal evidence. • **Sensitivity analysis:** we performed sensitivity analysis over key assumptions within the impairment assessment, considering alternative scenarios. • **Assessing transparency:** we assessed the adequacy of the parent Company's disclosures in respect of the investment in and loans to subsidiaries. We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £145,000 (2022: £120,000), determined with reference to a benchmark of Group total expenses, of which it represents 0.96% (2022: 0.91%).

Materiality for the parent Company financial statements as a whole was set at £85,000 (2022: £70,000), determined with reference to a benchmark of Company total assets, of which it represents 0.1% (2022: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £108,000 (2022: £90,000) for the Group and £63,700 (2022: £52,500) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £7,250 (2022: £6,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

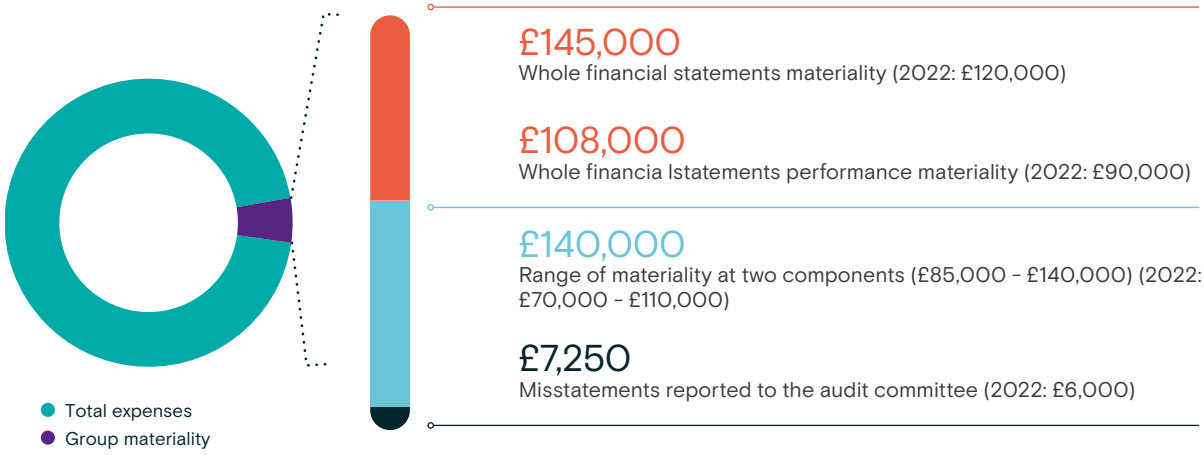
Of the Group's two (2022: two) reporting components, we subjected two (2022: two) to full scope audits for group purposes. All audit work was performed by the Group audit team.

Component materialities ranged from £85,000 to £140,000 (2022: £70,000 to £110,000), having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

Total expenses
£15.1m (2022: £13.2m)

Group materiality
£145,000 (2022: £120,000)



4. Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Independent auditor's report
Continued

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and audit committee as to the Group's policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board meeting minutes;
- Considering remuneration incentive schemes and performance targets for management; and
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- The risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements;
- The risk that revenue from contracts with customers does not exist.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on high risk criteria and comparing the identified entries to supporting documentation;
- Assessing significant accounting estimates for bias; and
- Inspecting contractual agreements and vouching cash consideration to bank statements.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection regulations, anti-bribery and corruption, employment law and certain aspects of company legislation recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 45, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Anna Barrell
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Birmingham
B4 6GH

13 December 2023

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.

The notes on pages 59 to 87 form an integral part of these financial statements.

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**

The notes on pages 59 to 87 form an integral part of these financial statements.

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**

The notes on pages 59 to 87 form an integral part of these financial statements.

Statements of Financial Position
at 31 July 2023

	Notes	31-Jul-23 Group £000	31-Jul-23 Company £000	31-Jul-22 Group £000	31-Jul-22 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.

The notes on pages 59 to 87 form an integral part of these financial statements.

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	-

The notes on pages 59 to 87 form an integral part of these financial statements.

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.

Notes to the Financial Statements
Continued

2. Basis of preparation – continued

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 £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.

Notes to the Financial Statements
Continued

2. Basis of preparation - continued

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.

Notes to the Financial Statements
Continued

3. Significant accounting policies – continued

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.

Notes to the Financial Statements
Continued

3. Significant accounting policies – continued

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.

Notes to the Financial Statements
Continued

3. Significant accounting policies – continued

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)	01 Jan 23
Definition of Accounting Estimates (Amendments to IAS 8)	01 Jan 23
Disclosure of Accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01 Jan 23
IFRS 17 Insurance Contracts	01 Jan 23
Amendments to IAS 1 Presentation of Financial Statements	01 Jan 24
International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)	01 Jan 23
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	01 Jan 24

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

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

	2023 £000	2022 £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 £000	Greater than 1 year £000	Total £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.

Notes to the Financial Statements
Continued

5. Operating loss

The Group	31 July 2023 £000	31 July 2022 £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:

The Group	31 July 2023 £000	31 July 2022 £000
Current income tax		
Research and development income tax credit receivable	**(2,305)**	(2,365)
Adjustment in respect of prior years	**–**	(9)
	(2,305)	(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:

The Group	31 July 2023 £000	31 July 2022 £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).

Notes to the Financial Statements
Continued

8. Income tax – continued

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 Cost	Office equipment, fixtures and fittings £000	Building improvements £000	Right-of-use assets £000	Total £000
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 Cost	Patents £000	IP assets £000	Software £000	Total £000
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 Cost	Purchased goodwill £000	Total £000
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").

Notes to the Financial Statements
Continued

12. Goodwill – continued

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 Cost	Investment in subsidiary £000	*Loans to group undertakings* *£000*	*Total* *£000*
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.

Notes to the Financial Statements
Continued

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
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**

Notes to the Financial Statements
Continued

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	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	**2,277**	**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.

Notes to the Financial Statements
Continued

20. Share-based payment reserve – continued

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**

Notes to the Financial Statements
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20. Share-based payment reserve – continued

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	0
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)**

Notes to the Financial Statements
Continued

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.

Notes to the Financial Statements
Continued

27. Financial risk management – continued

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:

The Group	**GBP £000**	**USD £000**	**EUR £000**	**2023 Total £000**	GBP £000	USD £000	EUR £000	2022 Total £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 £000	Weakening £000	Strengthening £000	Weakening £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 July 2023			31 July 2022		
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	Less than one year £000	One to five years £000	Total £000
Financial liabilities			
Trade and other payables*	1,128	-	1,128
Lease liabilities	305	424	729
	1,433	**424**	**1,857**

* 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 £000	2022 £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

Corporate Information

Directors

Dr C Dix (Executive Chairman & Chief Executive Officer)
Mr B Hoy (Chief Financial Officer)
Mrs B Hunjan (Chief Business Officer)
Dr A Stevenson (Non-Executive Director)
Ms N Walter (Non-Executive Director)
Mr S Harford (Non-Executive Director)
Dr M Polywka (Non-Executive Director)

Secretary

Mr B Hoy

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