



Arix Bioscience plc

Financial Results for the Year Ended 31 December 2021

LONDON, UK, 5 May 2022: Arix Bioscience plc (LSE: ARIX), a global venture capital company focused on investing in breakthrough biotechnology companies, today announces its financial results for the year ended 31 December 2021.

Financial highlights

- Net Asset Value of £255.4 million (December 2020: £328.2 million); 198p per share (December 2020: 242p)
- Continued reduction of net operating costs to maintain an annual run rate within 2.0% of NAV
- Gross Portfolio Value (realised and unrealised) of £118.2 million (December 2020: £152 million)
- Cash of £134.2 million (December 2020: £174.4 million)
- £59.2 million of capital deployed into new and existing core portfolio companies

Corporate, strategic and operational progress

- Reconstituted the Board of Directors and split the roles of Chairman and CEO in order to improve corporate governance, following a period of shareholder engagement
- Refocused the investment team with an emphasis on maximising opportunities in both the public and the private markets
- Conducted share buyback programme, purchasing £11.6 million of shares during the period (suspended in October 2021)
- Demonstrated disciplined approach to capital deployment and risk management by ceasing operations at Quench Bio and writing down Atox Bio

Portfolio highlights

- Portfolio companies collectively raised over \$776 million, attracting significant investment from new and existing shareholders
 - Two portfolio companies, including Aura, completed initial public offerings on Nasdaq, raising approximately \$242.8 million collectively
 - Three portfolio companies, completed follow-on public offerings on Nasdaq, raising approximately \$180 million collectively
 - Following the reconstitution of the Board, Arix participated in successful private funding rounds for two promising new portfolio companies Disc Medicine and Sorriso Pharmaceuticals, committing £17.8m in total.
- Amplyx was acquired by Pfizer following strong phase 2 data from its lead product candidate, Fosmanogepix, in invasive fungal infections
- Artios entered into a strategic collaboration with Novartis (\$20 million upfront payment) and LogicBio entered into a strategic collaboration with CANbridge Pharmaceuticals (\$10 million upfront payment)
- Continued clinical progress across the portfolio during the period with successful data readouts from Aura and Harpoon, and new trial initiations from Artios and Harpoon.

Post-period end

- LogicBio announced that the US Food and Drug Administration had placed its phase 1/2 clinical trial of LB-001 on hold, pending a second drug-related serious adverse event
- Imara announced that as a result of the data generated by the interim analyses of their phase 2b trials for IMR-687, the company would discontinue the Ardent and Forte trials as well as the further development of tovinontrine in sickle cell disease and beta-thalassemia.

- In line with our active portfolio management strategy, we divested our remaining holding in Autolus and exited our entire position in Pyxis Oncology

Outlook

We enter a new year with conviction in our portfolio companies as we focus on progress in their clinical programmes, with the potential for multiple value enhancing inflexion points in 2022. Thanks to the success of our exit strategy to date, our continued strong cash position enables us to actively explore a range of new investment prospects. The expansion of the portfolio, and the achievements of our portfolio companies, give us confidence in the future and position us well to take advantage of opportunities to invest in, and unlock value from, what is a truly innovative industry.

Robert Lyne, CEO of Arix, commented:

“It has been a busy year for Arix. 2021 saw a significant restructuring of the business, reducing costs and repositioning the business to focus on the most promising, later stage investments which we believe will yield strong returns over the medium term. During the year, our portfolio companies continued to achieve important clinical, operational, and financial milestones, from key data announcements to strategic partnerships and IPOs that have secured funding for their future growth.

“Whilst we are pleased with the overall clinical progress of the portfolio, the current turbulence in the public markets is discounting the value of listed companies within the biotech sector. While the corresponding reduction in our NAV is disappointing, we still hold conviction in our strategy of investing in promising therapeutic products and platforms that have the potential to address high unmet patient need. We have positioned Arix to take advantage of these prevailing conditions by creating a ‘Public Opportunities Portfolio’ that has seen us deploy capital into high quality, under-valued stocks with significant near-term value generating catalysts. We remain focused on driving value across the portfolio and with clinical data being the main driver of value, we are confident that our diverse portfolio and strategy is well positioned to further validate our model and deliver significant value for shareholders.

“We look forward to continuing the close work with our portfolio companies as they move through the clinic and fulfil their potential in delivering transformational treatment to patients and value for our shareholders throughout 2022 and beyond.”

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About Arix Bioscience plc

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

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

www.arixbioscience.com

Chairman's Statement

Introduction

The coming two years look very promising for Arix. Following a year of significant change, we have a newly constituted board of directors dedicated to creating shareholder value, a well-integrated investment team and a highly prospective portfolio of companies with clinical readouts coming to fruition over the coming quarters. Operational progress in 2021 was set against the most extended and extreme bear market for biotechnology shares in many years, which inevitably impacted our financial performance. The Company's share price reached an all-time high of 222p on 29 December 2020 and declined along with our net asset value. In spite of the challenging market conditions we made progress on a number of fronts, including the introduction of improved risk control protocols. While much of our decline in net asset value was attributable to positions in listed shares which were restricted by lock-up agreements, some of our other legacy positions were free to trade and we have now made selective exits. Our unlisted portfolio is continuing to progress with a number of positive developments which augur well for the coming year. Our investment team has also started to build a portfolio of highly attractive publicly-listed shares at valuations substantially lower than the levels that the same company would command in the private market.

Last year was a time of great change at Arix led by a period of stakeholder engagement and a strategic review that resulted in the reconstitution of the Board and the strengthening of our corporate governance. Following these developments, and with the benefits of the additional skills and expertise that the new Board brings, we are now very well-positioned to provide disciplined and effective oversight and governance of the company's assets for the benefit of shareholders.

Performance and valuation

Compared to the prior year end, the net asset value fell from £328 million to £255 million, or 242p to 198p per share. The reduction was predominantly driven by share price declines in some of our Nasdaq-listed holdings as a result of unfavourable market conditions across the biotech sector. Much of this weakness occurred during periods when we were subject to market-standard lock-ins on key holdings. This decline in public market valuations was partially offset by a modest increase in the valuation of our private portfolio, where a number of our investments saw valuation uplifts through private financing rounds. While the reduction in NAV is disappointing, we believe that it does not reflect the underlying quality of the portfolio, which continued to make significant operational and clinical progress in the period.

We ended the year with a strong cash position of £134.2 million compared to £174.4 million in the prior year. Conserving cash allows the company to exploit attractive opportunities arising from reduced valuations and opportunities resulting from the contraction in the IPO market and continuing need for capital in the biotech sector. Current valuations of many well-managed companies with a number of therapeutic drugs in clinical trials make our sector most compelling at this time. At the time of writing we have been able to buy such shares at substantial negative enterprise value, meaning that their net cash is more than their entire market capitalisations. These companies have considerable cash burn but most already have the wherewithal to fund themselves through to clinical read-outs and beyond. Many of these companies' share prices are down 90% or more from their highs, and an added attraction of this sector is the substantial discount to NAV on our shares (38% discount at 31 December 2021 with 53% of NAV in cash) and those of biotech closed-end investment funds.

Not all of our portfolio companies' trials will be successful but those that are should generate extraordinary returns, which are largely uncorrelated with sectors that are driven by macroeconomic factors. In the same way that oil exploration companies use the latest scientific tools to inform their drilling programs, so do our investment experts use their deep knowledge of the companies and the science to select the most prospective targets. Perhaps one important difference between biotechnology and oil exploration that should encourage our investors is the positive impact any successful drugs will have on many people's lives. Biotechnology on the whole is less affected by supply bottlenecks, higher energy prices and a slow down in the general economy than most other sectors which face the headwinds of higher inflation, rising interest rates, the reorganisation of changing global production and supply chains, as well as international conflicts. In view of these considerable uncertainties, our current stance is primarily focused on the optimised management of our existing portfolio, hoping to achieve a successful exit before making further substantial unlisted company commitments. While the market price and discount to NAV of our shares reflect

considerable risk aversion with regards to venture capital investments in biotech companies, it is wise to adopt a conservative strategy to help protect the downside on our shares. I believe, however, that our existing portfolio has a sufficient number of prospects which should allow us to attain our return goal during this coming year.

Corporate Governance

In April 2021 the Company announced that the roles of Chairman and Chief Executive would be split, resulting in the departure of Executive Chairman, Naseem Amin, who had stepped in to lead the business in 2020, and my appointment as Independent Non-Executive Chairman.

I was joined on the board by Maureen O'Connell and Isaac Kohlberg as non-executive directors. A certified public accountant, Maureen has extensive executive and non-executive board experience and is currently non-executive Chair of Acacia Research Corporation ("Acacia"). Isaac is Chief Technology Development Officer at Harvard University and a non-executive director of Acacia. Subsequently, Sir Michael Bunbury was appointed as a Senior Independent Director. Sir Michael has had a distinguished and successful career in the investment business. Robert Lyne stepped up to the Board as interim Chief Executive, having previously served as Chief Operating Officer and General Counsel, and was subsequently appointed to the role on a permanent basis. Maureen, Isaac and Sir Michael have already demonstrated the value they bring to Aris and together with Robert I am confident in the reconstituted Board's ability to deliver for shareholders. These developments saw the departure from the Board of Professor Trevor Jones CBE who decided not to seek re-election at the AGM in June, and Giles Kerr, who retired in October, both having served for four years on the Board. I would like to thank them both for their help and support during the transition to our new governance structure.

The Board believes that it is important for suitable further new skills as well as appropriate balance to be introduced and, as such, anticipates the appointment of an additional new independent non-executive director during the course of the year.

The new Board and improved governance leaves the Group well-placed going forward in 2022.

Progress on key targets

The disappointment of the valuation reductions in listed shares should not entirely obscure the progress that has been made in the year under review, which reflects the achievement of a number of the goals that were set out in our 2020 interim report:

- We pledged to drive down annual run-rate net operating costs to under £5 million by the end of 2021, and seek to maintain costs to within 2% of NAV under normal market conditions in subsequent years. I am pleased to report that following cost reductions instigated by the newly constituted Board, we are delivering on our commitment and anticipate that we will continue to do so.
- Well ahead of our 2023 target of two strategic exits, we achieved our second M&A sale of a portfolio company with the acquisition of Ampyx by Pfizer in April, resulting in a small increase on our previous holding value. The maturation of the portfolio enables us to demonstrate our strategy in action, and our ability to identify and support businesses with products and technologies that are attractive to large pharmaceutical company buyers.
- 2021 was a bumper year for biotech fundraising. Two of our portfolio companies, Aura and Pyxis Oncology, completed initial public offerings on Nasdaq, collectively raising \$243 million and meeting our target of two further IPOs.

The goals laid out in 2020 reflected the focus of the business at the time and were designed to ensure that the core value-creating portfolio companies received the appropriate level of strategic and financial support to maximise the company's risk-adjusted investment return. The newly constituted Board has now had the opportunity to review the relevance of these targets with a focus on one primary objective: to deliver significant returns to shareholders through double-digit Net Asset Value growth.

The Board considers that an agile approach is essential when operating in a dynamic and fluctuating sector, where success can depend on prevailing conditions as well as underlying potential, among other factors. We believe that double-digit NAV growth per share can be achieved through a range of different portfolio events, the timing of which may vary. We will target two successful exits on a rolling 36-month basis. In the current market conditions these are more likely to be via strategic pharmaceutical acquisitions rather than through IPOs.

Market Overview

The XBI (an equal-weighted biotechnology index) has fallen more than 45% since peaking in February 2021 versus a rise of 3% and 17% for the Nasdaq and S&P 500, respectively. The index includes a number of fairly large capitalisation companies which have fared much better in the market rout but do not feature in our investment universe which is focused on new therapeutic advances which should generate extraordinary returns. Smaller non-revenue generating companies have been hit the hardest as is usual in this sort of stock market. During the first half of the pandemic, we saw record fundraisings for life sciences companies with a high quantity of sector transactions and some valuations pushed to excessively high levels due to an influx of new investors. While some of those companies may have come to market prematurely, the subsequent market sell off has been broad, with many new and non-specialist investors reducing their exposure to the sector.

While many early-stage technology companies rely on the expectation of future funding as they build revenues, biotech companies that are financed through the period of clinical trials are likely to either succeed or fail. If they report positive data and are targeting indications that are of interest to acquisitive pharma companies the returns can be very substantial with very little exposure to the macroeconomic environment and little correlation with the performance of other securities.

With many patents protecting blockbuster products expected to expire before the end of the decade, and the boost from Covid-19 revenues expected to subside, many larger groups will be seeking new engines of growth. Large pharmaceutical companies have historically outsourced much of the research and development of new drugs to smaller companies, often start-ups, which are faster and more agile in making cutting-edge medical breakthroughs. Analysts have forecast that big US and European pharma groups could have \$500 billion to deploy on acquisitions in the coming years, providing a clear path to exit for biotech companies that do succeed.

Inevitably because of our exposures to the public markets, our own portfolio has been hit by the significant decline in valuations. However, our strong cash position offers an unprecedented opportunity for Arix to participate in the undervalued growth potential that the sector has to offer. Arix's presence and knowledge in Europe and the US combined with our ability to invest in both private and publicly-listed companies gives us the flexibility to optimise our portfolio. Not only can we select situations with the best upside potential but also, we can avoid buying overpriced shares.

Applying our flexible investment strategy

One of our competitive advantages is our ability to be nimble in responding to changing market conditions and the opportunities that they present on both sides of the Atlantic. In the current environment, we are seeing an increasing number of excellent investment opportunities, both in the private and the public markets as they have become more compelling. As I have already indicated, the precipitous decline in our sector has allowed us to purchase shares in a number of NASDAQ listed companies, many of which we had assessed when they were still private and are now trading in some cases at market values less than their cash balances. This "public opportunities" portfolio is currently around 5% of NAV and will be managed dynamically alongside our core venture investments as long as their valuations and prospects remain compelling.

Given the significant disconnect between depressed public valuations and elevated private valuations which are not yet reflecting the reduced public valuations, we currently see greater value in public market investing rather than private companies and will be highly selective about further private investments until the valuation differential reduces. For private investments, we are focusing on areas where there is a need for capital and where the likelihood of a positive outcome is easier to predict than in early stage seed investments. Whereas in the past we incubated companies and helped them develop, now there are improved mechanisms and pools of capital that address this requirement. During the past two years there has been an increase in late stage "crossover round" investors keen to take advantage of upcoming IPOs in which they would then have to participate. This led to excessive pricing and a

crowded investment arena, causing returns on this activity to be negative for many. We are continuing to avoid this overcrowded space.

We have been concentrating on clinical stage companies requiring funding through to meaningful trial results preferably in areas of great interest to large pharmaceutical companies. Two new portfolio companies, Disc Medicine and Sorriso Pharmaceuticals, are good examples of the consequence of this focus.

Share Repurchases

Following the trade sale of VelosBio in 2020, the Company launched a share buyback programme in the period under review, during which it purchased 6,428,853 shares, representing 4.7% of its issued share capital prior to starting the programme, at a cost of £11.6 million.

Given the continuing market uncertainty and signs of ongoing negative momentum, as well as the promising investment opportunities that were beginning to appear, the Company decided that the cash could be more profitably deployed elsewhere and more beneficially at a future date. Therefore the programme was suspended in October. The suspension of the share buyback programme enables Arix to make a continuous assessment of the relative attractiveness of compelling investment opportunities against that of its own shares.

Consequently, consistent with our strategy of creating and delivering value for all stakeholders, the Board is seeking to renew the authority to purchase up to 10% of its issued share capital, to be cancelled or held in treasury for future reissuance. The Board may not necessarily use the authority in 2022 but considers that buybacks are an attractive mechanism to improve liquidity for sellers while potentially generating a substantial uplift in NAV for ongoing shareholders.

Peregrine Moncreiffe
Chairman
4 May 2022

CEO's Review

Introduction

It has been a busy year for Arix and the portfolio, and my first as CEO. When Arix began investing in 2016, it was a response to the opportunities in the healthcare and life sciences sectors driven by the development of a growing number of novel therapies and technologies. The aim was to provide public market investors with access to this exciting investment opportunity through a liquid, evergreen listed vehicle. While Arix has been through much change in the years since, its founding purpose remains as essential and relevant now as it did then, and I am honoured to be leading the business during a time when the need for scientific innovation in healthcare has never been greater.

Performance

2021 saw significant developmental progress within the portfolio, however this did not translate into growth in NAV or the share price. The prior year of 2020 had been one of extraordinary financial progress, with the share price rising from lows of 58p in mid-2020 to reach an all-time high of £2.22 by December of that year, and NAV per share growing from £1.49 to £2.42 over the period. From this position, 2021 saw a retrenchment in NAV, reducing by 22% from £328 million to £255 million at 2021 year end. The decline in NAV per share was lessened by the effects of the share buyback programme, falling by 18% to £1.98 by the end of 2021. This reduction was accompanied by a very significant decline in the share price when measured over the period against the record highs at the start of 2021, falling 44% over the year to £1.22 at 31 December 2021. The fall in the share price relative to the decline in NAV saw the discount widen from 10% in December 2020 to 38% in 2021, with an unaudited monthly average across the year of 23% (2020: 49%).

The decline in the NAV was largely driven by a reduction in the valuation of the Gross Portfolio of £53.9 million (including £1.6 million foreign exchange loss and £5.9 million impairment), reflecting the wind down of Quench Bio and impairment of Atox Bio during the year, and the significant falls in the share prices of our largest listed holdings. The unrealised movement in the public portfolio companies totalled £44.8 million. Of these positions, Imara recorded the largest decline reducing by £20 million during the year, with other material declines in the holding values of Harpoon (£14.1 million), LogicBio (£11.5 million), and Autolus (£5.9 million).

At year end we held cash of £134.2 million, a reduction of £40.1 million from year end 2020, with £59.2 million deployed into new and existing portfolio companies during the year.

Whilst 2021 has clearly been a year of disappointing financial progress for the portfolio and shareholders, our experience demonstrates that performance within the portfolio can drive significant growth in NAV, close the discount and therefore drive growth in the share price for the benefit of our shareholders. It is with this focus that we intend to manage the portfolio, in order to deliver the performance which will more than make up the ground that we lost in 2021.

Portfolio Overview

Financial progress within the portfolio will be driven by the clinical progress of the companies which we invest in. As further described below, we have seen important clinical progress during the year, and it is this potential which gives us confidence that portfolio valuations can recover in 2022 and beyond.

Our portfolio companies require capital to deliver on the promise of their clinical programmes and pre-clinical development. We are therefore pleased to see that they collectively raised over \$776 million in 2021. This is both a validation of the attractiveness of these businesses, demonstrating their ability to attract capital from a broad base of investors, and places them in a strong position to deliver their value driving clinical development programmes.

Notable amongst the fundraisings were Aura and Pyxis Oncology, which completed IPOs on Nasdaq raising \$243 million collectively. This was complemented by follow-on public offerings on Nasdaq by Autolus, Harpoon, and Imara, between them generating proceeds of approximately \$180 million.

The start of 2021 saw the expansion of the portfolio, with the addition of Pyxis Oncology. Following the reorganisation of the Board we continued to make new investments in the second half of 2021, with Disc Medicine and Sorriso Pharmaceuticals joining the portfolio. Both of these companies were founded in areas of scientific innovation which is of interest to large pharmaceutical companies and we are excited by their potential.

We achieved our second strategic exit with the sale of Amplyx to Pfizer in April 2021. Following the acquisition of VelosBio by Merck in December 2020 for \$2.75 billion, it was a further demonstration of our ability to identify and support businesses with products and technologies that are attractive to large pharmaceutical company buyers.

Investment team

The newly reconstituted Board worked quickly in 2021 to review the composition of the investment team, following departures at the start of the year. This resulted in the return of Mark Chin as Managing Director. Mark led some of Arix's most successful investments to date and I was delighted to welcome him back to the team. Mark has already made a significant contribution since his return, leading the expansion of our portfolio with our investments in Disc Medicine and Sorriso in the second half of the year.

Portfolio progress

Our core portfolio made good progress overall in 2021, with several companies reaching important clinical milestones and completing additional financing rounds.

Artios Pharma (Value £24.9 million) transitioned to a clinical-stage company, advancing its two lead programmes into early clinical trials. Both ART4215, a Polo Inhibitor, and ART0380, an ATR inhibitor, are now being dosed in patients. The successful transition of two independent programmes into the clinic in 2021 consolidated Artios' position as a leading DNA damage response (DDR) company with first- in-class and potential best-in-class treatments for cancer.

To support the further development of its pipeline, Artios completed a Series C financing of \$153 million, following strong interest from leading global healthcare investors. Arix participated in the Series C and retained its position as the largest shareholder in Artios. Importantly, Artios announced a collaboration with Novartis worth up to \$1.3bn to create next generation DDR cancer therapies.

Another of our private companies also successfully raised further funds, with Depixus (Value £7.8 million) raising €30.6 million in a Series A financing during 2021, providing funds for further development of Depixus' MAGNA instrument system towards commercial launch.

Aura Bioscience (Value £20.0 million) presented final Phase 2 data of its lead asset, AU-011, in choroidal melanoma, demonstrating good safety and significant clinical benefit in patients. To further advance clinical development Aura closed an oversubscribed \$80 million financing, with participation from Arix, in March 2021 and later priced its Nasdaq IPO for gross proceeds of \$75.6 million. Aura is now well set up for advancing its asset into pivotal studies in ocular cancer patients. Aura marked the sixth IPO from our portfolio since inception. Whilst the public markets became increasingly challenging for biotech companies in 2021, this strong record of IPOs demonstrates the high calibre of our portfolio companies which have been able to attract the support and funding of sophisticated investors on the Nasdaq where they have all listed.

Harpoon Therapeutics (Value £12.2 million) announced post year end that it would discontinue work on its lead drug in prostate cancer. Whilst this was disappointing news, Harpoon continues to advance its pipeline of T-cell engagers in other indications and had a strong cash position of \$136 million at the end of 2021. Encouraging interim data was released on Harpoon's small cell lung cancer and multiple myeloma trials in 2021, with further read-outs expected in 2022.

We achieved our second strategic exit in the year. Amplyx Pharmaceuticals (Value £1.2 million), a privately held company dedicated to the development of therapies for debilitating and life-threatening diseases that affect people with compromised immune systems, was acquired by Pfizer Inc. Whilst the upfront return was modest at 1.1x our original investment, the acquisition by a strategic buyer further demonstrates our ability to identify gaps in the pipelines of the large pharmaceutical groups and to select companies with products and technologies of interest. It also ensures that Amplyx's pipeline of novel treatments is well-supported with the potential for new drugs to be

approved in the future. In addition, the terms of the sale provide for an expected escrow release in October 2022 and potential milestone payments from 2025. We have applied a discount for time and probability of success to these amounts, resulting in the current holding value of £1.2 million.

During the year we invested £59.2 million into the gross portfolio, including further funding of Twelve Bio (Value £3.8 million), which has made good progress throughout 2021 advancing its novel gene editing platform based on pioneering work into CRISPR- Cas12a technology. Arix is the sole venture capital investor in the company, with a 49% ownership stake.

The first new investment of the year was Pyxis Oncology (Value £14.1 million), where we led the \$152 million Series B financing to advance Pyxis' differentiated antibody-drug conjugate (ADC) and immune oncology programmes to next value inflection points. Subsequently, Pyxis completed a Nasdaq IPO, generating gross proceeds of \$167.2 million. Following a review by the Board, this investment was exited post year end.

In September 2021, we participated in our first investment following the reorganisation of the Board, committing \$11m to the Series B financing for Disc Medicine (Value £8.1 million). We joined a syndicate of leading global biotech investors and Mark Chin now sits on Disc Medicine's Board of Directors to help advance the company's clinical programmes across multiple hematologic diseases.

For our third new investment of 2021, we co-led the \$31 million Series A financing for the new portfolio company Sorriso Pharmaceuticals (Value £5.9 million), which is led by Ciara Kennedy, former CEO of Amplyx Pharmaceuticals. Sorriso is advancing a pipeline of disease- modifying antibody-based therapies for the treatment of inflammatory diseases with high unmet medical need, including Crohn's disease and ulcerative colitis. Series A proceeds will be used to advance the lead asset, a bispecific antibody construct inhibiting two clinically validated disease drivers, into clinical trials for inflammatory bowel disease.

Other portfolio updates

Towards the end of the year, LogicBio Therapeutics (Value £4.9 million) announced early clinical trial results with LB-001, its investigational, single-administration, adeno-associated virus (AAV) genome editing therapy, in paediatric patients with methylmalonic acidemia (MMA). After the year end, the company reported that it had received a notice from the US Food and Drug Administration (FDA) that its trial would be placed on clinical hold following a second drug-related serious adverse event. LogicBio is working with the FDA and the data safety monitoring board to determine the next steps for the trial and for the clinical development programme.

In December 2020, Atox Bio filed a New Drug Application (NDA) with the FDA for reltecimod, a small, synthetic peptide that is host-oriented and pathogen-agnostic. The proposed indication was the treatment of suspected organ dysfunction or failure in patients of 12 or over with necrotising soft tissue infections (NSTI), in conjunction with surgical debridement, antibiotic therapy, and supportive care. Whilst Atox Bio's Phase 3 trial results had indicated that reltecimod had a positive effect on resolution of organ dysfunction in patients with NSTI, it had not met the endpoint set by the FDA. Following engagement with the FDA, the company believed there was a potential pathway for approval, particularly in light of NSTI's devastating effect on patients and the lack of FDA-approved treatment. In February 2022, it became clear that approval would not be possible without an additional clinical study. We have written off our remaining investment in Atox Bio and the company is now examining strategic options for its assets.

Active management of the portfolio

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. We have been reducing our exposure to legacy public companies that have become less compelling. During the period under review, we substantially reduced our holding in Autolus and post year end have subsequently now exited our position in the stock.

Outside of the public portfolio, we took the decision together with our co-investors to close down Quench Bio resulting in a write down of £7.1 million. The closure followed a review of initial preclinical work and is consistent with our disciplined approach to capital deployment and active portfolio management.

Outlook

The year ahead will be significant for a number of our portfolio companies as they reach important clinical and development milestones throughout 2022. Our portfolio companies were collectively running 22 clinical trials at year end. There is already significant value in these companies, however it is multiple clinical milestones expected over the next 12-18 months which we believe can drive significant growth across the portfolio in the near term. In addition to anticipated clinical milestones, there is potential for further 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, as well as leading to further cash realisations.

We began 2022 with a significant capital pool and will look to maintain this strong cash position at a time when public markets are depressed and private valuations have yet to adjust. Whilst the poor performance of many biotechnology stocks in 2021 has negatively impacted our NAV, it has also presented us with an opportunity to take advantage of lower public valuations. At the start of 2022, we began investing in a Public Opportunities Portfolio of listed biotechnology stocks which we believe are undervalued, having carefully assessed their clinical programmes and potential. Initially comprised of ten companies with a total investment of around 5% of our NAV, the individual positions are small enough to be easily liquidated and will be actively managed in response to market movements. New additions to the private portfolio will be made selectively with a disciplined approach to private valuation. In doing so, we retain our focus on cutting-edge science which will deliver best-in-class or first-in-class treatments for patients in areas of high unmet need, targeting companies with near-term milestones which are attractive targets for acquisition, in order to deliver value for Aris and its shareholders.

We look to the future with confidence.

Robert Lyne
Chief Executive Officer
4 May 2022

Financial Review – Year Ended 31 December 2021

The Group has seen a reduction in net asset value (NAV) due to the pressure on public market prices throughout the year. However, cash reserves remain strong and the portfolio decline has been largely driven by a negative movement in the value of public companies held.

Nikki Edgar
Head of Finance

2021 was another year of transition for Arix, as the business continued to adopt a leaner structure, with a cost base appropriately proportioned to the business. The Group has significant cash reserves representing 53% of net asset value (NAV), and is well positioned to take advantage of funding opportunities both within the current portfolio and the strong new deal pipeline.

At year end, NAV totalled £255.4 million, a decrease of £72.9 million, or 22%, compared to 2020's £328.2 million. The loss for the year was £61.1 million (2020: profit of £126.3 million), while cash decreased by 23% to £134.2 million (2020: £174.4 million), following net investments made of £20.1 million, and the repurchase of shares under the buyback programme of £11.6 million.

As a business we have continued to monitor the Covid-19 pandemic throughout the year, but the steps previously taken in 2020 to close our offices and move to remote working ensured that we were able to adapt accordingly. Most of the businesses in the Arix portfolio are well funded, and they raised an additional \$776 million during the year, putting them in a strong position to execute on their clinical development programmes.

Although the public companies within the portfolio have seen tough conditions, we go into 2022 with good progress made on the portfolio and look ahead to a number of clinical trials due for read out within the next 12 months.

Portfolio revaluations

The value of Gross Portfolio, including investments and realisations in the year, reduced by £33.8 million to £118.2 million predominantly as a result of downward movement in the public assets. Decreases at Harpoon (£14.1 million), and Imara (£20.1 million) were partially offset by a positive movement at Aura (£9.1 million).

In the private portfolio, a downward movement was seen from the wind down of Quench Bio (£7.2 million). Atox Bio (£5.9 million) was written down in the year and is shown as an impairment of investment in the Consolidated Statement of Comprehensive Income.

Portfolio realisations

The public nature of a number of Arix's investments provides opportunities to realise proceeds based upon a risk-based appraisal of individual investments, an assessment which is constantly shifting with the inevitable volatility that accompanies publicly traded early-stage biotech investments. This resulted in Arix exiting its holding in Autolus, generating \$19.6 million (£14.2 million). Realisations of \$5.5 million (£4.0 million) from Imara and EUR 6.7 million (£6.2 million) from GenSight were also made during the year.

Portfolio investment

Arix continued to see positive progress from its portfolio during the year, with further investment across several companies.

Arix participated in the \$80 million financing by Aura in March 2021 prior to its listing on the Nasdaq later in the year.

Artios completed a Series C financing of \$153 million and Arix participated, retaining its position as the largest shareholder.

There were three additions to the Arix portfolio in the year.

In March 2021, Arix led the \$152 million Series B financing for Pyxis Oncology, a preclinical oncology company.

In September 2021 Arix participated in the \$90 million Series B financing for Disc Medicine, a clinical stage hematology company.

Arix co-lead a Series A financing in Sorriso Pharmaceuticals and has committed \$13 million (£9.7 million) for a 26% stake.

Foreign exchange

The GBP/USD exchange rate stayed fairly range bound during 2021. Starting at \$1.36 it peaked at \$1.42 in May 2021, before dropping back to \$1.35 by the year end. This resulted in a small net negative impact of £1.5 million on portfolio valuations with the majority of Arix's investments being denominated in US dollars.

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

Cash and deposits

With a cash balance of £134.2 million at 31 December 2021, Arix has a very strong capital pool to support both the current portfolio and new biotech opportunities.

During the year, the Company paid £11.6 million in relation to the repurchase of its own shares under the buyback programme. The prior year cash balance of £174.4 million at 31 December 2020 had been swelled by the realisation of VelosBio during 2020. At year-end, £5.6 million was committed to existing portfolio companies.

Counterparty risk is managed by holding cash across financial institutions, all of which have a credit rating of at least F1, according to Fitch ratings. Returns on cash have been historically low but Arix continues to target yield where possible, weighed against the anticipated timing and quantum of the needs of the portfolio. The Company's Treasury Policy is overseen by the Audit and Risk Committee.

Net operating costs

Following management changes in April 2020, Arix pledged to reduce net operating costs (revenue and finance income less administrative expenses excluding depreciation and amortisation) to a run rate of below £5.0 million in 2021 (compared to £8.0 million in 2019). Targeted cost reductions were made during 2020 and 2021.

During 2021, exceptional charges of £1.49 million were incurred relating to shareholder engagement and restructuring costs. Excluding this amount, the net operating costs for the year were £5.1 million, representing 2.0% of NAV at year end, compared to 2.1% in 2020, and 4.0% in 2019.

This reflects headcount reductions and the reduced office spend following our move from the Berkeley Square office in April 2021. The new premises in the West End, on which we negotiated competitive terms, has significantly reduced our property spend.

Finance income of £0.16 million was generated in the year reflecting the continuing low interest rate environment across the globe.

Fund management fee income of £0.3 million, received from managing The Wales Life Sciences Investment Fund, continues to reduce in line with expectation.

Other deductions relate to a foreign exchange loss (£1.4 million) arising predominantly on cash held in currencies other than sterling. The share-based payment was a credit in the year (£0.3 million).

Based on the current business, 2022 run-rate net operating costs have been reduced to below £4.5 million. This represents 1.8% of December 2021 NAV. Going forward, we will seek to maintain run rate costs to within 2% of NAV under normal market conditions.

Taxation

As a UK operating group, Arix is subject to UK corporation tax on the majority of its activities, which can include the gains arising on investments. However, wherever possible we aim to take advantage of the UK's Substantial

Shareholding Exemption (SSE), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met. This is a nuanced exemption and is always dependent on individual investment fact patterns.

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

These factors, combined with the ability to utilise certain brought forward losses, reduce the Group's tax expense in any given year. The tax expense for 2021 was £nil (2020: £nil).

Valuation policy

Arix's investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines December 2018 (IPEV Guidelines). Listed investments are marked-to-market at the period end.

Unlisted investments are valued with reference to the most recent funding round; milestones; or by discounted cash flow. The Group uses valuation techniques that management consider appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs taking into account any discounts required for non-marketability and other risks inherent in early-stage businesses. Further information is available in Note 2 to the financial statements on page 90.

Post Year End

In February 2022, the decision was taken to wind down Atox Bio Inc, after the company had received a final decision from the FDA denying the resubmission of an NDA without a new clinical trial for its NSTI programme. For further detail on events after the reporting date, please see note 24 of the financial statements.

Investment Summary

Investment	Value 1 Jan 2021 £m	Investment in period £m	Realisations in period £m	Impairment in period £m	Change in valuation £m	FX movement £m	Value 31 Dec 2021 £m	Fully diluted* equity interest	Committed not invested £m	Fully funded %
Core portfolio										
Listed on NASDAQ										
Aura	8.8	3.6	(1.5)	–	8.8	0.3	20	5.5%	–	5.5%
Pyxis Oncology	–	14.5	–	–	(0.8)	0.4	14.1	5.3%	–	5.3%
Harpoon	26.9	1.1	(1.7)	–	(13.9)	(0.2)	12.2	6.7%	–	6.7%
LogicBio	16.1	0.5	(0.2)	–	(11.5)	–	4.9	8.9%	–	8.9%
Imara	22.2	5.8	(4)	–	(20.1)	–	3.9	8.9%	–	8.9%
Autolus	21.9	–	(14.2)	–	(5.5)	(0.3)	1.9	0.7%	–	0.7%
Unlisted										
Artios	19	6.3	–	–	(0.4)	–	24.9	8.8%	–	8.8%
Disc Medicine	–	8	–	–	–	0.1	8.1	4.2%	–	4.2%
Depixus	4.2	2.4	–	–	1.6	(0.4)	7.8	21.4%	–	21.4%
Sorriso	–	6	–	–	–	(0.1)	5.9	26.0%	3.7	26.0%
Twelve Bio	1.4	2.2	–	–	0.4	(0.2)	3.8	49.0%	–	49.0%
STipe	2	1	–	–	0.1	(0.2)	2.9	17.8%	1.9	20.0%
Amplix	4.7	–	(5.3)	–	1.9	(0.1)	1.2	–	–	–
VelosBio	2.2	–	(2.5)	–	0.4	(0.1)	–	–	–	–
AtoxBio	5.9	–	–	(5.9)	–	–	–	6.4%	–	6.4%

Quench	8	–	(0.8)	–	-7.1	(0.1)	–	–	–	–
Other public market investments										
GenSight (Euronext Paris)	7.1	7.4	(6.2)	–	-1.4	-0.6	6.3	2.90%	–	2.9%
Legacy assets	1.6	0.4	(2.7)	–	1	–	0.3		–	
Gross Portfolio	152	59.2	(39.1)	(5.9)	(46.5)	(1.5)	118.2		5.6	
Other interests	2.4	–	–	–	–	–	2.4		–	
Total investments	154.4	59.2	(39.1)	(5.9)	(46.5)	(1.5)	120.6		5.6	

Independent auditor's report to the members of Arix Bioscience Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's losses for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Arix Bioscience Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board in May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 2020 to 2021. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the latest Board approved forecasts covering 3 years from the year-end date of the financial statements.
- Considering the appropriateness and accuracy of these forecasts, corroborating the key inputs such as cash inflows to our knowledge of the entity and evidence obtained from our work on other areas of the financial statements, as well as reviewing the Board's stress test to ascertain the likelihood of the Group and Parent Company not having the ability to meet their obligations as they fall due.
- Enquiring on the impact of COVID-19 and have also considering this in our review of the going concern
- Challenging the Board about the implications of the ongoing conflict in Ukraine on the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2020:100%)		
Key audit matters		2021	2020
	Valuation of Unquoted Investments	Yes	Yes
	Share based payments	No	Yes
	Share based payments is no longer considered a key audit matter because the valuation is not complex and share based payment charge is not material.		
Materiality	Group financial statements as a whole		
	£3.8m (2020: £4.8m) based on 1.5% (2020: 1.5%) of net assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We identified six components in the Group, five of which operate in the United Kingdom ('UK') and one in the United States ('US'). All five UK components were subject to full scope audits by the Group Engagement Team to our component materiality. The material balances and transactions of the US component were audited to our component materiality by the Group Engagement Team for group purposes.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of Unquoted Investments Refer to page 89 (accounting policies) and page 98 (note 12)	<p>There is a high level of estimation uncertainty involved in determining the valuation of the unquoted investments in the portfolio. Investments are also the most significant balance contributing to the Net Asset Value (NAV) of the fund, and therefore may be subject to management bias. We therefore determined the valuation of investments to be a key audit matter.</p>	<p>We tested the valuations of a sample of unquoted investments.</p> <p>For all investments in our sample we:</p> <ul style="list-style-type: none"> ▸ Considered whether the valuation methodology chosen was in accordance with accounting standards and was the most appropriate in the circumstances under the International Private Equity and Venture Capital (IPEV) Guidelines; ▸ Held meetings with management to understand the recent performance of the investee companies in the context of their “milestones”, and corroborated information obtained in these meetings to board papers, management information and publicly available industry articles, reports and press releases; ▸ Where a valuation had been amended based on the price of a recent funding round, we obtained associated Sale Purchase Agreements for the funding round in order to corroborate the price of the round, and considered whether the funding round had been carried out on an arm’s length basis; ▸ Where a valuation had been amended based on an investee company achieving or failing to meet certain key milestones, we challenged the basis of the change in value and obtained third party evidence. We assessed this by enquiries with management and corroborated this by inspecting board packs and financial performance of the investee companies. <p>Key observations: Based on the procedures performed, we consider the estimates made by management in valuing the unquoted investments to be reasonable.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m

Materiality	3.8	4.8	2.8	3.0
Basis for determining materiality	1.5% net assets	1.5% net assets	1.5% net assets	1.5% net assets
Rationale for the benchmark applied	Given the activities of the Group as a venture capital group and the needs of the users of the financial statements, we determined that Net Assets was the most appropriate benchmark.		The nature of the parent company as a holding company and therefore being an asset based entity.	
Performance materiality	2.8	3.1	2.1	2.0
Basis for determining performance materiality	75% materiality	65% materiality	75% materiality	65% materiality
	On the basis of our risk assessment together with our assessment of the overall control environment and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Group and Parent should be 75% of materiality. Given the previous financial year was our first year audit, performance materiality was set at 65%.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 49% (2020: 60%) and 80% (2020: 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £1.7m (2020: £2.2m) to £2.8m (2020: £4.3m). In the audit of each component, we further applied performance materiality levels of 75% (2020: 65%) of the component materiality to our testing to appropriately mitigate the risk of errors exceeding component materiality.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £70k (2020: £95k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and accounts 2021 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

As the Group has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> • The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 34; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 34.
Other Code provisions	<ul style="list-style-type: none"> • Directors' statement on fair, balanced and understandable set out on page 74; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 30; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on page 46; and • The section describing the work of the audit committee [set out on page 46

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Corporate governance statement	<p>In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.</p> <p>In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information.</p> <p>In our opinion, based on the work undertaken in the course of the audit information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.</p> <p>We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.</p>

Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.
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Responsibilities of Directors

As explained more fully in the Statement of Director's Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the company and its subsidiaries which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, requirements of PAYE and VAT legislation and IFRS.

We assessed the extent of compliance with these laws and regulations as part of our procedures which included, but were not limited to:

- enquiries with Management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- agreement of the financial statements disclosures to underlying supporting documentation and
- review of relevant board meeting minutes and legal correspondence.

The engagement team was deemed to collectively have the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Based on our understanding of the Group and industry, we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and discussed among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. We determined that the principal risks were related to management bias in accounting estimates including in relation to valuation of investments. The key audit matters section of our report explains this matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

We addressed the risk of management override of internal controls through testing journals, in particular any entries posted with unusual account combinations or posted by senior management and designed audit procedures to incorporate unpredictability around the nature, timing or extent of our testing. We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

Date: 4 May 2022

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Change in fair value of investments	12	(47,975)	135,297
Impairment of investments	12	(5,943)	–
Revenue	3	340	477
Administrative expenses	6	(5,069)	(7,763)
Operating (loss)/profit before exceptional costs		(58,647)	128,011
Exceptional costs	8	(1,490)	–
Operating (loss)/profit after exceptional costs		(60,137)	128,011
Finance income	7	156	101
Foreign exchange loss		(1,369)	(1,619)
Impairment of right-of-use and intangible assets		–	(167)
Share-based payment	19	266	(25)
(Loss)/profit before taxation		(61,084)	126,301
Taxation	10	–	–
(Loss)/profit for the year		(61,084)	126,301
Other comprehensive income/(expense)			
Exchange differences on translating foreign operations		91	(225)
Taxation	10	–	–
Total comprehensive (expense)/income for the year		(60,993)	126,076
Attributable to			
Owners of Arix Bioscience plc		(60,993)	126,076
(Loss)/Earnings per share			
Basic (loss)/earnings per share (p)	11	(48.0)	96.6
Diluted earnings per share (p)	11	n/a*	88.6

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

* n/a as anti-dilutive.

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Investments held at fair value	12	120,635	154,416
Intangible assets	13	168	312
Property, plant and equipment	14	85	49
Right of use asset		121	90
Investment property		–	106
		121,009	154,973
Current assets			
Cash and cash equivalents	16	134,230	112,085
Cash on long-term deposit	16	–	62,276
Other assets	15	1,839	1,378
		136,069	175,739
TOTAL ASSETS		257,078	330,712
LIABILITIES			
Current liabilities			
Trade and other payables	17	(1,600)	(2,235)
Deferred tax liability	10	–	–
		(1,600)	(2,235)
Non-current liabilities			
Lease liability		(121)	(268)
TOTAL LIABILITIES		(1,721)	(2,503)
NET ASSETS		255,357	328,209
EQUITY			
Share capital and share premium	18	188,585	188,585
Retained earnings		80,694	142,044
Other reserves		(13,922)	(2,420)
TOTAL EQUITY		255,357	328,209

The accompanying notes form an integral part of the financial statements. The financial statements on pages 83 to 109 were approved by the Board of Directors and authorised for issue on 4 May 2022, and were signed on its behalf by

Peregrine Moncreiffe
Chairman

Consolidated statement of changes in equity

For the year 31 December 2021

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2021	188,585	(1,240)	(1,180)	–	142,044	328,209
Loss for the year	–	–	–	–	(61,084)	(61,084)
Other comprehensive income	–	–	91	–	–	91
Share-based payment	–	–	–	–	(266)	(266)
Acquisition of own shares	–	–	–	(11,593)	–	(11,593)
Issue of own shares to employees	–	24	(24)	–	–	–
As at 31 December 2021	188,585	(1,216)	(1,113)	(11,593)	80,694	255,357

The Treasury Share Reserve has been established during the year to reflect the cost of the Company's shares bought under the share buyback programme.

For the year 31 December 2020

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

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Net cash used in operating activities	20	(7,294)	(6,833)
Finance income		156	101
Finance expenses		–	–
Tax paid		–	–
Net cash used in operating activities		(7,138)	(6,732)
Cash flows from investing activities			
Purchase of equity investments		(59,221)	(28,923)
Disposal of equity and loan investments		39,084	157,528
Purchase of property, plant and equipment		(101)	(7)
Net cash received from/(placed on) long-term deposit		62,276	(62,276)
Net cash from investing activities		42,038	66,322
Cash flows from financing activities			
Net proceeds from issue of shares		–	–
Purchase of own shares		(11,593)	–
Net cash used in financing activities		(11,593)	–
Net increase in cash and cash equivalents		23,307	59,590
Cash and cash equivalents at start of year		112,085	54,638
Effect of exchange rate changes		(1,162)	(2,143)
Cash and cash equivalents at end of year		134,230	112,085

Notes to the financial statements

1. General Information

The principal activity of Arix Bioscience plc (the “Company”) and its subsidiaries (together the “Arix Group” or “the Group” or “Arix”) is to invest in breakthrough biotechnology companies to deliver superior risk-adjusted returns to shareholders.

The Company is incorporated and domiciled in the United Kingdom. Arix Bioscience plc was incorporated on 15 September 2015 as Perceptive Bioscience Investments Limited and changed its name to Arix Bioscience Limited. It subsequently re-registered as a public limited company and changed its name to Arix Bioscience plc. The address of its registered office is Duke Street House, 50 Duke Street, London, W1K 6JL. The registered number is 09777975. The Company is the ultimate parent company into which the results of all subsidiaries are consolidated.

2. Accounting Policies

A. Basis of preparation

The consolidated financial statements of the Arix Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with UK adopted international accounting standards.

The financial statements have been prepared on a historical cost basis, except for certain financial assets which have been measured at fair value. The financial statements are presented in British pounds sterling, which is the functional and presentational currency of the Company, and the presentational currency of the Group; balances are presented in thousands of British pounds sterling unless otherwise stated.

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

Use of judgements and estimates

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

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

Significant estimates are made by the Arix Group when determining the appropriate methodology for valuing investments (see Note 2(I)), share-based payments (see Note 2(O) and Note 19) and taxation (see below and Note 10). Sensitivity of the investment portfolio is disclosed in Note 12.

The Group primarily seeks to generate capital gains from its portfolio company investments, which would ordinarily be subject to UK corporation tax. However, where the Group holds or has held in excess of 10% of the share capital of a portfolio company, and those companies are themselves trading or preparing to carry on a trade, the Directors continue to believe that these holdings will qualify for the UK’s Substantial Shareholdings Exemption (“SSE”), which exempts taxable gains or losses from corporation tax. For unrealised gains and losses that are expected to meet the qualifying criteria, no deferred tax provision will be made in the Group’s financial statements. Where investment gains or losses are unrealised and are not expected to qualify for SSE, the anticipated tax due based on the current valuation of the underlying investment is reflected in a deferred tax balance, to the extent that these exceed the Group’s historical operating losses from time to time. SSE has not been applied to any realised gains in the year (2020: £127.5 million). The Directors have taken what they consider to be all necessary steps to support the determination that the gains in 2020 in the Arix portfolio qualify for SSE, including close collaboration with their appointed tax advisers and further consultation and receipt of written opinion from a Queen’s Counsel Barrister at a leading tax chambers.

In preparing these financial statements, the Directors have considered the relationship that the Group has with The Wales Life Sciences Investment Fund (the “WLSIF”) and specifically as to whether the Group controls WLSIF. The Directors

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

In preparing these financial statements, the Directors have concluded that the Company meets the definition of an investment entity as per IFRS 10, as it has the typical characteristics set out in the standard, including holding more than one investment and having more than one investor which is not a related party of the entity.

Going concern

The financial information presented within these financial statements has been prepared on a going concern basis. The Directors have made an assessment of going concern over a period of greater than 12 months, taking into account the Group’s current performance and outlook, which considered the risks the business is exposed to, and concluded that no material uncertainty exists around the Company or the Group’s ability to continue as a going concern.

B. Basis of consolidation

Subsidiaries

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

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

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

Entity	Country of Incorporation	Registered Address	Ownership
Arix Bioscience Holdings Limited	England and Wales	Duke Street House, 50 Duke Street, London, W1J 6JL	100%
Arix Bioscience, Inc	United States	401 Park Avenue South, New York, NY 10016	100%
Arix Capital Management Limited	England and Wales	Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ	100%
Arthurian Life Sciences GP Limited	Scotland	101 Rose Street South Lane, Edinburgh, Scotland, EH2 3JG	100%

ALS SPV Limited	England and Wales	Duke Street House, 50 Duke Street, London, W1J 6JL	100%
Arthurian Life Sciences SPV GP Limited	England and Wales	Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ	100%
Arix Bioscience plc Employee Benefit Trust	Jersey	26 New Street, St Helier, Jersey, JE2 3RA	100%
Arthurian Life Sciences Carried Interest Partner Scotland LP		101 Rose Street South Lane, Edinburgh, Scotland, EH2 3JG	100%

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

Associates

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

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

The disclosures required by Section 409 of the Companies Act 2006 for associated undertakings are included in Note 12 to the financial statements. Similarly, those investments which may not have qualified as an associate but fall within the wider scope of significant holdings and so are subject to Section 409 disclosure acts are also included in Note 12 to the financial statements.

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

C. Adoption of new and revised standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

D. Revenue recognition

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

E. Foreign currency translation

The assets and liabilities of foreign operations are translated to Group's presentational currency (British pounds sterling) at foreign exchange rates ruling at the period-end date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. Foreign exchange movements on Investments held at fair value are reported within Change in fair value of investments on the face of the Consolidated Statement of Comprehensive Income. This was a presentational change in 2020, these movements having previously been presented within foreign exchange movements on the face of the Consolidated Statement of Comprehensive Income. An amount of £3.8 million has been reclassified at 31 December 2020. Foreign exchange differences arising from other items are disclosed separately on face of the Consolidated Statement of Comprehensive Income.

F. Leases

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

G. Exceptional items

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

H. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets:

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

I. Financial assets

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

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

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

Equity investments

Those investments in the Arix Group that are held with a view to the ultimate realisation of capital gains are recognised as equity investments within the scope of IFRS 9 and are classified as financial assets at fair value through profit or loss. This includes investments in associated undertakings, as per Note 12, and investment subsidiaries. When

financial assets are initially recognised they are measured at fair value. They are subsequently remeasured at their fair value if a valuation event occurs.

Valuation of investments

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

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

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

Following the transaction date, each investment is observed for objective evidence of an increase or impairment in its value. This reflects the fact that investments made in seed, start-up and early stage biotech companies often have no current and no short-term future revenues or positive cash flows; in such circumstances, it can be difficult to gauge

the probability and financial impact of the success or failure of development or research activities and to make reliable cash flow forecasts. As such, the Group carries out an enhanced assessment based on milestone analysis, which seeks to determine whether there is an indication of a change in fair value based on changes to the company's prospects. A milestone event may include, but is not limited to, technical measures, such as clinical trial progress; financial measures, such as a company's availability of cash; and market measures, such as licensing agreements agreed by the company. Indicators of impairment might include significant delays to clinical progress, technical complications or financial difficulties. Often qualitative milestones provide a directional indication of the movement of fair value.

Calibrating such

milestones may result in a fair value equal to the transaction value. Any ultimate change in valuation reflects the assessed impact of the progress against milestones and the consequential impact on a potential future external valuation point, such as a future funding round or initial public offering.

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

The valuation metrics used in these financial statements are discussed in Note 12.

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

Treatment of gains and losses arising on fair value

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

Recognition of financial assets

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

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

Impairment of financial assets

At the end of each reporting period the Group assesses whether there is objective evidence that its loans and other receivables are impaired. The amount of the loss is measured as the difference between the asset's carrying amount

and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income within administrative expenses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income within administrative expenses. The Group's financial assets that are subject to IFRS 9's expected credit loss model are its loans and receivables, cash and cash equivalents and cash on long-term deposit. The identified impairment loss is considered immaterial.

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

J. Cash and cash equivalents

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

K. Goodwill and intangible assets

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

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

L. Share capital

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

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

M. Trade payables

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

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

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

N. Current and deferred taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Arix Group operates and generates taxable income. Management

periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

O. Share-based payments

The Arix Group operates an equity incentive plan and an executive share option plan in which the Group's founders also participate. Share options must be measured at fair value and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity. The fair value of the option is estimated at the date of grant using a Black-Scholes Model or Monte Carlo simulation and is charged as an expense in the Statement of

Comprehensive Income over the vesting period. Where relevant, the charge is adjusted each year to reflect the expected and actual level of vesting. Estimation uncertainty arises with this balance as the calculation incorporates assumptions for share price, exercise price, expected volatility (based on similar listed companies), risk-free interest rate and share option term. Further detail on Share-based Payments is available in Note 19.

P. Other reserves

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

Q. Treasury share reserve

The Treasury Share Reserve comprises the cost of the Company's shares bought under the share buyback programme.

R. Financial risk management

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

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

Market risk

Foreign exchange risk – the Arix Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Arix Group has certain investments whose net assets are exposed to foreign currency translation risk; at period-end the Arix Group held US dollar-denominated assets valued at \$131.0m and euro-denominated assets valued at €24.7m. A 10% appreciation in each currency would have a £11.8m positive impact on Arix's Income Statement; a 10% depreciation

would have a £11.8m negative impact on Arix's income statement. The impact of foreign exchange on these holdings is closely monitored.

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

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

Interest rate risk

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

The Arix Group's income is substantially independent of changes in market interest rates. Interest-bearing assets include only cash and cash equivalents and cash on long-term deposit, which earn interest at variable rates. The Arix Group has a treasury policy to manage cash and cash equivalents. In the year ended 31 December 2021, a 10% change in underlying interest rates would have impacted Arix's finance income by £16k (2020: £10k).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Arix Group. The major classes of financial assets of the Arix Group are cash and cash equivalents (£134m (2020: £112m)); cash on long-term deposit £nil (2020:£62m); and trade and other receivables (£1.8m (2020: £1.4m)).

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

As at 31 December 2021, 100% of cash and cash equivalents was deposited with institutions that have a short-term credit rating of at least F1, according to Fitch Ratings.

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

Liquidity risk

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

	Within one year	Total
	£'000	£'000
Trade, Other Payables and Accruals (excluding non-financial liabilities)	1,600	1,600

Capital risk management

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

3. Revenue

	2021 £'000	2020 £'000
Fund management fee income	321	346
Other income	19	131
	340	477

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

4. Segmental Information

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

5. (Loss)/Profit Before Taxation

	2021 £'000	2020 £'000
Amortisation	(144)	(217)
Depreciation	(65)	(116)
Impairment of intangible asset	–	(159)

Auditors' remuneration

Statutory audit services

Fees payable for the audit of the Arix Group accounts	97	92
Fees payable for the audit of the accounts of subsidiaries of the Arix	43	41

Group

Non-audit services

Other assurance and advisory services	20	25
Total auditors' remuneration	160	158

Non-audit services in the year relate to the Arix Bioscience plc interim review (£16k) and an FCA Client Asset Report (£4k) (2020:interim review £20k; FCA Client Asset Report £4k).

6. Administrative Expenses

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

	2021 £'000	2020 £'000
Employment costs	3,070	5,066
Recruitment costs	169	46
Consultancy fees	25	54
Other expenses	1,805	2,597
	5,069	7,763

7. Net Finance Income

	2021 £'000	2020 £'000
Bank interest	156	101
Bank charges	–	–
	156	101

8. Exceptional costs

	2021 £'000	2020 £'000
Shareholder engagement costs	1,032	–
Restructuring costs	458	–
Total exceptional costs	1,490	–

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

The shareholder engagement process resulted in a change to the composition of the Board. Restructuring costs include the costs of separation pay and payments in lieu of notice.

9. Employee Costs

Employee costs (including Directors) comprise:

	2021 £'000	2020 £'000
--	---------------	---------------

Salary and bonus	2,735	4,445
Social security costs	200	418
Pension and benefits costs	135	203
Employee costs excluding share-based payments	3,070	5,066
Share-based payments (Note 19)	(266)	25
	2,804	5,091

The average number of employees during the year was 11 (2020: 14) (investment team: 5 (2020: 6); non-investment team: 6 (2020: 8)).

10. Income Tax

	2021 £'000	2020 £'000
Current year tax charge		
Current tax	–	–
Deferred tax – current year	–	207
Deferred tax – effect of change in tax rates	–	(185)
Adjustment in respect of previous periods	–	(22)
Total tax charge	–	–
Reconciliation of tax charge		
(Loss)/profit before tax	(61,084)	126,301
Expected tax based on 19.00% (2020: 19.00%)	(11,606)	23,997
Effects of:		
Expenses not deductible for tax purposes	10,765	2,489
Adjustment in respect of previous periods	–	(185)
Income not taxable	(434)	(26,706)
Tax rate changes	–	(22)
Employee share options	(51)	(789)
Deferred tax not recognised	1,326	1,216
Total tax charge	–	–
Recognised deferred tax provisions		
Brought forward	–	–
Adjustments in respect of prior year	–	(185)
Relating to profit and loss	–	185
Carried forward	–	–
Represented by:		
Unutilised tax losses	(3,461)	(925)
ACAs	–	–
Intangibles	–	–
Employee benefits	–	–

Investments	3,462	926
Other timing differences	(1)	(1)
	–	–
Unrecognised deferred tax provisions		
Unutilised tax losses	(11,390)	(6,443)
Priority profit share outstanding	363	95
Other timing differences	(8,565)	(1,179)
	(19,592)	(7,527)

The corporation tax rate for the year was 19%. The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2021 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind. The Group is subject to UK corporation tax on the majority of its activities, which can include gains arising on investments. However, where possible the Group aims

to take advantage of the UK's Substantial Shareholding Exemption ("SSE"), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met. Where SSE has been applied in prior years, the Directors have taken what they consider to be all necessary steps to support the determination that these gains and losses in the Arix portfolio qualify for SSE, including close collaboration with their appointed tax advisers and further consultation and receipt of written opinion from a Queen's Counsel Barrister at a leading tax chambers. The Directors continue to believe that the application of SSE to the tax computation remains appropriate.

11. (Loss)/Earnings per Share

During 2021, the Group undertook a share buyback programme and this resulted in 6,428,853 shares being held in treasury at the time that the programme was suspended, on 18 October 2021. As at 31 December 2021 the Group had 129,180,800 ordinary shares in issue (2020: 135,609,653).

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

Potentially dilutive ordinary shares include options and conditional share awards issued under the Company's long term incentive plans. At the year end date, the weighted average number of shares in relation to: (i) options and conditional share awards was 4,398,713; and (ii) ordinary shares subject to restrictions was 5,080,582. Restricted ordinary shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, they have been excluded from the calculation of the weighted average number of shares in issue.

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
(Loss)/profit attributable to equity holders of Arix Bioscience plc	(60,993)	126,076
Weighted average number of shares in issue for the purposes of basic earnings per share	126,950,904	130,499,853

Weighted average number of shares in issue for the purposes of diluted earnings per share	136,430,200	142,340,844
Basic (loss)/earnings per share	(48.0)p	96.6p
Diluted earnings per share	n/a*	88.6p

* n/a as anti-dilutive.

12. Investments

	Level 1 – Listed Investments £'000	Level 3 – Unlisted Investments £'000	Total £'000
At 1 January 2021	95,712	58,704	154,416
Additions	15,277	43,944	59,221
Disposals	(30,530)	(8,554)	(39,084)
Transfers	26,908	(26,908)	–
Impairment	–	(5,943)	(5,943)
Change in fair value	(43,210)	(3,308)	(46,518)
Foreign exchange losses	(459)	(998)	(1,457)
At 31 December 2021	63,698	56,937	120,635

Transfers from Level 3 to Level 1 reflects companies which have listed during the year, being Aura Biosciences Inc and Pyxis Oncology Inc during 2021. Level 3 investments are valued with reference to either the most recent funding round (£53.3m, 2020: £22.9m); net asset value (£1.0m, 2020: £1.1m); market-based write-up (£nil, 2020: £31.2m); discretionary write-down (£1.4m, 2020: £1.3m) or deferred consideration (£1.2m, 2020: £2.2m). See Note 2(l) for further details on the valuation of Level 3 investments.

The Group's milestone valuation approach cannot be readily sensitised and therefore the Group has not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would resulting a £6.4m (2020: £9.5m) movement in the investment portfolio value.

Equity investments – 2020

	Level 1 – Listed Investments £'000	Level 3 – Unlisted Investments £'000	Total £'000
At 1 January 2020	87,844	64,077	151,921
Additions	13,487	11,127	24,614
Disposals	(18,821)	(138,707)	(157,528)

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

As permitted by IAS 28 ‘Investment in Associates’ and in accordance with the Arix Group accounting policy, investments are held at fair value even though the Arix Group may have significant influence over the companies. Significant influence is determined to exist when the Group holds more than 20% of the holding or when less than 20% is held but in combination with a certain level of board representation is deemed to be able to exert significant influence. As at 31 December 2021, the Arix Group is deemed to have significant influence over the following entities:

Company	Country of Incorporation	Registered Address	% of Issued Share Capital Held	Net Assets of Company	Profit/(Loss) of Company	Date of Financial Information
Depixus SAS (EUR)	France	3-5 Impasse Reille, 75014 Paris	21.4%	€3,109k	€(967)k	31 December 2019
Sorrison Pharmaceuticals Inc (USD)	United States	6 Northridge Way Sandy, UT 84092 US	26.0%	N/A	N/A	Not publicly available
STipe Therapeutics Aps (EUR)	Denmark	Inge Lehmans Gade 10, Aarhus Centrum, 8000 Aarhus, Denmark	17.8%	€3,764k	€(3,868)k	31 December 2020
Twelve Bio ApS (EUR)	Denmark	Ole Maaloos Vej 3, 2200 Copenhagen, Denmark	49.0%	€1,517k	€(671)k	16 months to 31 December 2020

In addition, at 31 December 2021, the Group held the following investments in companies where it is not considered to have significant influence:

Company	Contractual Board seat	Arix executive on Board	% of Issued Share Capital Held
Artios Pharma Limited	Y	Y	9.9%
Atox Bio, Inc.	Y	Y	6.4%
Aura Biosciences, Inc.	N	N	5.5%
Autolus Therapeutics plc	N	N	0.7%
Disc Medicine Inc.	Y	Y	4.2%
Harpoon Therapeutics, Inc.	N	Y	6.7%
GenSight Biologics SA	N	N	2.9%
Imara, Inc.	N	Y	8.9%
Itherum Therapeutics Limited	N	Y	0.7%
LogicBio Therapeutics, Inc.	N	N	8.9%
Pyxis Oncology Inc.	N	Y	5.3%

The Arix Group has an interest in one structured entity, The Wales Life Sciences Investment Fund (registered address: Sophia House, 28 Cathedral Road, Cardiff, Wales, CF11 9LJ). The fund has interests in Welsh life sciences opportunities. A structured entity is an entity that is structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity. The Arix Group is not deemed to have control over this fund for the reasons disclosed in Note 2(A). The Group's interest is £1.0m (2020: £1.1m).

13. Intangible Assets

	Year Ended 31 December 2021 £'000	Year Ended 31 December 2020 £'000
Brought forward	312	688
Amortisation	(144)	(217)
Impairment in period	–	(159)
	168	312

14. Property, Plant and Equipment

Year ended 31 December 2021

	Fixtures and Fittings £'000	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
As at 1 January 2021	36	5	8	49
Additions	96	–	5	101
Disposals	–	–	–	–
Depreciation charge	(55)	(5)	(5)	(65)
At 31 December 2021	77	–	8	85

Year ended 31 December 2020

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

15. Other Assets

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Trade receivables	1,656	1,130
Prepayments	148	236
VAT receivable	35	12
	1,839	1,378

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

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

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Cash at bank and in hand	134,230	112,085
Cash on long-term deposit	-	62,276
	134,230	174,361

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

17. Trade and Other Payables

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

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Trade payables	77	3
Accruals and other payables	1,523	2,232
	1,600	2,235

18. Share Capital and Share Premium

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Allotted and called up		
129,180,800 Ordinary Shares of £0.00001 each (2020: 135,609,653 shares)	1	1
49,671 Series C Shares of £1 each (2019: 49,671 shares)	50	50
Share Premium	188,534	188,534

6,428,853 shares were held in Treasury at 31 December 2021 (2020: nil).

19. Share Options

During 2021, share-based payment (credits)/expenses have been recognised relating to a range of share schemes operated by the Arix Group.

	Year Ended 31 December	Year Ended 31 December
	2021	2020
	£'000	£'000
Executive Incentive Plan 2017	–	173
Executive Incentive Plan 2018	(186)	(415)
Executive Incentive Plan 2019	(108)	(143)
Executive Incentive Plan 2020	(14)	334
Executive Incentive Plan 2021	42	–
Executive Share Option Plan	–	26
Non-Executive Director Awards	–	50
	(266)	25

Executive Incentive Plan

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

In May 2018, the former 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, were scheduled to vest at nil cost on the third anniversary of their grant, on 17 May 2021, subject to performance criteria. This required the

share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; all options lapsed during the year due to performance conditions not being met (2020: unvested 769,515). In the year ended 31 December 2021, a share-based payment credit of £186k (2020: credit £415k) was recognised in relation to the Executive Incentive Plan.

In May 2019, the former 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 required the net asset value and the share price to have grown a minimum of 7% pa compound over the assessment period to 1 January 2022, and up to 15% pa compound to achieve 100% of the award. All options lapsed during the year due to performance conditions not being met. In the year ended 31 December 2021, a share-based payment credit of £108k (2020: credit £143k) was recognised in relation to the Executive Incentive Plan.

In June 2020, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the net asset value and the share price to have grown by a minimum of 7% pa compound over the assessment period to 1 January 2023, and up to 21%

pa compound to achieve 100% of the award. 1,658,441 are unvested at year end (2020: unvested 3,414,241) £14k (2020: charge £334k) was recognised in relation to the Executive Incentive Plan.

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 assessment period to 1 January 2024, and up to 15% pa compound to achieve 100% of the award. 408,460 were issued in the period, all of which are unvested at year-end. In

the year ended 31 December 2021, a share-based payment charge of £42k (2020: £nil) was recognised in relation to the Executive Incentive Plan. The charge relating to net asset value growth was calculated based upon the share price at grant of £1.82, and the assessed likelihood of vesting (2021: 50%). The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£1.82); risk free interest rate (-0.08%); time to vesting (2 years and 6 months); and expected volatility based on comparable listed investments 23.

Executive Share Option Plan and Founder Incentive Shares

At the Arix Group's inception, an Executive Share Option Plan was in operation, in which two Directors participated. Options were granted on 8 February 2016 with an original exercise price of £1.80 per ordinary share. This was subsequently amended for one Director, with the exercise price reducing by £0.18. The number of ordinary shares subject to the options totals 5,520,559. The options vested in four equal proportions on 8 February of 2017, 2018, 2019 and 2020. The options may not be exercised after the tenth anniversary of the grant date and it will lapse on that date if it has not lapsed or been

exercised in full before then. All options vest at the end of the vesting period relating to that option or on the occurrence of a contingent event; these include a change of control or cessation of employment in accordance with 'good leaver' provisions.

No options have been exercised to date. In the year ended 31 December 2021, a share-based payment charge of £nil (2020: £26k) was recognised in relation to the Executive Share Option Plan, calculated using the Black-Scholes model. Assumptions used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Restricted shares with identical terms, including a £1.80 price for the lifting of restrictions, were offered to the founders of the Company, totalling 5,080,582 shares. A charge of £nil was recognised in the year ended 31 December 2021 (2020: £nil). The charge was calculated using the Black-Scholes model. Assumptions used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Non-Executive Director Awards

In the prior year, certain Non-Executive Directors received a one-off share award. None were awarded in 2021. A share based payment charge of £nil (2020: £50k) was recognised during the period.

20. Net Cash From Operating Activities

	Year Ended 31 December 2021 £'000	Year Ended 31 December 2020 £'000
(Loss)/profit before income tax	(61,084)	126,301
Adjustments for:		
Change in fair value of investments	47,975	(135,297)
Impairment of investments	5,943	–
Foreign exchange losses	1,328	1,619
Share-based payment	(266)	25
Depreciation and amortisation	209	335

Impairment of assets	–	167
Finance income	(156)	(101)
Changes in working capital		
Increase in trade and other receivables	(461)	(272)
(Decrease)/increase in trade and other payables	(782)	390
Cash used in operations	(7,294)	(6,833)

21. Financial Commitments

The Group has amounts committed to portfolio companies but not yet invested; at 31 December 2021 these totalled £5.6m (2020: £9.3m).

22. Financial Instruments

Financial Assets

The Arix Group has other receivables and cash that derive directly from its operations. Financial assets at fair value through profit or loss are measured as either Level 1 or Level 3 under the fair value hierarchy, as described in Note 2(i) and disclosed in Note 12.

	As at 31 Dec 2021	As at 31 Dec 2020
	£'000	£'000
Financial assets at fair value through profit or loss		
Equity and loan note investments	120,635	154,416
Other receivables (excluding prepayments)	1,656	1,130
Long-term cash on deposit	–	62,276
Cash and cash equivalents	134,230	112,085

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

Financial Liabilities

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

	As at 31 December 2021	As at 31 December 2020
	£'000	£'000
Trade, other payables and accruals (excluding non-financial liabilities)	1,600	2,235
Lease liability	121	268

23. Related Party Transactions

During the period, key management has comprised Executive Directors, whose remuneration is disclosed in the Directors' Remuneration Report.

24. Events After the Reporting Date

The emerging conflict in Ukraine that has developed since year end may have widespread ramifications for Europe, including the effect of Sanctions on Russia. In particular this may lead to additional volatility in the public markets.

In January 2022, \$1.6m (£1.2m) was realised from Aura Biosciences Inc. Arix's stake in the company now totals 5.2%. In January 2022, \$2.1m (£1.6m) was realised from Autolus therapeutics Inc. Arix is now totally divested.

During January to April 2022, €1.9 m (£1.6m) was realised from GenSight Biologics Inc. Arix has now exited this investment.

During January to April 2022, \$0.9m (£0.7m) was realised from LogicBio Therapeutics Inc. Arix's stake in the company as at the last practical date before signing totals 5.6%. On 2 February 2022, LogicBio announced that the U.S. Food and Drug Administration (FDA) had notified the company that its Phase 1/2 SUNRISE clinical trial of LB-001 in paediatric patients with methylmalonic acidemia (MMA) has been placed on clinical hold.

In February 2022, Atox Bio Inc received a final decision from the FDA, and it has denied the submission of an NDA for NSTI.

In April 2022 Imara Inc announced interim analyses of tovinontrine Phase 2b clinical trials in sickle cell disease and beta- thalassemia. Following these results, Imara decided to discontinue both Phase 2b clinical trials and terminate any further development of tovinontrine in sickle cell disease and beta-thalassemia.

In April 2022, following a review by the Board, the investment in Pyxis Oncology was exited, realising \$5.2m (£4.1m). Following market purchases since 31 December 2021, Arix has a new holding in each of the companies listed below:

Listed on Nasdaq	No. of shares	Cost £	Percentage ownership
Black Diamond Therapeutics Inc.	481,900	1,482,061	1.3%
Bolt Bio Therapeutics Inc.	118,500	330,367	0.3%
Cullinan Oncology Inc.	66,500	556,615	0.2%
Dyne Therapeutics Inc.	155,100	866,838	0.3%

Edgewise Therapeutics Inc.	50,200	313,732	0.1%
Inozyme Pharma Inc.	151,006	652,894	0.6%
Kinnate Biopharma Inc.	190,000	1,495,868	0.4%
Kronos Bio Inc	149,000	808,931	0.3%
Olema Pharmaceuticals Inc.	610,000	2,521,731	1.5%
Prelude Therapeutics Inc.	150,000	1,158,895	0.3%
Silverback Therapeutics Inc.	470,300	1,598,857	1.3%
TCR2 Therapeutics Inc.	465,000	1,114,384	1.2%

Ends.