

Arix Bioscience plc

Half-Yearly Report and Condensed Consolidated Interim Financial Statements

Six months ended 30 June 2023

Company number: 09777975

Chief Executive Statement

Overview

The first half of the 2023 financial year saw an improvement in the NAV of £13 million, from £226 million at 31 December 2022 to £239 million at 30 June 2023. This translated to a NAV per share movement from 175p per share to 185p per share, driven by an increase in the underlying value of our listed portfolio. Over the period 1 January 2023 to 30 June 2023, there were mark to market gains in Aura Biosciences (£2.2 million), Disc Medicine (£12.7 million) and Enliven (£1.9 million) as well as a £3.5 million gain in the Public Opportunities Portfolio. To put these strong gains into context, during the same period, our benchmark index, the XBI, rose by only 2% during the period. These positive evaluations were only marginally offset by a cumulative negative FX movement of £2.3 million. £16.8 million was deployed into new listed investments during the period, £16.4 million of which was into the Public Opportunities Portfolio and £0.4 million into Disc Medicine after its IPO. The investment into Disc Medicine was realised later in the period at more than 2x, realising £1.1 million. The cumulative effect of these gains, investments and realisations saw the total value of our listed portfolio increase by 41% to £68 million at period-end (31 Dec 2022: £45 million).

The unlisted portfolio saw only two minor changes in fair value, with the remaining holding value of STipe written-off at the half-year, resulting in a £1.2 million impairment. The decision to write-off this investment through the sale of shares back to the company at nominal value reflects the challenge facing STipe in executing its preclinical work. This loss was offset by a £1.2 million increase in the value received from Ensoma's acquisition of Twelve Bio, which completed during the period. The £6.2 million value of Ensoma equity received by Arix in exchange for the holding in Twelve Bio is priced at the December 2022 Series B round, in which Arix also participated, and reflects all shares received as part of the acquisition. There was a significant new addition to the unlisted portfolio during the period, with £6.6 million invested in Evommune. Together with a £2.9 million investment in Harpoon's redeemable preference share issue and the £4.0 million draw down of the second tranche of Sorriso's Series A, investment into the unlisted portfolio totalled £13.5 million in the period, excluding the impact of the Twelve Bio acquisition. With a cumulative negative FX impact of £1.7 million, the total value of our unlisted portfolio, legacy assets and other interests increased to £69 million at period-end (31 Dec 2022: £58 million).

Net investments of £6.0 million into the Public Opportunities Portfolio and £13.5 million into the unlisted portfolio, together with a £0.7 million net gain on our Disc Medicine purchase and sale, contributed to a net cash reduction of £21.8 million to £101.0 million at period-end (31 Dec 2022: £122.8 million).

Strategic Review

In light of the unfavorable prevailing market conditions and in response to engagement with shareholders following release of the Annual Report to 31 December 2022, a strategic review was announced in July 2023 which would include a consideration of:

- The Company's investment and realisation strategies;
- Its capital allocation and shareholder returns policies; and
- A tax-efficient wind-down of the Company.

The Board has been exploring a range of alternatives as part of this review. Currently, a number of options remain under active consideration and the Board is focused on evaluating these in conjunction with its advisers. The Board expects to have concluded this process soon and will provide a further update to shareholders as soon as possible.

Leadership Change

As announced separately today, I will be stepping down from my position as CEO and leaving the company by the end of the year. The Board will determine the appropriate Board and management arrangements following the outcome of the strategic review and update shareholders accordingly.

Portfolio Update for the six months to 30 June 2023: a robust performance

Prolonged uncertainty, volatile market conditions and depressed biotech valuations have resulted in fewer new investments during the period with a continued focus on cash conservation. Weak public markets have limited the

funding opportunities for many biotech companies and in turn reduced the competitive tension which drives the M&A market. Despite these pressures, we are delighted to see our portfolio companies trading well relative to peers in their respective stages in the clinical process and therapeutic areas.

Overall, the portfolio made good operational progress in the period, with several companies reaching important clinical milestones. Three portfolio companies raised funds totalling \$327.5 million. We co-led a \$50 million Series B financing for new portfolio company Evommune, a clinical-stage biotechnology company inventing new ways to treat inflammatory diseases. Subsequently, Evommune announced the closing of an additional \$7.5 million extension to its Series B financing from new investor Verition Fund Management, bringing the total raised in the Series B round to \$57.5m. Meanwhile, Disc Medicine enjoyed two further rounds of funding, raising a total of \$220 million in 2023, and Ensoma completed a Series B extension, raising an additional \$50 million.

Clinical Companies

Artios Pharma - £24.9m (31 Dec 2022: £24.9m), 10.4% of NAV, 8.8% ownership stake

Artios Pharma is pioneering the development of novel small molecule therapeutics that target the DNA damage response (DDR) process to treat patients suffering from a broad range of cancers.

During the period, Artios initiated a Phase 2 randomised trial for its ATR inhibitor ART0380 plus Gemcitabine in Patients with Platinum Resistant Ovarian Cancer. The initiation of the Phase 2 trial follows the successful Phase 1 dose escalation demonstrating a favourable safety and tolerability profile, clinical activity, and preferred pharmacokinetics in advanced solid tumours.

The company also launched a national project with IUCT-Oncopole, a cancer care, research and training centre in Toulouse, France, to overcome resistance to therapies for familial breast cancer.

Aura Biosciences - £14.7m (31 Dec 2022: £13.1m), 6.2% of NAV, 4.0% ownership stake

Aura Biosciences is a Nasdaq listed, clinical-stage company developing a novel class of virus-like drug conjugate (VDC) therapies for multiple oncology indications, including ocular and urologic cancers.

During the period, Aura announced positive interim Phase 2 safety and efficacy data of Belzupacap Sarotalocan (bel-sar) that showed an excellent response to therapy with 89-100% tumour control in patients with early-stage Choroidal Melanoma with suprachoroidal (SC) administration. The interim data provides strong confidence to support the launch of the global Phase 3 trial which is on track to dose the first patient this year.

Bel-sar was granted Fast Track Designation by the FDA for the treatment of Choroidal Metastasis, its second ocular oncology indication to receive this designation, highlighting the need for vision preserving treatment options.

The Phase 1 trial of bel-sar for the treatment of non-muscle invasive bladder cancer is currently ongoing, and Aura expects to report Phase 1 data in 2024.

Disc Medicine - £20.7m (31 Dec 2022: £9.0m), 8.7% of NAV, 2.6% ownership stake

Disc Medicine is a clinical stage company dedicated to the discovery and development of novel therapeutic candidates for serious and debilitating haematological diseases based on fundamental pathways of red blood cell biology.

Following the completion of its merger with Gemini Therapeutics in December 2022, Disc became a Nasdaq-listed company trading as Disc Medicine and focused on advancing Disc's pipeline of haematology programmes. During the first half of 2023, the company raised total gross proceeds of \$220 million from a \$62.5 million registered direct offering and \$157.9 million upsized public offering, providing the company with cash runway well into 2026.

The company also announced:

- Positive initial data from ongoing Phase 2 trial of Bitopertin in patients with Erythropoietic Protoporphyria, in which bitopertin demonstrated a favourable efficacy and safety profile alongside improvements in sunlight tolerance and measures of quality-of-life in patients;
- Initiation of a phase 1/2 study of bitopertin in patients with Diamond-Blackfan Anemia who have failed corticosteroid treatment; and

- Enrolment of patients in two separate Phase 1b/2 studies for DISC-0974, one in patients with anaemia of chronic kidney disease who are not receiving dialysis (NDD-CKD) and one in patients with myelofibrosis and anaemia; initial data from both trials expected by year-end 2023.
- Received FDA Fast Track Designation for MWTX-003 for the Treatment of Polycythemia Vera, which highlights the unmet need for treatment for patients and the initiation of the Ph1 trial expected in the coming months

Evommune - £6.4m, 2.7% of NAV, 3.4% ownership stake

Evommune is a private clinical-stage company inventing new ways to treat inflammatory diseases. The company is evolving immunology through its unique and dynamic human tissue-based approach to discovering, developing, and delivering therapies that address symptoms and halt progressive disease.

In April, Arix co-led the \$50 million Series-B for Evommune alongside existing investors EQT Life Sciences and Symbiosis and invested £6.6 million in the round.

In June 2023, Evommune announced the closing of an additional \$7.5 million to its Series B financing from new investor Verition Fund Management, bringing the total raised in the Series B round to \$57.5 million.

The capital raised will support Evommune's pipeline of programs, including EVO101, a novel small molecule inhibitor of interleukin 1 receptor-associated kinase 4 (IRAK4), currently in Phase 2a trials, with data expected in Q4 2023. The financing will also advance EVO756, a small molecule inhibitor of the mast cell receptor MRGPRX2, through clinical data readouts.

Harpoon Therapeutics - £4.0m (31 Dec 2022: £1.3m), 1.7% of NAV, 5.8% ownership stake

Harpoon Therapeutics 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.

During the period, Harpoon completed a \$25 million private placement of redeemable preferred stock and warrants to purchase common stock to certain institutional and other accredited investors.

Harpoon also completed enrolment of patients in their Phase 1 study of HPN217 in Relapsed/Refractory Multiple Myeloma, with data presentation and selection of Phase 2 dose expected by year end.

Post-period in September 2023, Harpoon announced that Abbvie will not exercise the exclusive license option in connection with Harpoon's HPN217 program, which targets B cell maturation antigen, or BCMA. The program will remain exclusively owned by Harpoon, and the company plans to complete the ongoing Phase I clinical trial with data to support the next phase of development.

Also in September, the company began dosing the first patients with small cell lung cancer (SCLC) in an ongoing Phase 1/2 trial of HPN328, a DLL3 targeting TriTAC[®], in combination with atezolizumab (Tecentriq[®]) as supplied by F. Hoffmann-La Roche as part of a Master Clinical Supply Agreement.

Imara now Enliven - £9.4m (31 Dec 2022: £7.8m), 3.9% of NAV, 1.4% ownership stake

In February 2023, Enliven entered the public market via reverse merger with Imara Inc. (previously Nasdaq: IMRA). Concurrent with the merger, Enliven completed a \$165 million private placement with participation from new and existing investors. Following the transaction, Enliven is expected to have a cash runway into early 2026 with multiple clinical milestones along the way.

Enliven continues to progress its parallel lead programs, ELVN-001 and ELVN-002, through dose escalation in Phase 1 trials, with initial proof of concept data for both programs expected in 2024.

Preclinical Companies

Sorriso Pharmaceuticals - £10.2m (31 Dec 2022: £6.6m), 4.3% of NAV, 26.1% ownership stake

Sorriso Pharmaceuticals is a biotechnology company advancing a pipeline of disease-modifying antibodies for the

treatment of inflammatory diseases, including Crohn's disease and ulcerative colitis.

During the period the company has made good progress preparing for initiation of Phase 1 clinical development in 2023. The company remains on track to enter clinical trials in H2 2023.

Drug Discovery and research-stage companies (8.8% of NAV)

These companies are start-ups in the initial stages of research and development.

Depixus - £8.0m (31 Dec 2022: £8.2m), 3.3% of NAV, 14.2% ownership stake

Depixus is developing technology for the fast, accurate and inexpensive extraction of genetic and epigenetic information from single molecules of DNA and RNA.

Having closed the Series A financing in December 2021, during the period, the company continued to make good progress and plans to provide further updates in H1 2024.

Twelve Bio now Ensoma - £13.0m (31 Dec 2022: £12.5m), 5.4% of NAV, 6.0% ownership stake

Twelve Bio was acquired by Ensoma as of 8 February 2023.

Ensoma is a genomic medicines company developing one-time in vivo treatments that precisely engineer any cell of the hematopoietic system. The company's Engenious™ platform combines innovative delivery technology with the full DNA editing toolkit to tackle diseases that affect millions around the world, such as cancer and autoimmune disease, as well as inherited conditions.

In May, Ensoma closed a Series B extension financing, raising a further \$50 million, bringing the total round to \$135 million. The \$50 million was contributed by new investors Kite, a Gilead company (Nasdaq: GILD), Bioluminescence Ventures and Delos Capital and by existing investor SymBiosis.

STipe Therapeutics

As part of our ongoing process to align our investments with our strategy, and following adjustments to its carrying value in prior years, a decision was made in the period to fully exit our position in STipe for a nominal amount.

Public Company Investments

Public Opportunities Portfolio - £22.1m (31 Dec 2022: 13.4m), 9.2% of NAV

During the period we have invested £16.4 million into the Public Opportunities Portfolio ("POP"), investing across seven companies that we believe have the potential to deliver positive clinical data over the next 6 to 18 months. Given the challenging state of the public markets for biotech funding, a key criterion has been that all of these businesses are well funded through to these milestones, to reduce the risk of dilutive new fundraising. Through the half year we have had multiple positive data read-outs from this portfolio. In a period of continued volatility, this has helped the POP to increase to its current value of £22.1 million at the half year, reflecting an unrealised gain of £3.5 million against the cost to date. The POP has subsequently recorded an overall gain and we see significant upside potential as further milestones and data read-outs are reached.


Robert Lyne (Sep 26, 2023 18:58 GMT+1)

Robert Lyne

Chief Executive Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Half Year to 30 June 2023 (unaudited) £'000	Half Year to 30 June 2022 (unaudited) £'000
Change in fair value of investments	8	16,993	(26,635)
Impairment of investments	8	(1,238)	(2,459)
Revenue	7	27	62
Administrative expenses		(2,982)	(2,284)
Operational gain/(loss)		12,800	(31,316)
Finance income	10	2,016	154
Foreign exchange (loss)/gain	11	(2,334)	1,339
Share-based payment	13	(4)	(138)
Gain/(loss) before taxation		12,478	(29,961)
Taxation	9	-	(93)
Gain/(loss) for the period		12,478	(30,054)
Other Comprehensive Income			
Exchange differences on translating foreign operations		725	2,225
Total comprehensive gain/(loss) for the period		13,203	(27,829)
Attributable to			
Owners of Arix Bioscience plc		13,203	(27,829)
Gain/(loss) per share			
Basic gain/(loss) per share (£)	6	0.11	(0.22)
Diluted gain/(loss) per share (£)	6	0.10	(0.22)

The above condensed consolidated interim statement of comprehensive income should be read in conjunction with the accompanying notes, on pages 11 to 19.

Condensed Consolidated Interim Statement of Financial Position

	Note	30 June 2023 (unaudited) £'000	31 December 2022 (audited) £'000
ASSETS			
Non-Current Assets			
Investments held at fair value	8	137,079	102,694
Intangible assets		-	24
Property, plant and equipment		44	57
Right of use asset		46	72
		137,169	102,847
Current Assets			
Cash and cash equivalents		100,988	122,782
Other assets		2,377	2,218
		103,365	125,000
TOTAL ASSETS		240,534	227,847
LIABILITIES			
Current liabilities			
Trade and other payables		(1,377)	(1,864)
Lease liability		(37)	(59)
		(1,414)	(1,923)
Non-Current liabilities			
Lease liability		-	(11)
TOTAL LIABILITIES		(1,414)	(1,934)
NET ASSETS		239,120	225,913
EQUITY			
Share capital and share premium	12	188,585	188,585
Retained earnings		64,457	51,250
Other reserves		(13,922)	(13,922)
		239,120	225,913
TOTAL EQUITY		239,120	225,913

The above Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes, on pages 11 to 19.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2023

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2023	188,585	(1,216)	(1,113)	(11,593)	51,250	225,913
Gain for the period	-	-	-	-	12,478	12,478
Other comprehensive income	-	-	725	-	-	725
Share-based payment	-	-	-	-	4	4
As at 30 June 2023 (unaudited)	188,585	(1,216)	(388)	(11,593)	63,732	239,120

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2022	188,585	(1,216)	(1,113)	(11,593)	80,694	255,357
Loss for the period	-	-	-	-	(30,054)	(30,054)
Other comprehensive income	-	-	2,225	-	-	2,225
Share-based payment	-	-	-	-	138	138
As at 30 June 2022 (unaudited)	188,585	(1,216)	1,112	(11,593)	50,778	227,666

The above Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes, on pages 11 to 19.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2023

		Half Year to 30 June 2023 (unaudited) £'000	Half Year to 30 June 2022 (unaudited) £'000
Net Cash used in operating activities	14	(3,538)	(4,830)
Finance income received		1,696	154
Net cash used in operating activities		(1,842)	(4,676)
Cash flows (used in)/from investing activities			
Purchase of equity and loan investments		(36,497)	(16,322)
Disposal of equity and loan investments		17,867	12,262
Purchase of property, plant and equipment		-	(3)
Net cash (used in)/from investing activities		(18,630)	(4,063)
Net decrease in cash and cash equivalents		(20,472)	(8,739)
Cash and cash equivalents at start of period		122,782	134,230
Effect of exchange rate changes		(1,322)	5,598
Cash and cash equivalents at end of period		100,988	131,089

The above Condensed Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes, on pages 11 to 19.

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 breakthrough biotechnology 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 26 September 2023.

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 2022 were approved by the Board of Directors on 24 April 2023 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 independently reviewed, not audited.

2. Basis of Preparation

These condensed interim financial statements for the six months ended 30 June 2023 have been prepared on a going concern basis, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and in accordance with UK adopted international accounting standards. 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, notwithstanding the results and conclusions of the recent strategic review.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with UK-adopted international accounting standards. 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 2022.

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 84 of the consolidated financial statements for the year ended 31 December 2022 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 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 2022. There have been no changes in the risk management department or in any risk management policies since the year end.

6. Gain/(loss) per Share

Basic gain or loss per share is calculated by dividing the gain or 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 in the prior period the Arix Group incurred a loss, the diluted loss per share is the same as the basic loss per share as the loss has an anti-dilutive effect and the inclusion of shares would be to decrease the loss per share.

	2023 £'000	2022 £'000
Gain/(loss) attributable to equity holders of Arix Bioscience plc	13,203	(27,829)
Weighted average number of shares in issue	124,175,167	124,100,217
Fully diluted weighted average number of shares	131,876,919	132,415,872
Basic gain/(loss) per share	£0.11	(£0.22)
Diluted gain/(loss) per share	£0.10	(£0.22)

7. Revenue

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

	2023 £'000	2022 £'000
Fund management fee income	14	54
Other income	13	8
	27	62

Notes to the Financial Statements (continued)**8. Investments**

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2022	44,771	57,923	102,694
Additions	16,869	19,628	36,497
Disposals	(11,485)	(6,382)	(17,867)
Impairment	-	(1,238)	(1,238)
Realised and unrealised gain on investments	20,343	772	21,115
Foreign exchange losses	(2,337)	(1,785)	(4,122)
At 30 June 2023	68,161	68,918	137,079

Level 3 investments are valued with reference to either the most recent funding round (£65.3m), net asset value (£2.7m) or deferred consideration (£0.9m).

	Level 1- Quoted Investments £'000	Level 3 – Unquoted Investments £'000	Total £'000
At 31 December 2021	63,698	56,937	120,635
Additions	14,424	1,898	16,322
Disposals	(12,262)	-	(12,262)
Impairment	-	(2,459)	(2,459)
Realised and unrealised loss on investments	(33,947)	(799)	(34,746)
Foreign exchange losses	5,801	2,310	8,111
At 30 June 2022	37,714	57,887	95,601

The Group's valuation policy can be found in page 87 of Group's annual report for the year ended 31 December 2022. 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 £6.8 million movement in investment portfolio value (December 2022: £3.8 million).

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 2023, the Arix Group is deemed to have significant influence over the following entity:

Notes to the Financial Statements (continued)**8. Investments (continued)**

Company	Country	Registered Address	% of Issued Share Capital Held	Net Assets of Company	Profit/(loss) of Company	Date of Financial Information
Sorriso Pharmaceuticals, Inc.	USA	6 Northridge Way Sandy, UT 84092 US	26.1%	N/A	N/A	Not publicly available

Notes to the Financial Statements (continued)

8. Investments (continued)

	Value 1 Jan 2023	Investment in period	Realisations in period	Impairment in period	Change in valuation	FX movement	Value 30 Jun 2023	Fully diluted* equity interest %	Fully funded %
	£m	£m	£m	£m	£m	£m	£m		
Core Portfolio									
Unlisted									
Artios	24.9	–	–	–	–	–	24.9	8.8%	8.8%
Depixus	8.2	–	–	–	–	(0.2)	8.0	14.2%	14.2%
Ensoma	7.5	6.2	–	–	–	(0.7)	13.0	6.0%	6.0%
Evommune	–	6.6	–	–	–	(0.2)	6.4	3.4%	3.5%
Harpoon Redeemable Preference Shares**	–	2.9	–	–	–	(0.1)	2.8	–	–
Sorriso	6.6	4.0	–	–	–	(0.4)	10.2	26.1%	26.1%
Twelve Bio	5.0	–	(6.2)	–	1.2	–	–	–	–
STipe	1.3	–	–	(1.2)	(0.1)	–	–	–	–
Amplex	1.3	–	–	–	(0.3)	(0.1)	0.9	–	–
Unlisted Total	54.8	19.7	(6.2)	(1.2)	0.8	(1.7)	66.2	–	–
Listed									
Aura	13.1	–	–	–	2.2	(0.6)	14.7	4.0%	4.0%
Disc	9.0	0.4	(1.1)	–	12.7	(0.3)	20.7	2.6%	2.6%
Harpoon	1.3	–	–	–	–	(0.1)	1.2	5.8%	5.8%
Imara/ Enliven***	7.9	–	–	–	1.9	(0.4)	9.4	1.4%	1.4%
Public Opportunities Portfolio	13.5	16.4	(10.4)	–	3.5	(0.9)	22.1	–	–
Listed Total	44.8	16.8	(11.5)	–	20.3	(2.3)	68.1	–	–
Legacy Assets	0.1	–	–	–	–	–	0.1	–	–
Gross Portfolio	99.7	36.5	(17.7)	(1.2)	21.1	(4.0)	134.4	–	–
Other Interests	3.0	–	(0.2)	–	–	(0.1)	2.7	–	–
Total Investments	102.7	36.5	(17.9)	(1.2)	21.1	(4.1)	137.1	–	–

*Fully diluted reflects the shareholding inclusive of unexercised and unvested options. **These are 8% redeemable preference shares being held at Fair Value, which is deemed to be the acquisition cost. ***Name change

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

	Half Year to 30 June 2023 (unaudited) £'000	Half Year to 30 June 2022 (unaudited) £'000
Current period tax charge		
Current Tax	-	93
Total tax charge	-	93
Reconciliation of tax charge		
Gain/ (loss) before tax	12,478	(29,961)
Expected tax based on 22.00% (2022: 19.00%)	2,748	(5,693)
Effects of:		
Expenses not deductible for tax purposes	43	501
Income not taxable	(16)	(29)
Investment revaluation	(3,523)	5,119
Employee share options	4	11
Deferred tax not recognised	744	184
Total tax charge	-	93
Unrecognised deferred tax assets		
Unutilised tax losses	(9,471)	(14,747)
Priority profit share outstanding	441	395
Other timing differences	(12,324)	(7,208)
Carried forward	(21,354)	(21,560)

Notes to the Financial Statements (continued)**10. Finance Income**

Finance Income has increased substantially since 30 June 2022 reflecting the impact of the increase in interest rates in the UK (from 1.25% to 5%) on the Company's cash balances.

11. Foreign Exchange

The Company holds US dollar denominated cash in order to match cash calls from our portfolio investments. In H1 2022 sterling weakened against the US dollar creating an FX gain whereas in H1 2023 sterling gained against the US dollar creating an FX loss.

12. Share Capital

	As at 30 June 2023	As at 31 Dec 2022
Allotted and called up		
Ordinary shares of £0.00001 each (#)	135,609,653	135,609,653
Ordinary shares of £0.00001 each (£'000)	1	1
49,671 Series C shares of £1 each (£'000)	50	50

Included within Ordinary shares are 6,220,145 shares that were held in Treasury at 30 June 2023 (31 Dec 2022: 6,428,853).

At the Company's Annual General Meeting on 23 May 2023, shareholders granted a renewal of the authority to allow the Company to buy back up to 10% of its shares. No shares have been purchased in the six months to 30 June 2023 (six months to 30 June 2022: 0).

13. Share Options**Executive Incentive Plan**

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

Executive Incentive Plan - 2021

In August 2021, 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 minimum of 7% pa compound over the performance period to 31 December 2023, and up to 15% pa compound to achieve 100% of the award. 368,369 are unvested at 30 June 2023 (31 Dec 2022: 368,369). A credit of £40k (six months to 2022 a charge of £41k) has been recognised in the period in relation to the 2021 Executive Incentive Plan.

Executive Incentive Plan - 2022

In November 2022, the Executive Director and certain employees were awarded options which will become exercisable at nil cost at the end of the three-year performance period, subject to performance criteria. The scheme in three part relates to growth of net asset value, invested net asset value and share price growth.

Net asset value and separately the invested net asset value must grow by a minimum of 5% pa (for NAV) and 7% pa (for invested NAV) compound over the performance period to 31 December 2024, and up to 12% pa (NAV), 15% pa (invested NAV) compound to achieve 100% of the award. Additionally, a third element relating to share price growth from start point of £1.27 must grow by minimum of 5% pa compound over the performance period and up to 15% pa compound to achieve 100% of the award.

648,584 options were issued in 2022, all of which are unvested at year-end. In addition, a further 127,358 were issued in May 2023 on the same terms as those issued in November 2022. A charge of £30k (six months to 2022: £nil) has been recognised in the period in relation to the 2022 Executive Incentive Plan.

The charge in the period relating to net asset value growth was calculated based upon the share price at grant of £1.27, with an

assessed likelihood of vesting of 25%, down from 50% at 31 December 2022. The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£1.27); risk-free interest rate (-2.4%); time to vesting (2 years and 4 months); and expected volatility of 23.5%.

Executive Incentive Plan - 2023

In May 2023, the Executive Director and certain employees were awarded options which will become exercisable at nil cost at the end of the three-year performance period, subject to performance criteria. The scheme in three part relates to growth of net asset value, invested net asset value and share price growth.

Net asset value and separately the invested net asset value must grow by a minimum of 5% pa (for NAV) and 7% pa (for invested NAV) compound over the performance period to 31 December 2025, and up to 12% pa (NAV), 15% pa (invested NAV) compound to achieve 100% of the award. Additionally, a third element relating to share price growth from the start of the performance period of £1.07 must grow by minimum of 5% pa compound over the performance period and up to 15% pa compound to achieve 100% of the award.

880,932 options were issued in 2023, all of which are unvested at 30 June. In the period, a share-based payment charge of £14k was recognised in relation to the 2023 Executive Incentive Plan. The charge relating to net asset value growth and invested net asset value growth was calculated based upon the share price at grant of £1.06, with an assessed likelihood of vesting of 50%. The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at the start of the performance period (£1.07); risk-free interest rate (3.58%); length of the performance period (3 years); and expected volatility based on the three years prior to the start of the performance period (42.9%).

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 six months to 30 June 2023, a share-based payment charge of £nil (2022: nil) 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, totaling 5,080,582 shares. In the six months to 30 June 2023, a share-based payment charge of £nil (2022: nil) was recognised. 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.

Notes to the Financial Statements (continued)**14. Net Cash from Operating Activities**

	Half Year to 30 June 2023 £'000	Half Year to 30 June 2022 £'000
Gain/(loss) before income tax	12,478	(29,961)
<i>Adjustments for:</i>		
Change in fair value of investments (gain)/ loss	(16,993)	26,635
Impairment of investments	1,238	2,459
Foreign exchange loss/(gain)	2,334	(3,372)
Share-based payment	4	138
Depreciation and amortisation	63	90
Finance income	(2,016)	(154)
<i>Changes in Working Capital</i>		
(Increase) in trade and other receivables	(159)	(86)
(Decrease) in trade and other payables	(487)	(579)
Cash (used) in Operations	(3,538)	(4,830)

15. Related Party Transactions

During the period, Arix Capital Management Limited, a subsidiary of the Company, received fee income totaling £14k (six months to 30 June 2022: £54k) 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 2023, Arix Capital Management Limited was owed £1.1 million (30 June 2022: £994k) in respect of these fees.

16. Events After the Reporting Period

No significant portfolio company events. The conclusions of the Strategic Review as conducted after the period end are discussed on pages 2 and 3 of this document.

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 2022.

By order of the Board



Robert Lyne (Sep 26, 2023 18:58 GMT+1)

R Lyne

Robert Lyne
Chief Executive Officer
26 September 2023

INDEPENDENT REVIEW REPORT TO ARIX BIOSCIENCE PLC

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 2023 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.

We have been engaged by Arix Bioscience plc (the 'company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 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.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

As disclosed in note 2, the annual financial statements of the Company and its subsidiaries (the 'Group') are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting."

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion

paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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.

DocuSigned by:

Vanessa Bradley

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BDO LLP

Chartered Accountants

London, UK

26 September 2023

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

Arix Bioscience plc - 2023 Interim Financial Statements - FINAL

Final Audit Report


2023-09-26

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