

Arix Bioscience plc

Half-Yearly Report and Condensed Consolidated Interim Financial Statements

Six months ended 30 June 2021

Chief Executive Statement

Overview

The first half of 2021 saw continued progress within our existing portfolio, with clinical data updates from Harpoon, Autolus and Imara and new trial initiations from LogicBio, Harpoon, Artios and Autolus. Collectively our companies have raised over \$690 million in 2021, demonstrating their ability to attract capital from a broad base of investors and putting them in a strong position to execute their important clinical development programmes.

We continued to expand the portfolio, with the addition of Pyxis Oncology, where we led the Series B financing round as part of the reinvestment of the significant cash proceeds we generated in 2020. During the period, the portfolio continued to mature, reaching a number of key milestones and moving us closer to the 2023 targets we set out in 2020. Notably, we achieved our second strategic exit with the sale of Amplyx to Pfizer in April 2021. Whilst the transaction resulted in only a small increase on our previous holding value, we are pleased that Amplyx is now well supported to develop its pipeline of novel treatments with the potential for new drugs to be approved in the future.

Our focus remains on delivering significant returns to our shareholders through the growth of our Net Asset Value (NAV). Whilst this declined in the period, from £328 million or 242p per share at 31 December 2020 to £281 million or 214p per share at 30 June 2021, the decline was primarily driven by the combined impact of our share buyback programme and volatility in our public holdings. During the period, Gross Portfolio Value declined by £32.5 million (including £2.6 million FX loss), of which £26.2 million was due to unrealised movements in public portfolio companies. Of these positions, Imara recorded the largest decline reducing by £12 million during the period, with LogicBio and Autolus also recording material declines in their holding values of £7 million and £5 million respectively. We continue to actively manage our listed holdings and reduce our positions where appropriate, whilst retaining, and in certain cases, building our positions, where we have conviction that we will see greater value in the future. Outside of the public portfolio, we took the decision to close down Quench Bio resulting in a write down of £7.5 million. This followed a review of initial preclinical work and is consistent with our disciplined approach to capital deployment and portfolio management. Despite these adjustments in our holding values during the period, we retain confidence in the portfolio and its ability to generate positive clinical progress which will translate into future growth in NAV.

As part of our commitment to ensure that shareholders benefit from the growth in our NAV and the substantial cash which the business generated in 2020, we initiated a share buyback programme in March of this year. By 30 June 2021, we had deployed £8 million of the £25 million programme, purchasing 4,329,853 shares at a discount to NAV, thereby increasing the NAV per share by 7p.

The first half of 2021 saw a period of shareholder engagement which resulted in significant changes to the composition of the Board. Naseem Amin, previously Executive Chairman, left the company and we welcomed the appointment of Peregrine Moncreiffe as an independent non-executive Chairman. I was also appointed to the Board at this time, alongside Maureen O’Connell and Isaac Kohlberg, with Trevor Jones stepping down at this year’s Annual General Meeting.

The newly reconstituted Board has worked quickly to review the composition of the investment team, following departures at the start of the year. This resulted in a number of changes being announced in June, including the return of Mark Chin as Managing Director. Mark led some of Arix’s most successful investments to date and I am delighted that he has re-joined the team. With the support of the Board, Mark will be leading the investment team in managing and building our portfolio going forward.

Portfolio Performance

Despite the challenges faced with COVID-19, our companies have made strong clinical and operational progress during the first half of 2021, which is a testament to the strength of these businesses.

Clinical Companies***Harpoon Therapeutics (8% of NAV, 6.7% ownership stake)***

Harpoon (Nasdaq: HARP) is a clinical-stage immunotherapy company developing a novel class of T cell engagers that harness the power of the body's immune system to treat patients suffering from cancer and other diseases.

In January 2021, Harpoon announced that its fourth T cell engager, HPN328, had entered a Phase 1/2 clinical trial as an investigational treatment of small cell lung cancer and other tumours associated with delta like ligand 3 (DLL3) expression. Additionally, Harpoon received Orphan Drug designation by the U.S. Food and Drug Administration for HPN217 for the treatment of multiple myeloma and successfully completed a public offering, raising approximately \$115 million in gross proceeds.

In June 2021, Harpoon presented interim data from the ongoing dose-escalation portion of a Phase 1/2a trial for its lead programme, HPN424, in patients with metastatic castration-resistant prostate cancer. Interim data shows early clinical activity, with a manageable safety profile. Harpoon provided a further pipeline update on its four clinical stage programmes, noting that all four clinical programmes demonstrate half-life extension, target engagement and T cell activation. The company also notes that three TriTAC clinical programmes (HPN424, HPN536 and HPN328) have shown tumour size reductions or stable disease, and meaningful treatment duration. The company expects to announce further clinical data from these programmes in the second half of 2021.

Artios Pharma (7 % of NAV, 8.8% ownership stake)

Artios Pharma (Artios) is a leading independent DNA Damage Response company with a strong pipeline of novel cancer therapies in development with first-in-class potential.

During the period, Artios continued to advance its world-leading DDR programmes, announcing the start of its first clinical trial of its small-molecule ATR inhibitor, ART0380, in patients with advanced or metastatic solid tumours. In April 2021, Artios entered into a collaboration with Novartis to identify DDR targets to use with Novartis' proprietary radioligand therapies with Artios receiving a \$20 million up-front payment in addition to near term research funding to support the collaboration. Artios is eligible to receive up to \$1.3 billion in discovery, development, regulatory and sales-based milestones in addition to royalty payments. This partnership follows Artios' strategic collaboration with Merck (\$30 million upfront, up to \$860 million each in milestones for up to eight targets) announced in December 2020.

Post period end, the U.S. Food and Drug Administration (FDA) approved the company's Investigational New Drug (IND) application for its Pol theta inhibitor, ART4215, enabling a Phase 1 clinical trial to be initiated in H2 2021. Additionally, Artios completed an oversubscribed Series C financing of \$153 million, following strong interest from leading global healthcare investors. Arix invested \$8.7 million (£6.3 million) in the financing to retain its position as the largest shareholder in Artios, with an 8.8% ownership stake on a fully diluted basis. Our continued investment in Artios reflects the strength of both the management team and the company's unique platform of novel DDR therapies, which have the potential to make a real impact to cancer patients.

Aura Biosciences (4% of NAV, 5.6% ownership stake)

Aura Biosciences (Aura) is a clinical-stage biotechnology company leveraging a novel targeted oncology platform to develop a new standard of care across multiple cancer indications. Aura's proprietary platform enables targeting a broad range of solid tumours using Virus-Like Particles, or VLPs, that can be conjugated with drugs or loaded with nucleic acids to create Virus-Like Drug Conjugates, or VDCs. Aura's VDCs are largely agnostic to tumour type and can recognise a surface marker broadly expressed on many tumours. Aura is focusing its initial development of VDCs to treat tumours of high unmet need in ocular and urologic oncology. AU-011, Aura's first VDC candidate, is being developed for the first line treatment of primary choroidal melanoma, a rare disease with no drugs approved. Aura has completed a Phase 1b/2 trial using intravitreal administration that has demonstrated a statistically significant growth rate reduction in patients with prior active growth and high levels of tumour control with visual acuity preservation in a majority of patients using clinical endpoints agreed with FDA. This data supported advancement into a Phase 2 dose escalation study, where Aura is currently evaluating suprachoroidal, or SC, administration of AU-011. Aura plans to present initial data from this study at the end of 2021. In March 2021, Aura completed an oversubscribed Series E financing, following strong interest from leading global investors. Arix invested a further £1.8 million in the financing to retain a 5.6% ownership stake in Aura. At 30 June, Arix's stake was valued at £11.7m, reflecting a valuation increase of £1.2m in the period. Following the financing, Arix no longer retains a seat on Aura's Board.

Additionally, David Johnson, CEO of former Arix portfolio company VelosBio (acquired by Merck for \$2.75bn), was appointed as Chairman during the period.

LogicBio Therapeutics (3% of NAV, 9.3% ownership stake)

LogicBio (Nasdaq: LOGC) is a clinical-stage genetic medicine company pioneering gene editing and gene delivery platforms to address rare and serious diseases from infancy through to adulthood.

During the period, LogicBio announced that the first patient has been dosed with LB-001, the company's investigational single-administration gene editing therapy based on its proprietary GeneRide platform, in the SUNRISE Phase 1/2 clinical trial in paediatric patients with methylmalonic acidemia. LogicBio remains on track to announce an update on enrollment, dose escalation and age de-escalation in late 2021 and interim data by year-end 2021.

Additionally, the company announced that it has entered into a strategic collaboration with CANbridge Pharmaceuticals and a research partnership with Daiichi Sankyo. Under the terms of the agreement with CANbridge Pharmaceuticals, LogicBio is eligible to receive an upfront payment of \$10 million in addition to up to \$591 million in option payments and milestones payments, as well as up to double-digit royalties on net sales.

Imara (2% of NAV, 5.7% ownership stake)

Imara (Nasdaq: IMRA) is developing IMR-687 for the treatment of sickle cell disease (SCD) and beta-thalassemia.

During the period, Imara presented data from the Phase 2a clinical trial and its open label extension trial of IMR-687 in adults with SCD. Data indicate that that IMR-687 has a well-tolerated safety profile as a monotherapy and in combination with hydroxyurea in both studies, with a lower annualised rate of vaso-occlusive crises. The company expects to announce interim results from its ongoing Phase 2b clinical trials in SCD and beta-thalassemia in H2 2021. Imara also recently completed preclinical research of IMR-687 in heart failure with preserved ejection fraction, or HFpEF, and is formulating a clinical development plan for IMR-687 in this indication.

Post period end, Imara completed a public offering raising \$50 million in gross proceeds. Arix invested a further \$8.0 million (£5.8 million) in the offering to increase our holding to a stake of 9.0% in Imara. Mark Chin, Managing Director, continues his role as Board Director at Imara following the financing.

Autolus Therapeutics (1% of NAV, 0.8% ownership stake)

Autolus (Nasdaq: AUTL) is developing next generation programmed T cell therapies for the treatment of cancer.

During the period, Autolus took the decision to prioritise the development of its AUTO1 programme for adult acute lymphoblastic leukemia (ALL) based on the positive data that the programme has generated to date and the high unmet need in this indication. The pivotal study for AUTO1 (obe-cel) is under way and the company expects to announce data in 2022 and is targeting BLA filing for 2023. With the prioritisation of the AUTO1 programme, the company plans to seek a partner for the AUTO3 programme, being investigated in diffuse large B cell lymphoma (DLBCL), before progressing the programme into the next phase of development.

Autolus is also exploring clinical activity of AUTO1 in additional B cell malignancies and announced early data in indolent B cell Non-Hodgkin lymphoma (B-NHL) in June 2021. Data presented indicate a high level of clinical activity combined with a manageable safety profile, which Autolus believe could represent a significant opportunity to expand the benefits of AUTO1 to a broader population of patients with B cell malignancies.

During the period, the company also initiated a Phase 1 clinical trial for AUTO1 in primary CNS lymphoma (PCNSL). Autolus expects to provide data updates for AUTO1 in B-NHL and adult ALL and AUTO1/22 in paediatric ALL by the end of 2021. Over the next 12 months, the company expects to transition additional next generation programmes into the clinic.

The company raised net cash of approximately \$136 million in the period, and reduced headcount by 20% for expected savings of \$15 million per year.

Post period end, Autolus signed an option and license agreement with Moderna granting Moderna an exclusive license to develop and commercialise mRNA therapeutics incorporating Autolus' proprietary binders for up to four immuno-oncology targets. Autolus will be eligible to receive an upfront payment for each target licensed by Moderna. Autolus is also eligible to receive development and commercial milestone payments in addition to royalty payments for products commercialised under the agreement.

Atox Bio (1% of NAV, 6.4% ownership stake)

Atox Bio is a late stage clinical company that develops immunotherapies for critically ill patients. Atox Bio's drug reltecimod is being developed to treat patients with Necrotizing Soft Tissue Infections (NSTI), a rare, life-threatening disease that involves significant necrosis and tissue destruction coupled with systemic organ failure.

Following the filing of its new drug application with the FDA in December 2020, we have continued to work with the management of Atox Bio to maximise the chances of approval for reltecimod in patients with NSTI. A decision is expected by the FDA's PDFUA date of 30 September, which is the regulator's goal decision date. However, in recognition of the challenge and likelihood of gaining such approval, we have reduced our holding value by £4.1 million to £1.8 million.

Preclinical companies

Pyxis Oncology (4% of NAV, 5.6% ownership stake)

Pyxis Oncology (Pyxis) is a new Arix portfolio company, which is developing a diversified portfolio of next-generation therapeutics to target difficult-to-treat cancers and improve the quality of patients' lives.

During the period, Arix led Pyxis' Series B financing, in which the company raised \$152 million. Pyxis plans to use the proceeds from the financing to advance its diversified portfolio of antibody-drug conjugates (ADCs), an established and fast growing class of therapies that deliver highly potent targeted treatments directly to cancer cells. Pyxis also plans to continue advancing its immuno-oncology discovery programmes and associated pipeline for solid tumour indications. The company expects to initiate clinical trials for its ADC pipeline in 2022.

ADCs and immuno-oncology represent two of the most promising strategies for treating cancer and we look forward to supporting this world class management team as they build on their record of success, building biotech companies and developing innovative medicines.

Drug Discovery and research stage companies (5% of NAV)

These companies are start-ups in the initial stages of research and development. As such they are higher risk but have the potential to deliver significant value as they progress towards clinical development.

Twelve Bio (1% of NAV, 49% ownership stake)

During the period we announced our holding in Twelve Bio, a gene editing company that we provided seed financing to in September 2020. The seed financing has supported the initiation of research operations at the BioInnovation Institute in Copenhagen, expansion of the scientific and management team, and the ongoing generation and characterization of Cas12a variants with optimized characteristics and activity for therapeutic gene editing purposes compared to wild type Cas12a enzymes. Twelve Bio anticipates full characterisation of initial variants to be complete and selection of initial therapeutic indications by the first quarter of 2022.

Depixus (3% of NAV, 21.4% ownership stake)

Depixus has made good progress this year, with the first close of a Series A financing round that was supported by new and existing shareholders. Arix invested £2.4 million in the financing to retain a 21.4% ownership stake in Depixus. Arix's stake in the company was valued at £8.0 million on 30 June 2021, reflecting a valuation increase of £1.6 million in the period. Depixus expects to complete the Series A financing in H2 2021. Proceeds from the Series A will be used to further advance the company's MAGNATM technology, which is being developed to decode valuable new layers of genetic information from DNA, RNA, and protein.

STipe Therapeutics (1% of NAV, 17.8% ownership stake)

STipe Therapeutics (STipe) is developing first-in-class drugs that sensitize the STING- pathway, a major driver of innate immunity, to enable a patient's immune system to overcome the immune suppression often observed within solid tumours. STipe continues to identify and validate compounds that sensitise the STING pathway and to establish the resources required to prepare these for development in clinical trials. We expect the company to nominate a clinical development candidate by the end of 2021.

Healthcare Investments

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.

GenSight (5% of NAV, 4.4% ownership stake)

GenSight (Euronext: SIGHT) is a gene therapy company seeking to apply pathbreaking science to help patients with severe inherited diseases of the eye and central nervous system.

During the period we invested a further £7.4m in GenSight when the company successfully raised €30 million in an oversubscribed private placement with European and US institutional investors in March. GenSight continued to advance clinical development of its assets. In May, the company reported a first case report of partial recovery of visual function in a blind patient with late stage retinitis pigmentosa (RP) in the first treated subject in the PIONEER Phase I/II clinical trial of GS030.

Additionally, GenSight reported topline results from the REFLECT Phase 3 study in the period. These results demonstrated better efficacy for bilaterally treated subjects and contralateral effects were confirmed, as previously announced in the REVERSE and RESCUE Phase 3 trials. The company expects further data from the REFLECT trial to become available later this year and has initiated discussions with both the European Medicines Agency (EMA) and FDA.

Outlook

Looking ahead, our focus remains on increasing our NAV and driving returns for our shareholders. We are confident that we are on track to reach our 2023 targets, with a number of our portfolio companies expected to reach important clinical and financial milestones over the next two years. Our portfolio companies are collectively running 17 clinical trials and we expect a number of data readouts from these trials in the second half of 2021. During this period, we anticipate Phase 1 clinical data readouts from Harpoon, Autolus and LogicBio and Phase 2 data from Imara and Aura. In addition to these 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.

In addition to managing our existing holdings, we remain committed to renewing the portfolio and deploying the substantial cash we have generated. We retain our unconstrained approach to investing, allowing us to support only the most promising of companies, regardless of their geography or therapeutic area. By conducting thorough due diligence on each opportunity and leveraging the substantial expertise within Arix and our network of industry contacts, we look to de-risk our investments where possible, whilst retaining the potential for substantial upside.

The Board and I are grateful for our shareholders' continued support and we remain committed to deliver for all of our shareholders in the remainder of 2021 and beyond.



Robert Lyne
Interim Chief Executive Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Half Year to 30 June 2021 (unaudited) £'000	Half Year to 30 June 2020 (unaudited) £'000
Change in fair value of investments	9	(32,460)	42,624
Revenue	7	183	192
Finance income		104	87
Administrative expenses		(2,495)	(3,830)
Foreign exchange (losses)/gains		(3,046)	9,306
Exceptional costs	8	(1,032)	-
Share-based payment credit	12	317	585
Impairment of Assets		(31)	-
(Loss) / profit before taxation		(38,460)	48,964
Taxation	10	-	-
(Loss) / profit for the period		(38,460)	48,964
Other Comprehensive Income			
Exchange differences on translating foreign operations		(107)	536
Total comprehensive (loss) / income for the period		(38,567)	49,500
Attributable to			
Owners of Arix Bioscience plc		(38,567)	49,500
Earnings per share			
Basic earnings per share (£)	6	(0.30)	0.38
Diluted earnings per share (£)	6	(0.30)	0.35

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes, on pages 11 to 18.

Condensed Consolidated Interim Statement of Financial Position

	Note	30 June 2021 (unaudited) £'000	31 December 2020 (audited) £'000
ASSETS			
Non-Current Assets			
Investments held at fair value	9	117,527	154,416
Intangible assets		240	312
Property, plant and equipment		100	49
Right of use asset		148	90
Investment property		-	106
		118,015	154,973
Current Assets			
Cash and cash equivalents		109,582	112,085
Cash and long-term deposit		54,211	62,276
Other assets		1,714	1,378
		165,507	175,739
TOTAL ASSETS		283,522	330,712
LIABILITIES			
Current liabilities			
Trade and other payables		(2,188)	(2,235)
		(2,188)	(2,235)
Non-Current liabilities			
Lease liability		(148)	(268)
TOTAL LIABILITIES		(2,336)	(2,503)
NET ASSETS		281,186	328,209
EQUITY			
Share capital and share premium	11	188,585	188,585
Retained earnings		103,267	142,044
Other reserves		(10,666)	(2,420)
		281,186	328,209
TOTAL EQUITY		281,186	328,209

The above Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes, on pages 11 to 18.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2021

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 1 January 2021	188,585	(1,240)	(1,180)	142,044	328,209
(Loss) for the period	-	-	-	(38,460)	(38,460)
Other comprehensive income	-	-	(107)	-	(107)
Share-based payment credit	-	-	-	(317)	(317)
Issue of own shares to Employee Benefit trust	-	-	-	-	-
Share buy back programme	-	(8,139)	-	-	(8,139)
As at 30 June 2021 (unaudited)	188,585	(9,379)	(1,287)	103,267	281,186

	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 period	-	-	-	48,964	48,964
Other comprehensive income	-	-	1,774	(1,238)	536
Share-based payment credit	-	-	-	(585)	(585)
Issue of own shares to Employee Benefit trust	-	307	(307)	-	-
As at 30 June 2020 (unaudited)	188,585	(1,447)	1,026	62,859	251,023

The above Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes, on pages 11 to 18.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2021

		Half Year to 30 June 2021 (unaudited) £'000	Half Year to 30 June 2020 (unaudited) £'000
Cash from operating activities	13	(3,609)	(4,566)
Tax paid		-	-
Finance income received		104	87
Net cash from operating activities		(3,505)	(4,479)
Cash flows from investing activities			
Purchase of equity and loan investments		(27,579)	(15,909)
Disposal of equity and loan investments		32,008	9,068
Purchase of property, plant and equipment		(98)	(5)
Net cash received from long-term deposit		8,064	-
Net cash from investing activities		12,395	(6,846)
Cash flows from financing activities			
Share buyback programme		(8,139)	-
Net cash from financing activities		(8,139)	-
Net increase / (decrease) in cash and cash equivalents		751	(11,325)
Cash and cash equivalents at start of period		112,085	54,638
Effect of exchange rate changes		(3,254)	682
Cash and cash equivalents at end of period		109,582	43,995

The above Condensed Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes, on pages 11 to 18.

Notes to the Financial Statements

1. General information

The principal activity of Arix Bioscience plc (the “**Company**”) and together with its subsidiaries (the “**Arix Group**” or “**the Group**”) 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. The Company 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 registered office address is Duke Street House, 50 Duke Street, London W1K 6JL. The registered number is 09777975.

These condensed consolidated interim financial statements were approved for issue on 11 August 2021.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 were approved by the board of directors on 8 March 2021 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

2. Basis of Preparation

These condensed interim financial statements for the six months ended 30 June 2021 have been prepared on a going concern basis, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with UK Adopted International Accounting Standard (‘IAS’) 34, ‘Interim financial reporting’, as adopted by the European Union. The going concern assessment covers a period of at least 12 months from the approval of these interim financial statements and includes the Group’s current performance, financial position and the principal and emerging risks facing the Group, including the ongoing impact of the Covid-19 pandemic on portfolio companies and wider macroeconomic conditions.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The accounting policies adopted in the interim financial statements are consistent with those followed in the annual financial statements for the year ended 31 December 2020.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements and estimates made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that are set on page 91 of the consolidated financial statements for the year ended 31 December 2020 and no retrospective adjustments were made.

4. Segmental Information

Information for the purposes of resource allocation and assessment of performance is reported to the Arix Group’s Interim Chief Executive, who is considered to be the chief operating decision maker, based wholly on the overall activities of the Arix Group. 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 Condensed Consolidated Interim Statement of Comprehensive Income and Condensed Consolidated Interim Statement of Financial Position.

Notes to the Financial Statements (continued)

5. Financial Risk Management and Financial Instruments

The Arix Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2020. There have been no changes in the risk management department or in any risk management policies since the year end.

6. Earnings per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of Arix Bioscience plc by the weighted average number of unrestricted shares.

Potentially dilutive ordinary shares include options and conditional share awards issued under the Company's long-term incentive plans. As the Arix Group has incurred a loss in the period, the diluted loss per share is the same as the basic earnings per share as the loss has an anti-dilutive effect and the inclusion of the shares would be to decrease the loss per share.

	2021 £'000	2020 £'000
(Loss)/profit attributable to equity holders of Arix Bioscience plc	(38,567)	49,500
Weighted average number of shares in issue	129,067,511	130,471,267
Fully diluted weighted average number of shares	139,931,167	142,931,280
Basic (loss)/earnings per share	(£0.30)	£0.38
Diluted (loss)/earnings per share	(£0.30)	£0.35

7. Revenue

The total revenue for 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.

	2021 £'000	2020 £'000
Fund management fee income	171	182
Other income	12	10
	183	192

8. Exceptional Costs

Items that are material size and unusual in nature are included in administrative expenses and disclosed separately to provide a more accurate indication of underlying performance. £1.0m of costs incurred during the shareholder engagement period are included as exceptional costs (June 20: £nil). The shareholder engagement period has now completed and as a result the board composition has changed.

Notes to the Financial Statements (continued)**9. Investments**

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2020	95,712	58,704	154,416
Additions	9,481	18,097	27,579
Disposals	(24,265)	(7,743)	(32,008)
Realised and unrealised gain on investments	(23,327)	(6,566)	(29,893)
Foreign exchange gains	(1,714)	(853)	(2,567)
At 30 June 2021	55,887	61,641	117,527

Transfers from Level 3 to Level 1 reflects companies which have listed during the period. Level 3 investments are valued with reference to milestone analysis (£60.6m) and net asset value (£1.0m).

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2019	87,844	64,077	151,921
Additions	3,486	8,115	11,601
Disposals	(9,068)	-	(9,068)
Transfers	11,707	(11,707)	-
Realised and unrealised gain on investments	29,667	12,957	42,624
Foreign exchange gains	5,550	3,529	9,079
At 30 June 2020	129,186	76,971	206,157

The Group's valuation policy can be found in page 93 of Group's annual report for the year ended 31 December 2020. The Group's milestone valuation approach cannot be readily sensitised and therefore the Group have not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would result in a £5.6m movement in investment portfolio value (December 2020: £9.5m).

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 30 June 2021, the Arix Group is deemed to have significant influence over the following entities:

Notes to the Financial Statements (continued)

Company	Country	Registered Address	Issued Share Capital Held	Net Assets / (Liabilities)	Profit / (Loss)	Date of Financial Information
Depixus SAS (EUR)	France	3-5 Impasse Reille, 75014 Paris	21.4%	€2,431k	€(1,486)k	31 Dec 2018
Quench Bio, Inc.	USA	400 Technology Sq, Cambridge, MA	25.0%	N/A	N/A	Not publicly available
Stipe Therapeutics Aps	Denmark	Lyngsievej 18, 8230 Abyhoj	17.8%	N/A	N/A	Not publicly available

As at 30 June 2021, the below subsidiary was measured at Fair Value through profit and loss in line with investment entity provisions as per IFRS 10:

Company	Country	Registered Address	Issued Share Capital Held	Net Assets / (Liabilities)	Profit / (Loss)	Date of Financial Information
Twelve Bio Aps	Denmark	Ole Maaloes Vej 3, 2200 Copenhagen, Denmark	49.0%	N/A	N/A	Not publicly available

The Group considers the above entity to be under its control as at 30 June 2021 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 had the power to affect these returns through its position on the board.

Notes to the Financial Statements (continued)

9. Investments (continued)

	31 December 2020 Value £m	Investment in Period £m	Realisations in Period £m	Change in Valuation £m	FX Movement £m	30 June 2021 Value £m	Equity Interest %	Funding Committed, Not Yet Invested £m	Equity Interest When Fully Committed %
Amplifyx	4.7	-	(5.2)	1.8	(0.1)	1.2	-	-	-
Artios	19.0	-	-	-	-	19.0	12.4%	-	12.4%
Atox Bio	5.9	-	-	(4.1)	-	1.8	6.4%	-	6.4%
Aura	8.8	1.8	-	1.2	(0.1)	11.7	5.6%	-	5.6%
Autolus	21.9	-	(14.0)	(4.9)	(0.4)	2.6	0.8%	-	0.8%
Depixus	4.2	2.4	-	1.6	(0.2)	8.0	21.4%	-	21.4%
GenSight	7.1	7.4	(1.9)	1.7	(0.5)	13.8	4.4%	-	4.4%
Harpoon	26.9	1.1	(1.7)	(3.9)	(0.4)	22.0	6.7%	-	6.7%
Imara	22.2	-	(4.0)	(12.3)	(0.1)	5.8	5.7%	-	5.7%
LogicBio	16.1	0.5	-	(6.8)	(0.3)	9.5	9.3%	-	9.3%
Pyxis Oncology	-	10.8	-	-	-	10.8	5.6%	-	5.6%
Quench Bio	8.0	-	-	(7.5)	(0.2)	0.3	25.0%	-	25.0%
STipe Therapeutics	2.0	1.0	-	-	(0.1)	2.9	17.8%	2.0	20.0%
Twelve Bio	1.4	2.1	-	-	(0.1)	3.4	49.0%	-	49.0%
VelosBio	2.2	-	(2.5)	0.3	-	-	-	-	-
Legacy Assets	1.7	0.5	(2.7)	3.0	(0.1)	2.4	N/A	-	N/A
GROSS PORTFOLIO VALUE	152.1	27.6	(32.0)	(29.9)	(2.6)	115.2	-	2.0	-
Other Investments	2.3	-	-	-	-	2.3	N/A	-	N/A
TOTAL INVESTMENTS	154.4	27.6	(32.0)	(29.9)	(2.6)	117.5	-	2.0	-

Equity interest presented is the fully diluted percentage for private companies; for public companies, this is based on shares outstanding per each company's most recent public filing

Notes to the Financial Statements (continued)**10. Taxation**

	Half Year to 30 June 2021 (unaudited) £'000	Half Year to 30 June 2020 (unaudited) £'000
Current period tax charge		
Current Tax	-	-
Deferred tax – current year	-	-
Deferred tax – effects of change in tax rate	-	-
Adjustment in respect of previous periods	-	-
Total tax charge	-	-
Reconciliation of tax charge		
(Loss) /profit before tax	(38,459)	48,964
Expected tax based on 19.00%	(7,307)	9,303
Effects of:		
Adjustments in respect of prior years	-	-
Expenses not deductible for tax purposes	6,494	16
Income not taxable	270	(111)
Investment revaluation	(340)	(5,165)
Losses	(1,120)	(2,137)
Employee share options	517	104
Deferred tax not recognised	1,486	(2,010)
Total tax charge/(credit)	-	-
Unrecognised deferred tax (assets)/liabilities		
Unutilised tax losses	(10,560)	-
Priority profit share outstanding	(2,945)	-
Other timing differences	(607)	-
Carried forward	(14,112)	-

Notes to the Financial Statements (continued)**11. Share Capital**

	As at 30 June 2021	As at 31 Dec 2020
Allotted and called up		
Ordinary shares of £0.00001 each (#)	131,279,800	135,609,653
Ordinary shares of £0.00001 each (£'000)	1	1
49,671 Series C shares of £1 each (£'000)	50	50

During the period, the Group purchased 4,329,853 ordinary Shares on-market, these shares are now held as treasury shares. The buyback programme commenced on 22 March 2021, following approval by the Arix board of directors, under authority granted by shareholders at the Company's Annual General Meeting on 4 June 2020. The shares were acquired at an average cost of £1.86, with prices ranging from £1.74 to £1.95. The total cost of £8,139,203, including £56,647 of directly attributable transaction costs, has been deducted from ordinary shareholder equity.

12. Share Options*Executive Share Option Plan*

On 8 February 2016, options were granted pursuant to the Executive Share Option Plan to two directors at an exercise price of £1.80 per ordinary share. The number of ordinary shares subject to the options are the requisite number of ordinary shares as represents 5.43% of the fully diluted ordinary share capital of the Company immediately following the end of the Company's stabilisation period following admission to the London Stock Exchange. Restricted shares with similar terms were awarded to the founders of the Company constituting 5.00% of the issued share capital of the Company after admission. As such, the number of options granted for both management and founders was confirmed on 20 March 2017. All conditions are unchanged from those disclosed in the 31 December 2020 financial statements.

Executive Incentive Plan

On 22 February 2017, nil cost options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vested on 22 February 2019 and may be exercised from this date until 21 February 2027. The options are contingent on remaining in employment with a company in the Arix Group and are subject to malus and clawback provisions.

On 17 May 2018, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff, with a vesting date of 17 May 2021, subject to performance conditions. These performance conditions were not met and as such the options have lapsed.

On 9 May 2019, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 1 January 2022, subject to the Company's share value growth and the Company's net asset value growth over the three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 30 June 2020, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 1 January 2023, subject to the Company's share value growth and the Company's net asset value growth over a three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

Share based payments

The fair value of options granted under the Executive Share Option Plan was calculated using the Black-Scholes model. The assumptions used in this calculation are unchanged from those disclosed in the 31 December 2020 financial statements.

The charge associated with the 17 May 2018 options have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (209.0p), expected volatility based on similar quoted companies (37%), risk free interest rate (0.93%) and share option term (three years). The resultant fair value is then spread over the three-year relevant vesting period.

Notes to the Financial Statements (continued)

The charge associated with the 9 May 2019 options relating to share price growth have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (157.5p), expected volatility based on similar quoted companies (40%), risk free interest rate (0.72%) and time to vesting (two years, eight months) rather than the performance period (three years). The resultant fair value is then spread over the vesting period. The options relating to net asset value growth have a fair value based upon the share price at grant date (157.5p) and the expected likelihood of vesting (currently considered to be 50%), spread across the vesting period, with a true-up/down as the expected likelihood of vesting changes.

The charge associated with the 30 June 2020 options relating to share price growth have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (86.5p), expected volatility based on the Company's historic share price changes (24%), risk free interest rate (-0.08%) and time to vesting (two years, six months) rather than the performance period (three years). The resultant fair value is then spread over the vesting period. The options relating to net asset value growth have a fair value based upon the share price at grant date (86.5p) and the expected likelihood of vesting (currently considered to be 50%), spread across the vesting period, with a true-up/down as the expected likelihood of vesting changes

For the six months to 30 June 2021, a share based payment credit of £317k (30 June 2020: credit of £585k) has been recognised. The credit for the period reflects the confirmation by the Company's Remuneration Committee of the lapsing of awards made to certain Leavers who were participants in the 2018, 2019 and 2020 Executive Incentive Plan Awards.

A credit of £186k was recognised in relation to the 17 May 2018 award. A credit of £145k was recognised in relation to the 9 May 2019 award. A charge of £13k was recognised in relation to the 30 June 2020 award.

13. Net Cash From Operating Activities

	Half Year to 30 June 2021 £'000	Half Year to 30 June 2020 £'000
(Loss)/profit before income tax	(38,460)	48,964
<i>Adjustments for:</i>		
Change in fair value of investments	32,460	(42,624)
Foreign exchange (gain) / loss	3,046	(9,306)
Share-based payment charge	(317)	(585)
Depreciation and Amortisation	118	168
Impairment of Assets	31	8
Finance income	(104)	(87)
<i>Changes in Working Capital</i>		
Decrease / (increase) in trade and other receivables	(336)	(302)
(Decrease) / increase in trade and other payables	(47)	(802)
Cash used in Operations	(3,609)	(4,566)

14. Related Party Transactions

During the period, Arix Capital Management Limited, a subsidiary of the Company, received fee income totalling £171k (six months to 30 June 2020: £182k) relating to its management of The Wales Life Sciences Investment Fund LP ("WLSIF"), an entity in which ALS SPV Limited, also a subsidiary of the Company, has an interest. At 30 June 2021, Arix Capital Management Limited was owed £850k (30 June 2020: £515k) in respect of these fees.

15. Events After the Reporting Period

On 16 July 2021, Imara, Inc. closed a public offering raising. Arix invested \$8.0 million to retain a stake of 9.0%.

On 27 July 2021, Artios completed its Series C financing round. Arix invested \$8.7 million to retain a stake of 8.8%.

Statement of Directors' Responsibilities

The Directors confirm that to the best of their knowledge these consolidated condensed interim financial statements have been prepared in accordance with UK Adopted International Accounting Standard 34, 'Interim Financial Reporting', and that the interim management report includes a fair review of the information required by Disclosures Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, namely:

- An indication of important events that have occurred during the first six months and their impact on the consolidated condensed interim set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors of Arix Bioscience plc are listed in the company's Annual Report for 31 December 2020. The following changes have been made since the annual report date; Mark Breuer stepped down from the board on 1 April 2021; Naseem Amin stepped down from the board on 30 April 2021 and Robert Lyne, Peregrine Moncreiffe, Maureen O'Connell and Isaac Kohlberg joined the board on the same date; Trevor Jones stepped down from the board on 14 June 2021.

By order of the Board



Robert Lyne
Interim Chief Executive Officer
11 August 2021

INDEPENDENT REVIEW REPORT TO ARIX BIOSCIENCE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed Consolidated Interim Statement of Financial Position, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Statement of Cash Flows, the Condensed Consolidated Interim Statement of Changes in Equity and the explanatory notes to the Condensed Interim Financial Statements.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

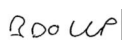
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.



BDO LLP
Chartered Accountants
London, United Kingdom
11 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).