

Arix Bioscience plc

Half-Yearly Report and Condensed Consolidated Interim Financial Statements

Six months ended 30 June 2022

Chief Executive Statement

Overview

The first half of 2022 saw a decline in the NAV of £27 million, from £255 million at 31 December 2021 to £228m at 30 June 2022. This equates to a reduction in NAV per share from 198p to 176p. The reduction in NAV was primarily driven by the reduction in the value of our public company holdings from the start of the year, which have been affected by the significant decline in the public biotech markets.

The value of our private portfolio remained broadly stable over this period, with a reduction of £0.3 million. This was driven by a positive FX movement of £2.2 million mostly offsetting a £2.5 million reduction in our holding value of STipe Therapeutics. This downward movement reflects our view of the fair value based upon the progress of STipe to date, with all of our other unlisted holdings valued at cost or the most recent externally-priced funding round. We have then referenced the public valuation of comparable companies, where applicable, to ensure that their valuations remain robust in the context of the significant decline in public biotech markets over the last 12 months.

Over the first six months of the year, the benchmark XBI, an equal-weighted index of Nasdaq-listed biotech companies, fell by over a third with greater falls still in the small cap sector in which Arix's portfolio companies typically sit. This contributed to a significant decline in the value of key listed holdings over the period, with the greatest declines being a fall in the value of our position in Harpoon from £12.2 million to £3.4 million, and in Aura falling from £20.0 million to £17.6 million.

Given the challenges which many public biotech companies now face on the public markets, particularly if they need to raise fresh funds, we took the decision to exit those public positions where we no longer had confidence that the companies had the potential to deliver the superior returns which we target. As a result of this exercise, we exited Autolus and Pyxis entirely during the period. Combined with other realisations, these disposals returned £12.3 million of cash to the balance sheet, helping to maintain our cash position of £131.1 million at 30 June 2022 (31 December 2021: £134.2 million).

This healthy cash balance, all of which can be attributed to previous realisations, leaves us well placed to make new investments to refresh our portfolio as we exit legacy positions. At a time when many private valuations have yet to adjust to the new norms of valuation, we have deliberately been cautious about making new private investments and have turned our attention and capabilities to the value we see in listed companies.

As part of this strategy, we announced the creation of a Public Opportunities Portfolio ("POP") at our 2021 year-end results. We have since built a position of £13.9 million, equivalent to 6.1% of NAV, spread across 12 stocks listed on Nasdaq. All of these investments align with our fundamental thesis of focusing on companies developing novel therapeutics, in areas of high unmet need, that are of interest to large pharmaceutical companies, and which we believe have the potential to generate positive clinical data in the medium-term.

In these recent turbulent markets the POP has experienced significant volatility, resulting in a small unrealised loss of £0.5 million at the half year. This loss has subsequently been reversed, with the POP recording an overall gain as of 4th August 2022. However, more importantly for the longer-term value of these positions, we have seen positive results read out from five companies clinical catalysts since we invested in them. It is this positive trial data which drives the value of our investments, whether they are listed or unlisted, and our record to date gives us confidence that we are selecting the right companies to drive returns.

Portfolio Performance

The first half of 2022 saw positive progress from a number of companies in the portfolio, which reached important clinical milestones. Disc Medicine announced clinical data from a first-in-human phase 1 study, which demonstrated target engagement in healthy volunteers. We first invested in Disc Medicine in September 2021,

so the announcement of this clinical progress coming less than a year later highlights the benefit of our updated strategy and focusing on investing into later-stage opportunities with near-term clinical catalysts.

During the period, Aura gained FDA Fast Track Designation and EMA Orphan Drug Designation alongside Harpoon gaining both FDA Fast Track and FDA Orphan Drug Designation for drugs they have under development. Fast Track Designation recognises the serious unmet need that the development candidate is targeting, increases engagement with the FDA and provides the potential for priority review and accelerated approval, which can further reduce the time required to bring potentially life saving treatment to patients. Orphan Designation is also a notable achievement for drugs targeting rare diseases, with the potential for extended exclusivity in these indications, increasing the ultimate market value of the product.

For the first time, Artios provided a preliminary update on its first clinical trial with its ATR inhibitor. Besides a favourable safety profile, Artios announced that the ATR kinase inhibitor showed some clinical activity in cancer patients. These observations, albeit early, provide an encouraging outlook for the company. There were also negative read-outs during the period, with Imara's phase 2b trials in sickle cell disease and beta-thalassemia ceasing after failing to show the therapeutic effect. This is clearly disappointing both for Arix as an investor and for the patients need treatment. Nonetheless, it is precisely the significant challenge of developing these novel treatments that justifies the high rewards when they are successful.

Portfolio Update for the six months to 30 June 2022

Clinical Companies

Artios Pharma - £24.9m (31 Dec 2021: £24.9m), 10.9% of NAV, 8.8% ownership stake

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

Artios continued to make good progress in advancing its two clinical-stage programs. The company announced that the development of ATR inhibitor, ART0380, is on track and progressing into Phase 1b evaluation. Phase 1a dose escalation of ART0380 defined the initial dosing regimen to be evaluated in the Phase 1b setting. The Phase 1a dose escalation demonstrated a predictable safety profile and no unexpected safety findings, supported by data from over 35 patients. Notably, a dose-dependent target engagement in tumour cells but not normal healthy cells was observed. The dose escalation indicated that ART0380 has clinical activity and, taken together, these data support initiation of a Phase 1b dose expansion study targeting ATM-deficient tumours. Data from the Phase 1b dose expansion study are expected in the first half of 2023.

To further strengthen the Artios team, the company announced the appointment of Samantha Truex, a seasoned biotechnology executive and former CEO of an Arix portfolio company, to its Board of Directors.

Aura Biosciences - £17.6m (31 Dec 2021: £20.0m), 7.7% of NAV, 5.2% ownership stake

Aura Biosciences (Nasdaq: AURA) is a clinical-stage biotechnology company leveraging a novel targeted oncology platform to develop a new standard of care across multiple cancer indications. Aura's proprietary platform enables targeting of a broad range of solid tumours using Virus-Like Particles, or VLPs, that can be conjugated with drugs or loaded with nucleic acids to create Virus-Like Drug Conjugates, or VDCs. Aura's VDCs are largely agnostic to tumour type and can recognise a surface marker broadly expressed on many tumours.

Aura is focusing its initial development of VDCs to treat tumours of high unmet need in ocular and urologic oncology. AU-011, Aura's first VDC candidate, is being developed for the first line treatment of primary choroidal melanoma, a rare disease with no drugs approved.

Aura has made encouraging progress since January, presenting updated safety results from the Phase 2 trial using suprachoroidal administration and final safety and efficacy data from the Phase 1b/2 trial using intravitreal administration. These data strongly support the value of AU-011 for first line in patients with early choroidal melanoma. The company remains on track with the Phase 2 suprachoroidal study and a final decision on route of administration will be made later this year.

The company announced that the EMA granted Orphan Drug Designation for the treatment of uveal melanoma, including choroidal melanoma. This highlights the alignment with US and European agencies on the pivotal program and Aura is on track to initiate the pivotal study before the end of 2022. In addition, the company reported topline data from a retrospective study of AU-011 versus the standard of care, plaque radiotherapy,

supporting the value of a vision preserving therapy for the treatment of patients with early-stage choroidal melanoma. AU-011 achieved statistically significant vision preservation compared to plaque radiotherapy.

To further expand its clinical pipeline, Aura received FDA Fast Track designation for AU-011 for the treatment of non-muscle invasive bladder cancer.

Disc Medicine - £9.1m (31 Dec 2021: £8.1m), 4.0% of NAV, 4.2% ownership stake

Disc Medicine is a clinical-stage biopharmaceutical company that is dedicated to transforming the lives of patients with hematologic disorders.

Disc Medicine made good progress, presenting clinical data for the first time and initiating advanced clinical studies in patients. More specifically, the company presented positive results from the Phase 1 clinical study of DISC-0974 in healthy volunteers. This first-in-human study of DISC-0974 established inhibition of hemojuvelin co-receptor as a novel approach to target hepcidin, the master regulator of iron homeostasis. Data demonstrated robust increases in serum iron and improvements in markers of erythropoiesis including statistically significant increases of haemoglobin at the highest dose. The announcement of this clinical milestone less than one year after Arix first invested into Disc Medicine highlights our new strategy of investing into later-stage opportunities with near-term clinical catalysts. Following this data release, Disc initiated a Phase 1b/2 with DISC-0974 in myelofibrosis patients with severe anemia.

Harpoon Therapeutics - £3.4m (31 Dec 2021: £12.2m), 1.5% of NAV, 6.6% ownership stake

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

The company announced that the FDA granted Fast Track designation to HPN217, a BCMA-targeting T cell engager, for the treatment of patients with relapsed, refractory multiple myeloma, who have received at least four lines of prior therapy. The Phase 1/2 clinical trial is currently ongoing. In addition, the FDA granted Orphan Drug Designation for HPN328, a DLL3-targeting T cell engager, for the treatment of small cell lung cancer. The Phase 1/2 clinical trial is ongoing. Harpoon presented interim data from the ongoing dose escalation at ASCO. HPN328 was clinically active and well tolerated in patients. One confirmed partial response was noted and 27% of small cell lung cancer patients experienced target lesion reductions of 30% or more. Dose escalation remains ongoing and the maximum tolerated dose is not yet reached. Moreover, Harpoon entered into a clinical supply agreement with Roche to supply atezolizumab, an anti-PD-L1 antibody, for use in the HPN328 clinical development program. HPN328 will be evaluated in combination with atezolizumab in patients with small cell lung cancer.

Lastly, Harpoon presented encouraging preclinical data for the TriTAC-XR platform supporting its potential for a superior safety profile with minimised cytokine release syndrome.

Imara - £2.4m (31 Dec 2021: £3.9m), 1.0% of NAV, 8.9% ownership stake

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

The company announced FDA clearance of its IND application for IMR-687 for heart failure with preserved ejection fraction (HFpEF). IMR-687 is now a Phase 2-ready agent for HFpEF.

Imara announced interim results of IMR-687 Phase 2b clinical trials in SCD and beta-thalassemia. Interim results in the Ardent trial for SCD showed no significant difference in median annualised rate of vaso-occlusive crises in high-dose groups versus placebo in an intent-to-treat population. Interim results in the Forte trial for beta-thalassemia demonstrated no significant benefit in transfusion burden or improvement in most disease-related biomarkers. IMR-687 was generally well tolerated across studies. Based on results from both Phase 2b clinical trials, further development of IMR-687 in SCD and beta-thalassemia was discontinued. To preserve cash, the company reduced staff by over 80% and is now evaluating the best way forward to maximise returns for existing shareholders.

LogicBio Therapeutics - £0.2m (31 Dec 2021: £4.9m), 0.1% of NAV, 2.1% ownership stake

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

In early 2022, the FDA notified LogicBio that its Phase 1/2 SUNRISE clinical trial of LB-001 in pediatric patients with methylmalonic acidemia had been placed on clinical hold. This decision was based on the occurrence of a second

drug-related serious adverse event. Later in the period the company announced that the FDA lifted the clinical hold on the SUNRISE trial and it had resumed dosing. Interim clinical data from the Phase 1/2 trial is expected in Q3 2022.

Preclinical companies

Sorriso Pharmaceuticals - £6.6m (31 Dec 2021: £5.9m), 2.9 % of NAV, 26.0% ownership stake

Sorriso is a biotechnology company advancing a pipeline of disease-modifying antibodies for the treatment of inflammatory diseases, including Crohn's disease and ulcerative colitis. The lead programme, SOR102, is being developed for the treatment of inflammatory bowel disease (IBD), an area of high unmet medical need. SOR102 simultaneously inhibits TNFα and IL-23, two clinically validated drivers of IBD.

Sorriso has been progressing well since its formation in December 2021. The company is in the process of advancing SOR102 through Phase 1 enabling studies, ahead of moving this program into its first clinical trial. Toxicology studies and manufacturing are underway. In addition, Sorriso management is evaluating pipeline expansion opportunities. Operationally, the first group of employees were onboarded earlier this year. To further strengthen the Sorriso team, the company recently appointed Jeffrey W. Sherman, Chief Medical Officer and Executive Vice President at Horizon Therapeutics, to its Board of Directors.

Drug Discovery and research-stage companies (6.3% of NAV)

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

Depixus - £8.0m (31 Dec 2021: £7.8m), 3.5% of NAV, 21.4% ownership stake

Depixus is developing technology for the fast, accurate, and inexpensive extraction of genetic and epigenetic information from single molecules of DNA and RNA. The company continues to make progress and is currently focusing on achieving its proof of concept.

Twelve Bio - £3.9m (31 Dec 2021: £3.8m), 1.7% of NAV, 49.0% ownership stake

Twelve Bio is developing a gene editing platform based on CRISPR-Cas12a variants for the treatment of genetic diseases with high unmet medical need.

Twelve Bio has made continuous progress to advance its CRISPR-Cas12a toolbox. The company has continued to optimise its proprietary Cas12 variants and potential lead variants are currently subjected to in-depth characterisation.

STipe Therapeutics - £2.4m (31 Dec 2021: £2.9m), 1.1% of NAV, 17.6% ownership stake

STipe Therapeutics is developing first-in-class drugs that sensitize the STING pathway, a major driver of innate immunity, to enable a patient's immune system to overcome the immune suppression often observed within solid tumours. Following candidate selection in 2021, during the period the company has focused on further characterising its lead asset, a STING pathway sensitizer, in a number of preclinical models. Due to the challenging development pathway for this company, we have taken the decision to reduce our holding value by 50% at the half year.

Public company investments

Public Opportunities Portfolio - £13.9m, 6.1% of NAV

During the period we have invested £14.4m into the Public Opportunities Portfolio ("POP"), investing across 12 companies which we believe have the potential to deliver positive clinical data over the next 6 to 18 months. Given the challenging state of the public markets for biotech funding, a key criterion has been that all of these businesses are well funded through to these milestones, to reduce the risk of dilutive new fundraising. Through the half year we have seen five positive data read-outs from this portfolio. In a period of continued volatility, this has helped the POP to avoid any material reduction with its current value of £13.9m at the half year, reflecting a small unrealised loss of £0.5m against the cost to date. The POP has subsequently recorded an overall gain and we see significant potential as further milestones and data read-outs are reached.

Outlook

Our focus remains on increasing our NAV and driving double-digit growth in NAV per share. Our portfolio companies are collectively running multiple clinical trials and we expect a number of positive data readouts from these trials over the next 12-18 months. During this period, we anticipate Phase 1 clinical data readouts from Harpoon and Artios as well as Phase 2 data from Aura and Disc. In addition to these clinical milestones, there is potential for M&A, strategic partnerships and other financing events across the portfolio which could significantly increase the value of our companies, and in turn our NAV.

Alongside the management of our existing holdings, we remain committed to renewing the private portfolio and carefully deploying the substantial cash we have generated as private valuations re-adjust. We have deliberately avoided deploying this cash too quickly at what was the peak of the valuation cycle and will look to take advantage of these greater value opportunities as we move through the rest of the year.

We maintain a commitment of investing in clinically validated, best-in-class, late-stage opportunities with near-term clinical catalysts, which provide significant value inflection points. By conducting thorough due diligence on each opportunity and leveraging the substantial expertise within Arix and our network of seasoned advisors, we look to de-risk our investments where possible, whilst retaining the potential for substantial upside.

The Board is grateful for our shareholders' continued support and we remain committed to delivering a return for all of our shareholders for the remainder of 2022 and beyond.

Robert Lyne

Chief Executive Officer

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Half Year to 30 June 2022 (unaudited) £'000	Half Year to 30 June 2021 (unaudited) £'000
Change in fair value of investments	9	(26,635)	(32,460)
Impairment of investments	9	(2,459)	-
Revenue	7	62	183
Administrative expenses		(2,284)	(2,495)
Operational loss before exceptional costs		(31,316)	(34,772)
Exceptional costs	8	-	(1,032)
Operational loss after exceptional costs		(31,316)	(35,804)
Finance income		154	104
Foreign exchange gains/(losses)		1,339	(3,046)
Impairment of right of use and intangible assets		-	(31)
Share-based payment	12	(138)	317
Loss before taxation		(29,961)	(38,460)
Taxation	10	(93)	-
Loss for the period		(30,054)	(38,460)
Other Comprehensive Income/(loss)			
Exchange differences on translating foreign operations		2,225	(107)
Total comprehensive loss for the period		(27,829)	(38,567)
Attributable to			
Owners of Arix Bioscience plc		(27,829)	(38,567)
Loss per share			
Basic loss per share (£)	6	(0.22)	(0.30)
Diluted loss per share (£)	6	(0.22)	(0.30)

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

Condensed Consolidated Interim Statement of Financial Position

	Note	30 June 2022 (unaudited) £'000	31 December 2021 (audited) £'000
ASSETS			
Non-Current Assets			
Investments held at fair value	9	95,601	120,635
Intangible assets		96	168
Property, plant and equipment		69	85
Right of use asset		94	121
		95,860	121,009
Current Assets			
Cash and cash equivalents		131,089	134,230
Other assets		1,925	1,839
		133,014	136,069
TOTAL ASSETS		228,874	257,078
LIABILITIES			
Current liabilities			
Trade and other payables		(1,114)	(1,600)
		(1,114)	(1,600)
Non-Current liabilities			
Lease liability		(94)	(121)
TOTAL LIABILITIES		(1,208)	(1,721)
NET ASSETS		227,666	255,357
EQUITY			
Share capital and share premium	11	188,585	188,585
Retained earnings		50,778	80,694
Other reserves		(11,697)	(13,922)
		227,666	255,357
TOTAL EQUITY		227,666	255,357

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

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2022

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

	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 period	-	-	-	-	(38,460)	(38,460)
Other comprehensive expense	-	-	(107)	-	-	(107)
Share-based payment credit	-	-	-	-	(317)	(317)
Acquisition of own shares	-	-	-	(8,139)	-	(8,139)
As at 30 June 2021 (unaudited)	188,585	(1,240)	(1,287)	(8,139)	103,267	281,186

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

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2022

		Half Year to 30 June 2022 (unaudited) £'000	Half Year to 30 June 2021 (unaudited) £'000
Net Cash used in operating activities	13	(4,830)	(3,609)
Finance income received		154	104
Net cash used in operating activities		(4,676)	(3,505)
Cash flows (used in)/from investing activities			
Purchase of equity and loan investments		(16,322)	(27,579)
Disposal of equity and loan investments		12,262	32,008
Purchase of property, plant and equipment		(3)	(98)
Net cash received from long-term deposit		-	8,064
Net cash (used in)/from investing activities		(4,063)	12,395
Cash flows used in financing activities			
Purchase of own shares		-	(8,139)
Net cash used in financing activities		-	(8,139)
Net (decrease)/increase in cash and cash equivalents		(8,739)	751
Cash and cash equivalents at start of period		134,230	112,085
Effect of exchange rate changes		5,598	(3,254)
Cash and cash equivalents at end of period		131,089	109,582

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

Notes to the Financial Statements

1. General information

The principal activity of Arix Bioscience plc (the “**Company**”) and together with its subsidiaries (the “**Arix Group**” or “**the Group**”) is to invest in breakthrough biotechnology companies around cutting edge advances in life sciences.

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

These condensed consolidated interim financial statements were approved for issue on 9 August 2022.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the board of directors on 4 May 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

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

2. Basis of Preparation

These condensed interim financial statements for the six months ended 30 June 2022 have been prepared on a going concern basis, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and in accordance with UK adopted international accounting standards. The going concern assessment covers a period of at least 12 months from the approval of these interim financial statements and includes the Group’s current performance, financial position and the principal and emerging risks facing the Group.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with UK adopted international accounting standards. The accounting policies adopted in the interim financial statements are consistent with those followed in the annual financial statements for the year ended 31 December 2021.

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

3. Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements and estimates made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that are set on page 87 of the consolidated financial statements for the year ended 31 December 2021 and no retrospective adjustments were made.

4. Segmental Information

Information for the purposes of resource allocation and assessment of performance is reported to the Arix Group’s

Chief Executive, who is considered to be the chief operating decision maker, based wholly on the overall activities of the Arix Group. It has therefore been determined that the Arix Group has only one reportable segment under IFRS 8 (‘Operating Segments’), which is that of sourcing, financing and developing healthcare and life science businesses globally. The Arix Group’s revenue, results and assets for this one reportable segment can be determined by reference to the Condensed Consolidated Interim Statement of Comprehensive Income and Condensed Consolidated Interim Statement of Financial Position.

5. Financial Risk Management and Financial Instruments

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2021. There have been no changes in the risk management department or in any risk management policies since the year end.

6. Loss per Share

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

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

	2022 £'000	2021 £'000
Loss attributable to equity holders of Arix Bioscience plc	(27,829)	(38,567)
Weighted average number of shares in issue	124,100,217	129,067,511
Fully diluted weighted average number of shares	132,415,872	139,931,167
Basic loss per share	(£0.22)	(£0.30)
Diluted loss per share	(£0.22)	(£0.30)

7. Revenue

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

	2022 £'000	2021 £'000
Fund management fee income	54	171
Other income	8	12
	62	183

8. Exceptional Costs

	2022 £'000	2021 £'000
Shareholder engagement costs	-	1,032
	-	1,032

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 in 2021 resulted in a change to the composition of the Board.

9. Investments

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

Level 3 investments are valued with reference to either the most recent finding round (£52.4m), net asset value (£0.2m), discretionary write-down (£4.0m) or deferred consideration (£1.3m).

	Level 1- Quoted Investments £'000	Level 3 – Unquoted Investments £'000	Total £'000
At 31 December 2020	95,712	58,704	154,416
Additions	9,481	18,098	27,579
Disposals	(24,265)	(7,743)	(32,008)
Realised and unrealised loss on investments	(23,327)	(6,566)	(29,893)
Foreign exchange losses	(1,714)	(853)	(2,567)
At 30 June 2021	55,887	61,640	117,527

The Group's valuation policy can be found in page 90 of Group's annual report for the year ended 31 December 2021. The Group's milestone valuation approach cannot be readily sensitised and therefore the Group have not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would result in a £3.8m movement in investment portfolio value (December 2021: £6.4m).

As permitted by IAS 28 'Investment in Associates' and in accordance with the Arix Group accounting policy, investments are held at fair value even though the Arix Group may have significant influence over the companies. Significant influence is determined to exist when the Group holds more than 20% of the holding or when less than 20% is held but in combination with a certain level of board representation is deemed to be able to exert significant influence. As at 30 June 2022, the Arix Group is deemed to have significant influence over the following entities:

Company	Country	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
Sorriso Pharmaceuticals, Inc.	USA	6 Northridge Way Sandy, UT 84092 US	26.0%	N/A	N/A	Not publicly available
Stipe Therapeutics Aps	Denmark	Inge Lehmans Gade 10, Aarhus Centrum, 8000 Aarhus, Denmark	17.8%	€10,232k	€(5,485)k	31 December 2021
Twelve Bio Aps	Denmark	Ole Maalos Vej 3, 2200 Copenhagen, Denmark	49.0%	€2,379k	€(1,784)k	31 December 2021

	Value 1 Jan 2022	Investment in period	Realisations in period	Impairment in period	Change in valuation	FX movement	Value 30 Jun 2022	Fully diluted* equity interest	Committed, not invested	Fully funded
	£m	£m	£m	£m	£m	£m	£m	%	£m	%
Core portfolio										
Unlisted										
Artios	24.9	–	–	–	–	–	24.9	8.8%	–	8.8%
Disc	8.1	–	–	–	–	1.0	9.1	4.2%	–	4.2%
Depixus	7.8	–	–	–	–	0.2	8.0	21.4%	–	21.4%
Sorriso	5.9	–	–	–	–	0.7	6.6	26.0%	3.7	26.0%
Twelve Bio	3.8	–	–	–	–	0.1	3.9	49.0%	–	49.0%
STipe	2.9	1.9	–	(2.5)	–	0.1	2.4	17.6%	-	20.0%
Amplix	1.2	–	–	–	–	0.1	1.3	–	–	–
Listed on NASDAQ										
Aura	20.0	–	(1.2)	–	(3.8)	2.6	17.6	5.2%	–	5.2%
Harpoon	12.2	–	–	–	(9.8)	1.0	3.4	6.6%	–	6.6%
Imara	3.9	–	–	–	(1.9)	0.4	2.4	8.9%	–	8.9%
LogicBio	4.9	–	(1.3)	–	(3.5)	0.1	0.2	2.1%	–	2.1%
Autolus	1.9	–	(1.5)	–	(0.4)	–	–	–	–	-
Pyxis	14.1	–	(4.1)	–	(10.5)	0.5	–	–	–	-
Public Opportunities Portfolio	–	14.4	–	–	(1.9)	1.4	13.9	n/a	–	n/a
Other public market investments										
GenSight (Euronext Paris)	6.4	–	(4.2)	–	(2.1)	(0.1)	–	–	–	-
Legacy assets	0.3	–	–	–	–	(0.1)	0.2	–	–	–
Gross Portfolio	118.3	16.3	(12.3)	(2.5)	(33.9)	8.0	93.9		3.7	
Other interests	2.4	–	–	–	(0.8)	0.1	1.7	–	–	–
Total investments	120.7	16.3	(12.3)	(2.5)	(34.7)	8.1	95.6		3.7	

*Fully diluted reflects the shareholding inclusive of unexercised and unvested options.

10. Taxation

	Half Year to 30 June 2022 (unaudited) £'000	Half Year to 30 June 2021 (unaudited) £'000
Current period tax charge		
Current Tax	93	-
Total tax charge	93	-
Reconciliation of tax charge		
Loss before tax	(29,961)	(38,460)
Expected tax based on 19.00%	(5,693)	(7,307)
Effects of:		
Expenses not deductible for tax purposes	501	350
Income not taxable	(29)	270
Investment revaluation	5,119	5,804
Losses	-	(1,120)
Employee share options	11	517
Deferred tax not recognised	184	1,486
Total tax charge	93	-
Unrecognised deferred tax (assets)/liabilities		
Unutilised tax losses	(14,747)	(10,560)
Priority profit share outstanding	395	412
Other timing differences	(7,208)	(3,964)
Carried forward	(21,560)	(14,112)

11. Share Capital

	As at 30 June 2022	As at 31 Dec 2021
Allotted and called up		
Ordinary shares of £0.00001 each (#)	129,180,800	129,180,800
Ordinary shares of £0.00001 each (£'000)	1	1
49,671 Series C shares of £1 each (£'000)	50	50

6,428,853 shares were held in Treasury at 30 June 2022 (31 Dec 2021: 6,428,853)

At the Company's Annual General Meeting on 7 June 2022, shareholders granted a renewal of the authority to allow the Company to buy back up to 10% of its shares. No shares have been purchased in the six months to 30 June 2022 (six months to 30 June 2021: 4,329,853).

12. Share Options

Executive Incentive Plan

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

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 30 June 2022 (31 Dec 2021: unvested 1,658,441). A charge of £97k (six months to 2021: charge £13k) has been recognised in the period 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. 369,369 are unvested at 30 June 2022 (31 Dec 2021: 408,460). A charge of £41k (six months to 2021: nil) has been recognised in the period in relation to the Executive Incentive Plan.

Executive Share Option Plan and Founder Incentive Shares

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

No options have been exercised to date. In the six months to 30 June 2022, a share-based payment charge of £nil (2021: nil) was recognised in relation to the Executive Share Option Plan, calculated using the Black-Scholes model. Assumptions used in the model relating to the risk-free interest rate and expected volatility were unchanged from those used in the prior period.

Restricted shares with identical terms, including a £1.80 price for the lifting of restrictions, were offered to the founders of the Company, totalling 5,080,582 shares. In the six months to 30 June 2022, a share-based payment charge of £nil (2021: nil) was recognised. The charge was calculated using the Black-Scholes model. Assumptions used in the model relating to the risk-free interest rate and expected volatility were unchanged from those used in the prior period.

13. Net Cash From Operating Activities

	Half Year to 30 June 2022 £'000	Half Year to 30 June 2021 £'000
Loss before income tax	(29,961)	(38,460)
<i>Adjustments for:</i>		
Change in fair value of investments	26,635	32,460
Impairment of investments	2,459	-
Foreign exchange (gain) / loss	(3,372)	3,046
Share-based payment	138	(317)
Depreciation and amortisation	90	118
Impairment of assets	-	31
Finance income	(154)	(104)
<i>Changes in Working Capital</i>		
(Increase) in trade and other receivables	(86)	(336)
(Decrease) in trade and other payables	(579)	(47)
Cash used in Operations	(4,830)	(3,609)

14. Related Party Transactions

During the period, Arix Capital Management Limited, a subsidiary of the Company, received fee income totalling £54k (six months to 30 June 2021: £171k) relating to its management of The Wales Life Sciences Investment Fund LP ("WLSIF"), an entity in which ALS SPV Limited, also a subsidiary of the Company, has an interest. At 30 June 2022, Arix Capital Management Limited was owed £994k (30 June 2021: £850k) in respect of these fees.

15. Events After the Reporting Period

On 22 July 2022, Arix entered into a Convertible Loan Note of €1.0m with Twelve Bio Aps. The first tranche of €250,000 was paid on 27 July 2022.

During July 2022 and August 2022, £0.2m was realised from LogicBio, Arix is now totally divested. Arix also made market purchases of £3.8m and realisations of £3.3m, within the Public Opportunities Portfolio.

Statement of Directors' Responsibilities

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

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

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

The directors of Arix Bioscience plc are listed in the company's Annual Report for 31 December 2021.

By order of the Board

Robert Lyne
Chief Executive Officer
9 August 2022

INDEPENDENT REVIEW REPORT TO ARIX BIOSCIENCE PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by Arix Bioscience plc (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the Condensed Consolidated Interim Statement of Financial Position, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Statement of Cash Flows, the Condensed Consolidated Interim Statement of Changes in Equity and the explanatory notes to the Condensed Interim Financial Statements.

Basis for conclusion

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

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

Conclusions relating to going concern

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the review of the financial information

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

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for

no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, UK
9 August 2022

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