



Arix Bioscience plc

Annual Results for the Twelve Months ended 31 December 2020

Pivotal period; turning promise into delivery

LONDON, 9 March, 2021: Arix Bioscience plc ("Arix", LSE: ARIX) a global venture capital company focused on investing in and building breakthrough biotech companies, today announces its annual results for the year ended 31 December 2020.

Financial highlights; significant increase in NAV

- Net Asset Value of £328 million (December 2019: £202 million); 242p per share (December 2019: 149p); a 62% increase during the period
- Net positive portfolio revaluation of £136 million¹ in the period
- Gross portfolio value (realised and unrealised): £314 million versus cost of £162 million

Proven value creation; active management and disciplined capital allocation

- £158 million cash realised during the period (2019: £4.6 million):
 - Sale of VelosBio to Merck & Co (MSD) for \$2.75bn delivered £139 million proceeds to Arix, representing an 11.8x return on invested capital and an IRR of 320%
- 32% IRR generated by gross portfolio since inception in 2016
- Active management of public assets to optimise returns, resulting in cash realisations of £19 million; a further £16 million realised post period end
- Disciplined approach to capital deployment and risk management demonstrated post period end, with the closing down of Quench Bio after reviewing initial pre-clinical work

Strengthened capital base and reduced cost base

- Cash of £174 million (December 2019: £55 million)
- Realised gains from VelosBio expected to be tax exempt
- Significantly reduced net operating costs by over 35%, to an annual run rate within 2.0% of NAV (down from 4.0% in 2019)
- Strong position to support the current portfolio and invest in the next wave of opportunities
- Arix has the authority to purchase up to 13,555,185 of its ordinary shares; use of cash will be kept under review

Portfolio highlights

- New portfolio company, Twelve Bio, founded. Arix has committed £3.6 million for a 49% ownership stake
- \$580 million of proceeds raised by Arix portfolio companies in 2020 and an additional \$245 million post period end, putting them in a strong position to execute on their important clinical development programmes. Notably, Imara transitioned to a public company in 2020, after completing an \$87 million Nasdaq IPO
- Continued clinical progress in the portfolio with multiple data readouts (Aura, Amplyx, Atox Bio, Autolus, Imara) and new trial initiations (Autolus, Harpoon, Imara, Amplyx, Aura) during the period
- Notably, [Atox Bio's New Drug Application \(NDA\) was accepted by the U.S. Food and Drug Administration \(FDA\)](#), with a goal decision date (Prescription Drug User Fee Act (PDUFA) date) of 30 September 2021
- [Artios entered into a strategic collaboration with Merck KGaA](#), Darmstadt, Germany to identify and develop precision oncology medicines targeting nucleases and transitioned to a clinical stage company post period end

¹ Gross portfolio, including FX

Outlook - Key anticipated milestones

Data generated from Arix's clinical pipeline will be a key driver of value and while clinical development is not without risk, and the recruitment of clinical trials globally has been impacted by the Covid-19 pandemic, Arix has several portfolio companies approaching key milestones over the next 12 months. In particular, we note the following expected clinical catalysts in 2021:

- Autolus (1.6%¹) expects to report Phase 1 data from a number of programmes, including: AUTO4 (Peripheral T Cell Lymphoma), AUTO3 (Diffuse Large B Cell Lymphoma), AUTO1 (Non-Hodgkin lymphoma and adult acute lymphoblastic leukemia) and initiate new clinical trials across its next generation programmes.
- Aura (7.9%) expects to report Phase 2 data from ongoing clinical trials in choroidal melanoma
- Amplyx (3.0%) expects to report Phase 2 data for APX001 (candida auris and invasive aspergillosis) and MAU868 (BKV-associated nephropathy) and initiate a Phase 3 trial in invasive candidiasis (APX001)
- Artios (12.4%) expects to advance its Pol Theta programme (ART4215) into the clinic
- Atox Bio (6.4%) has been given a PDUFA date of 30 September 2021 by the FDA, which is the goal decision date on its new drug application for patients with necrotising soft tissue infection
- Harpoon (6.9%¹) expects to report data from ongoing Phase 1/2a clinical trials in prostate cancer (HPN424), ovarian and pancreatic cancer (HPN536), multiple myeloma (HPN217) and small cell lung cancer (HPN328)
- LogicBio (9.1%) expects to initiate a Phase 1/2 clinical trial in methylmalonic acidemia (LB-001)
- Imara (5.8%¹) expects to report data from ongoing Phase 2b clinical trials in sickle cell disease and beta thalassemia (IMR-687)

Additionally, we expect a number of financing events across the portfolio in 2021 and are currently in late-stage diligence on a new investment opportunity.

Dr Naseem Amin, Executive Chairman of Arix Bioscience plc, commented:

"This has been a period of outstanding achievement for our company. We have begun the journey of turning our promises to shareholders into delivery – realising £158m during the year while at the same time refocusing the portfolio, restructuring and reducing our costs and laying the foundation for the next wave of investments.

The last 12 months have seen Arix's portfolio continue to mature, passing a number of key milestones. We have achieved our first major exit, underlining the validity of our business model. We have also increased our NAV by 62% to £328m, moving us significantly closer to our year-end 2023 NAV target of £500m, that we set out in our 2020 interim results.

We enter 2021 with strong momentum in our portfolio and with multiple clinical data readouts expected. In addition to clinical milestones, there is potential for M&A, strategic partnerships and other financing events across the portfolio, which could significantly increase the value of our companies, and in turn our NAV."

Conference Call and Presentation Information

Arix will host a virtual analyst presentation today, 9 March, at 12:00pm GMT, followed by a Q&A session, accessible via conference call or webcast. The webcast of the presentation will be available on the Company's investor relations website at <https://arixbioscience.com/investor-relations/events-presentations>.

For details of the conference call please contact optimum.arix@optimumcomms.com.

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Enquiries

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Arix Bioscience plc

¹ Reflects changes to ownership percentage since 31 December 2020 due to company capital raisings and/or market transactions

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About Arix Bioscience plc

Arix Bioscience plc is a global venture capital company focused on investing in and building breakthrough biotech companies around cutting edge advances in life sciences.

We collaborate with exceptional entrepreneurs and provide the capital, expertise and global networks to help accelerate their ideas into important new treatments for patients. As a listed company, we are able to bring this exciting growth phase of our industry to a broader range of investors.

www.arixbioscience.com

The financial information set out in these statements does not constitute the Company's statutory accounts for the year ended 31 December 2020, prepared in accordance with section 435 of the Companies Act 2006, but is derived from those accounts. Statutory accounts will be delivered to the Registrar of Companies in due course. The auditors have reported on these accounts and their report was unqualified and did not contain a statement under section 498(2) of the Companies Act 2006.

EXECUTIVE CHAIRMAN'S REVIEW

This has been a period of outstanding achievement for our company. We have begun the journey of turning our promises to shareholders into delivery – realising £158m during the year while at the same time refocusing the portfolio, restructuring and reducing our costs and laying the foundation for the next wave of investments.

The last 12 months have seen Arix's portfolio continue to mature, passing a number of key milestones. We have achieved our first major exit, underlining the validity of our business model. We have also increased our Net Asset Value (NAV) by 62% to £328m, moving us significantly closer to our year-end 2023 NAV target of £500m, that we set out in our 2020 interim results. In addition, we recorded a significant reduction in our share price discount to NAV, from 29% to 10%, and generated total shareholder return of 106% during 2020.

Refocus, reinvigorate, realise

Since our IPO in 2017, the potential of our portfolio has become increasingly clear. Our early years were characterised by a strong pipeline, a diversity of investee companies and a series of encouraging data readouts and trials from these investments. However, with Arix moving towards the mid-point in the traditional lifecycle of a venture capital fund, 2020 was the time to begin turning promise into reality for our shareholders. That is precisely what we have achieved – and aim to continue in 2021 and beyond.

One of my first actions after moving into the Executive Chairman role in April was to work with the Board and senior team to refocus and strengthen the business. At our interim results presentation in September, we announced the five targets that will guide Arix through the next three years – more details are shown in the panel alongside.

In particular, we pledged to drive run-rate net operating costs down to £5m by the end of 2021, and have committed to maintaining costs at a maximum of 2% of NAV in subsequent years. I am pleased to report that despite incurring a number of one-off charges, 2020 net operating costs were reduced to £6.8m, representing 2.1% of NAV. Run-rate 2021 net operating costs are now within £5m and we are committed to keeping these within 2% of NAV as the company grows.

We completed a portfolio and strategy review during the summer, which has led to us focusing on the companies that we believe have the highest potential value. We remain focused on life sciences, investing to ensure that innovation can meet

serious unmet medical need, unconstrained by geography. We regard 10-15 companies as the optimum for our portfolio, with two thirds of our capital deployed in later stage companies, Series B and onwards, and the remainder in seed and Series A investments.

This disciplined approach is enabling us to concentrate on our active investments to ensure that we seize all opportunities for maximising shareholder value in a timely and efficient manner. We have also evolved our policy regarding our presence in the boardrooms of our investee companies and decided to no longer retain a seat on the board of a company once it has gone public. This move gives us the flexibility to optimise returns where we identify opportunities to do so, while also enabling us to manage risk exposure. As always, we continue to focus on generating superior returns and long-term capital growth for our shareholders.

We also appointed a new Scientific Advisory Board during the year, and you can read more details about how this is contributing to more effective investment decisions on page 42 of the Annual Report.

Delivering on our promises

The highlight of the year was undoubtedly our first M&A exit, with VelosBio being acquired by Merck for \$2.75bn in cash in December 2020. This deal returned \$187m (£139m) to our balance sheet, representing a 11.8x multiple on our investment in a little over two years since our initial investment and an IRR of 320%. This entire gain is expected to be free from corporation tax.

VelosBio was also the first co-investment with our strategic partner Takeda Ventures, validating our strategy to form close partnerships with big pharma companies in our core areas of interest. VelosBio's lead investigational candidate is currently being evaluated in clinical trials for the treatment of patients with haematologic malignancies and solid tumours.

In total we realised £158m during 2020, which puts us in a strong position to continue to execute our strategy of providing support and flexible, long-term capital to the most innovative biotech companies across the globe that we believe have the potential to deliver transformative new treatments to patients. In addition to the VelosBio proceeds, we realised an additional £19m from the portfolio over the year, through active management of our public companies, including £3m from Imara, £7m from Harpoon and £4m from LogicBio. Our deep understanding of the companies we have invested in allows us to optimise the timing of our disposals and maximise risk adjusted returns for shareholders

During the year our portfolio companies collectively raised \$580m. Notably, Imara raised \$86.5m in a Nasdaq IPO, with our holding increasing by £12m during the year. At the same time, we saw positive clinical progress from companies including Aura, Amplyx, Autolus, Harpoon, Imara and Atox Bio – the latter reporting good results from a Phase 3 clinical trial of its immunotherapy treatment for patients with Necrotizing Soft Tissue Infection, otherwise known as Flesh Eating Disease.

Over the last 12 months, we invested a total of £25m into the portfolio, including Imara, LogicBio and, prior to our exit, VelosBio. In addition to our venture portfolio, we took advantage of our ability to invest into promising public life science companies where we see potential for superior returns, and invested in GenSight through a public offering.

The strength of the science in the companies we invest in was validated by the announcement of a three-year strategic research partnership between Artios and Merck KGaA. The companies will now collaborate to identify multiple synthetic lethal targets for precision oncology drug candidates and we are very excited about the potential upside that this partnership could ultimately deliver for our investors.

In 2020 we founded a new portfolio company, Twelve Bio, which is developing novel engineered Cas12a nucleases for therapeutic gene editing. This company originated from the Novo Nordisk Foundation Centre for Protein Research at the University of Copenhagen, based on the world-class scientific research of Stefano Stella and Guillermo Montoya. Aris is the sole investor in the company, with a fully diluted equity stake of 49%. Please see the case study on page 14 of the Annual Report for details of Twelve Bio.

You can find more details on the progress of our portfolio in the Portfolio Review, which begins on page 26 of the Annual Report.

Navigating the challenges of Covid-19

The pandemic has presented huge difficulties to people and economies worldwide, and I was delighted to see how well our team stepped up to the challenges. The safety and wellbeing of our people is always our first priority, and we switched to remote working rapidly and effectively.

Venture capitalists in general and Aris in particular proved to be remarkably resilient throughout the year. In the early months, we worked hard to analyse the potential impact of the pandemic – reassessing timelines, identifying those portfolio companies that needed additional support and adjusting our plans accordingly. The restrictions inevitably caused a degree of disruption – particularly in the areas of clinical trials and research – and we collaborated closely with companies to mitigate this impact. As the year progressed, we continued to evaluate new opportunities, conducting due diligence remotely and harnessing the best that technology can offer in order to build and maintain relationships.

We believe that all our portfolio companies are well financed and positioned to navigate through any further delays caused by Covid-19 and to deliver significant growth over the long term.

The pandemic has shone a positive spotlight on medical science, with the world recognising that the only route through it is via the brilliant work of all those involved in life sciences. Arix is one of the leading venture capital companies directly supporting life sciences, and our investors know that they are investing in the whole future of mankind. Life sciences excite and motivate us every single day – and we are immensely proud to be playing our part in their development.

An evolving Board

My appointment as Executive Chairman took effect in April 2020, following changes in management and the board. To broaden and strengthen the board, in February 2021 we were pleased to announce that James Noble and Axel Wieandt would be joining as Non-Executive Directors on 1 April. James and Axel each bring a wealth of experience with them which will benefit the Company as we shape its future strategy and success. At the same time, Mark Breuer will step down from the Board, leaving with our thanks for his invaluable contribution over the last two years. In addition to these Board changes, we were also pleased to announce the appointment of Giles Kerr as our Senior Independent Director (SID) as part of the Board's ongoing commitment to strengthening corporate governance.

You can read more about changes to the senior team in the Q&A on page 10 of the Annual Report, as well as in my introduction to the Corporate Governance Report on page 52 of the Annual Report.

Looking ahead

Following a strong 2020, our focus in 2021 is to continue identifying and investing in great companies across the globe. We plan to expand the investment team, with senior hires in the UK and US, to take advantage of our strong pipeline of new opportunities. This process is underway, and we hope to provide an update in due course. Building on the appointment of a SID this year, we are committed to continuing to strengthen corporate governance.

Our portfolio companies are well funded, supported by top venture capital syndicates and led by expert management teams. We expect multiple value catalysts in the next 12 months in line with our 2023 targets, including new data readouts, new trials, further funding rounds, new strategic partnerships and M&A – all of which have the potential to significantly increase the value of our companies.

Our £174m capital pool at the year-end puts us in a strong position to support the current portfolio and invest in the next wave of opportunities. We will continue to seek out and support a mix of late- and early-stage deals, on an approximate ratio of 2:1 in order to manage risk and optimise returns. Arix has the authority to purchase up to 10% of its ordinary shares and we will continue to keep use of cash and the share price discount to NAV under review.

This has been a year of real and transformative achievement for Arix. We have started to turn promise into delivery and seen our share price begin to reflect our strengths and prospects. I would like to thank shareholders for their continued support and assure them that, together, we face the future with confidence.

Naseem Amin MD, Executive Chairman

FINANCIAL REVIEW

Summary

2020 was a year of substantial progress for Arix's finances. We completed the transition to a leaner structure, with a cost base appropriately proportioned to the business, and had our first M&A acquisition of a portfolio company. This has provided a strong foundation for the business to continue to progress. The Group generated a significant profit in the year, cash reserves have swelled, and we have seen a significant increase in the Company's net asset value (NAV) and NAV per share.

At year-end, NAV totalled £328.2 million, an increase of £126.1 million, or 62%, compared to 2019's £202.1 million. Profit after tax was £126.1 million (2019: a loss of £69.9 million), while cash and deposits rose by 219% to £174.4 million (2019: £54.6 million), following net realisations from Arix's investments of £132.9 million.

As a business we were able to respond quickly to the Covid-19 pandemic, closing our offices and moving to remote working to safeguard our employees. While there was inevitably an impact on the portfolio, it has been less severe than originally anticipated and has predominantly been in the form of slightly increased timescales for clinical trials. The businesses in the Arix portfolio are well funded, with many of our public companies taking advantage of growing investor sentiment in the biotech sector during the second half of the year by raising further capital, leaving them well placed to weather any further business interruptions.

We therefore go into 2021 pleased with the development Arix has made over the past year and looking forward to sharing details of further progress in the portfolio to help reach our goal of a NAV of up to £500 million by the end of 2023.

Portfolio revaluations

Having started 2020 at £149.2 million, the Gross Portfolio generated £147.6 million of net positive revaluations during the year, an outstanding result. The vast majority of this, £134.9 million, arose on VelosBio, first seeing an upward revaluation after closing its Series B funding round in July and then a substantial increase on its acquisition in December.

There were positive movements for many public assets, with Imara returning £12.0 million, Harpoon £5.2 million and LogicBio £1.6 million. These were somewhat offset by the £10.2 million decrease in the value of Autolus.

In the private portfolio, positive movements were seen with Artios (£3.8 million), off the back of promising clinical development and the signing of a strategic collaboration with Merck KGaA; and also with Quench Bio (£0.9 million), following the closing of the company's Series A funding round in January 2020 (although it was disappointing to note that post-period end, in March 2021, the decision was taken to wind down Quench Bio after the company concluded its planned analysis without success). Arix's legacy assets and other interests declined by a net £4.3 million in aggregate.

Portfolio realisations

The acquisition of VelosBio by Merck for \$2.75 billion in cash was hugely positive for Arix, returning \$187.0 million (£138.7 million) to the balance sheet, representing a 11.8x return on \$15.0 million capital invested after allowing for foreign exchange movements, and generating an IRR of 320%.

The public nature of a number of Arix's investments provides opportunities to realise proceeds based upon a risk-based appraisal of individual investments, an assessment which is constantly shifting with the inevitable volatility that accompanies publicly traded early-stage biotech investments. This resulted in Arix trimming its holding in Harpoon by 15% during the year, generating \$8.0 million (£6.6 million), a 2.6x return on blended cost. Exposure to LogicBio was also reduced by 20%, with \$4.5 million (£3.6 million) recycled to the balance sheet at a 1.7x return, while 11% of Arix's Imara stake was sold at a 2.1x multiple, returning £3.2 million.

It is worth noting that this risk-based assessment is not solely focused on selling down investments. Where share prices were deemed favourably low in the year, opportunities for further investment were taken for the holdings in both Harpoon and LogicBio, again highlighting the flexibility of the Arix model.

As the Arix portfolio grew more focused on core assets during the year, full exits were seen from Pharmaxis (£3.0 million of proceeds) and Verona Pharma (£1.5 million), while exposure to Iterum Therapeutics was reduced to an immaterial level, returning £1.0 million to Arix.

Portfolio investment

Arix continued to see positive progress from its portfolio during the year, with further investment across several companies. Following the trend of other Arix portfolio companies, Imara listed on the Nasdaq in March 2020. The listing was priced at a 46% uplift to the company's Series B funding round, which Arix had co-led less than a year earlier. Overall, Arix invested £4.5 million in Imara during the year, covering the second tranche of the Series B commitment as well as further participation at IPO.

A further £6.7 million was invested in VelosBio in 2020, ahead of its December acquisition; after funding the \$4.4 million (£3.5 million) second tranche of Arix's Series A commitment, VelosBio raised a \$137 million Series B round, attracting a further \$4.0 million (£3.2 million) from Arix.

Quench Bio, a company co-founded by Arix in 2018, closed a \$35 million Series A in the year, to which Arix committed \$6 million, of which \$1.2 million (£0.9 million) had been invested before a decision was taken to wind down the company in March 2021. Also raising cash was LogicBio, which gained a further \$48 million via a public offering, with \$3.0 million (£2.3 million) invested by Arix.

There were two additions to the Arix portfolio in the year, with the contrasting geographies and stage of development highlighting the flexibility of Arix's business model. At the earliest stage, Arix invested €1.5 million (£1.4 million) to seed the formation of Twelve Bio, a Danish genome editing platform company. At the other end of the development timeline, Arix invested €5.6 million (£5.1 million) in Euronext Paris-listed GenSight Biologics, via a public offering and subsequent market purchases. GenSight is seeking commercial approval for its product in Europe and the United States, using gene therapy to treat vision loss.

Foreign exchange

2020 proved to be a volatile year for foreign exchange, particularly for sterling versus the US dollar, a key metric for Arix. The rate for one pound dropped well under \$1.25 at the height of market disruption in the first quarter of the year, and then rallied to more than \$1.36 by the end of 2020 as the UK reached agreement on a Brexit trade deal with the European Union. This resulted in a £11.9 million net negative impact on portfolio valuations in the year, due to the majority of Arix's investments being denominated in US dollars.

Arix continues to expect that the majority of future investment cash flows, both in and out, will be in US dollars and as such, does not consider hedging strategies to be appropriate, particularly given the uncertainty over the quantum and timing of these movements.

Cash and deposits

The above noted realisations from the portfolio have provided Arix with a very strong capital pool to support both the current portfolio and to acquire significant stakes in promising new biotech opportunities. At 31 December 2020, cash and deposits totalled £174.4 million, compared to £54.6 million a year earlier, a 219% increase. At year-end, £9.3 million was committed to existing portfolio companies.

Counterparty risk is managed by holding cash with several financial institutions, all of which have a credit rating of at least F1, according to Fitch ratings. Returns on cash, while low in previous years, turned somewhat anaemic in 2020 as governments cut rates globally to tackle the Covid-19 pandemic. Arix continues to target yield where possible, weighed against the anticipated timing and quantum of the needs of the portfolio. The Company's Treasury Policy is overseen by the Audit and Risk Committee.

Investment summary

| Investment | Value 01 Jan 2020 £m | Investment in period £m | Realisations in period £m | Capitalisations in period £m | Change in valuation £m | FX movement £m | Value 31 Dec 2020 £m | Fully diluted equity interest % | Fully committed, Not invested £m | Fully funded % |
|--------------------------------|----------------------------|-------------------------------|---------------------------------|------------------------------------|---------------------------------|----------------------|-------------------------------|---|--|----------------------|
| Life sciences portfolio | | | | | | | | | | |
| Amplix | 4.9 | – | – | – | – | (0.2) | 4.7 | 3.0% | – | 3.0% |
| Artios | 15.2 | – | – | – | 3.8 | – | 19.0 | 12.4% | – | 12.4% |
| Atox Bio | 5.0 | 1.2 | – | 0.1 | (0.1) | (0.3) | 5.9 | 6.4% | – | 6.4% |
| Aura | 8.3 | 0.7 | – | – | – | (0.2) | 8.8 | 7.8% | 0.5 | 7.9% |
| Autolus* | 33.8 | – | – | – | (10.2) | (1.7) | 21.9 | 6.4% | – | 6.4% |
| Depixus | 2.0 | 0.2 | – | – | 1.8 | 0.2 | 4.2 | 20.7% | – | 20.7% |
| Harpoon* | 28.9 | 0.1 | (6.6) | – | 5.2 | (0.7) | 26.9 | 8.8% | – | 8.8% |
| Imara* | 10.7 | 4.5 | (3.2) | – | 12.0 | (1.8) | 22.2 | 8.0% | – | 8.0% |
| LogicBio* | 16.3 | 2.3 | (3.6) | – | 1.6 | (0.5) | 16.1 | 9.1% | – | 9.1% |
| Quench | 6.5 | 0.9 | – | – | 0.9 | (0.3) | 8.0 | 25.0% | 3.5 | 21.7% |
| STipe | 1.9 | – | – | – | – | 0.1 | 2.0 | 14.8% | 3.1 | 19.8% |
| Twelve Bio | – | 1.4 | – | – | – | – | 1.4 | 29.9% | 2.2 | 49.0% |
| VelosBio | 5.5 | 6.7 | (138.7) | – | 134.9 | (6.2) | 2.2 | – | – | – |
| Healthcare investments | | | | | | | | | | |
| GenSight* | – | 5.1 | – | – | 2.0 | – | 7.1 | 2.8% | 9.3 | 2.8% |
| Legacy assets | 10.2 | 1.5 | (5.4) | – | (4.3) | (0.3) | 1.7 | | – | |
| Gross Portfolio | 149.2 | 24.6 | (157.5) | 0.1 | 147.6 | (11.9) | 152.1 | | 9.3 | |
| Other interests | 2.7 | – | – | – | (0.4) | – | 2.4 | | – | |
| Total investments | 151.9 | 24.6 | (157.5) | 0.1 | 147.2 | (11.9) | 154.4 | | 9.3 | |

* Publicly listed company

Net operating costs

Following management changes in April 2020, Arix pledged to reduce net operating costs (revenue and finance income less administrative expenses excluding depreciation and amortisation) to a run rate of below £5.0 million in 2021 (compared to £8.0 million in 2019), while committing to 2020 net operating costs to be under £7.0 million.

It is pleasing to report that both commitments will be met, after a year of targeted reductions to costs throughout the business. Net operating costs for 2020 represent 2.1% of year-end NAV, compared to 4.0% in 2019. On top of the previously announced headcount reductions, the greatest savings arise from reduced office spend. The full effects of this will be seen once we vacate our Berkeley Square offices in May of this year and move to new premises in the West End, on which we have been able to take advantage of current market conditions in negotiating competitive terms, vastly reducing our property spend.

As noted previously, significantly reduced finance income was generated in the year (£0.1 million versus £0.8 million in 2019), predominantly due to cuts in interest rates across the globe in response to the pandemic, but also due to the business having a lower average cash balance throughout the year. Returns are expected to remain low throughout 2021.

Fund management fee income of £0.3 million, received from managing The Wales Life Sciences Investment Fund, continues to reduce in line with expectation (2019: £0.5 million) and is expected to be lower still in 2021.

Other deductions relate to a foreign exchange loss (£1.6 million) arising predominantly on cash held in currencies other than sterling, an intangible impairment (£0.2 million) and a small share-based payment charge (£0.1 million).

Based on the current business, 2021 run-rate net operating costs have been reduced to below £5.0 million once Berkeley Square is vacated. This represents 1.5% of December 2020 NAV. The significant cash now available to Arix to invest means that there will now be some expansion of net costs beyond £5.0 million to ensure there is appropriate strength and resilience in the investment team. However, we continue to be focused on cost control, and pledge to ensure net costs remain below 2% of NAV on an ongoing basis.

Taxation

As a UK operating group, Arix is subject to UK corporation tax on the majority of its activities, which can include the gains arising on investments. However, wherever possible we aim to take advantage of the UK's Substantial Shareholding Exemption (SSE), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met. This is a nuanced exemption and is always dependent on individual investment fact patterns. For the largest realised gain arising in the year, the sale of VelosBio, we are now confident that the entire gain meets the conditions for SSE and therefore expect it to be free from corporation tax. This exemption will also be claimed for the realised gains arising from Harpoon and LogicBio during the period.

Where investment gains are unrealised and are not expected to qualify for SSE, the anticipated tax due based on the current valuation of the underlying investment is reflected in a deferred tax balance.

These factors, combined with the ability to utilise certain brought forward losses, have reduced the Group's tax expense in the year to £nil (2019: £nil).

Valuation policy

Arix's investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines December 2018 (IPEV Guidelines). Quoted investments are marked-to-market at the period end. Unquoted investments are valued with reference to the most recent funding round; milestones; or by discounted cash flow. Further information is available in Note 2 to the financial statements on page 93 of the Annual Report.

Post-Period End

In March 2021, the decision was taken to wind down Quench Bio, after the company completed its data analysis and could not find a suitable path to progression. While disappointing, this is our approach to risk management in action, tranching commitments to minimise capital at risk and ceasing funding in a prompt and disciplined manner. For further detail on events after the reporting date, please see note 24 of the financial statements.

RISK MANAGEMENT

The Group monitors a number of principal risks and uncertainties that may impact the business. These include financial, non-financial, internal and external concerns.

Risk management framework

The Directors are able to manage the business, and achieve its strategic objectives, due to an effective risk management framework which features multiple layers.

Board

Managing risk is a key responsibility of the Board, which sets a strong tone, in line with best practice corporate governance.

Key committees

The Audit and Risk Committee oversees the effectiveness of the risk management processes.

The Remuneration Committee ensures incentives and reward are balanced and appropriate for achieving the strategy.

The Nomination Committee addresses the need for continuing strength at the senior levels of the Company and is responsible for succession planning.

Executive management

The management team is responsible for identifying, assessing and mitigating the day-to-day operational risks. Emerging risks are monitored by the management team with the support of the Board. These risks are considered in the context of the Company's business and stakeholders. Where potentially significant new emerging risks are identified, these are reported to the Board for consideration and mitigation. No new emerging risks have been identified during the period.

Portfolio company boards and independent assurance

The boards of our portfolio companies are responsible for ensuring they meet key commercial objectives, and in this they are typically supported by senior members of the Arix Bioscience team, who also sit on their boards.

Independent assurance is provided by industry experts when required. For example, external advisers are engaged to provide regulatory compliance support to the board of Arix Capital Management, Arix Bioscience's FCA-regulated fund management subsidiary.

Risks and mitigants

The key risks to Arix have been assessed in light of the current environment; these, along with the steps taken by Arix to manage such risks, are detailed below. As the UK's withdrawal from the EU has been finalised, risks to the business relating to Brexit have diminished, meaning this is no longer seen as a key risk area. The Covid-19 pandemic has been an area of significant risk for all businesses during 2020, Arix included, resulting in its inclusion below. There have been no other changes to Arix's risk profile during the year, although Arix continues to consider and reflect on emerging risks, currently with particular regard to cyber security and climate change and their potential impact on the business and its stakeholders.

| Area | Risk | Impact | Mitigation |
|---|--|--|---|
| 1 Covid-19 | The Covid-19 pandemic has had a severe impact globally, resulting in several potential impacts on Arix's business. | Arix's portfolio companies are conducting ongoing clinical trials in healthcare facilities, typically requiring the mobility of trial participants. The pandemic's restriction on mobility in certain geographies has resulted in delays to enrolment and conduct of clinical trials, which has increased portfolio companies' timelines to data readouts. Delays to trials may result in further funding needs for portfolio companies and increase timeframes to the generation of positive cash flows, negatively impacting Arix's cash flow. Arix's operations have the potential to be impacted by the inability of the Company's staff to attend Arix's premises, by sickness or quarantine requirements. | At the outset of the pandemic, Arix conducted a detailed review of its portfolio companies and possible funding requirements, and ensured that cash was adequately reserved for this. To date, the required funding of the portfolio has not been as high as anticipated. Arix's portfolio companies were well funded at the start of 2020, and many have taken advantage of growing investor sentiment in the biotech sector by raising further capital. Arix continues to monitor its portfolio closely and ensure it is adequately reserving capital for its portfolio. In early March 2020, Arix closed its offices and moved all staff to remote working. Arix has flexible IT and communications systems in place to allow staff to continue working efficiently, safely and securely. |
| 2 Clinical trial risks | Arix's portfolio typically comprises companies that are engaged in clinical trials. There is a risk that the trials may produce negative or inconclusive results. | Negative clinical trial read outs may reduce the value of the portfolio company, potentially to nil. This would therefore result in a decrease in Arix's profitability, and reduce Arix's ability to generate positive cash flows from future realisations. Inconclusive read outs may both reduce the value of the portfolio company, impacting Arix's profitability, and require further capital to fund additional trials to seek further clarity in the results, adversely impacting Arix's cash flow. Portfolio companies are usually not revenue-generating and are typically only funded through to an anticipated | Arix has an experienced team responsible for identifying and developing portfolio companies, resulting in a high standard of due diligence before the commitment of any capital. Post-investment, Arix typically has representatives on the company's board of directors, ensuring it is fully aware of business developments, and allowing for mitigation of possible issues as they arise. Arix's commitments to investments are typically tranching, such that capital is not overly committed to a company at a single stage, with further funds only invested once pre-agreed milestones have been reached. |

| Area | Risk | Impact | Mitigation |
|---|--|---|--|
| | | subsequent clinical milestone. Negative or inconclusive clinical trial readouts might impact the portfolio company's ability to attract further capital and therefore may be unable to continue in operation. | Arix funds a range of portfolio companies and continues to develop its portfolio across a range of therapeutic areas. Its diverse portfolio means that Arix's financial performance is not overly reliant on any one business. |
| 3 Unquoted investments | <p>Arix's portfolio comprises certain investments which are not listed on a recognised stock exchange, making them both harder to value and more difficult to liquidate.</p> <p>There is a risk that ultimate cash proceeds from an investment may be significantly below an investment's current fair value.</p> | <p>Arix may be unable to realise returns on its unquoted investments at prevailing fair values. This may result in a reduction in the carrying value of investments, reducing Arix's profitability.</p> <p>If investments cannot ultimately be realised, this will reduce Arix's ability to generate positive cash flows and reduce Arix's ability to continue to fund new investment opportunities.</p> | <p>Arix has an experienced team responsible for identifying and developing portfolio companies, resulting in a high standard of due diligence before the commitment of any capital. Post-investment, Arix typically has representatives on the company's board of directors, ensuring it is fully aware of business developments, and allowing for mitigation of possible issues as they arise.</p> <p>This should therefore improve the likelihood of the investment being a desirable acquisition target, and therefore Arix's investment being monetised.</p> <p>Arix funds a range of portfolio companies and continues to develop its portfolio across a range of therapeutic areas. Its diverse portfolio means that Arix's financial performance is not overly reliant on any one business.</p> |
| 4 Taxation | <p>Arix aims to generate significant gains on its investments, which can result in potentially large corporation tax charges.</p> <p>Where possible, Arix aims to take advantage of available exemptions to reduce its tax liabilities.</p> <p>There is a risk that tax authorities challenge the use of these exemptions.</p> | <p>Where Arix believes it has met the appropriate qualifying criteria, Arix claims the UK's Substantial Shareholding Exemption which reduces the tax on such gains and losses to nil.</p> <p>If the use of this exemption were rejected by HMRC, this would increase Arix's tax liabilities, reducing Arix's profit after tax. It would also reduce Arix's cash reserves, resulting in fewer funds being available to fund Arix's operations and future investment opportunities.</p> | <p>Arix's finance team comprises chartered accountants who are experienced with the tax treatments and exemptions associated with venture capital investments.</p> <p>Arix employs the use of a 'Big Four' professional services firm to assist with all tax disclosures, returns and regulatory correspondence.</p> <p>For areas of significant judgement in relation to tax, Arix seeks further advice from eminent professionals in the field, such as a Queen's Counsel Barrister, to support the tax treatment adopted.</p> |
| 5 Personnel | <p>Arix's success is predicated on the quality of its investment decisions, which in turn is a product of the calibre of its investment team.</p> <p>There is a risk of Arix being unable to attract or retain staff of sufficient calibre.</p> | <p>The financial performance of Arix depends on its ability to identify and develop outstanding portfolio companies and, as such, is reliant on its key personnel.</p> <p>Loss of key individuals could reduce the quality of Arix's investment decision-making and therefore negatively affect Arix's financial performance and future prospects.</p> | <p>Arix's investment team have strong scientific backgrounds and are experienced life sciences investors.</p> <p>Arix has a market-appropriate remuneration scheme for its senior employees. This includes share incentive schemes, which reward personnel for long-term service and performance. Arix's Remuneration Committee oversees remuneration for Directors and senior employees.</p> <p>Arix's executive team comprises four members performing active roles, who are</p> |

| Area | Risk | Impact | Mitigation |
|---|--|---|---|
| | | | able to provide emergency cover for each other over a short period. Arix's Nomination Committee is responsible for appropriate succession planning. |
| 6 Macroeconomic conditions | Adverse market conditions may impact Arix's operational model. | An economic downturn may reduce opportunities for Arix to realise capital from portfolio companies, affecting cash flow and financial performance if portfolio valuations are reduced. The availability of capital for any external fundraising by Arix or its portfolio companies may also be affected. | Arix's strategy is to deploy capital into innovative businesses which have unique, high impact outcomes; Arix believes that such businesses are less susceptible to macroeconomic cycles. Arix has funded portfolio companies across a range of geographies, including the UK, USA, Europe and Scandinavia. As such, it is not overly reliant on a downturn or market shock in a single geography. Arix monitors its availability of capital closely, ensuring sufficient funds are available for the investment and operational needs of the business. |
| 7 Legislation & regulation | Changes to government policy or regulation in the research, healthcare or life sciences industries could impact Arix or its portfolio companies. | A change in government regulation (for example CFIUS in the United States) may adversely affect the profitability of the healthcare and life sciences industry, resulting in a reduction in the number of investment opportunities, availability of external funding or potential exit opportunities for portfolio companies. | Arix's portfolio is diversified by geography, with exposure to the UK, USA, Europe and Scandinavia, protecting the company from the adverse actions of any one government. Arix's corporate team actively monitors changes to laws and regulation, and where necessary enlists the advice of relevant experts to consider any company or portfolio impacts. |

Viability statement

The Board has assessed the prospects of Arix over a period greater than 12 months. We have considered a period of three years from the balance sheet date, as the Board expects the majority of Arix's current commitments and new proceeds raised to be committed over the next three years, and therefore reflects the period over which the Group's cash flows are assessed internally.

A robust assessment of the principal risks and their mitigants has been carried out. The Board assessed Arix's business model, particularly its approach to future cash commitments to existing portfolio companies. Key judgements reflected how future cash requirements may change from restrictive regulations (particularly any possible negative impacts from Brexit), and how the availability of capital may be impacted from the loss of key personnel. The impact of Covid-19 was of particular import in the year, with the Board strongly focused on potential cash needs of Arix portfolio companies, as well as any financial impact on Arix's own operations.

Having initially started with a base case scenario considering Arix's finances over the assessment period, the estimated impacts on the Group's cash flow, as described above, are modelled, creating a range of adverse scenarios. An extreme downside case is then considered, reflecting the estimated cash flow impact of all considered risks occurring concurrently. Finally, the analysis considers the mitigating actions the Group could take to reduce the financial impact of the noted risks.

Based on its review, and the consideration of any changes that had occurred post year-end, the Board has a reasonable expectation that Arix will be able to continue in operation and meet its liabilities as they fall due over a three-year period from the date of this report and confirm that preparing the financial statements on a going concern basis is appropriate.

Consolidated statement of comprehensive income

For the year ended 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|--|----------------|-----------------|
| Change in fair value of investments | 135,297 | (62,435) |
| Revenue | 477 | 506 |
| Finance income | 101 | 769 |
| Administrative expenses | (7,763) | (9,709) |
| Share-based payment charge | (25) | (2,790) |
| Foreign exchange loss | (1,619) | (650) |
| Impairment of right-of-use and intangible assets | (167) | (1,259) |
| Profit/(loss) before taxation | 126,301 | (75,568) |
| Taxation | – | 5,883 |
| Profit/(loss) for the year | 126,301 | (69,685) |
| Other comprehensive (expense)/income | | |
| Exchange differences on translating foreign operations | (225) | (185) |
| Taxation | – | – |
| Total comprehensive income/(expense) for the year | 126,076 | (69,870) |
| Attributable to | | |
| Owners of Arix Bioscience plc | 126,076 | (69,870) |
| Earnings per share | | |
| Basic earnings per share (p) | 96.6 | (53.8) |
| Diluted earnings per share (p) | 88.6 | (53.8) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|----------------|----------------|
| ASSETS | | |
| Non-current assets | | |
| Investments held at fair value | 154,416 | 151,921 |
| Intangible assets | 312 | 688 |
| Property, plant and equipment | 49 | 160 |
| Right of use asset | 90 | 339 |
| Investment property | 106 | 366 |
| | 154,973 | 153,474 |
| Current assets | | |
| Cash and cash equivalents | 112,085 | 54,638 |
| Cash on long-term deposit | 62,276 | – |
| Other assets | 1,378 | 1,106 |
| | 175,739 | 55,744 |
| TOTAL ASSETS | 330,712 | 209,218 |

| | | |
|---------------------------------|----------------|----------------|
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | (2,235) | (6,154) |
| Deferred tax liability | – | – |
| | (2,235) | (6,154) |
| Non-current liabilities | | |
| Lease liability | (268) | (956) |
| TOTAL LIABILITIES | (2,503) | (7,110) |
| NET ASSETS | 328,209 | 202,108 |
| EQUITY | | |
| Share capital and share premium | 188,585 | 188,585 |
| Retained earnings | 142,044 | 15,718 |
| Other reserves | (2,420) | (2,195) |
| TOTAL EQUITY | 328,209 | 202,108 |

The accompanying notes form an integral part of the financial statements. The financial statements on pages 90 to 110 of the Annual Report were approved by the Board of Directors and authorised for issue on 8 March 2021, and were signed on its behalf by Naseem Amin, Executive Chairman

Consolidated statement of changes in equity

For the year 31 December 2020

| | Share Capital and Premium £'000 | Other Equity £'000 | Other Reserves £'000 | Retained Earnings £'000 | Total £'000 |
|--------------------------------------|------------------------------------|-----------------------|-------------------------|----------------------------|----------------|
| As at 1 January 2020 | 188,585 | (1,754) | (441) | 15,718 | 202,108 |
| Profit for the year | – | – | – | 126,301 | 126,301 |
| Other comprehensive (expense)/income | – | – | (225) | – | (225) |
| Share-based payment charge | – | – | – | 25 | 25 |
| Acquisition of own shares | – | – | – | – | – |
| Issue of own shares to employees | – | 514 | (514) | – | – |
| As at 31 December 2020 | 188,585 | (1,240) | (1,180) | 142,044 | 328,209 |

For the year ended 31 December 2019

| | Share Capital and Premium £'000 | Other Equity £'000 | Other Reserves £'000 | Retained Earnings £'000 | Total £'000 |
|--------------------------------------|------------------------------------|-----------------------|-------------------------|----------------------------|----------------|
| As at 1 January 2019 | 188,585 | (1,211) | 782 | 82,018 | 270,174 |
| Loss for the year | – | – | – | (69,685) | (69,685) |
| Other comprehensive (expense)/income | – | – | (780) | 595 | (185) |
| Share-based payment charge | – | – | – | 2,790 | 2,790 |
| Acquisition of own shares | – | (986) | – | – | (986) |
| Issue of own shares to employees | – | 443 | (443) | – | – |
| As at 31 December 2019 | 188,585 | (1,754) | (441) | 15,718 | 202,108 |

Consolidated statement of cash flows

For the year ended 31 December 2020

| | 2020 £'000 | 2019 £'000 |
|--|----------------|----------------|
| Net cash from operating activities | (6,833) | (9,242) |
| Finance income | 101 | 769 |
| Finance expenses | – | – |
| Tax paid | – | – |
| Net cash from operating activities | (6,732) | (8,473) |
| Cash flows from investing activities | | |
| Purchase of equity investments | (28,923) | (34,858) |
| Disposal of equity and loan investments | 157,528 | 8,791 |
| Purchase of property, plant and equipment | (7) | (6) |
| Net cash received (placed on)/from long-term deposit | (62,276) | 60,209 |
| Net cash from investing activities | 66,322 | 34,136 |
| Cash flows from financing activities | | |
| Net proceeds from issue of shares | – | – |
| Purchase of own shares by Employee Benefit Trust | – | (986) |
| Net cash from financing activities | – | (986) |
| Net increase in cash and cash equivalents | 59,590 | 24,677 |
| Cash and cash equivalents at start of year | 54,638 | 31,009 |
| Effect of exchange rate changes | (2,143) | (1,048) |
| Cash and cash equivalents at end of year | 112,085 | 54,638 |

Notes to the financial statements

1. General Information

The principal activity of Arix Bioscience plc (the "Company") and its subsidiaries (together the "Arix Group" or "the Group" or "Arix") is to invest in and build breakthrough biotech companies around cutting edge advances in life sciences.

The Company is incorporated and domiciled in the United Kingdom. Arix Bioscience plc was incorporated on 15 September 2015 as Perceptive Bioscience Investments Limited and changed its name to Arix Bioscience Limited. It subsequently re-registered as a public limited company and changed its name to Arix Bioscience plc. The address of its registered office is 20 Berkeley Square, London, W1J 6EQ. The registered number is 09777975. The Company is the ultimate parent company into which the results of all subsidiaries are consolidated.

2. Accounting Policies

A. Basis of preparation

The consolidated financial statements of the Arix Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have been prepared on a historical cost basis, except for certain financial assets which have been measured at fair value. The financial statements are presented in British pounds sterling, which is the functional and

presentational currency of the Company, and the presentational currency of the Group; balances are presented in thousands of British pounds sterling unless otherwise stated.

The Arix Group has applied all standards and interpretations issued by the IASB that were effective at the period end date. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Arix Group's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

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

Significant estimates are made by the Arix Group when determining the appropriate methodology for valuing investments (see Note 2(I)), share-based payments (see Note 2(O) and Note 18) and taxation (see below and Note 9). Sensitivity of the investment portfolio is disclosed in Note 11.

The Group primarily seeks to generate capital gains from its portfolio company investments, which would ordinarily be subject to UK corporation tax. However, where the Group holds or has held in excess of 10% of the share capital of a portfolio company, and those companies are themselves trading or preparing to carry on a trade, the Directors continue to believe that these holdings will qualify for the UK's Substantial Shareholdings Exemption ("SSE"), which exempts taxable gains or losses from corporation tax. For unrealised gains and losses that are expected to meet the qualifying criteria, no deferred tax provision will be made in the Group's financial statements. Where investment gains or losses are unrealised and are not expected to qualify for SSE, the anticipated tax due based on the current valuation of the underlying investment is reflected in a deferred tax balance, to the extent that these exceed the Group's historical operating losses from time to time. SSE has been applied to net realised gains of £127.5 million in the year (2019: £2.2 million), reducing the tax liability arising on these disposals by £24.2 million (2019: £0.4 million).

The Directors have taken what they consider to be all necessary steps to support the determination that these gains and losses in the Arix portfolio qualify for SSE, including close collaboration with their appointed tax advisers and further consultation and receipt of written opinion from a Queen's Counsel Barrister at a leading tax chambers. The Directors believe that successful HMRC challenge of this conclusion is improbable.

In preparing these financial statements, the Directors have considered the relationship that the Group has with The Wales Life Sciences Investment Fund (the "WLSIF") and specifically as to whether the Group controls WLSIF. The Directors note that while Arix Capital Management Limited (a 100% subsidiary of Arix Bioscience plc), in its role as fund manager to WLSIF, and Arthurian Life Sciences SPV GP Limited (a 100% subsidiary of Arix Bioscience plc) in its role as general partner of the WLSIF, both exercise power over the activities of WLSIF, they do not have sufficient exposure to variability of returns from WLSIF to meet the definition of control and therefore acts as agents, rather than principals of WLSIF. Accordingly, WLSIF has not been consolidated into these financial statements.

In preparing these financial statements, the Directors have concluded that the Company meets the definition of an investment entity as per IFRS 10, as it has the typical characteristics set out in the standard, including holding more than one investment and having more than one investor which is not a related party of the entity. The Group's investment in Twelve Bio is the only investee company which the Group controls and therefore is the only subsidiary held at FVTPL.

Going concern

The financial information presented within these financial statements has been prepared on a going concern basis as disclosed in the Directors' Report. The Directors have made an assessment of going concern taking into account the Group's current performance and outlook, which considered the risks the business is exposed to, including the ongoing Covid-19 pandemic and the legislative impact of the UK's withdrawal from the European Union and concluded that no material uncertainty exists around the Company or the Group's ability to continue as a going concern.

B. Basis of consolidation

Subsidiaries

The Directors have concluded that the Group has all the elements of control as prescribed by IFRS 10 "Consolidated Financial Statements" in relation to all its subsidiaries and that the Company satisfies three essential criteria to be regarded as an investment entity as defined in IFRS 10, IFRS 12 "Disclosure of Interests in other entities" and IAS 27 "Consolidated and Separate Financial Statements". The three essential criteria are such that the entity must: obtain funds from more than one investor for the purpose of providing these investors with professional investment management services; commit to its investors that its business purpose is to invest its funds solely for returns from capital appreciation, investment income or both; and measure and evaluate the performance.

Subsidiaries are therefore measured at Fair Value through profit or loss in accordance with IFRS 13 “Fair Value measurement” and IFRS 9 “Financial Instruments”.

Notwithstanding this, IFRS 10 requires subsidiaries that provide services that relate to the investment entity’s investment activities to be consolidated. Accordingly, the financial statements consolidate the results of the entities listed in the table below. This table contains the disclosures required by Section 409 of the Companies Act 2006 for subsidiaries:

| Entity | Country of Incorporation | Registered Address | Ownership |
|---|--------------------------|--|-----------|
| Arix Bioscience Holdings Limited | England and Wales | 20 Berkeley Square, London, W1J 6EQ | 100% |
| Arix Bioscience, Inc | United States | 82 Nassau Street, PMB 725, New York, NY 10038 | 100% |
| Arix Capital Management Limited | England and Wales | Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ | 100% |
| Arthurian Life Sciences GP Limited | Scotland | 16 Charlotte Square, Edinburgh, EH2 4DF | 100% |
| ALS SPV Limited | England and Wales | 20 Berkeley Square, London, W1J 6EQ | 100% |
| Arthurian Life Sciences SPV GP Limited | England and Wales | Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ | 100% |
| Arix Bioscience plc Employee Benefit Trust | Jersey | 26 New Street, St Helier, Jersey, JE2 3RA | 100% |
| Arthurian Life Sciences Carried Interest Partner LP | Scotland | 16 Charlotte Square, Edinburgh, EH2 4DF | 100% |

Subsidiaries are fully consolidated from the date on which control is transferred. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business. All companies are involved in investing in and building breakthrough biotech companies around cutting edge advances in life sciences, other than Arix Capital Management and the Arthurian Life Sciences companies, which are engaged in fund management activity, and Arthurian Life Sciences Carried Interest Partner LP, which holds a financial interest in a limited partnership. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

The below subsidiary is measured at Fair Value through profit or loss:

| Entity | Country of Incorporation | Registered Address | Ownership |
|----------------|--------------------------|---|-----------|
| Twelve Bio ApS | Denmark | Ole Maaloes Vej 3, 2200 Copenhagen, Denmark | 29.9% |

The Group considers the above entity to be under its control as employees of the Group hold two of Twelve Bio’s four director seats, including the position of chairman, who has the deciding vote in any tied board vote. The Group has the right to variable returns from its investment and has the power to affect these returns through its position on the board.

Associates

The Group has taken the exemption permitted by IAS 28 “Investments in Associates and Joint Ventures” and IFRS 11 “Joint Arrangements” for entities similar to investment entities and measures its investments in associates and joint ventures at fair value. The Directors consider an Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

No associates are presented on the Statement of Financial Position as the Group elects to hold such investments at fair value through profit and loss. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value of associates are recognised in the Statement of Comprehensive Income in the period in which the change occurs. The Group has no interests in associates through which it carries on its business.

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 11 to the financial statements. Similarly, those investments which may not have qualified as an associate but fall within the wider scope of significant holdings and so are subject to Section 409 disclosure acts are also included in Note 11 to the financial statements.

WLSIF is considered neither a subsidiary (as detailed in Note 2(A)) nor an associate, as the Group does not have a 20-50% interest in the entity nor considered to have significant influence.

C. Adoption of new and revised standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

D. Revenue recognition

Revenue is generated from fund management fees, and from board adviser fees. Fund management fees are earned as a percentage of funds managed and are recognised in the period in which these services are provided. Board adviser fees are recognised on an accruals basis.

E. Foreign currency translation

The assets and liabilities of foreign operations are translated to Group's presentational currency (British pounds sterling) at foreign exchange rates ruling at the period-end date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. Foreign exchange movements on Investments held at fair value are reported within Change in fair value of investments on the face of the Consolidated Statement of Comprehensive Income. This is a presentational change in 2020, these movements having previously been presented within foreign exchange movements on the face of the Consolidated Statement of Comprehensive Income. The prior year comparatives have been updated to reflect the presentation change, with £3,793k reclassified. Foreign exchange differences arising from other items are disclosed separately on face of the Consolidated Statement of Comprehensive Income.

F. Leases

A lease liability is recognised representing the present value of the remaining lease payments and a related right of use asset. Right of use assets amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application, although one right of use asset has subsequently been impaired, in line with IFRS 16.

G. Exceptional items

Items that are material in size and unusual in nature are disclosed separately to provide a more accurate indication of underlying performance.

H. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets:

| | |
|-----------------------|-------------|
| Office equipment | Three years |
| Fixtures and fittings | Five years |
| Office furniture | Five years |
| Leasehold property | Five years |

I. Financial assets

The Arix Group classifies its financial assets as either at fair value through profit or loss or amortised cost. The classification depends on the purpose for which the financial assets have been acquired and is determined on initial recognition.

Amortised cost assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Arix Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Arix Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Arix Group has transferred substantially all risks and rewards of ownership.

Equity investments

Those investments in the Arix Group that are held with a view to the ultimate realisation of capital gains are recognised as equity investments within the scope of IFRS 9 and are classified as financial assets at fair value through profit or loss. This includes investments in associated undertakings, as per Note 11, and investment subsidiaries. When financial assets are initially recognised they are measured at fair value. They are subsequently remeasured at their fair value if a valuation event occurs.

Valuation of investments

The fair value of the Group's investments is determined using International Private Equity and Venture Capital Valuation Guidelines December 2018 ("IPEV Guidelines"), which comply with IFRS.

The fair value of quoted investments is based on bid prices at the period end date.

Upon investment, the fair value of unlisted securities is recognised at cost. Similarly, following a further funding round with participation by at least one third party, the price paid by the external investor is generally considered to represent the investment's fair value at the transaction date, although the specific terms and circumstances of each funding round must always be considered.

Following the transaction date, each investment is observed for objective evidence of an increase or impairment in its value. This reflects the fact that investments made in seed, start-up and early stage biotech companies often have no current and no short-term future revenues or positive cash flows; in such circumstances, it can be difficult to gauge the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. As such, the Group carries out an enhanced assessment based on milestone analysis, which seeks to determine whether there is an indication of a change in fair value based on changes to the company's prospects. A milestone event may include, but is not limited to, technical measures, such as clinical trial progress; financial measures, such as a company's availability of cash; and market measures, such as licensing agreements agreed by the company. Indicators of impairment might include significant delays to clinical progress, technical complications or financial difficulties. Often qualitative milestones provide a directional indication of the movement of fair value. Calibrating such milestones may result in a fair value equal to the transaction value. Any ultimate change in valuation reflects the assessed impact of the progress against milestones and the consequential impact on a potential future external valuation point, such as a future funding round or initial public offering.

When forming a view of the fair value of its investment, the Arix Group takes into account circumstances where an investment's equity structure involves different class rights on a sale or liquidity event.

The valuation metrics used in these financial statements are discussed in Note 11.

Although the Directors use their best judgement, there are inherent limitations in any valuation techniques. Whilst fair value estimates presented herein attempt to present the amount the Arix Group could realise in a current transaction, the final realisation may be different, as future events will also affect the current estimates of fair value. The effects of such events on the estimates of fair value, including the ultimate realisation of investments, could be material to the financial statements.

Treatment of gains and losses arising on fair value

Realised and unrealised gains and losses on financial assets at fair value through profit and loss are included in the Statement of Comprehensive Income in the period in which they arise.

Recognition of financial assets

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets

At the end of each reporting period the Group assesses whether there is objective evidence that its loans and other receivables are impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount 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. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income within administrative expenses. The Group's financial assets that are subject to IFRS 9's expected credit loss model are its loans and receivables, cash and cash equivalents and cash on long-term deposit. The identified impairment loss is considered immaterial.

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Arix Group or the counterparty. Where these conditions are met, the net amount is reported in the Statement of Financial Position.

J. Cash and cash equivalents and cash on long-term deposit

Cash and cash equivalents comprise cash at bank and in hand and call deposits. Cash on long-term deposit comprises cash held on term deposit for a period of at least three months.

K. Goodwill and intangible assets

Intangibles were acquired by the Arix Group as part of the acquisition of Arix Capital Management Limited and Arthurian Life Sciences SPV GP Limited.

It is the policy of the Arix Group to amortise these fair values over the period in which the Arix Group is expected to obtain economic benefit from the related intangible assets. The excess of consideration transferred over the fair value of net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the Statement of Comprehensive Income as a bargain purchase. The asset is assessed for impairment periodically and marked down appropriately if an indication of impairment is noted.

L. Share capital

Ordinary Shares and Series C Shares are classified as equity. Equity instruments issued by the Arix Group are recorded at the proceeds received, net of direct issue costs.

Own shares represent shares of Arix Bioscience plc that are held by an employee share trust for the purpose of fulfilling obligations in respect of various employee share plans. Own shares are treated as a deduction from equity until the shares are cancelled, reissued or disposed of. When they vest, they are transferred from own shares to retained earnings at their weighted average cost.

M. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).

If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value, generally being the invoiced amount and are subsequently measured at amortised cost, using the effective interest method.

N. Current and deferred taxation

The tax expense for the year comprises current tax and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Arix Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheets, using the liability method. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

O. Share-based payments

The Arix Group operates an equity incentive plan and an executive share option plan in which the Group's founders also participate. Share options must be measured at fair value and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity. The fair value of the option is estimated at the date of grant using a Black-Scholes Model or Monte Carlo simulation and is charged as an expense in the Statement of Comprehensive Income over the vesting period. Where relevant, the charge is adjusted each year to reflect the expected and actual level of vesting. Estimation uncertainty arises with this balance as the calculation incorporates assumptions for share price, exercise price, expected volatility (based on similar quoted companies), risk-free interest rate and share option term. Further detail on Share-based Payments is available in Note 18.

P. Other reserves

Other reserves relate to a Translation Reserve, for foreign exchange differences which arise on the translation of foreign operations; and a reserve relating to the issue of shares by the Company's Employee Benefit Trust upon vesting of employee share schemes.

Q. Financial risk management

The Arix Group is exposed to market risk, interest rate risk, credit risk and liquidity risk. The senior management oversees the management of these risks and ensures that the financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Arix Group's policies and risk appetite.

The Board of Directors review and agree the policies for managing each of these risks, which are summarised below:

Market risk

Foreign exchange risk – the Arix Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Arix Group has certain investments whose net assets are exposed to foreign currency translation risk; at period-end the Arix Group held US dollar-denominated assets valued at \$163.4m and euro-denominated assets valued at €16.3m. A 10% appreciation in each currency would have a £14.9m negative impact on Arix's Income Statement; a 10% depreciation would have a £12.2m positive impact on Arix's income statement. The impact of foreign exchange on these holdings is closely monitored.

Price risk – the Arix Group is exposed to equity securities price risk because investments are held at fair value through profit or loss.

The Group's strategy is to deploy long-term capital into innovative companies which have novel, high-impact outcomes; Arix believes that such companies are less susceptible to macroeconomic cycles. The Group monitors the availability of its capital closely, ensuring sufficient balances are available for the continuing operation of the business throughout the period assessed in the viability statement.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Arix Group's income is substantially independent of changes in market interest rates. Interest-bearing assets include only cash and cash equivalents and cash on long-term deposit, which earn interest at variable rates. The Arix Group has a treasury policy to manage cash and cash equivalents and cash on long-term deposit. In the year ended 31 December 2020, a 10% change in underlying interest rates would have impacted Arix's finance income by £10k (2019: £71k).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Arix Group. The major classes of financial assets of the Arix Group are cash and cash equivalents (£112m (2019: £54.6m)); cash on long-term deposit (£62m (2019: £nil)); and trade and other receivables (£1.4m (2019: £1.1m)).

Risk of counterparty default arising on cash and cash equivalents is controlled within a framework of dealing with high quality institutions.

As at 31 December 2020, 100% of cash and cash equivalents and cash on long-term deposit was deposited with institutions that have a short-term credit rating of at least F1, according to Fitch Ratings.

No counterparty has failed to meet its obligations over the period. The maximum exposure to credit risk is represented by the carrying amount of each asset. Management does not expect any significant counterparty to fail to meet its obligations.

Liquidity risk

The Arix Group manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements. The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

| | Within one year £'000 | Total £'000 |
|--|--------------------------|----------------|
| Trade, Other Payables and Accruals (excluding non-financial liabilities) | 2,235 | 2,235 |

Capital risk management

The Arix Group manages its capital to ensure that it will be able to continue as a going concern, whilst also maximising the operating potential of the business. The capital structure of the Arix Group consists of equity attributable to equity holders of the Arix Group, comprising issued capital and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Arix Group is not subject to externally imposed capital requirements.

3. Revenue

| | 2020 £'000 | 2019 £'000 |
|----------------------------|---------------|---------------|
| Fund management fee income | 346 | 480 |
| Other income | 131 | 26 |
| | 477 | 506 |

The total revenue for the Arix Group has been derived from its principal activity of investing in and building breakthrough biotech companies around cutting edge advances in life sciences. All of this revenue relates to trading undertaken in the United Kingdom.

4. Segmental Information

Information for the purposes of resource allocation and assessment of performance is reported to the Arix Group's Executive Chairman, who is considered to be the chief operating decision-maker, based wholly on the overall activities of the Arix Group. Although Arix makes investments globally, these are considered by one Investment Committee and reported internally as a single portfolio. It has therefore been determined that the Arix Group has only one reportable segment under IFRS 8 ("Operating Segments"), which is that of sourcing, financing and developing healthcare and life science businesses globally. The Arix Group's revenue, results and assets for this one reportable segment can be determined by reference to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position. The geographic split of the portfolio is shown on page 2 of the Annual Report.

5. Profit/(Loss) Before Taxation

| | 2020 £'000 | 2019 £'000 |
|----------------------------------|---------------|---------------|
| Amortisation | (217) | (287) |
| Depreciation | (116) | (159) |
| Impairment of right of use asset | – | (464) |
| Impairment of intangible asset | (159) | (795) |

Auditors' remuneration

Statutory audit services

| | | |
|--|----|-----|
| Fees payable for the audit of the Arix Group accounts | 92 | 141 |
| Fees payable for the audit of the accounts of subsidiaries of the Arix Group | 41 | 48 |

Non-audit services

| | | |
|---------------------------------------|----|----|
| Other assurance and advisory services | 25 | 36 |
|---------------------------------------|----|----|

| | | |
|-------------------------------------|------------|------------|
| Total auditors' remuneration | 158 | 225 |
|-------------------------------------|------------|------------|

Non-audit services in the year relate to the Arix Bioscience plc interim review (£20k) and an FCA Client Asset Report (£4k) (2019: interim review £30k; FCA Client Asset Report £6k).

6. Administrative Expenses

The administrative expenses charge broken down by nature is as follows:

| | 2020 £'000 | 2019 £'000 |
|-------------------|---------------|---------------|
| Employment costs | 5,066 | 5,637 |
| Recruitment costs | 46 | 147 |
| Consultancy fees | 54 | 320 |
| Other expenses | 2,597 | 3,605 |
| | 7,763 | 9,709 |

7. Net Finance Income/(Expenses)

| | 2020 £'000 | 2019 £'000 |
|---------------|---------------|---------------|
| Bank interest | 101 | 769 |
| Bank charges | – | – |
| | 101 | 769 |

8. Employee Costs

Employee costs (including Directors) comprise:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Salary and bonus | 4,445 | 4,808 |
| Social security costs | 418 | 532 |
| Pension and benefits costs | 203 | 297 |
| Employee costs excluding share-based payments | 5,066 | 5,637 |
| Share-based payments (Note 18) | 25 | 2,790 |
| | 5,091 | 8,427 |

The average number of employees during the year was 14 (2019: 16) (investment team: 6 (2019: 8); non-investment team: 8 (2019: 8)).

9. Income Tax

| | 2020 £'000 | 2019 £'000 |
|--|---------------|----------------|
| Current year tax charge | | |
| Current tax | – | – |
| Deferred tax – current year | 207 | (5,760) |
| Deferred tax – effect of change in tax rates | (185) | 687 |
| Adjustment in respect of previous periods | (22) | (810) |
| Total tax (credit)/charge | – | (5,883) |
| Reconciliation of tax charge | | |
| Profit/(loss) before tax | 126,301 | (75,568) |
| Expected tax based on 19.00% (2019: 19.00%) | 23,997 | (14,358) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 2,489 | 12,120 |
| Adjustment in respect of previous periods | (185) | (810) |
| Income not taxable | (26,706) | (9,808) |
| Tax rate changes | (22) | 693 |
| Net gains/(losses) | – | (6) |
| Employee share options | (789) | 116 |
| Deferred tax not recognised | 1,216 | 6,170 |
| Total tax (credit)/charge | – | (5,883) |
| Recognised deferred tax provisions | | |
| Brought forward | – | 5,883 |
| Adjustments in respect of prior year | (185) | – |
| Relating to profit and loss | 185 | (5,883) |

| | | |
|-----------------|---|---|
| Carried forward | – | – |
|-----------------|---|---|

Represented by:

| | | |
|--------------------------|-------|-------|
| Unutilised tax losses | (925) | (8) |
| ACAs | – | – |
| Intangibles | – | 276 |
| Employee benefits | – | (276) |
| Investments | 926 | 9 |
| Other timing differences | (1) | (1) |
| | – | – |

Unrecognised deferred tax provisions

| | | |
|-----------------------------------|---------|---------|
| Unutilised tax losses | (6,443) | (5,263) |
| Priority profit share outstanding | 95 | 69 |
| Other timing differences | (1,179) | (299) |
| | (7,527) | (5,493) |

Deferred tax balances have been calculated using a rate of 19% (2019: 19%). The Group is subject to UK corporation tax on the majority of its activities, which can include gains arising on investments. However, where possible the Group aims to take advantage of the UK's Substantial Shareholding Exemption ("SSE"), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met. The Directors continue to believe that the application of SSE to the tax computation remains appropriate.

10. Earnings/(Loss) per Share

On 6 July 2020, the Group issued 57,803 ordinary shares, in relation to certain share awards. As at 31 December 2020 the Group had 135,609,653 ordinary shares in issue (2019: 135,551,850).

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Arix Bioscience plc by the weighted average number of enfranchised shares (as adjusted for capital subscription in accordance with the terms of the restrictive share agreement) in issue during the period.

Potentially dilutive ordinary shares include options and conditional share awards issued under the Company's long term incentive plans. At the year end date, the weighted average number of shares in relation to: (i) options and conditional share awards was 6,760,409; and (ii) ordinary shares subject to restrictions was 5,080,582. Restricted ordinary shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, they have been excluded from the calculation of the weighted average number of shares in issue.

| | As at 31 December 2020 £'000 | As at 31 December 2019 £'000 |
|---|---------------------------------------|---------------------------------------|
| Profit/(loss) attributable to equity holders of Arix Bioscience plc | 126,076 | (69,870) |
| Weighted average number of shares in issue for the purposes of basic earnings per share | 130,499,853 | 129,948,773 |
| Weighted average number of shares in issue for the purposes of diluted earnings per share | 142,340,844 | 129,948,773 |
| Basic earnings/(loss) per share | 96.6p | (53.8p) |
| Diluted earnings/(loss) per share | 88.6p | (53.8p) |

11. Investments

Equity investments – 2020

| | Level 1 – Quoted Investments £'000 | Level 3 – Unquoted Investments £'000 | Total £'000 |
|-------------------|---|---|----------------|
| At 1 January 2020 | 87,844 | 64,077 | 151,921 |
| Additions | 13,487 | 11,127 | 24,614 |

| | | | |
|----------------------------|---------------|---------------|----------------|
| Disposals | (18,821) | (138,707) | (157,528) |
| Transfers | 11,707 | (11,707) | – |
| Capitalisations | 112 | – | 112 |
| Change in fair value | 7,278 | 139,903 | 147,181 |
| Foreign exchange losses | (5,895) | (5,989) | (11,884) |
| At 31 December 2020 | 95,712 | 58,704 | 154,416 |

Transfers from Level 3 to Level 1 reflects companies which have listed during the year, the only company being Imara, Inc in 2020. Level 3 investments are valued with reference to either the most recent funding round (£22.9m, 2019: £37.6); net asset value (£1.1m, 2019: £1.4m); market-based write-up (£31.2m, 2019: £22.7m); discretionary write-down (£1.3m, 2019: £2.4m) or deferred consideration (£2.2m, 2019: £nil). See Note 2(l) for further details on the valuation of Level 3 investments.

The Group's milestone valuation approach cannot be readily sensitised and therefore the Group has not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would resulting a £9.5m (2019: £8.7m) movement in the investment portfolio value.

Equity investments – 2019

| | Level 1 – Quoted Investments £'000 | Level 3 – Unquoted Investments £'000 | Total £'000 |
|----------------------------|---|---|----------------|
| At 1 January 2019 | 118,982 | 64,999 | 183,981 |
| Additions | 8,485 | 30,681 | 39,166 |
| Disposals | (4,277) | (4,514) | (8,791) |
| Transfers | 23,131 | (23,131) | – |
| Capitalisations | – | – | – |
| Change in fair value | (56,475) | (2,167) | (58,642) |
| Foreign exchange losses | (2,002) | (1,791) | (3,793) |
| At 31 December 2019 | 87,844 | 64,077 | 151,921 |

11. Investments

As permitted by IAS 28 'Investment in Associates' and in accordance with the Arix Group accounting policy, investments are held at fair value even though the Arix Group may have significant influence over the companies. Significant influence is determined to exist when the Group holds more than 20% of the holding or when less than 20% is held but in combination with a certain level of board representation is deemed to be able to exert significant influence. As at 31 December 2020, the Arix Group is deemed to have significant influence over the following entities:

| Company | Country of Incorporation | Registered Address | % of Issued Share Capital Held | Net Assets/ (Liabilities) of Company | Profit/(Loss) of Company | Date of Financial Information |
|---------------------------------|-----------------------------|---|--------------------------------------|--|-----------------------------|----------------------------------|
| Depixus SAS (EUR) | France | 3-5 Impasse Reille, 75014 Paris | 20.7% | €2,431k | €(1,486)k | 31 December 2018 |
| Quench Bio, Inc (USD) | USA | 400 Technology Square, Cambridge, MA 02139 | 25.0% | N/A | N/A | Not publicly available |
| STipe Therapeutics Aps (EUR) | Denmark | Lyngsievvej 18, 8230 Abyhoj | 14.8% | N/A | N/A | Not publicly available |

In addition, at 31 December 2020, the Group held the following investments in companies where it is not considered to have significant influence:

| Company | Board Seat? | % of Issued Share Capital Held |
|------------------------------|-------------|--------------------------------------|
| Amplix Pharmaceuticals, Inc. | Observer | 3.0% |
| Artios Pharma Limited | Y | 12.4% |
| Atox Bio, Inc. | Y | 6.4% |
| Aura Biosciences, Inc. | Y | 7.8% |

| | | |
|-----------------------------|---|-------|
| Autolus Therapeutics plc | N | 6.4% |
| Harpoon Therapeutics, Inc. | N | 8.8% |
| GenSight Biologics SA | N | 2.8% |
| Imara, Inc. | N | 8.0% |
| Iterum Therapeutics Limited | N | 1.6% |
| LogicBio Therapeutics, Inc. | N | 12.2% |
| OptiKira, LLC | N | 11.8% |
| PreciThera, Inc | N | 13.6% |

The Arix Group has an interest in one structured entity, The Wales Life Sciences Investment Fund (registered address: Sophia House, 28 Cathedral Road, Cardiff, Wales, CF11 9LJ). The fund has interests in Welsh life sciences opportunities. A structured entity is an entity that is structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity. The Arix Group is not deemed to have control over this fund for the reasons disclosed in Note 2(A). The Group's interest is £1.1m (2019: £1.4m).

12. Intangible Assets

| | Year Ended 31 December 2020 | Year Ended 31 December 2019 |
|----------------------|-----------------------------------|-----------------------------------|
| Brought forward | 688 | 1,770 |
| Amortisation | (217) | (287) |
| Impairment in period | (159) | (795) |
| | 312 | 688 |

An intangible asset arose on Arix Bioscience plc's acquisition of Arthurian Life Sciences entities, relating to management fees due to Arix Capital Management Limited as a result of managing The Wales Life Sciences Investment Fund. At the date of acquisition, the fees for the remaining life of the fund were calculated and then amortised over the remaining life of the fund. The expected fees to be received over the remaining life of the fund have been reduced, resulting in an impairment to the asset in the year.

13. Property, Plant and Equipment

Year ended 31 December 2020

| | Fixtures and Fittings £'000 | Leasehold Improvements £'000 | Office Equipment £'000 | Total £'000 |
|----------------------|-----------------------------------|------------------------------------|------------------------------|----------------|
| As at 1 January 2020 | 138 | 15 | 7 | 160 |
| Additions | – | – | 7 | 7 |
| Disposals | – | – | (2) | (2) |
| Depreciation charge | (102) | (10) | (4) | (116) |
| At 31 December 2020 | 36 | 5 | 8 | 49 |

Year ended 31 December 2019

| | Fixtures and Fittings £'000 | Leasehold Improvements £'000 | Office Equipment £'000 | Total £'000 |
|----------------------|-----------------------------------|------------------------------------|------------------------------|----------------|
| As at 1 January 2019 | 258 | 25 | 30 | 313 |
| Additions | – | – | 6 | 6 |
| Depreciation charge | (120) | (10) | (29) | (159) |
| At 31 December 2019 | 138 | 15 | 7 | 160 |

14. Other Assets

| | As at 31 December 2020 £'000 | As at 31 December 2019 £'000 |
|--|---------------------------------------|---------------------------------------|
|--|---------------------------------------|---------------------------------------|

| | | |
|-------------------|--------------|-------|
| Trade receivables | 1,130 | 771 |
| Prepayments | 236 | 264 |
| VAT receivable | 12 | 71 |
| | 1,378 | 1,106 |

Trade and other receivables are recognised at amortised cost in accordance with IFRS 9, which includes the requirement to calculate expected credit losses. The maximum exposure to credit risk at the reporting date is the carrying value of each asset class listed above and the fair value is akin to book value. The Arix Group does not hold any collateral as security.

15. Cash and Cash Equivalents and Cash on Long-Term Deposit

| | As at 31 December 2020 £'000 | As at 31 December 2019 £'000 |
|---------------------------|---|---------------------------------------|
| Cash at bank and in hand | 112,085 | 54,638 |
| Cash on long-term deposit | 62,276 | – |
| | 174,361 | 54,638 |

The carrying value of cash and cash equivalents and cash on long-term deposit approximates to its fair value.

16. Trade and Other Payables

The carrying values of trade and other payables approximates their fair value.

| | As at 31 December 2020 £'000 | As at 31 December 2019 £'000 |
|-----------------------------|---|---------------------------------------|
| Trade payables | 3 | 123 |
| Accruals and other payables | 2,232 | 6,031 |
| | 2,235 | 6,154 |

17. Share Capital and Share Premium

| | As at 31 December 2020 £'000 | As at 31 December 2019 £'000 |
|---|---|---------------------------------------|
| Allotted and called up | | |
| 135,609,653 Ordinary Shares of £0.00001 each (2019: 135,551,850 shares) | 1 | 1 |
| 49,671 Series C Shares of £1 each (2019: 49,671 shares) | 50 | 50 |
| Share Premium | 188,534 | 188,534 |

On 6 July 2020, the Group issued 57,803 Ordinary Shares, in relation to certain share awards. As at 31 December 2020, the Group had 135,609,653 Ordinary Shares in issue (2019: 135,551,850).

At the year-end date, 5,080,582 of the Ordinary Shares were subject to restrictions. These shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, restricted shares have been excluded from the calculation of the weighted average number of shares in issue. There are no Treasury Shares in issue.

18. Share Options

During 2020, share-based payment (credits)/expenses have been recognised relating to a range of share schemes operated by the Arix Group.

| | Year Ended 31 December 2020 £'000 | Year Ended 31 December 2019 £'000 |
|-------------------------------|--|--|
| Executive Incentive Plan 2017 | 173 | 430 |
| Executive Incentive Plan 2018 | (415) | 883 |
| Executive Incentive Plan 2019 | (143) | 448 |
| Executive Incentive Plan 2020 | 334 | – |

| | | |
|-------------------------------|----|-------|
| 2017 IPO Award | – | 213 |
| Executive Share Option Plan | 26 | 567 |
| Founder Incentive Shares | – | 179 |
| Non-Executive Director Awards | 50 | 70 |
| | 25 | 2,790 |

Executive Incentive Plan

The Arix Group operates an Executive Incentive Plan for Executive Directors and certain employees of the Company.

In May 2017, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options would become exercisable at nil cost and in the case of the conditional share awards, would vest at nil cost on the third anniversary of their grant, on 26 May 2020, subject to performance criteria. This required the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; all options lapsed during the year due to performance conditions not being met (2019: unvested 1,486,747). In the year ended 31 December 2020, a share-based payment charge of £173k (2019: £430k) was recognised in relation to the Executive Incentive Plan.

In May 2018, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost on the third anniversary of their grant, on 17 May 2021, subject to performance criteria. This requires the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; 769,515 options were unvested at year-end (2019: 2,290,499) due to 1,520,984 awards relating to leavers lapsing. In the year ended 31 December 2020, a share-based payment credit of £415k (2019: charge of £883k) was recognised in relation to the Executive Incentive Plan.

In May 2019, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the net asset value and the share price to have grown by a set percentage over the assessment period to 1 January 2022, with the quantum of shares vesting dependent on both the level of share price growth and the level of net asset value growth; 679,581 were unvested at year-end (2019: unvested 2,524,661) due to 1,845,080 awards relating to leavers lapsing. In the year ended 31 December 2020, a share-based payment credit of £143k (2019: charge of £448k) was recognised in relation to the Executive Incentive Plan.

In June 2020, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the net asset value and the share price to have grown by a set percentage over the assessment period to 1 January 2023, with the quantum of shares vesting dependent on both the level of share price growth and the level of net asset value growth; 3,414,241 were issued in the period, all of which are unvested at year-end. In the year ended 31 December 2020, a share-based payment charge of £334k (2019: £nil) was recognised in relation to the Executive Incentive Plan. The charge relating to net asset value growth was calculated based upon the share price at grant of £0.865, and the assessed likelihood of vesting (2020: 100%). The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£0.865); risk free interest rate (-0.08%); time to vesting (2 years and 6 months); and expected volatility based on comparable listed investments 23.8%).

Executive Share Option Plan and Founder Incentive Shares

At the Arix Group's inception, an Executive Share Option Plan was in operation, in which two Directors participated. Options were granted on 8 February 2016 with an original exercise price of £1.80 per ordinary share. This was subsequently amended for one Director, with the exercise price reducing by £0.18. The number of ordinary shares subject to the options totals 5,520,559. The options vested in four equal proportions on 8 February of 2017, 2018, 2019 and 2020. The options may not be exercised after the tenth anniversary of the grant date and it will lapse on that date if it has not lapsed or been exercised in full before then. All options vest at the end of the vesting period relating to that option or on the occurrence of a contingent event; these include a change of control or cessation of employment in accordance with 'good leaver' provisions.

No options have been exercised to date. In the year ended 31 December 2020, a share-based payment charge of £26k (2019: £567k) was recognised in relation to the Executive Share Option Plan, calculated using the Black–Scholes model. Assumptions

used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Restricted shares with identical terms, including a £1.80 price for the lifting of restrictions, were offered to the founders of the Company, totalling 5,080,582 shares. A charge of £nil was recognised in the year ended 31 December 2020 (2019: £179k). The charge was calculated using the Black–Scholes model. Assumptions used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Non-Executive Director Awards

Pursuant to their respective letters of appointment, certain Non-Executive Directors received a one-off share award during the year; a share based payment charge of £50k (2019: £70k) was recognised during the period.

19. Net Cash From Operating Activities

| | Year Ended 31 December 2020 £'000 | Year Ended 31 December 2019 £'000 |
|--|--|--|
| Profit/(loss) before income tax | 126,301 | (75,568) |
| <i>Adjustments for:</i> | | |
| Change in fair value of investments | (135,297) | 62,435 |
| Foreign exchange losses/(gains) | 1,619 | 650 |
| Share-based payment charge | 25 | 2,790 |
| Depreciation and amortisation | 335 | 446 |
| Impairment of assets | 167 | 1,259 |
| Finance income | (101) | (769) |
| <i>Changes in working capital</i> | | |
| (Increase)/decrease in trade and other receivables | (272) | 1,068 |
| Increase/(decrease) in trade and other payables | 390 | (1,553) |
| Cash used in operations | (6,833) | (9,242) |

20. Financial Commitments

The Group has amounts committed to portfolio companies but not yet invested; at 31 December 2020 these totalled £9.3m (2019: £8.5m).

21. Financial Instruments

Financial Assets

The Arix Group has other receivables and cash that derive directly from its operations. Financial assets at fair value through profit or loss are measured as either Level 1 or Level 3 under the fair value hierarchy, as described in Note 2(i) and disclosed in Note 11.

| | Year Ended 31 December 2020 £'000 | Year Ended 31 December 2019 £'000 |
|---|--|--|
| Financial assets at fair value through profit or loss | | |
| Equity and loan note investments | 154,416 | 151,921 |
| Other receivables (excluding prepayments) | 1,130 | 771 |
| Long-term cash on deposit | 62,276 | – |
| Cash and cash equivalents | 112,085 | 54,638 |

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The Arix Group's cash and cash equivalents are deposited with F1 or above rated institutions. Investments and other receivables do not have a credit rating. However, the Group does not believe these to be past due nor impaired.

Financial Liabilities

The Arix Group's principal financial liabilities comprise trade and other payables. The primary purpose of these financial liabilities is to finance the operations.

| | Year Ended 31 December 2020 £'000 | Year Ended 31 December 2019 £'000 |
|--|--|--|
| Trade, other payables and accruals (excluding non-financial liabilities) | 2,235 | 6,154 |
| Lease liability | 268 | 956 |

22. Guarantees

The Company has provided a rent deposit guarantee in respect of its former US office, now classified as an Investment Property, for an amount of \$261,657, (£196,088), unchanged from 2019.

23. Related Party Transactions

During the period, key management has comprised Executive Directors, whose remuneration is disclosed in the Directors' Remuneration Report; and other members of the executive team. These other members received short-term employee benefits of £760,010 in the year (2019: £371,834, relating to the period in which they were fulfilling key management responsibilities).

24. Events After the Reporting Date

In January 2021, \$5.5m (£4.0m) was realised from Imara, Inc. Arix's stake in the company now totals 5.8%.

On 11 January 2021, Harpoon Therapeutics, Inc. closed a public offering raising \$115m. Arix did not participate; its stake in the company now totals 6.9%.

On 12 February 2021, Autolus Therapeutics plc closed a public offering raising \$115m. Arix did not participate. Post-period end, Arix realised \$16.4m (£11.7m) from Autolus Therapeutics plc. Its stake in the company now totals 1.6%.

On 24 February 2021, Arix invested a further €2.7m (£2.4m) in Depixus; its stake in the company now totals 21.4%.

In March 2021, Quench Bio opted to wind down after concluding its research activities. Arix anticipates receiving proceeds of \$0.5m-\$1.0m upon conclusion of the wind down.

On 5 March 2021, Arix invested its remaining \$0.7m (£0.5m) commitment in Aura Biosciences; its stake in the company now totals 7.9%.

Following market purchases since 31 December 2020, Arix's stake in GenSight Biologics now totals 4.4%.

In March 2021, it was announced that the United Kingdom's main rate of corporation tax will rise from 19% to 25% from April 2023. As this rate has not been substantively enacted at the balance sheet date, deferred tax balances in these financial statements continue to be measured at 19%.