

Company number 09355294

Adorial Limited

Directors' report and accounts

31 July 2016

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COMPANIES HOUSE

Directors

Dr C Dix	(Appointed 24 February 2016)
Dr C Fox	(Appointed 24 February 2016)
Mr O Delrieu	(Resigned 24 February 2016)
Mr A McCarthy	(Resigned 24 February 2016)
Mr R Yamamoto	(Resigned 24 February 2016)

Secretary

Dr C Fox	(Appointed 24 February 2016)
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Auditor

KPMG LLP
One St Peter's Square
Manchester
M2 3AE

Registered Office

Manchester One
53 Portland Street
Manchester
M1 3LD

Website

www.c4xdiscovery.com

Strategic report

Principal activity

The principal activity of Adorial Limited ('the Company') during the 10 month period ended 31 July 2016, continued to be that of a holding company. The Company was acquired by C4X Discovery Holdings plc on 1 March 2016.

Business model

The Company owns subsidiaries that own intellectual property and carry out or oversee, fee-for-service research and development contract work.

Review of the business and future developments

During the period, the Company has continued to oversee the grant project commenced during the previous accounting period by its subsidiaries and whilst doing so has incurred a loss of £8,000 (2015: £15,000).

Since its acquisition by C4X Discovery Holdings plc ("C4XD") in March 2016, the Company now forms part of an overall tripartite approach comprising, C4XD's patented technology, the company's own proprietary DNS-based target identification platform Taxonomy3® and the pioneering computational drug discovery technologies recently acquired by C4XD from Molplex.

The above three complementary technologies, together with the associated highly experienced scientists, form a Discovery Engine. Used in conjunction with industry-standard chemical and biology techniques accessed via our network of contract research organisations, this represents the full complement of capabilities required to deliver viable pre-clinical candidates suitable for advancement into clinical development in collaboration with pharma partners.

Key performance indicators

The key performance indicator for the business in its current stage of development is the extent and speed with which it can dovetail into the Discovery Engine outlined above.

At this stage of its development, quantitative key performance indicators are not generally an effective way of measuring the Company's performance, although the Company'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 Review of the business and future developments.

Principal risks and uncertainties

The Company has successfully managed to reduce the inherent risk for the business as a consequence of its acquisition during the period by C4XD. 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 the Company'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 collaborators and partners to ensure that it continues to improve the core technology in terms of functionality and efficiency of output.

Strategic report (continued)

Principal risks and uncertainties (continued)

Collaborators and partners

The Company's success is dependent upon how extensively C4XD's techniques are successful in discovering drug candidates that are commercially and technically attractive to pharmaceutical company collaborators and partners.

Timing

It may take longer than anticipated for C4XD's proprietary programmes to progress.

It may take longer than anticipated for C4XD's technology to identify drug candidates that are commercially and technically attractive to pharmaceutical company collaborators.

Market and competition

Alternative competing technologies and products could emerge that might displace the market opportunity for the drug candidates discovered by the Company.

Intellectual property

The success of the Company'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.

Attraction and retention of key employees

Attracting, retaining and motivating suitable, high-calibre personnel is critical to the long-term success of the Company's business. The Company aims to provide remuneration packages and working conditions that will attract and retain personnel of the required calibre.

Strategic report (continued)

Principal risks and uncertainties (continued)

Funding

The Company's subsidiaries own intellectual property and carry out or oversee scientific research and development, which is expensive. As at 31 July 2016, the Company had cash and cash equivalents of £2,000. C4XD has committed to support Adorial Limited financially and after taking into account the additional £5m raised in September 2016 and £7m raised in March 2017 by C4XD, on the basis of current projections and plans, the Company has sufficient funding for the next 12 months and thereafter for the foreseeable future in order to continue realising its assets and discharging its liabilities in the normal course of business.

The Company's subsidiaries may accelerate certain activities if this will create additional value for 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.

On behalf of the board



Clive Dix
Director

27 April 2017

Directors' report

The directors present their report and the audited financial statements for the Company for the 10 month period ended 31 July 2016. In the comparative period, which covers the 10 month period from the Company's incorporation on 15 December 2014 to 30 September 2015, the Company traded for 3 months from 1 July 2015.

Acquisition

On 1 March 2016, the Company, along with its subsidiary's Adorial Pharma Limited and Adorial Technologies Limited were acquired by C4X Discovery Holdings plc (C4XD).

Financial instruments

Details of the Company's financial risk management objectives and policies are disclosed in note 16 to the financial statements.

Research and development

The principal activity of the Company is that of a holding company, commentary on which is included in the Review of the business and future developments, within the Strategic report.

Results and dividends

The loss for the period, after taxation, amounted to £8,000 (2015: loss of £15,000).

The directors do not recommend the payment of a dividend (2015:£nil).

Directors

The following directors held office during the year:

Dr C Dix	(Appointed 24 February 2016)
Dr C Fox	(Appointed 24 February 2016)
Mr O Delrieu	(Resigned 24 February 2016)
Mr A McCarthy	(Resigned 24 February 2016)
Mr R Yamamoto	(Resigned 24 February 2016)

The directors holding office on 31 July 2016 had no beneficial interests in the issued share capital of the Company at 31 July 2016.

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' indemnity insurance

C4XD has maintained insurance throughout the period for its directors and officers of the Company against the consequences of actions brought against them in relation to their duties for the Company. Such provision remains in force as at the date of approving the directors' report.

Donations

No charitable or political donations were made in the period (2015: £nil).

Directors' report (continued)

Employment policies

The Company is committed to ensuring the health and safety of its employees in the workplace.

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

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

Going concern

The Strategic report outlines the business activities of the Company along with the factors which may affect its future development and performance. Note 16 to the financial statements sets out the Company's financial risks and the management of those risks.

Having prepared management forecasts and made appropriate enquiries, the directors are satisfied that the Company has adequate resources for the foreseeable future. Accordingly they have continued to adopt the going concern basis in preparing the Company's 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 Company's auditor is unaware; and 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 Company's auditor is aware of that information.

Auditor

KPMG LLP were appointed auditor in the year. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the board



Dr C Dix
Director
27 April 2017

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

The directors are responsible for preparing the Strategic report, Directors' report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare financial statements in accordance with IFRS as adopted by the EU and applicable law.

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 company and of the profit or loss of the company for that period. In preparing these 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Adorial Limited (continued)

for the period ended 31 July 2016

We have audited the financial statements of Adorial Limited for the period ended 31 July 2016 set out on pages 11 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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 8, 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 company's affairs as at 31 July 2016 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other matter – Prior period financial statements

In forming our opinion on the financial statements, which is not modified, we note that the prior financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

Independent auditor's report to the members of Adorial Limited (continued)

for the period ended 31 July 2016

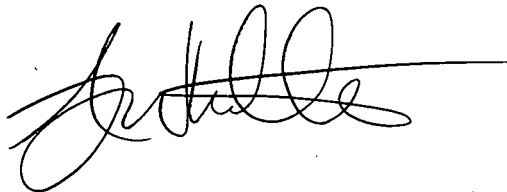
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

2 May 2017

Statement of comprehensive income

for the period ended 31 July 2016

		10 month period ended 31 July 2016	10 month period ended 30 Sept 2015
	Notes	£000	£000
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(7)	(13)
Operating loss	5	(7)	(13)
Finance income	6	-	-
Finance expense	6	(1)	(2)
Loss on ordinary activities before taxation		(8)	(15)
Taxation	8	-	-
Loss for the period and total comprehensive loss for the period		<u>(8)</u>	<u>(15)</u>

The loss for the period arises from continuing operations.

There were no other items of comprehensive income for the period (2015: none) and therefore the loss for the period is also the total comprehensive loss for the period.

The notes on pages 15 to 29 form an integral part of these financial statements.

Statement of changes in equity

at 31 July 2016

	Issued equity capital £000	Revenue reserve £000	Total £000
At 15 December 2014	-	-	-
Loss for the period and total comprehensive loss for the period	-	(15)	(15)
At 30 September 2015	-	(15)	(15)
Loss for the period and total comprehensive loss for the period	-	(8)	(8)
At 31 July 2016	-	(23)	(23)

Statement of financial position

at 31 July 2016

Registered No. 09355294

		31 July 2016 £000	30 Sept 2015 £000
	Notes		
Assets			
Non-current assets			
Investments	9	-	-
		-	-
Current assets			
Trade and other receivables (£68,000 (2015: £64,000) receivable after more than 1 year)	10	68	64
Cash and cash equivalents	11	2	1
		70	65
Total assets		70	65
Liabilities			
Current liabilities			
Trade and other payables	12	(93)	(4)
		(93)	(4)
Non-current liabilities			
Financial liabilities	13	-	(76)
		-	(76)
Total liabilities		(93)	(80)
Net liabilities		(23)	(15)
Capital and reserves			
Issued equity capital	14	-	-
Revenue reserve	15	(23)	(15)
Total equity		(23)	(15)

Approved by the board and authorised for issue on 27 April 2017

The notes on pages 15 to 29 form part of these financial statements.



Dr C Dix
Director

27 April 2017

Statement of cash flow

for the period ended 31 July 2016

		10 months to July 2016	10 months to Sept 2015
	Notes	£000	£000
<i>Cash flows from operating activities</i>			
Loss for the period		(8)	(15)
Adjustments for:			
Changes in working capital			
Increase in trade and other payables	12	13	4
<i>Net cash outflows from operating activities</i>		5	(11)
<i>Cash flows from financing activities</i>			
Cash advance from former subsidiary	13	-	76
Cash advance to subsidiaries	10	(4)	(64)
<i>Net cash (outflows)/inflows from financing activities</i>		(4)	12
<i>Increase in cash and cash equivalents</i>		1	1
<i>Cash and cash equivalents at the start of the period</i>		1	-
<i>Cash and cash equivalents at the end of the period</i>		2	1
Monies placed on deposit at the end of the period		-	-
<i>Cash and cash equivalents at the end of the period</i>	11	2	1

The notes on pages 15 to 29 form part of these financial statements.

Notes to the financial statements

at 31 July 2016

1. Reporting entity

The financial statements of Adorial Limited for the period ended 31 July 2016 were authorised for issue by the board of directors on 27 April 2017 and the statement of financial position was signed on the board's behalf by Dr C Dix.

Adorial Limited ('the Company') is a limited liability company incorporated and domiciled in the UK.

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

2. Basis of preparation

(a) Transition to Adopted IFRSs

The Company is preparing its financial statements in accordance with Adopted IFRSs for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the company is provided in note 19.

(b) Basis of measurement

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

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

(c) Going concern

The Strategic report outlines the business activities of the company along with the factors which may affect its future development and performance. Note 16 to the financial statements sets out the company's financial risks and the management of those risks.

As at 31 July 2016, the Company had net liabilities of £23,000 (2015: £15,000). The financial statements have been prepared on a going concern basis in view of a formal undertaking from C4XD, confirming that it will continue to provide financial support to the Company in meeting its' liabilities as they fall due.

The directors have no reason to believe that C4XD will not be in a position to provide the support referred to above and having prepared management forecasts, which include the additional £5m raised in September 2016 and £7m raised in March 2017 by C4XD and made appropriate enquiries, the directors are satisfied that the Company has adequate resources for the foreseeable future. Accordingly they have continued to adopt the going concern basis in preparing the company's financial statements. The C4XD 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

at 31 July 2016

2. Basis of preparation (continued)

(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 period. The nature of estimation means that actual amounts could differ from those estimates. Estimates and judgements used in the preparation of the financial statements are continually reviewed and revised as necessary. While every effort is made to ensure that such estimates and judgements are reasonable, by their nature they are uncertain and, as such, changes in estimates and judgements may have a material impact on the financial statements.

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

- **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 2016 was £1,000 (2015: £nil). Further information is included in note 8.

3. Significant accounting policies

The accounting policies set out below are consistent with those of the previous financial period. The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise stated.

(a) Foreign currency transactions

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

(b) 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

at 31 July 2016

3. Significant accounting policies (continued)

(c) Income tax

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

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

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantially enacted by the 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.

(d) Investments in subsidiaries

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

Notes to the financial statements

at 31 July 2016

3. Significant accounting policies (continued)

(e) Impairment of assets

At each reporting date the Company reviews the carrying value of its investments 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 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 periods. Such reversal is recognised in the Statement of comprehensive income unless the asset is carried at re-valued amount, in which case the reversal is treated as a valuation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The carrying values of its investments as at the reporting date have not been subjected to impairment charges.

Notes to the financial statements

at 31 July 2016

3. Significant accounting policies (continued)

(f) Trade and other receivables

Loans to subsidiaries are recognised and carried at the lower of the original advance and recoverable amount. The time value of money is not material.

Provision is made when there is objective evidence that the company will not be able to recover balances in full. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of comprehensive income within administrative expenses.

When a loan to a subsidiary is uncollectable, it is written off against the allowance account for trade receivables.

(g) Cash and cash equivalents.

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.

(h) 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.

(i) Provisions

Provisions are recognised when the Company 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 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 2016 (2015: Nil).

(j) Financial assets and liabilities

Financial assets and liabilities are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets and liabilities at fair value through the Statement of comprehensive income. The company determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at each financial period 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 period end, the Company had no financial assets or liabilities designated at fair value through the Statement of comprehensive income (2015: £nil).

Notes to the financial statements

at 31 July 2016

3. Significant accounting policies (continued)

(k) 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 periods.

(l) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods commencing on or after 1 January 2016 or ending 31 July 2017 or thereafter and have not been applied in preparing these consolidated financial statements and those that are relevant to the company are summarised below. None of these are expected to have a significant effect on the financial statements of the company in the period of initial application.

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

	Effective date
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
Equity Method in Separate Financial Statements – Amendments to IAS 27 (endorsed for use in the EU on 18 December 2015).	1 January 2016
Annual Improvements to IFRSs – 2012-2014 Cycle (endorsed for use in the EU on 15 December 2015).	1 January 2016
Disclosure Initiative – Amendments to IAS 1 (endorsed for use in the EU on 18 December 2015).	1 January 2016
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	1 January 2017
Disclosure Initiative – Amendments to IAS 7	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
Effective date of IFRS 15 – amendment to IFRS 15	1 January 2018
Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
IFRS 16 Leases	1 January 2018

Notes to the financial statements

at 31 July 2016

4. Segmental information

Operating segments

At 31 July 2016 the Company operated as one segment, being as the holding company of subsidiaries which own, and carry out or oversee work based on, internally generated intellectual property. 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 the Company's assets are held in the UK and all of its capital expenditure arises in the UK.

5. Operating loss

Operating loss is stated after charging/crediting:

Auditor's remuneration:

	31 July 2016 £000	30 Sept 2015 £000
Audit services:		
Fees payable to the company auditor for the audit of financial statements	-	-
Fees payable to the company auditor for other services:		
Other services	-	-
	-	-

Audit fees for the Company of £4,000 were borne by fellow subsidiary C4X Discovery Limited.

6. Finance income and expense

	31 July 2016 £000	30 Sept 2015 £000
Finance expense:		
Loan interest payable	(1)	(2)

7. Staff costs and numbers

No staff costs were incurred in the period to 31 July 2016 (2015: £nil).

Directors Dr C Dix and Dr C Fox are remunerated through C4X Discovery Limited and details of their remuneration is disclosed in the financial statements of C4X Discovery Holdings Limited.

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

	31 July 2016 No.	30 Sept 2015 No.
Directors	2	3
Administrative staff	-	-
	2	3

Notes to the financial statements

at 31 July 2016

8. Taxation

	31 July 2016 £000	30 Sept 2015 £000
Current income tax:		
UK corporation tax losses in the period	-	-
Total current income tax	-	-
The tax assessed for the period varies from the standard rate of corporation tax as explained below:	31 July 2016 £000	30 Sept 2015 £000
Loss on ordinary activities before taxation	(8)	(15)
Tax at standard rate of 20.00% (2015: 20.33%)	(2)	(3)
<i>Effects of Expenses not deductible for tax purposes:</i>	-	3
Tax losses carried forward	2	-
Tax in Income statement	-	-

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.

Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly.

The Company has accumulated losses available to carry forward against future trading profits. The estimated value of the deferred tax asset, measured at a standard rate of 20% (2015: 20%) is £1,000 (2015: £nil), of which £nil (2015: £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.

Notes to the financial statements

at 31 July 2016

9. Investment in subsidiaries

	Shares £000	Total £000
On incorporation		
Acquisition of subsidiaries	—	-
At 30 September 2015 and 31 July 2016	-	-

	NBV £000	Shares £000	Total £000
By subsidiary			
Adorial Technologies Limited	-	-	-
Adorial Pharma Limited	—	—	-
At 31 July 2016	-	-	-

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	31 July 2016
Adorial Technologies Limited	England and Wales	Research and development	Ordinary	100%
Adorial Pharma Limited	England and Wales	Research and development	Ordinary	100%

10. Trade and other receivables

	31 July 2016 £000	30 Sept 2015 £000
Loans to subsidiaries	68	64
	68	64

The directors consider that the carrying amount of loans to subsidiaries approximates to their fair value.

11. Cash and cash equivalents

	31 July 2016 £000	30 Sept 2015 £000
Cash and cash equivalents	2	1
	2	1

Notes to the financial statements

at 31 July 2016

12. Trade and other payables

	31 July 2016 £000	30 Sept 2015 £000
Other payables	1	-
Deferred revenue	83	-
Accruals	9	4
	93	4

13. Financial liabilities

	31 July 2016 £000	30 Sept 2015 £000
<i>Non-current</i>		
Loan from former parent	-	76
	-	76

14. Share capital

Allotted, called up and fully paid	31 July 2016 No.	30 Sept 2015 No.	31 July 2016 £000	30 Sept 2015 £000
Ordinary shares of 1p each	10,000	10,000	-	-

15. Revenue reserve

	£000
As at 15 December 2014	-
Loss for the period	(15)
As at 30 September 2015	(15)
Loss of the period	(8)
As at 31 July 2016	(23)

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16. Financial risk management

Overview

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

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

Capital risk management

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

The Company is not subject to externally imposed capital requirements.

Liquidity risk

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

The Company seeks to deal only with relationship banks with a minimum acceptable credit rating and it has financial transaction authority limits in place. Any material change to the Company's principal banking facility requires approval by the board. The Company seeks to mitigate the risk of bank failure by ensuring that it maintains relationships with a number of investment grade banks.

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

Categorisation of financial instruments

	<i>Loans and receivables</i>	<i>Financial liabilities at amortised cost</i>	<i>Total</i>
<i>Financial assets/liabilities</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
31 July 2016			
Trade and other receivables – loans to subsidiaries	68	-	68
Cash and cash equivalents	2	-	2
Trade and other payables *	(84)	-	(84)
Financial liabilities	-	-	-
	(14)	-	(14)

Notes to the financial statements

at 31 July 2016

16. Financial risk management (continued)

Maturity profile (continued)

	Less than 1 year	2 to 5 years	Total
2015	£000	£000	£000
Financial liabilities			
Loan from former parent *	-	76	76
	-	76	76

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

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

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

17. Related party transactions

The following table summarises inter-company balances at the period-end between Adorial Limited its parent and subsidiary:

	31 July 2016 £000	30 Sept 2015 £000
Trade and other receivables owed to Adorial Limited		
Adorial Technologies Limited (note 10)	66	61
Adorial Pharma Limited (note 10)	2	3
	68	64

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.

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18. Ultimate parent undertaking

The Company's immediate parent company is C4X Discovery Holdings plc, a company registered in England and Wales. The smallest and largest group within which the results of the Company are consolidated is that headed by C4X Discovery Holdings plc. Copies of the C4X Discovery Holdings plc consolidated accounts can be obtained from

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

19. Explanation of transition to Adopted IFRSs

As stated in note 2, these are the Company's first financial statements prepared in accordance with Adopted IFRSs.

In preparing its opening Adopted IFRS balance sheet, the Company was not required to adjust any amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The transition from UK GAAP to Adopted IFRSs has therefore not affected the Company's financial position, financial performance or cash flows and therefore no transition tables have been presented.