Company number 09134041

C4X DISCOVERY HOLDINGS PLC

Annual report and accounts 2015

Directors

Dr C Dix	(Non-executive chairman)
Dr H Finch	(Non-executive director)
Mr P Morgan	(Chief executive officer)
Dr A Stevenson	(Non-executive director)
Dr S C Williams	(Non-executive director)

Secretary
Mr M Sullivan

Nominated Advisor and Broker
Zeus Capital Limited

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W1S 2YQ		M2 4WQ

Auditor
KPMG LLP
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M2 3AE

Legal Adviser
Schofield Sweeney
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Leeds
LS1 2AY

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FTI Consulting
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Registrar
Capita Registrars Limited
The Registry
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BR3 4TU

Registered Office
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M1 3LD

Website

www.c4xdiscovery.com

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S JOINT REVIEW

Overview

C4X Discovery Holdings plc ("the Company", "C4XD" or "the Group") is a drug discovery and development company with a unique platform that enables us to develop therapies to treat a wide range of diseases. We are currently working on proprietary programmes against certain targets to treat:

- addiction via Orexin-1 (Ox-1);
- Chronic Obstructive Pulmonary Disease (COPD) and inflammation via NRF-2;
- diabetes via GPR142 and GLP-1; and
- inflammation and autoimmune diseases via Interleukin 17 (IL-17)

all of which represent multi-billion dollar market opportunities and where there is substantial unmet medical need.

C4XD's proprietary platform enables it to generate better and safer drug candidates much faster and more affordably than is generally possible using conventional small molecule pharmaceutical industry approaches.

The C4XD platform is the only technology in the world that can generate accurate, experimentally-derived dynamic solution 3D structures of drug molecules in just a matter of days, helping to accelerate product development. Our conformational insights can be used in conjunction with existing technologies for rational drug design and can make a particularly high impact when protein crystallography for the drug target is not routinely available, as is the case for GPCRs (G-protein-coupled receptors, such as Orexin receptors) and ion channels.

Addiction

The treatment of addiction represents a substantial area of unmet medical need, forecast to be worth an estimated $13 billion per annum by 2018. C4XD's lead programme, targeting Orexin-1, could represent a major new method of treating addiction. We have patented a number of distinct chemical series, providing us with a lead programme and multiple follow-up programmes. We expect to file the application for our lead programme to enter clinical development by the end of 2016, and we continue development of other follow-up programmes. We believe this broad approach will underpin a substantial licensing transaction with a pharmaceutical company in the future.

The Orexin-1 receptor is of particular interest to the pharmaceutical industry for the development of treatments for stress-related addictive disorders (e.g. binge eating, alcohol, nicotine, cocaine and opiate addictions). However, to date no drug candidate that specifically targets Orexin-1 has progressed into clinical development, in large part due to the difficulty in identifying candidates that are specific only to Orexin-1. In particular, there is another receptor, Orexin-2, that appears to be structurally very similar to Orexin-1 but which has a very different biological function, and it has proved highly challenging to develop drug candidates which will target Orexin-1 selectively, without targeting Orexin-2.

C4XD's programme has identified multiple lead compounds with more than 1,000-fold selectivity for Orexin-1 over Orexin-2. From these we have selected a candidate drug which we have progressed into formal development. This represents a key step for the Company and we expect to file with regulatory authorities by the end of 2016 to enable clinical development.

Chronic Obstructive Pulmonary Disease (COPD)

COPD, an umbrella term for a group of progressive lung diseases including chronic bronchitis and emphysema (or smokers cough), is another area of substantial unmet medical need, and the market opportunity is estimated at $44-48 billion per annum.

The pathway targeted by C4XD, the NRF-2/Keap-1 protein complex ("NRF-2"), plays a significant role in COPD, and which also has other potential applications in areas such as Inflammatory Bowel Disease, Multiple Sclerosis, Rheumatoid Arthritis and Cancer.

C4XD has already developed some of the most potent compounds so far reported against NRF-2, based on searches of scientific literature. We expect to test our compounds in a disease model during 2015 and, if the results are encouraging, this programme could progress to clinical development over the next two years.

Diabetes

Diabetes is a large and growing market, estimated to be worth $50 billion per annum by 2016. Although current treatments exist, healthcare professionals would prefer more oral treatments to replace current therapies which require injection. Oral therapies offer the opportunity of lower cost, easier administration, and improved patient compliance. C4XD currently holds two separate grants from the UK's innovation agency, Innovate UK, to research new therapies to treat diabetes, targeting GPR142 and GLP-1 respectively.

GPR142, is a key factor in the production of insulin. Targeting GPR142 may stimulate insulin production in a glucose-dependent manner, avoiding the hypoglycaemia risk associated with existing diabetes therapies. GPR142 has recently become the focus of considerable research and patent activity within the pharma industry. Using its proprietary technology, C4XD has identified critical drug design principles, enabling us to generate potent, orally available compounds in just a few months.

GLP-1 is another important diabetes target. The market leader for GLP-1 agonists, Victoza®, achieved 2014 sales of $2.4 billion. However it is a monoclonal antibody which requires injection and is expensive to manufacture. C4XD believes there is a significant opportunity to develop a more convenient oral therapy.

Inflammation and autoimmune diseases

IL-17 is implicated in multiple inflammatory and autoimmune diseases and is the subject of numerous clinical studies. Current attempts to target IL-17 are largely based around monoclonal antibodies, which have the necessary size required to inhibit the IL-17/IL-17R engagement. Historically, identifying small molecules that specifically inhibit the IL-17 pathway has been extremely challenging, but our technology has identified small molecules that can selectively block the IL-17/IL-17R interaction with high potency. These are conventional, drug-like compounds, for oral and/or topical use, which would offer benefits over injectable therapies such as IL-17 antibodies. We aim to advance our IL-17 programme towards optimisation and in vivo validation over the coming months.

The first significant market to be targeted by IL-17 antibodies is psoriasis, which is estimated to be worth $6bn per annum. Other significant IL-17 market opportunities include psoriatic arthritis and ankylosing spondylitis, together estimated to be worth a further $6bn per annum.

Conformational Design Platform

C4XD's platform enables the accurate measurement of the shapes of small molecules in solution. This is particularly relevant for the shapes of small molecule drugs in the human body because we can mimic the actual bodily conditions at the site where the drug will act, including temperature, pH and other factors.

The ability to measure molecular shapes enables C4XD to better understand how the small molecule binds to the target protein. C4XD uses this to design novel shapes that may bind more effectively to make better, more potent lead molecules. C4XD can also learn which shapes risk binding to other proteins, which could give rise to off-target effects (side effects), and can design lead molecules to exclude these conformations, giving safer lead molecules.

The C4XD proprietary software analyses data from conventional Nuclear Magnetic Resonance ("NMR") equipment through proprietary software, including a patented algorithm, to provide the conformational information which can then be used to drive medicinal chemistry structural design. C4XD is the only company able to generate this level of experimentally derived conformational information, giving it an advantage in efficiently designing and optimising novel small molecule candidate drugs.

Collaborations

C4XD has collaborations with AstraZeneca, Evotec and Takeda which enable them to access our conformational approach for use in their own programmes. These relationships validate the power and utility of our technology platform.

After the year end, C4XD has also signed an agreement with the University of Oxford's Structural Genomics Consortium department ("SGC-Oxford"). SGC-Oxford is part of the Nuffield Department of Clinical Medicine and consists of around 100 scientists who collaborate widely with major pharma companies and the worldwide academic network, including several other University Departments, such as the Kennedy Institute of Rheumatology, the Botnar Research Centre and the Nuffield Department of Orthopaedics, Rheumatology and Musculoskeletal Sciences (NDORMS). These scientists combine world-class expertise in therapeutic target validation, protein expression, assay development and protein structural information. To date, SGC has been funded by the members of a consortium of major pharmaceutical companies and public health bodies, including Abbvie, Bayer, Boehringer Ingelheim, Johnson & Johnson, Merck, Novartis, Pfizer, Takeda and the Wellcome Trust, each of whom donates $8 million towards running costs.

Under the terms of the collaboration C4XD will be granted access to structural, biological and therapeutic information that SGC-Oxford holds in relation to various therapeutic targets and related assays, as well as initial 'hit' molecules that SGC-Oxford has identified against these targets. C4XD's expertise in ligand design will be used to complement SGC-Oxford's expertise in x-ray crystallography, screening and chemical biology in the identification of new and improved hit molecules against the SGC-Oxford targets.

Improvements made to SGC-Oxford's existing hit molecules will be the exclusive property of SGC-Oxford, which will make them freely available in line with SGC-Oxford policy, while new compounds independently identified by C4XD will belong to C4XD. There are no cash payments due under the collaboration.

Other applications

The C4XD platform can also be used to predict and control the different crystalline forms which small molecules are able to adopt. These different forms have different properties and these insights are valuable in the development of robust, consistent manufacturing processes for small molecule therapies which are administered in solid form; different crystalline forms often dissolve at different rates which alters the effective dosing for patients. Control and consistency of solid formulations is therefore an important part of pharmaceutical supply.

Management

C4XD has expanded its management team during the year adding expertise in biology, pre-clinical and clinical development, and Project Management. Dr Almond has informed the company that he has stepped down as CTO to pursue his full-time academic career at Manchester University and has resigned as Chief Technology Officer ("CTO") of the company with immediate effect; the company has entered into a consultancy agreement on arm's length terms with Dr Almond to secure continued access to his expertise in the future. Dr Charles Blundell has taken on the role of CTO, and is succeeded as CSO by Dr Craig Fox, who joined the company in June 2015. C4XD believes it has the right balance of skills to progress the business.

Outlook

C4XD has made significant progress since IPO and the business is well positioned to deliver future value for shareholders. In particular, the progression of the Orexin-1 programme has shown that the Company is able to generate candidate drugs for important clinical targets more efficiently than conventional approaches, with savings of up to 90%; part of this cost saving derives from the faster progress which can reduce the time required by up to 50%. The Company is well on the way to replicating this success in its other programmes with exciting progress announced since the year end in IL-17 for inflammation and autoimmune diseases, GPR142 for diabetes, and NRF-2 for COPD. The Company believes that these programmes have the potential to deliver significant returns to investors.

Clive Dix	**Piers Morgan**
Chairman	**Chief Executive Officer**

28 October 2015

FINANCIAL REVIEW
Results

Revenue for the twelve months ended 31 July 2015 amounted to £312,000 (2014: £619,000). These revenues are largely generated through collaborations with our partners. Grants secured are accounted for as a reduction in research and development (“R&D”) expenses.

R&D expenses were £3,159,000 for the year ended 31 July 2015 (2014: £1,180,000), reflecting the increase in activity and headcount following the successful move to AIM and the positive progress being made, particularly with our Orexin programme.

Administrative expenses were £904,000 for the year ended 31 July 2015 (2014: £636,000) reflecting, amongst other things, additional operating costs incurred by C4XD as an AIM listed company. The cost of issuing new share capital on the move to AIM, which amounted to £877,000, has been charged against the share premium account.

The loss after tax for the year ended 31 July 2015 was £3,064,000 or 10.77 pence per share (2014: £1,118,000 or 5.60 pence per share).

The Company had net assets at 31 July 2015 of £7,968,000 (2014: net liabilities of £1,333,000) and cash, cash equivalents short term investments and deposits of £7,485,000 (2014: £673,000).

C4XD expects to continue to increase its expenditure on research and development as its programmes, including the Orexin-1 programme, progress through further pre-clinical development during the subsequent years. The Orexin-1 programme has entered into formal pre-clinical safety and toxicity testing which is significantly more expensive than early stage discovery. C4XD expects to file for approval to commence clinical studies by the end of 2016; these subsequent studies in man will be more costly than pre-clinical work.

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

Piers Morgan
Chief Executive Officer

28 October 2015

STRATEGIC REPORT

Principal activity

The principal activity of C4XD during the year continued to be that of biotechnology.

Business model

A description of the group's activities and how it seeks to add value are included in the Chairman's and CEO's joint review on pages 3 to 6.

Review of the business and future developments

In parallel with its proprietary programmes, C4XD has generated modest revenue through collaborations with large pharmaceutical and research organisations. Grant income received by the Company is netted off against research and development expenses, and is not included within revenue.

Key performance indicators

The key performance indicators for the business in its current stage of development are the progression of the Company's proprietary pipeline projects through the relevant milestones, together with collaborations with industry partners and other major bodies.

In addition, the management of and control of cash balances is a priority for the group and this is budgeted and monitored closely to ensure that the Group maintains adequate liquid resources to meet financial commitments as they arise.

At this stage of its development, quantitative key performance indicators are not generally an effective way of measuring the Group's performance, although the Group's monitoring of cash and expenditure against budget is also measured against progress in its programmes. In addition a qualitative summary of performance is provided in the Chairman's and CEO's joint review.

Principal risks and uncertainties

The Company has successfully managed to reduce the inherent risk for the business by partnering with pharmaceutical companies and research organisations via collaboration agreements. The principal risks to achieving full commercialisation and to becoming cash generative are outlined as follows:

Technology

In common with other technology businesses developing new and innovative technical applications for the pharmaceutical sector, there is an inherent risk that C4XD's techniques do not enable its scientists to obtain the results required to generate meaningful value in its internal drug discovery programmes nor satisfy the needs of its customers. The Company cannot guarantee in advance that its technologies will meet either its internal demands or those of its partners. The Company works closely with its clients to ensure that C4XD continues to meet customer expectations. The C4XD Technical Development Team continues to improve the core technology in terms of functionality and efficiency of output.

Customers

C4XD's success is to some extent dependent upon how extensively the Company's techniques are adopted by customers into their drug discovery process, and at a price that generates an economic return. At the time of writing, C4XD had contracts with three major international pharmaceutical and drug-discovery companies. However, it is possible that these contracts are terminated and that C4XD is unable to find further customers to work with.

Principal risks and uncertainties (continued)

Timing

It may take longer than anticipated for the Group's proprietary programmes to progress.

It may take longer than anticipated for the Group's technology to meet customers' requirements. It might also take longer for customers to utilise the Company's technology.

Market and competition

Alternative competing technologies could emerge that might displace the market opportunity for the NMR-based technique in the drug discovery process.

Intellectual property

The success of C4XD's technology depends in part upon the Company's ability to protect and defend its rights over current and future intellectual property in the form of technologies, processes or products.

The Company may be unable to adequately protect itself from intellectual property infringement or effectively enforce its rights in certain jurisdictions.

C4XD has a core patent which covers its technology and this has been filed in a range of international territories. It is currently under examination in the US and Europe; it has been granted in Japan.

C4XD has filed a patent over the first of its proprietary pipeline programmes for the treatment of addiction.

Attraction and retention of key employees

Attracting, retaining and motivating suitable, high-calibre personnel is critical to the long-term success of C4XD's business. The Company aims to provide remuneration packages and working conditions that will attract and retain personnel of the required calibre. The Company awards share options to all key staff as a further way of retaining staff by allowing them to benefit from future improvements in the Company's value.

Funding

C4XD conducts scientific research and development, which is expensive. As at 31 July 2015, the Company had cash and cash equivalents of £7,485,000. On the basis of current projections and plans, the Company has sufficient funding for the next 12 months in order to continue realising its assets and discharging its liabilities in the normal course of business.

C4XD may accelerate certain activities if this will create additional value for its shareholders. This would require additional funding; in the unlikely event that such funding was not achieved, plans could be curtailed to ensure that the Company could meet all of its liabilities as they fall due over the next 12 months.

Therefore, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operation for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the financial information.

Clive Dix
Non-executive Chairman
28 October 2015

Piers Morgan
Chief Executive Officer

Directors' report

PROFILE OF THE DIRECTORS

Clive James Dix PhD – Non-executive Chairman

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

Other previous roles include: CEO of Convergence Pharmaceuticals Limited, which was acquired by Biogen in January 2015 for up to $675 million, Senior Vice President of Research and Development at PowderJect Pharmaceuticals plc, which was acquired by Chiron Corporation for £542 million in 2003, Chairman of the UK BioIndustry Association and Chairman of Auralis Limited (acquired by ViroPharma Inc).

Clive also serves as chairman of Calchan Limited, Crescendo Biologicals Limited and Touchlight Genetics Limited.

Piers John Morgan – Chief Executive Officer

Piers is an experienced European biotech executive, having held board level positions within various companies in the sector over the last 15 years. Prior to this, Piers spent 10 years working within the investment banking industry, both with Close Brothers Group plc and Ernst & Young, following qualification as a chartered accountant with PricewaterhouseCoopers.

Piers was the founding Chief Financial Officer at uniQure N.V., a world leading gene therapy company. Piers played a key role in uniQure's development, from its incorporation and in April 2012 the acquisition of Amsterdam Molecular Therapeutics's assets, in a transaction valued at €15 million. Subsequently, Piers oversaw uniQure's listing on NASDAQ in February 2014, with a market cap of $300 million.

Alexander James Stevenson PhD – Non-executive Director

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

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

Alex has been involved in a number of private and public companies, including Nanoco Group plc, Retroscreen Virology Group plc, Tissue Regenix Group plc and 4D Pharma plc which were all admitted to AIM, and Auralis Limited, which, after investment through Aquarius Equity Partners Limited, delivered a 7 fold return through its trade sale to ViroPharma Inc in 2010.

Directors' report

Harry Finch PhD – Non-executive Director

Harry has significant experience within the pharmaceutical industry, specialising in drug discovery and development.

Following attaining a PhD in organic chemistry, Harry worked at Ciba-Geigy AG (Now Novartis AG) and Roche Allen & Hanburys Limited, before joining GlaxoWellcome plc where he became director of chemistry. Most recently Harry was Senior Vice President of Therapeutics at Pulmagen Therapeutics LLP.

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

Samuel Cameron Williams PhD (Cantab) – Non-executive Director

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

Sam previously spent over a decade as an analyst in healthcare investment banking, during which time he was top rated for three years running (2004-06). He has a degree in Pure and Applied Biology from the University of Oxford and a PhD from the University of Cambridge.

Directors' report

The Directors present their report and the audited financial statements for the Group and parent company for the period ended 31 July 2015.

The Company was incorporated on 16 July 2014 as Schosween 24 Plc and on 13 October 2014 changed its name to C4X Discovery Holdings plc on its admission to AIM.

Financial instruments

Details of the Group's financial risk management objectives and policies are disclosed in note 24 to the financial statements.

Research and development

The principal activity of the group is research and development, a review of which is included in the Chairman's and CEO's joint review on pages 3 to 6.

Total research and development spend was £3,159,000 (2014: £1,180,000). No development expenditure was capitalised in the period (2014: £nil) for the reasons provided in note 3(f) to the accounts.

Dividends

The Directors do not recommend payment of an ordinary dividend (2014: £nil).

Share capital and funding

As at 31 July 2015 share capital comprised 31.0 million ordinary shares of 1p each (2014: 20.0 million ordinary shares) and 2.0 million deferred shares of £1 each (2014: 2.0 million shares), of which nil (2014: 1,069,625) ordinary shares remain unpaid. During the year, coinciding with its move to AIM, the Company issued 11.0 million ordinary shares for a consideration of £11,000,000.

Full details of the Group's and COMPANY's share capital movements during the period are given in note 18 to the financial statements.

Details of shares under option are provided in note 19 to the financial statements.

Directors and their interests

The following Directors held office throughout the year:

Dr Clive Dix	(appointed 3 September 2014)
Dr Harry Finch	(appointed 3 September 2014)
Piers Morgan	(appointed 3 September 2014)
Dr Alex Stevenson	(appointed 3 September 2014)
Dr Sam Williams	(appointed 3 September 2014)
Laurence Dale	(appointed 16 July 2014, resigned 3 September 2014)
Christopher Schofield	(appointed 16 July 2014, resigned 3 September 2014)

Biographies of the directors can be found on pages 10 to 11.

Details of Directors' remuneration and interests in the share capital of the Company are shown in the Directors' remuneration report on pages 15 to 18.

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

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

Directors' report

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 July 2015:

	Number of 1p ordinary shares at 31 July 2015	% of issued share capital
The Aquarius IV Fund LLP	4,864,375	15.7%
Mr Andrew Almond	3,010,000	9.7%
Mr Charles Douglas Blundell	3,010,000	9.7%
Aviva Life & Pensions UK limited	3,004,966	9.7%
Mr Andrew Black	2,500,000	8.1%
The Aquarius Origin Fund LLP	2,595,050	8.4%
Mr Samuel Cameron Williams	1,069,625	3.5%

Donations

No charitable or political donations were made in the year (2014: £nil).

Policy on payment of suppliers

It is the policy and normal practice of the group to make payments due to suppliers, in accordance with agreed terms and conditions, with payments being made generally in the month following receipt of invoice.

Employment policies

The group is committed to ensuring the health and safety of its employees in the workplace. This includes the provision of subsidised of private health insurance for employees who elect to take it.

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.

Corporate governance statement

The Group's statement on corporate governance can be found in the Corporate governance statement on pages 19 to 25.

Directors' report

Going concern

The Chairman's and CEO's joint review on pages 3 to 6 outlines 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 page 7 along with details of its cash flow and liquidity. Note 24 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.

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
- that each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

KPMG LLP was appointed as auditor of the Company during the period and has indicated it's willingness to continue in office.

Ordinary resolutions to re-appoint KPMG LLP as auditor and to authorise the Directors to agree their audit fee, will be proposed at the forthcoming annual general meeting.

Annual general meeting notice

The Annual General Meeting of the Company will be held on 8 December 2015, at 2:00pm, at the Company's headquarters at Manchester One, 53 Portland Street, Manchester, M1 3LD. The notice convening the AGM, together with an explanation of the resolutions to be proposed at the meeting, is contained in the Notice of Annual General Meeting on pages 62 to 70 of the annual report and accounts 2015.

On behalf of the Board

Piers Morgan

Chief Executive Officer

28 October 2015

Directors’ remuneration report

As a company listed on AIM, the Company is not required by the Companies Act 2006 to prepare a directors' remuneration report. The board has, however, provided certain information in relation to the remuneration policy of the Company as set out in this report.

Information not subject to audit

Remuneration committee

The remuneration committee comprises Harry Finch, who is chairman of the committee, Clive Dix and Alex Stevenson. The committee may invite anyone it deems appropriate to attend and advise at meetings.

The committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration of the directors and certain senior management, as well as to review the performance of the executive directors of the Company.

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, and the award of share options. 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.

There are three main elements to the remuneration packages for executive directors and senior management:

Basic annual salary

The base salary is reviewed annually at the beginning of each year. The review process is undertaken by the remuneration committee and 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 Company provides an occupational pension scheme for employees, including executive directors. The Company operates a voluntary, subsidised private health insurance scheme for employees, including executive directors.

The Company does not provide any other taxable benefits for executives.

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.

Discretionary share option schemes

All Directors and employees are eligible to receive discretionary share options to be granted in accordance with the Company’s approved share option scheme. Details of the grants made under the scheme are provided in note 19 to the financial statements. This takes into account the need to motivate and retain key individuals. Details of share option grants made to Directors are shown in the table below.

Directors' remuneration report

Information not subject to audit (continued)

Remuneration policy for non–executive directors

Non-executives receive a fixed fee and do not receive any pension payments or other benefits, but they do participate in the share option scheme at the discretion of the remuneration committee.

Service contracts

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

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

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

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

Directors' shareholdings

Directors' interests in the shares of the Company, including family and beneficial interests, at 31 July 2015 were:

	Ordinary shares of 1p each			
	31 July 2015 Number	31 July 2015 %	31 July 2014 Number	31 July 2014 %
Piers Morgan	30,000	0.10%	-	-
Dr Sam Williams	1,119,625	3.61%	1,069,625	5.35%
Dr Clive Dix	591,250	1.91%	591,250	2.96%
Dr Harry Finch	321,425	1.04%	321,425	1.61%
Alex Stevenson*	8,597,769	27.74%	485,403	2.43%

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

Directors' remuneration report

Information subject to audit

Directors' remuneration

The remuneration of the Directors, who served on the board of C4X Discovery Holdings plc during the year to 31 July 2015, is as follows:

	Base salary & fees £000	Annual bonus £000	Pension costs £000	Benefits in kind £000	Share-based payments £000	Total 2015 £000
Executive directors:						
Piers Morgan	191	75	3	-	15	**284**
Non-executive directors:						
Clive Dix	25	-	-	-	-	**25**
Harry Finch	15	-	-	-	-	**15**
Alex Stevenson	15	-	-	-	-	**15**
Sam Williams	15	-	-	-	-	**15**
	261	**75**	**3**	**-**	**15**	**354**

	Base salary & fees £000	Annual bonus £000	Pension costs £000	Benefits in kind £000	Share-based payments £000	Total 2014 £000
Executive directors:						
Sam Williams	30	-	-	-	-	**30**
Piers Morgan	27	-	-	-	-	**27**
Non-executive directors:						
Clive Dix	25	-	-	-	-	**25**
Harry Finch	15	-	-	-	-	**15**
Sam Williams	3	-	-	-	-	**3**
	100	**-**	**-**	**-**	**-**	**100**

Directors' remuneration report

Information subject to audit (continued)

Directors' and share options

Directors' interests in share options to acquire ordinary shares of 1 penny in the Company as at 31 July 2015 were:

Share options:	Date granted	Exercise price	At 31 July 2014	Exercised during the year	Lapsed	Granted during the year	At 31 July 2015
Piers Morgan:	27 May 2014	5.58p	860,000	-	-	-	**860,000**
	08 Jun 2015	£1.00	-	-	-	20,000	**20,000**
Clive Dix:	08 Jun 2015	£1.00	-	-	-	20,000	**20,000**
Harry Finch:	08 Jun 2015	£1.00	-	-	-	20,000	**20,000**
Sam Williams:	08 Jun 2015	£1.00	-	-	-	20,000	**20,000**

The options granted on 08 June 2015 were granted under the terms of the C4X Discovery Holdings plc long-term incentive plan and are exercisable subject to continued employment over a 3-10 year period from the date of grant.

The market price for C4XD shares as at 31 July 2015 was 80.5 pence per share, the highest and lowest prices during the year were 102.5 pence and 71.0 pence respectively.

No options were granted during the year below market value.

On behalf of the Board

Harry Finch

Chairman of the remuneration committee

28 October 2015

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

C4XD is committed to high standards of corporate governance and the Board acknowledges the importance of the principles set out in the UK Corporate Governance Code published by the Financial Reporting Council in September 2012 (the "Code").

Although the Code is not mandatory for companies admitted to AIM, the Company has adopted many, although not all aspects of the code as set out in this report.

The Board

The Company is controlled through its Board of Directors. The Board's main roles are to provide overall strategy and direction for the Group and to ensure that the necessary financial and other resources are made available to enable those objectives to be met. It has a schedule of matters reserved for its approval, including but not limited to, decisions on strategy and risk management, approval of budgets, acquisitions and disposals, major capital expenditure, legal and insurance issues, board structure and the appointment of advisors. In some areas responsibility is delegated to committees of the Board within clearly defined terms of reference.

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

All Directors are subject to election by the shareholders at the next general meeting following appointment to the Board and to re-election at intervals of not more than three years.

As at 31 July 2015, the board comprised the Non-executive Chairman, three independent Non-executive Directors and one executive Director.

The names of the current Directors together with their biographical details and any other directorships are set out on pages 10 to 11. All the Directors served throughout the period under review.

The contracts of the Non-executive Directors are available for inspection by shareholders at the AGM.

The board considers its independent Non-executive Directors to be independent in character and judgement. 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 advisors, directors or senior employees; or holds cross-directorships. The independent Non-executive Directors are Clive Dix and Harry Finch. Prior to his appointment as a Non-executive Director, Sam Williams was chief executive of C4XD; Alex Stevenson is a director and shareholder in Aquarius Equity Partners, a major shareholder of the Group.

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 Directors are given access to independent professional advice at the Group's expense, when the Directors deem it is necessary in order for them to carry out their responsibilities.

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

The Board meets at least six times a year and the audit committee and remuneration committee normally meet at least twice a 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. Any Director may challenge Group proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion 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.

The Group maintains, for its Directors and Officers, liability insurance for any claims against them in that capacity.

The Group has effective procedures in place to deal with conflicts of interest. The Board is aware of other commitments of its Directors and changes to these commitments are reported to the Board.

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

	Full board
Number of meetings in period	6
Attendance:	
Executive directors	
Piers Morgan	6
Non-executive directors:	
Clive Dix	6
Harry Finch	6
Sam Williams	6
Alex Stevenson	6

Audit, remuneration and nominations committees meetings were held coincidental with full board meetings as required.

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

The roles of the Chairman and Chief Executive Officer

The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined. The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. The Chairman is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The Chairman is a Non-executive Director and has no involvement in the day-to-day business of the Group. The Chairman facilitates the effective contribution of Non-executive Directors and constructive relations between executive and non-executive directors, ensures Directors receive accurate, timely and clear information and facilitates effective communication with shareholders.

The Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

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.

Performance evaluation

The Board has established a formal process for the annual evaluation of the performance of the executive directors. This evaluation is based on a performance evaluation questionnaire completed by each executive Director. The evaluation of the Chief Executive Officer is performed by the Chairman and the evaluation of the other executive directors is performed by the Chief Executive Officer.

Information

Board reports and papers are circulated to the Directors in advance of the relevant Board or committee meeting. These papers are supplemented by information specifically requested by the Directors from time to time. Minutes of Board and committee meetings are circulated to all Board members.

The Non-executive Directors receive monthly management accounts and regular management reports and information which enable them to scrutinise Group and management performance against agreed objectives.

Director dealings in Company shares

In addition, the Company has adopted a model code for Directors' dealings in securities of the Company which is appropriate for a company quoted on AIM. The Directors comply with Rule 21 of the AIM Rules relating to directors' dealings and also take all reasonable steps to ensure compliance by the Group's "applicable employees" as defined in the AIM Rules.

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

Investor relations

Meetings with analysts and institutional shareholders are held following the interim and preliminary results announcements and on an ad hoc basis. These are usually attended by the Chief Executive Officer. Feedback from these meetings and regular market updates are prepared by the Company's nomad and by the Company's external investor relations advisor and are presented to the Board. The Chairman 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 Company's website, https://www.c4xdiscovery.com, which is kept up to date.

Annual General Meeting (AGM)

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.

Board committees:

Audit committee

The audit committee comprises Sam Williams, Clive Dix and Harry Finch; Sam Williams is chairman. The committee is responsible for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's auditors relating to the Group's accounting and internal controls, in all cases having due regard to the interests of shareholders.

The audit committee's primary responsibilities are to review and monitor:

- the annual report and accounts and preliminary and interim results and statements of the Company;
- 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 auditors including the extent of non-audit work undertaken by the auditors; and
- the audit and non-audit fees of the 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 re-appointing KPMG LLP as external auditors be put to the shareholders at the AGM.

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

Remuneration committee

The remuneration committee comprises Harry Finch, who is chairman of the committee, Clive Dix and Alex Stevenson. The committee is responsible for establishing a formal and transparent procedure for developing policy on executive remuneration and for setting the remuneration of individual Directors. Full details of Directors' remuneration and remuneration policy are set out on pages 15 to 18.

Nominations committee

The nominations committee comprises Alex Stevenson, who is chairman of the committee, Clive Dix and Sam Williams. The committee is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

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 Director is to implement the Board's policies on risk and control and provide assurance on compliance with these policies. 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.

Executive directors have a close involvement with all day-to-day operations and also meet with staff on a regular basis to identify and review business risks, the controls needed to minimise those risks and the effectiveness of controls in place. Business risks are monitored and updated on a regular basis. Insurance is in place where appropriate.

Some key features of the internal control system are:

(i) Annual budgets and rolling forecasts reviewed and approved by the Board;

(ii) Monthly management accounts information compared and reconciled with budgets;

(iii) The Company 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 Company has well–established financial reporting and approval systems and procedures which cover all key transactional processes and Company commitments; and

(vi) The Company has a uniform system of investment appraisal.

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

Risk management

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

Details of the Group's financial risk management objectives and policies are disclosed in note 24 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, cash equivalent and deposit balances of £7,485,000 at 31 July 2015 (2014: £673,000). 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.

Corporate governance statement

Statement of directors' responsibilities in relation to the annual report and financial statements

The directors are responsible for preparing the Annual Report and the 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and 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 their 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 and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

for the year ended 31 July 2015

We have audited the financial statements of C4X Discovery Holdings Plc (formerly Schosween 24 Plc) for the period ended 31 July 2015 set out on pages 28 to 61. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2015 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

for the year ended 31 July 2015

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Antony Whittle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St Peter's Square

Manchester

M2 3AE

28 October 2015

Consolidated statement of comprehensive income

for the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Revenue	4	312	619
Cost of sales		(112)	(23)
Gross profit		200	596
Research and development expenses		(3,159)	(1,180)
Administrative expenses		(904)	(636)
Operating loss		(3,863)	(1,220)
Finance income	7	49	1
Finance costs	7	-	(119)
Loss on ordinary activities before taxation		(3,814)	(1,338)
Taxation	8	750	220
Loss for the year and total comprehensive loss for the year		(3,064)	(1,118)
Loss per share			
Basic and diluted loss for the year	9	(10.77)p	(5.60)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 (2014: £nil) and therefore the loss for the year is also the total comprehensive loss for the year.

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

The notes on pages 33 to 61 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 July 2015

	Issued equity capital £000	Share premium £000	Share-based Payment reserve £000	Merger reserve £000	Capital contribution reserve £000	Revenue reserve £000	Total £000
At 1 August 2013	**200**	**-**	**3**	**920**	**-**	**(1,364)**	(241)
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(1,118)	(1,118)
Share-based payments	-	-	26	-	-	-	26
Transactions with owners	-	-	26	-	-	-	26
At 31 July 2014	**200**	**-**	**29**	**920**	**-**	**(2,482)**	**(1,333)**
Loss for the year and total comprehensive loss for the year	-	-	-	-	-	(3,064)	(3,064)
Issue of share capital	110	10,890	-	-	-	-	11,000
Expenses of placing	-	(877)	-	-	-	-	(877)
Loan notes converted to deferred shares	2,025	-	-	-	-	-	2,025
Waiver of loan note interest	-	-	-	-	195	-	195
Share-based payments	-	-	22	-	-	-	22
Transactions with owners	2,135	10,013	22	-	195	-	12,365
At 31 July 2015	**2,335**	**10,013**	**51**	**920**	**195**	**(5,546)**	**7,968**

In order to comply with IFRS 3, the Group has applied reverse acquisition accounting in the presentation of consolidated shareholders' equity for comparative periods. These comparative periods show the results of the accounting acquirer (C4X Discovery Limited) along with the share capital structure of the parent company as if it had been in existence from the start of the period (C4X Discovery Holdings plc). As a result, the consolidated share capital and share premium presented for comparative periods is that of the legal parent which was in existence immediately following the share for share exchange which occurred on 13 October 2014, and which is explained further in note 18 to the financial statements.

Company statement of changes in equity

for the year ended 31 July 2015

	Issued equity capital £000	Share premium £000	Share-Based payment reserve £000	Total £000
At 1 August 2013	**-**	-	**-**	**-**
Loss for the year and total comprehensive loss for the year	-	-	-	-
Reallocation of reserves on reverse acquisition	-	-	-	-
Share-based payments	-	-	-	-
Transactions with owners	**-**	**-**	**-**	**-**
At 31 July 2014	**-**	-	**-**	**-**
Loss for the year and total comprehensive loss for the year	-	-	-	-
Acquisition of C4X Discovery Limited	200	-	-	200
Issue of share capital	110	10,890	-	11,000
Expenses of placing	-	(877)	-	(877)
Loan notes converted to deferred shares	2,025	-	-	2,025
Share-based payments	-	-	22	22
Transactions with owners	**2,335**	**10,013**	**22**	**12,370**
At 31 July 2015	**2,335**	**10,013**	**22**	**12,370**

Statements of financial position

at 31 July 2015

Registered No. 09134041

	Notes	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Assets					
Non–current assets					
Property, plant and equipment	10	85	-	21	-
Intangible assets	11	59	-	56	-
Investment in subsidiaries	12	-	222	-	-
		144	222	77	-
Current assets					
Trade and other receivables	13	388	12,147	157	-
Income tax asset	14	700	-	250	-
Short-term investments and cash on deposit	15	4,000	-	-	-
Cash and cash equivalents	15	3,485	1	673	-
		8,573	12,148	1,080	-
Total assets		8,717	12,370	1,157	-
Liabilities					
Current liabilities					
Trade and other payables	16	749	-	227	-
Financial liabilities	17	-	-	43	-
		749	-	270	-
Non–current liabilities					
Financial liabilities	17	-	-	2,220	-
		-	-	2,220	-
Total liabilities		749	-	2,490	-
Net assets		7,968	12,370	(1,333)	-
Capital and reserves					
Issued equity capital	18	2,335	2,335	200	-
Share premium	18	10,013	10,013	-	-
Share-based payment reserve	19	51	22	29	-
Merger reserve	20	920	-	920	-
Capital contribution reserve	21	195	-	-	-
Revenue reserve	22	(5,546)	-	(2,482)	-
Total equity		7,968	12,370	(1,333)	-

Approved by the board and authorised for issue on 28 October 2015.
The notes on pages 33 to 61 form an integral part of these financial statements.

Piers Morgan
Director
28 October 2015

Cash flow statements

For the year ended 31 July 2015

	Notes	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Loss after interest and tax		(3,064)	-	(1,118)	-
Adjustments for:					
Depreciation of tangible fixed assets	10	21	-	9	-
Amortisation of intangible assets	11	5	-	4	-
Share-based payments	19	22	-	26	-
Finance expense		-	-	119	-
Taxation		(750)	-	(220)	-
Changes in working capital:					
Increase in trade and other receivables		(231)	-	(28)	-
Increase in trade and other payables		510	-	56	-
Increase in deferred revenue		12	-	44	-
Cash outflow from operating activities		(3,475)	-	(1,108)	-
Research and development tax credit received		300	-	274	-
Net cash outflow from operating activities		(3,175)	-	(834)	-
Cash flows from investing activities					
Purchases of tangible fixed assets	10	(85)	-	(7)	-
Purchases of intangible fixed assets	11	(8)	-	-	-
Cash advance to subsidiary		-	(10,122)	-	-
Increase in cash placed on deposit	15	(4,000)	-	-	-
Net cash outflow from investing activities		(4,093)	(10,122)	(7)	-
Cash flows from financing activities					
Proceeds from issues of ordinary share capital		11,000	11,000	-	-
Expenses share capital issue	18	(877)	(877)	-	-
Repayment of preference shares		(30)	-	-	-
Interest paid		(13)	-	-	-
Net cash inflow from financing activities		10,080	10,123	-	-
Increase/(decrease) in cash and cash equivalents		2,812	1	(841)	-
Cash and cash equivalents at the start of the year		673	-	1,514	-
Cash and cash equivalents at the end of the year		3,485	1	673	-
Monies placed on deposit at the end of the year		4,000	-	-	-
Cash, cash equivalents and deposits at the end of the year	15	7,485	1	673	-

The notes on pages 33 to 61 form an integral part of these financial statements.

Notes to the financial statements

For the year ending 31 July 2015

1. Reporting entity

C4X Discovery Holdings plc (“the Company”) is an AIM listed company incorporated and domiciled in 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 2015.

The financial statements of the Company and the Group for the year ended 31 July 2015 were authorised for issue by the board of directors on 28 October 2015 and the Statement of financial position was signed on the Board’s behalf by Piers Morgan.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company’s statement of comprehensive income. The parent company’s result for the period ended 31 July 2015 was £nil (2014: £nil).

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

2. Basis of preparation

(a) Statement of compliance

The Group’s and Parent Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and International Financial Reporting Committee (“IFRIC”) interpretations as they apply to the financial statements of the Group for the period ended 31 July 2015.

(b) Basis of measurement

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

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

(c) Going concern

The Chairman’s and Chief Executive Officer’s review on pages 3 to 6 outlines 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 page 7 along with details of its cash flow and liquidity. Note 24 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. However, given the nature of the group’s biotechnology-based business and need for ongoing investment in its drug development activities, the group will be looking to raise additional funds in the future to allow continued development.

(d) Functional and presentational currency

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

Notes to the financial statements

For the year ending 31 July 2015

(e) Use of estimates and judgements

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

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

The key sources of 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.

- **Equity-settled share–based payments**

The determination of share–based payment costs requires: the selection of an appropriate valuation method; consideration as to the inputs necessary for the valuation model chosen; judgement regarding when and if performance conditions will be met; and the estimation of the number of awards that will ultimately vest. Inputs required for this arise from judgements relating to the future volatility of the share price of C4XD and comparable companies, the Company's expected dividend yields, risk free interest rates and expected lives of the options. The Directors draw on a variety of sources to aid in the determination of the appropriate data to use in such calculations. The share-based payment expense is most sensitive to vesting assumptions and to the future volatility of the future share price factor. Further information is included in note 3.

- **Taxation**

Management judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised tax losses at 31 July 2015 was £416,000 (2014: £101,000). The value of the net deferred tax liability not recognised at the year-end is £8,000 (2014: net deferred tax liability of £5,000). Further information is included in note 8.

- **Research and development**

Careful judgement by the Directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain until such time as technical viability has been proven and commercial supply agreements are likely to be achieved. Judgements are based on the information available at each reporting date which includes the progress with testing and certification and progress on, for example, establishment of commercial arrangements with third parties. In addition, all internal activities related to research and development of new products are monitored by the Directors. Further information is included in note 3.

- **Revenue recognition**

Judgements are required as to whether and when contractual milestones have been achieved and in turn the period over which development revenue should be recognised. Management judgements are similarly required to determine whether services or rights under licence agreements have been delivered so as to enable licence revenue to be recognised. Further information is included in note 3.

Notes to the financial statements

For the year ending 31 July 2015

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.

The Group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

(a) Basis of consolidation

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

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. All C4X Discovery Holdings plc's subsidiaries are 100% owned. Subsidiaries are fully consolidated from the date control passes.

The consolidated financial information of the group has been presented as continuation of C4X Discovery Limited by applying the principles for reverse acquisition accounting, in accordance with IFRS3 Business Combinations, as a common control transaction, based on the book value of assets and liabilities in the legal entities. As explained further below, and as permitted by IFRS3, the Directors have chosen to present comparative information of the consolidated Group based on the assets, liabilities, income and expenses of those legal entities.

In applying the principles of reverse acquisition accounting, the Group's financial information includes the following:

Year ended 31 July 2014 – The consolidated financial information of C4X Discovery Limited and C4X Drug Discovery Limited along with the share capital structure of the legal parent company (C4X Discovery Holdings plc). As a result, the consolidated share capital and share premium presented for comparative periods is that of the legal parent company which was in existence immediately following the share for share exchange which occurred on 13 October 2014, and which is explained further in note 18 to the financial statements.

Year ended 31 July 2015 – The consolidated financial information of the Company for the period from incorporation (16 July 2014) to 31 July 2015 and of C4X Discovery Limited and C4X Drug Discovery Limited for the year ended 31 July 2015.

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

(b) Foreign currency transactions

The Company had no foreign currency transactions during the year.

(c) Segmental reporting

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

Notes to the financial statements

For the year ending 31 July 2015

3. Significant accounting policies (continued)

***(d)* Revenue recognition**

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

The group's revenues to date comprise amounts earned under joint development agreements and individual project development programmes in respect of novel small molecule therapies.

Revenues received from development programmes, are recognised on a straight line basis over the period that the development work is being performed as measured by contractual milestones. Revenue is not recognised where there is uncertainty regarding the achievement of such milestones and where, either revenue has not been paid, or where the customer has the right to recoup advance payments.

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

***(e)* Government grants**

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions are met, usually on submission of a valid claim for payment.

Government grants of a revenue nature are deducted from administrative expenses in the Consolidated statement of comprehensive income in line with the terms of the underlying grant agreement.

Government grants relating to capital expenditure are deducted in arriving at the carrying amount of the asset.

***(f)* Research and development**

Research costs are charged in the Consolidated statement of comprehensive income as they are incurred. Development costs will be capitalised as intangible assets when it is probable that future economic benefits will flow to the Company. 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.

Notes to the financial statements

For the year ending 31 July 2015

3. Significant accounting policies (continued)

***(g)* Lease payments**

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

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

***(h)* Finance income and expense**

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

Finance expense comprises interest expense on borrowings, changes in the fair value of financial assets at fair value through the Consolidated statement of comprehensive income, impairment losses recognised on financial assets and losses on hedging instruments that are recognised in the Consolidated statement of comprehensive income. All borrowing costs are recognised using the effective interest method.

***(i)* Income tax**

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

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

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

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Notes to the financial statements

For the year ending 31 July 2015

3. Significant accounting policies (continued)

***(j)* Tangible fixed 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.

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	-	straight line over three years

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 de-recognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the Consolidated statement of comprehensive income in the period of de-recognition.

***(k)* Intangible assets**

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

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

Patents	-	straight line over twenty years

Notes to the financial statements

For the year ending 31 July 2015

3. Significant accounting policies (continued)

(l) **Impairment of assets**

At each reporting date the Group reviews the carrying value of its plant, equipment and intangible assets 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 Company makes an assessment of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the 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 re-valued amount, in which case the reversal is treated as a valuation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

(m) **Investments in subsidiaries**

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

Notes to the financial statements

For the year ending 31 July 2015

3. **Significant accounting policies (continued)**

(n) Trade and other receivables

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

Provision is made when there is objective evidence that the group will not be able to recover balances in full. Significant financial difficulties faced by the customer, probability that the customer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated statement of comprehensive income within administrative expenses.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

(o) 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 twelve months.

(p) 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.

(q) Borrowings

Borrowings are recognised when the group becomes party to related contracts and are measured initially at fair value, net of directly attributable transaction costs incurred. After initial recognition, borrowings are stated at amortised cost.

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

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

(r) Provisions

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

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

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

There were no provisions at 31 July 2015 (2014: Nil).

Notes to the financial statements

For the year ending 31 July 2015

3. Significant accounting policies (continued)

(s) **Financial assets and liabilities**

Financial assets and liabilities are recognised when the group becomes party to the contracts that give rise to them and are classified as financial assets and liabilities at fair value through the Consolidated statement of comprehensive income. The group determines the classification of its financial assets and liabilities at initial recognition and re–evaluates this designation at each financial year end.

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

At the year end, the Group had no financial assets or liabilities designated at fair value through the Consolidated statement of comprehensive income (2014: £nil).

(t) **Share capital**

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

(u) **Share-based payments**

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

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non–market conditions and the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the 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 the subsidiary company, the fair value of the awards at grant date is recorded in the Company's financial statements as an increase in the value of the investment with a corresponding increase in equity via the share-based payment reserve.

(v) **Defined contribution pension scheme**

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

Notes to the financial statements

For the year ending 31 July 2015

3. Significant accounting policies (continued)

(w) New accounting standards and interpretations

The following new and amended IFRS, IAS and IFRIC interpretations were mandatory for accounting periods ending 31 July 2015 and thereafter, but have no material effect on the group's financial statements.

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 10, IFRS 12 and IAS 27 Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27
- IAS 32 Offsetting Financial Assets and Financial Liabilities (Amendments)
- IAS 36 Recoverable Amount Disclosures for Non-Financial Assets (Amendments)
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting (Amendments)
- Annual Improvements to IFRSs 2010 to 2012 Cycle (endorsed for use in the EU on 17 and 18 December 2014)
- Annual Improvements to IFRSs 2011 to 2013 Cycle (endorsed for use in the EU on 17 and 18 December 2014)

A number of new standards, amendments to standards and interpretations are effective for annual periods ending 31 July 2016 or thereafter and have not been applied in preparing these consolidated financial statements and those that are relevant to the group 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.

	Effective date
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	1 January 2016
IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 1 Disclosure Initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 9 Financial Instruments (issued in 2013)	1 January 2018
Annual Improvements to IFRSs 2012 to 2014 Cycle	1 January 2016

Notes to the financial statements

For the year ending 31 July 2015

4. Segmental information

Operating segments

At 31 July 2015 the group operated as one segment, being the provision of new technologies to improve the drug discovery process for novel small molecule therapies. This is the level at which operating results are reviewed by the chief operating decision maker (i.e. the CEO) to make decisions about resources, and for which financial information is available. All revenues have been generated from continuing operations and are from external customers.

	31 July 2015 £000	31 July 2014 £000
Analysis of revenue		
Amounts earned under joint development agreements	312	619
	312	**619**

Included within amounts earned under joint development agreements is revenue from one material customer amounting to £152,000 (2014: one material customer amounting to £206,000).

The group operates in one main geographic area, in the UK. The group's revenue per geographical segment based on the customer's location is as follows:

	31 July 2015 £000	31 July 2014 £000
Revenue		
UK	312	619
	312	**619**

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

5. Operating loss

The Group	31 July 2015 £000	31 July 2014 £000
Operating loss is stated after charging /(crediting):		
Depreciation of property, plant and equipment (see note 10)	21	9
Amortisation of intangible assets (see note 11)	5	4
Research and development expense**	3,159	1,180
Cost of inventories recognised as an expense (included in cost of sales)	112	23
Operating lease rentals (see note 23):		
Land and buildings	34	26

Notes to the financial statements

For the year ending 31 July 2015

5. Operating loss (continued)

Auditor's remuneration:		
Audit services:		
- Fees payable to Company auditor for the audit of the parent and the consolidated accounts	25	13
Fees payable to Company auditor for other services:		
- Auditing the accounts of subsidiaries pursuant to legislation	-	-
- Other services	103	15
Total auditor's remuneration	**128**	**28**

** Included within research and development expense are staff costs totalling £937,000 (2014: £670,000) also included in note 6.

6. Staff costs

	31 July 2015 £000	**31 July 2014 £000**
Wages and salaries	1,177	706
Social security costs	140	78
Share-based payments	22	26
	1,339	**810**

Directors' remuneration (including benefits-in-kind) included in the aggregate remuneration above comprised:		
Emoluments for qualifying services	**354**	**100**

Directors' emoluments (excluding social security costs, but including benefits in kind) disclosed above include £284,000 paid to the highest paid director (2014: £33,000). An analysis of the highest paid director's remuneration is included in the Directors' remuneration report.

Retirement benefits are accruing to 1 (2014:0) director

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

The Group	**31 July 2015 Number**	**31 July 2014 Number**
Directors	5	6
Laboratory and administrative staff	14	12
	19	**18**

Notes to the financial statements

For the year ending 31 July 2015

7. Finance income and expense

The group	31 July 2015 £000	31 July 2014 £000
Finance income:		
Bank interest receivable	49	1
Finance costs:		
Preference share interest payable	-	(2)
Loan interest payable	-	(117)
	49	**(118)**

Bank interest receivable includes £49,000 (2014: £nil) which is receivable after the year end.

Notes to the financial statements

For the year ending 31 July 2015

8. Income tax

The tax credit is made up as follows:

The Group	31 July 2015 £000	31 July 2014 £000
Current income tax:		
UK corporation tax losses in the year	-	-
Research and development income tax credit receivable	(700)	(250)
Adjustment in respect of prior years	(50)	30
Total current income tax	(750)	(220)

The tax assessed for the year varies from the standard rate of corporation tax as explained below: *The Group*	31 July 2015 £000	31 July 2014 £000
Loss on ordinary activities before taxation	(3,814)	(1,338)
Tax at standard rate of 20.67% (2014: 22.33%)	(788)	(299)
Effects of:		
Expenses not deductible for tax purposes	8	33
Movement in un-provided deferred tax	(6)	-
Additional reduction for research and development expenditure	-	-
Surrender of research and development relief for repayable tax credit	447	217
Research and development tax credit receivable	(700)	(250)
Share options exercised (CTA 2009 Pt 12 deduction)	-	-
Overseas corporation tax paid	-	-
Tax losses carried forward	339	49
Adjustment in respect of prior years	(50)	30
Tax credit in income statement	**(750)**	**(220)**

Reductions of the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 were substantively enacted on 2 July 2013. The changes in tax rate are not considered to have had a material impact.

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 20% (2014: 20%) is £416,000 (2014: £101,000), of which £nil (2014: £nil) has been recognised. Remaining tax losses have not been recognised as an asset as it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group also has a deferred tax liability being accelerated capital allowances, for which the tax, measured at a standard rate of 20% (2014: 20%) of £18,000 (2014: £11,000)

The Group has a deferred tax asset for share-based payments, for which the tax, measure at a standard rate of 20% (2014; 21%) is £10,000 (2014: £6,000).

The net deferred tax liability of £8,000 (2014: £5,000) has not been recognised as it is covered by accumulated tax losses (2014: £nil).

Notes to the financial statements

For the year ending 31 July 2015

9. Earnings per share

The Group	**31 July 2015 £000**	**31 July 2014 £000**
Loss for the financial year attributable to equity shareholders	(3,064)	(1,118)
Weighted average number of shares:		
Ordinary shares in issue	28,457,043	19,988,550
Basic loss per share (pence)	**(10.77)**	**(5.60)**

Diluted loss per share has not been presented above as the effect of share options issued is anti-dilutive.

10. Property, plant and equipment

The Group	**Office equipment, fixtures and fittings £000**	**Building improvements £000**	**Total £000**
Cost:			
At 31 July 2013	**37**	**-**	**37**
Additions	7	-	7
At 31 July 2014	**44**	**-**	**44**
Additions	47	38	85
At 31 July 2015	**91**	**38**	**129**
Depreciation:			
At 31 July 2013	**14**	**-**	**14**
Provided during the year	9	-	9
At 31 July 2014	**23**	**-**	**23**
Provided during the year	18	3	21
At 31 July 2015	**41**	**3**	**44**
Net book value:			
At 31 July 2015	**50**	**35**	**85**
At 31 July 2014	21	-	21

The Company has no property, plant and equipment

Notes to the financial statements

For the year ending 31 July 2015

11. Intangible assets

The Group	Patents £000
Cost:	
At 31 July 2013	**79**
Additions	-
At 31 July 2014	**79**
Additions	8
At 31 July 2015	**87**
Amortisation:	
At 31 July 2013	**19**
Provided during the year	4
At 31 July 2014	**23**
Provided during the year	5
At 31 July 2015	**28**
Net book value:	
At 31 July 2015	**59**
At 31 July 2014	56

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

The Company has no intangible assets.

12. Investment in subsidiaries

The Company	Shares £000	Total £000
At 31 July 2014	**-**	**-**
Acquisition of C4X Discovery Limited	200	200
Increase in respect of share-based payments	22	22
At 31 July 2015	**222**	**222**

By subsidiary

C4X Discovery Limited	222	222
C4X Drug Discovery Limited	-	-
At 31 July 2015	**222**	**222**

Notes to the financial statements

For the year ending 31 July 2015

12. Investment in subsidiaries (continued)

Subsidiary undertakings	Country of incorporation	Principal activity	31 July 2015
C4X Discovery Limited	England and Wales	Research and development	100%
C4X Drug Discovery Limited	England and Wales	Dormant company	100%

The Company has taken advantage of Companies Act 2006 s612 and s615 reliefs on the shares issued by C4X Discovery Holdings Limited such that the requirement to recognise in the cost of investment any excess over the nominal value of the shares issued to acquire the subsidiary is removed. Consequently, the cost of the investment in the subsidiary is recorded at the nominal value of the shares issued to acquire it, being £200,000.

13. Trade and other receivables

	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Trade receivables	31	-	15	-
Prepayments	172	-	28	-
Inter-company short-term loan to subsidiary	-	12,147	-	-
Other receivables	185	-	114	-
	388	**12,147**	**157**	**-**

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

All trade receivables are denominated in Sterling.

There are no formal terms for the repayment of inter-company loans, none of which bear interest.

Other receivables includes £nil in respect of unpaid ordinary shares (2014: £50,000 in respect of 1,069,625 unpaid ordinary shares) and £174,000 VAT receivable (2014: £61,000).

14. Income tax asset

	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Research and development income tax credit receivable	700	-	250	-
	700	**-**	**250**	**-**

Notes to the financial statements

For the year ending 31 July 2015

15. Cash, cash equivalents and deposits

	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Short-term investments and cash on deposit	4,000	-	-	-
Cash and cash equivalents	3,485	1	673	-
	7,485	**1**	**673**	**-**

Under IAS 7, cash held on deposits (being deposits with maturity of greater than three months and no more than twelve months) that cannot readily be converted into cash has been classified as a short-term investment. The maturity on this investment was less than twelve months at the reporting date.
Cash and cash equivalents at 31 July 2015 include deposits with original maturity of three months or less of £485,000 (2014: £673,000).

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

16. Trade and other payables

	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Current payables	448	-	107	-
Other payables	112	-	32	-
Deferred revenue	56	-	44	-
Accruals	133	-	44	-
	749	-	**227**	-

17. Financial liabilities

	31 July 2015 Group £000	31 July 2015 Company £000	31 July 2014 Group £000	31 July 2014 Company £000
Other loan*:*				
Current	-	-	43	-
Non–current	-	-	2,220	-
	-	**-**	**2,263**	**-**

Notes to the financial statements

For the year ending 31 July 2015

18. Issued equity capital

The Company	Deferred shares Number	Ordinary shares Number	A Ordinary shares Number	Share capital £000	Deferred shares £000	Share premium £000	Total £000
Allotted, called up and fully paid ordinary shares of 1p:							
As at start of period	**-**	**-**		**-**	**-**	**-**	**-**
Shares issued on incorporation on 16 July 2014	-	2	-	-	-	-	-
Share subdivision on 3 September 2014	-	198	-	-	-	-	-
Shares issued on the acquisition of C4X Discovery Limited on 13 October 2014	2,025,000	15,553,975	4,434,375	200	2,025	-	**2,225**
Re-designation on 17 October 2014	-	4,434,375	(4,434,375)	-	-	-	-
Issued of share capital	-	11,000,000	-	110	-	10,890	11,000
Expenses of placing	-	-	-	-	-	(877)	(877)
Ordinary and deferred shares as at 31 July 2015	**2,025,000**	**30,998,550**	**-**	**310**	**2,025**	**10,013**	**12,348**

The Group	Share capital £000	Deferred shares £000	Share premium £000	Total £000
Allotted, called up and fully paid ordinary shares of 1p:				
As at 31 July 2013	**200**	**-**	**-**	**200**
Shares issued on incorporation on 16 July 2014	-	-	-	-
Reallocation of reserves on reverse acquisition	200	-	-	200
As at 31 July 2014	**200**	**-**	**-**	**200**
Share subdivision on 3 September 2014	-	-	-	-
Shares issued on the acquisition of C4X Discovery Limited on 13 October 2014	-	2,025	-	**2,025**
Issued of share capital	110	-	10,890	11,000
Expenses of placing	-	-	(877)	(877)
Ordinary and deferred shares as at 31 July 2015	**310**	**2,025**	**10,013**	**12,348**

Notes to the financial statements

For the year ending 31 July 2015

18. Issued equity capital (continued)

On 16 July 2014, being the date of incorporation of C4X Discovery Holdings plc, 2 ordinary shares of £1 were subscribed for fully paid; and on 3 September 2014 such shares were each sub-divided into 100 ordinary shares of £0.01 each.

On 13 October 2014 the Company issued 15,553,975 ordinary shares of £0.01 each and 4,434,375 ordinary shares of £0.01 each to the shareholders of C4X Discovery Limited in consideration for the transfer of the entire share capital of C4X Discovery Limited to the Company pursuant to a share exchange agreement. In accordance with the reverse acquisition requirements of IFRS3, this transaction is recorded in the Group accounts as if this share capital had always been in existence, therefore it is reflected in the comparative periods for the Group accounts. The Company balance sheet however reflects the legal transactions that have occurred during the period and therefore this share for share exchange is recorded in the current period in the Company balance sheet. This gives rise to the difference between the Group and Company share capital in the comparative period.

On 13 October 2014 the Company executed an instrument constituting £2,025,000 unsecured loan notes, with a view to issuing them as consideration for the acquisition of the £2,025,000 unsecured loan notes of C4X Discovery Limited pursuant to a share exchange agreement. The Company's loan notes converted, at nominal value, into deferred shares of £1 in the Company having no rights to any vote or dividends as set out in the articles.

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

On 23 October 2014 11,000,000 shares were issued in a placing at a price of £1 resulting in share proceeds of £11,000,000. Share issue costs of £877,000 were incurred and have been deducted from share premium.

Notes to the financial statements

For the year ending 31 July 2015

19. Share-based payment reserve

The Group	£000
At 31 July 2013	**3**
Share-based payments	26
At 31 July 2014	**29**
Share-based payments	22
At 31 July 2015	**51**

The Company	£000
At the start of the period	**-**
Share-based payments	**22**
At 31 July 2015	**22**

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 £22,000 has been recognised in the Statement of comprehensive income for the year (2014: £26,000).

Share option schemes

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

C4X Discovery Holdings plc Long Term Incentive Plan (“LTIP”)

– Grant in September 2009

Share options were granted to a staff member on 29 September 2009. The options granted are exercisable in the event of the listing of the Company, its acquisition or at the absolute discretion of the board. The exercise price was set at 2.05 pence (the original exercise price of £22.00 was adjusted for a subdivision of 1,075 share options in C4X Holdings plc for each share option originally held in C4X Discovery Limited), being the estimated fair value of the shares on the day preceding the issue of the share options. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

– Grant in August 2012

Share options were granted to staff on 28 August 2012. The options granted are exercisable in the event of the listing of the Company, its acquisition or at the absolute discretion of the board. The exercise price was set at 5.58 pence (the original exercise price of £60.00 was adjusted for a subdivision of 1,075 share options in C4X 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.

Notes to the financial statements

For the year ending 31 July 2015

19. Share-based payment reserve (continued)

Share option schemes (continued)

– 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 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 Holdings plc for each share option originally held in C4X Discovery Limited), being the estimated fair value of the shares on the day preceding the issue of the share options. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

– Grant in June 2015

Share options were granted to staff on 8 June 2015. 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 100.0 pence, being the price at which shares were placed in the IPO in October 2014. The fair value benefit is measured using a Black Scholes model, taking into account the terms and conditions upon which the share options were issued.

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 binomial 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.

	2015	**2014**
The Group and Company	**Number**	**Number**
Outstanding at 1 August	1,699,575	828,825
Granted during the year	477,750	924,500
Lapsed/cancelled	-	(53,750)
Outstanding at 31 July	**2,177,325**	**1,699,575**
Exercisable at 31 July	-	-

Notes to the financial statements

For the year ending 31 July 2015

19. Share-based payment reserve (continued)

Share option schemes (continued)

During the year ended 31 July 2015, no options were exercised (2014: nil).

The comparative figures have been adjusted for a subdivision of 1,075 share options in C4X Holdings plc for each share option originally held in C4X Discovery Limited

Weighted average exercise price of options

The Group and Company	2015 Pence	2014 Pence
Outstanding at 1 August	5.41	5.24
Granted during the year	83.50	5.58
Forfeited/cancelled	-	5.58
Outstanding at 31 July	**22.55**	**5.41**

The weighted average fair value of options granted during the year to 31 July 2015 was 83.5 pence (2014: 5.58 pence). The range of exercise prices for options outstanding at the end of the year was 2.05 pence – 83.5 pence, (2014: 2.05 pence – 5.58 pence).

For the share options outstanding as at 31 July 2015, the weighted average remaining contractual life is 8.4 years (2014: 9.0 years).

No share options were exercised during the year (2014: none).

The following table lists the inputs to the models used for the years ended 31 July 2015 and 31 July 2014.

The Group and Company	2015	2014
Expected volatility (%)	**52.5%**	52.5%
Risk-free interest rate (%)	**1.34%-2.00%**	1.34%-2.00%
Expected life of options (year's average)	**4 years**	5 years
Weighted average exercise price (pence)	**83.50**	5.58
Weighted average share price at date of grant (pence)	**22.55**	5.41

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.

Notes to the financial statements

For the year ending 31 July 2015

20. Merger reserve

The Group	**£000**
As at 31 July 2013, 31 July 2014 and 31 July 2015	**920**

The merger reserve arises as a result of the reverse acquisition requirements of IFRS3 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). As a result, the consolidated share capital and share premium presented for comparative periods is that of the legal parent company which was in existence immediately following the share for share exchange which occurred on 13 October 2014. The resulting difference between the net asset value of the legal subsidiary and the share capital structure of the legal parent is recorded as a merger reserve.

21. Capital contribution reserve

The Group	**£000**
At 31 July 2013	**-**
Waiver of loan interest payable	-
At 31 July 2014	**-**
Waiver of loan interest payable	195
At 31 July 2015	**195**

22. Revenue reserve

The Group	**£000**
At 31 July 2013	**(1,364)**
Loss for the year	(1,118)
At 31 July 2014	**(2,482)**
Loss for the year	(3,064)
At 31 July 2015	**(5,546)**

23. Commitments

Operating lease commitments

The Group leases premises under non–cancellable operating lease agreements. The future aggregate minimum lease and service charge payments under non–cancellable operating leases are as follows:

	31 July 2015 Group £000	**31 July 2014 Group £000**
Land and buildings:		
Not later than one year	95	2
After one year but not more than five	228	-
After five years	-	-
	398	**2**

Notes to the financial statements

For the year ending 31 July 2015

24. 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 18, 19, 20 21 and 22 and in the group Statement of changes in equity. Total equity was £7,968,000 at 31 July 2015 ((£1,333,000) at 31 July 2014).

The Company 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.

Notes to the financial statements

For the year ending 31 July 2015

24. Financial risk management (continued)

Categorisation of financial instruments

Financial assets/(liabilities)	***Loans and receivables £000***	***Financial liabilities at amortised cost £000***	***Group £000***	***Company £000***
31 July 2015				
Trade receivables	388	-	388	-
Inter-company short-term loan to subsidiary	-	-	-	12,147
Cash, cash equivalents and deposits	7,485	-	7,485	-
Trade and other payables *	-	(616)	(616)	-
	7,873	**(616)**	**7,257**	**12,147**

Financial assets/(liabilities)	*Loans and receivables £000*	*Financial liabilities £000*	*Group £000*	*Company £000*
31 July 2014				
Trade receivables	157	-	157	-
Cash, cash equivalents and deposits	673	-	673	-
Trade and other payables *	-	(183)	(183)	-
Inter-company short-term loan to subsidiary	-	-	-	-
Financial liabilities	-	(2,263)	-	-
	830	**(2,446)**	**(1,616)**	**-**

*Excluding accruals.

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

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

Notes to the financial statements

For the year ending 31 July 2015

24. Financial risk management (continued)

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 on-going basis with the result that the Group's exposure to bad debts is not significant. The Group's maximum exposure is the carrying amount as disclosed in note 13, which was neither past due nor impaired. All trade receivables are ultimately overseen by the Chief Executive Officer and are managed on a day-to-day basis by the Finance team. Credit limits are set as deemed appropriate for the customer.

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

Foreign currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company. These are primarily US Dollars (USD) and Euros. Transactions outside of these 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 2015 or at 31 July 2014 and the Group did not enter into any such contracts during 2015 nor 2014.

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	2015 Total £000	GBP £000	2014 Total £000
Cash, cash equivalents and deposits	7,485	-	-	7,485	673	673
Trade receivables	31	-	-	31	15	15
Trade payables	(445)	(1)	(2)	(448)	(107)	(107)
	7,071	**(1)**	**(2)**	**7,068**	**581**	**581**

Sensitivity analysis to movement in exchange rates

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

Notes to the financial statements

For the year ending 31 July 2015

24. Financial risk management (continued)

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 2015			31 July 2014		
The Group	**Fixed rate £000**	**Floating rate £000**	**Total £000**	**Fixed rate £000**	**Floating rate £000**	**Total £000**
Cash, cash equivalents and deposits	**7,000**	**485**	**7,485**	**-**	**673**	**673**
The Company						
Cash, cash equivalents and deposits	**-**	**1**	**1**	**-**	**-**	**-**

As the majority of cash and cash equivalents are held on fixed deposit 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 2015 based on contractual undiscounted payments including contractual interest.

2015	**Less than 1 year £000**	**1 to 5 years £000**	**Total £000**
Financial liabilities			
Trade and other payables *	616	-	616
	616	**-**	**616**

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

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

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

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

Notes to the financial statements

For the year ending 31 July 2015

25. Related party transactions

During the year, shareholder Aquarius Equity Partners Limited, charged the Company £20,000 (2014: £40,000) for monitoring fees and were owed £1,545 at 31 July 2015 (2014: £nil).

During the year, The Aquarius IV Fund LLP, a fund managed by shareholder Aquarius Equity Partners Limited, waived £195,000 loan-note interest (charged 2014: £117,000 and 2013: £78,000) and held 2,025,000 deferred shares of £1 each (2014: were owed loan notes plus accumulated interest totalling £2,220,000).

During the year, shareholder University of Manchester charged the Company £94,410 (including £44,770 for the services of Dr A Almond which are disclosed as compensation for key management personnel) (2014: £91,006 (including £44,698 for the services of Dr A Almond which are disclosed as compensation of key management personnel)) for services provided and were owed £9,054 at 31 July 2015 (2014: £9,036).

The Group:

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

The Company:

The following table summarises inter-company balances at the year-end between C4X Discovery Holdings plc and subsidiary entities:

	Notes	31 July 2015 £000	31 July 2014 £000
Short term loans owed to C4X Discovery Holdings plc by:			
C4X Discovery Limited	13	12,147	-
C4X Drug Discovery Limited		-	-
		12,147	**-**

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 twelve months.

None of the loans is interest bearing.

26. Compensation of key management personnel (including directors)

	2015 £000	2014 £000
Short-term employee benefits	561	400
Pension costs	5	-
Benefits in kind	-	-
Share-based payments	16	9
	582	**409**

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of C4X Discovery Holdings plc will be held at Manchester One, 53 Portland Street, Manchester, M1 3LD on Tuesday 8 December 2015 at 2 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 8 will be proposed as special resolutions.

Ordinary resolutions

1 That the Company's annual report and audited financial statements, and the reports of the directors and auditors, for the year ended 31 July 2015, now laid before this meeting, be and are hereby approved.

2 That Clive Dix, who retires by rotation, be and is hereby re-elected as a director of the Company.

3 That KPMG LLP be and are hereby reappointed as auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

4 That the directors be and they are hereby authorised to agree the remuneration of the auditors.

5 That in accordance with section 551 of the Companies Act 2006:

5.1 the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006) up to an aggregate nominal value of £103,295 (approximately one third of the Company's issued share capital at the date of this notice); and

5.2 in addition to the authority granted pursuant to sub-paragraph 5.1, the directors be and they are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot equity securities up to an aggregate nominal value of £103,295 (approximately one third of the Company's issued share capital at the date of this notice) in connection with a rights issue offered to holders of equity securities and other persons who are entitled to participate, in proportion (as nearly as may be) to their then holdings of equity securities (or, as appropriate, the numbers of such securities which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the directors may feel necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, or any stock exchange in, any territory, provided that both such authorities shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next annual general meeting of the Company and 8 March 2017, save that, in respect of either authority, the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

These authorities are in substitution for any and all authorities previously conferred upon the directors for the purposes of section 551 of the Companies Act 2006, without prejudice to any allotments made pursuant to the terms of such authorities.

Notice of Annual General Meeting

Special resolutions

6 That, conditionally upon the passing of resolution 5 above, in accordance with sections 570 and 573 of the Companies Act 2006, the directors be and they are hereby given power to allot equity securities (as defined in section 560 of the Companies Act 2006) pursuant to the authority conferred by resolution 5 above, and to sell treasury shares, as if section 561 of the Companies Act 2006 did not apply to such allotment or sale, provided that this power shall be limited to:

6.1 the allotment or sale of equity securities for cash in connection with or pursuant to an offer to the holders of equity securities and other persons entitled to participate, in proportion (as nearly as may be) to their then holdings of equity securities (or, as appropriate, the numbers of such securities which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the directors may feel necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body of, or any stock exchange in, any territory; and

6.2 the allotment or sale of equity securities (otherwise than pursuant to sub-paragraph 6.1) for cash up to a maximum nominal value of £30,989 (approximately 10% of the Company’s issued share capital at the date of this notice),and shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next annual general meeting and 8 March 2017, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the directors may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

7 That the Company be and is hereby generally authorised pursuant to section 701 of the Companies Act 2006 to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 1 pence provided that:

7.1 the Company does not purchase more than 4,645,184 ordinary shares of 1 pence (approximately 14.99% of the Company’s issued share capital at the date of this notice);

7.2 the Company does not pay for any such ordinary share less than its nominal value at the time of purchase; and

7.3 the Company does not pay for any such ordinary share more than 5% above the average of the closing mid-market price for ordinary shares of 1 pence for the five business days immediately preceding the date on which the Company agrees to buy the shares concerned, based on the share prices published in the Daily Official List of the London Stock Exchange or the AIM supplement thereto.

The authority conferred by this resolution shall (unless previously revoked, varied or renewed) expire on the earlier of the date of the next annual general meeting of the Company and 8 March 2017, save that the Company may before such expiry make a contract to purchase shares which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of shares in pursuance of any such contract, as if such authority had not expired.

Notice of Annual General Meeting

By order of the Board

Mark Sullivan
Company Secretary

Registered Office
Manchester One
53 Portland Street
Manchester
M1 3LD

6 November 2015

Notes to the Notice of Annual General Meeting

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies of their own choice to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A member can only appoint a proxy using the procedures set out in these notes and the notes to the accompanying form of proxy.

2. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may not appoint more than one proxy to exercise rights attached to any one share. The proxy need not to be a member of the Company, but must attend the meeting to represent the member. Please refer to the notes to the form of proxy for further information on appointing a proxy, including how to appoint multiple proxies.

3. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to the resolutions) which may properly come before the meeting.

4. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the Company's register of members in respect of the joint holding.

5. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member; provided that each representative is appointed to exercise the rights attached to a different share or shares held by the member.

6. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those members registered on the Register of Members at 6.00 p.m. on 6 December 2015 (the **Specified Time**) (or if the meeting is adjourned to a time more than 48 hours after the Specified Time, taking no account of any part of a day that is not a working day, by 6.00 p.m. on the day which is two working days prior to the time of the adjourned meeting) shall be entitled to attend and vote thereat in respect of the number of shares registered in their name at that time. If the meeting is adjourned to a time not more than 48 hours after the Specified Time (taking no account of any part of a day that is not a working day), that time will also apply for the purposes of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. Changes to the Register after the relevant deadline shall be disregarded in determining rights to attend and vote.

Notes to the Notice of Annual General Meeting

Appointment of proxy using hard copy proxy form

7. Members may appoint a proxy or proxies by completing and returning a form of proxy by post to the offices of the Company's registrars using the business reply address on the form, or in an envelope addressed to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or delivering a form of proxy by hand to such address during normal business hours. In the case of a member which is a corporation, the proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer or an attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power of authority) must be included with the proxy form. Any such power of attorney or other authority cannot be submitted electronically.

8. To be effective, the appointment of a proxy, or the amendment to the instructions given for a previously appointed proxy, must be received by the Company's registrars by the method outlined in note 7 above no later than 10.00 a.m. on 4 December 2015. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Appointment of proxy using CREST electronic proxy appointment service

9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (**EUI**) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in this notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular

Notes to the Notice of Annual General Meeting

time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

12. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Termination of proxy appointments
13. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting.

14. In order to terminate the authority of a proxy, or a corporate representative of a corporation, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke such appointment to the Company's registrars. To be effective, the notice of termination must be received by the Company's registrars by the method outlined in note 7 above no later than 10.00 am on 4 December 2015.

Voting Rights
15. As at 6 November 2015, being the latest practicable date prior to the printing of this notice, the Company's issued capital consisted of 30,988,550 ordinary shares carrying one vote each and 2,025,000 deferred shares not carrying any voting rights. Therefore, the total voting rights in the Company as at 6 November 2015are 30,988,500.

Communications
16. This notice, together with information about the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting as at 6 November 2015, being the latest practicable date prior to the printing of this notice, will be available on the Company's website www.c4xdiscovery.com.

17. Except as provided above, members who have general queries about the annual general meeting should contact Piers Morgan (0161 235 5085; Manchester One, 53 Portland Street, Manchester M1 3LD). No other methods of communication will be accepted. Any electronic address provided either in this notice or in any related documents (including the form of proxy) may not be used to communicate with the Company for any purposes other than those expressly stated.

Documents available for inspection
18. There are available for inspection at the registered office of the Company during usual business hours on any week day (Saturdays, Sundays and public holidays excepted), and there will be available for inspection at the place of the meeting from at least fifteen minutes prior to and until the conclusion of the meeting:
- copies of the service contracts of executive directors of the Company; and
- copies of the letters of appointment of the non-executive directors of the Company.

Explanatory Note to the Notice of Annual General Meeting

This explanatory note gives further information in relation to the resolutions listed in the enclosed notice of the Company's annual general meeting.

Resolution 1 – Receipt of accounts
The directors must lay the Company's accounts, the directors' report and the auditors' report before the shareholders at a general meeting. This is a legal requirement after the directors have approved the accounts and the directors' report, and the auditors have prepared their report.

Resolution 2 – Re-election of Clive Dix
Clive Dix, retiring by rotation, offers himself for re-election, in accordance with the Company's articles of association. Details of his respective profile are on page 10 of the Company's annual report.

Resolution 3 – Re-election of KPMG LLP as auditors
The board of directors, on the recommendation of its audit committee, recommends the re-election of KPMG LLP as auditors, to hold office until the next general meeting at which accounts are laid.

Resolution 4 – Remuneration of the auditors
This resolution authorises the directors to agree the remuneration of the auditors.

Resolution 5 – Authority to allot shares
The purpose of resolution 5 is to renew the directors' power to allot shares. Section 551 of the Companies Act 2006 provides that the directors may not allot new shares (other than for employee share schemes) without shareholder authority.

Accordingly, resolution 5 will be proposed as an ordinary resolution to authorise the directors (pursuant to Section 551 of the Companies Act 2006):

(i) to allot ordinary shares of 1 pence each in the capital of the Company up to a maximum nominal amount of £103,295, being approximately one third of the nominal value of the ordinary shares in issue on 6 November 2015; and
(ii) in addition to the authority described above, to allot ordinary shares of 1 pence each in the capital of the Company up to a maximum nominal amount of £103,295 pursuant to a rights issue in respect of which all shareholders are entitled to participate as nearly as possible in proportion to their holding of shares in the Company at the time.

This authority (unless previously revoked, varied or renewed) will expire on the earlier of the date of the next annual general meeting of the Company or 15 months after the date of the passing of the resolution. The directors will exercise the authority to allot only when satisfied that it is in the interests of the Company to do so. The directors have no present intention of allotting further shares, except in connection with the issue of shares under the Company's share option and long-term incentive plans.

Were the Company to use the relevant authorities and:

Explanatory Note to the Notice of Annual General Meeting

- the number of shares in issue increased, in aggregate, by more than one-third; and
- (as regards the use as a part of a rights issue) the proceeds of the relevant rights issue exceeded one-third (or the relevant specific proportion) of the pre-issue market capitalisation,

then those members of the board wishing to remain in office would stand for re-election at the next annual general meeting.

Resolution 6 – Disapplication of pre-emption rights
Section 561 of the Companies Act 2006 confers on shareholders rights of pre-emption in respect of the allotment of "equity securities" which are, or are to be, paid up in cash, otherwise than by way of allotment to employees under an employees' share scheme. The provisions of section 561 apply to the ordinary shares of 1 pence each of the Company, to the extent that they are not disapplied pursuant to section 570 of the Companies Act 2006. This provision also covers the sale of treasury shares (should the Company elect to hold any) for cash.

It is proposed that the disapplication of these statutory pre-emption rights be approved, as a special resolution, to give the directors power to allot shares without the application of these statutory pre-emption rights, first, in relation to rights issues and, secondly, in relation to the issue of ordinary shares of 1 pence each in the capital of the Company for cash up to a maximum aggregate nominal amount of £30,989 (representing approximately 10% of the nominal value of the ordinary shares in issue on 6 November 2015).

This authority (unless previously revoked, varied or renewed) will expire on the earlier of the date of the next annual general meeting of the Company or 15 months after the date of the passing of the resolution.

The directors have no present intention of exercising the authority; in accordance with the National Association of Pension Funds' Corporate Governance Policy and Voting Guidelines for Smaller Companies, they are seeking the authority so as to be able to raise funds at short notice, where appropriate, from the issue of new share capital for the purpose of taking advantage of investment opportunities that may arise.

Resolution 7 – Purchase by the Company of its own Shares
The purpose of resolution 7 is to obtain the authority for the Company to make market purchases of its ordinary shares. Under the Companies Act 2006 such an authority must first be sanctioned by an ordinary resolution of the Company in general meeting, but current institutional shareholder voting guidelines require that any such authority should be sanctioned by special resolution.

Accordingly, resolution 7 will be proposed as a special resolution to authorise the Company to purchase a maximum of 4,645,184 ordinary shares (equal to approximately 14.99% of the ordinary shares in issue on 6 November 2015) on AIM at a price per share of not less than 1 pence, and not more than 5% above the average of the middle market quotations for ordinary shares of the Company for the five business days immediately preceding the day of purchase. In order to maximise the benefit to be derived by the Company, it would be the directors' intention that any purchases should be made at as low a price (within the limits specified in resolution 7) as they considered reasonably obtainable.

Explanatory Note to the Notice of Annual General Meeting

This authority (unless previously revoked, varied or renewed) will expire on the earlier of the date of the next annual general meeting of the Company or 15 months after the date of the passing of the resolution.

Pursuant to the Companies Act 2006, the Company can hold the shares which have been repurchased as treasury shares and either resell them for cash, cancel them (either immediately or at a point in the future) or use them for the purposes of its employee share schemes. The directors believe that it is desirable for the Company to have this choice and therefore currently envisage holding any shares purchased under this authority as treasury shares. Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them in the future, and so provide the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

Shares will only be repurchased if the directors consider such purchases to be in the best interests of shareholders generally and that they can be expected to result in an increase in earnings per share. The authority will only be used after careful consideration, taking into account market conditions prevailing at the time, other investment opportunities and the overall financial position of the Company. Shares held as treasury shares will not automatically be cancelled and will not be taken into account in future calculations of earnings per share (unless they are subsequently resold or transferred out of treasury).

If any shares repurchased by the Company are held in treasury and used for the purposes of its employee share schemes, so long as required under institutional shareholder voting guidelines, the Company will count those shares towards the limits on the number of new shares which may be issued under such schemes.

Purchases will not be made to the extent that they may affect the eligibility of the Company for continued admission to AIM and it is not the directors' current intention that the Company should stand in the market for any particular period or until any specified number of shares has been acquired.

The purchase of shares by the Company pursuant to these proposals will be a market purchase and thus made through AIM. This means that any shareholder selling shares, even if those shares are subsequently acquired by the Company, will not be subject to different tax considerations from those normally applying to a sale of shares in the market provided that the purchase by the Company is made exclusively through a market maker acting as principal. In that event, for shareholders who held their shares as an investment, the sale proceeds will normally be treated as capital and the normal capital gains tax rules will apply to those sale shares. There will normally be no liability to tax on income unless the shareholder's disposal is by way of trade.