Investing in life changing science

Annual report and accounts 2019

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.

Our Purpose

To accelerate the transformation of innovative science into important new treatments for patients and valuable assets for investors.

Our Goal

To become one of the best performing and most trusted biotech venture capital companies.

Our values and expectations

Our values and expectations are at the heart of everything we do and form an important part of our culture.

- **Integrity**
- **Respect**
- **Transparency**
- **Collaboration**
- **Discipline**
- **Accountability**

Front cover image: Arix portfolio company, Artios

Performance snapshot

Net Asset Value (NAV)

£202m

2018: £270m

NAV per share*

£1.49

2018: £2.00

Gross Portfolio Value*

£149m

2018: £175m

Business highlights

Invested in Gross Portfolio*

£36m

2018: £52m

Capital raised by portfolio companies in 2019

$322m

$1.5bn since inception

Clinical trials across the portfolio

26

2018: 23

Operational highlights

- Continued clinical progress, notably positive data from Aura, Autolus, Amplyx and Imara and new trial initiations from VelosBio, Harpoon and Pharmaxis
- Successful financing rounds completed by three portfolio companies at valuation uplifts to previous rounds, including fourth Nasdaq listing across the portfolio
- Strengthened the investment team and operational experience with renowned industry executives Christian Schetter and Roberto Iacone

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* Alternative Performance Measures, as defined on page 24

Who we are: 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 experienced entrepreneurs and provide the capital, expertise and global networks to help accelerate the science they have developed 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.

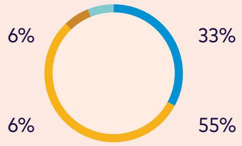
We are here for two key reasons. To make a difference to patients' lives and to generate a return for our investors.

Investment strategy providing resilience through market cycles

We focus on innovation and partner with highly experienced entrepreneurs to create companies that can significantly improve patients' lives.

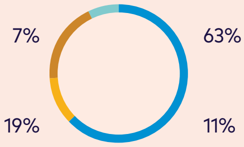
Diverse portfolio

Geographic split



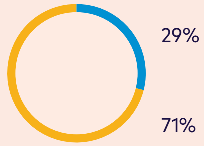
- UK
- US
- Europe
- RoW

Therapeutic



- Oncology
- Immunology
- Genetic diseases
- Other

Development stage



- Clinical
- Pre-clinical

Global pharmaceutical partners

Pharmaceutical companies are a key stakeholder for Arix as they seek to get closer to scientific and medical innovation outside their own laboratories. The relationships we have built with our pharmaceutical partners give us access to deep scientific knowledge, R&D capabilities, market intelligence and commercial due diligence. Fosun International, a large Chinese group with a global foothold, additionally offers distribution capabilities across China.

Snapshot of portfolio and cash position

Core portfolio

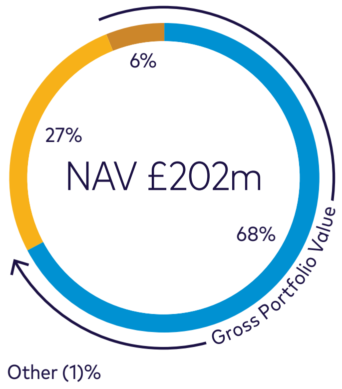
Our later stage companies make up 91% of gross portfolio value. We provide follow on capital and build stakes when milestones are met, reserving funds to back our winners and minimise risk.

£138m

Cash

When companies are exited, the capital generated will be returned to the balance sheet to reinvest in new opportunities and support further growth.

£55m



Discovery portfolio

Seed investments in promising life science discoveries. These companies are startups in the initial stages of research and development. They are higher risk but have the potential to become core portfolio companies, when milestones are met.

£12m

Other

Other Net Assets include non-portfolio investments and other balance sheet lines such as receivables and payables.

(£3m)
(2018: £4m)

	Value, £m	NAV %
Core Portfolio		
Autolus	33.8	17%
Harpoon	28.9	14%
LogicBio	16.3	11%
Artios	15.2	8%
Imara	10.7	5%
Aura	8.3	4%
VelosBio	5.5	3%
Atox Bio	5.0	3%
Amplyx	4.9	2%
Iterum	3.7	2%
Pharmaxis	3.7	2%
Verona	1.6	1%
Discovery Portfolio	**11.6**	**6%**
Gross Portfolio	**149.2**	**74%**

» Read more in our Financial Review on pages 38 to 39

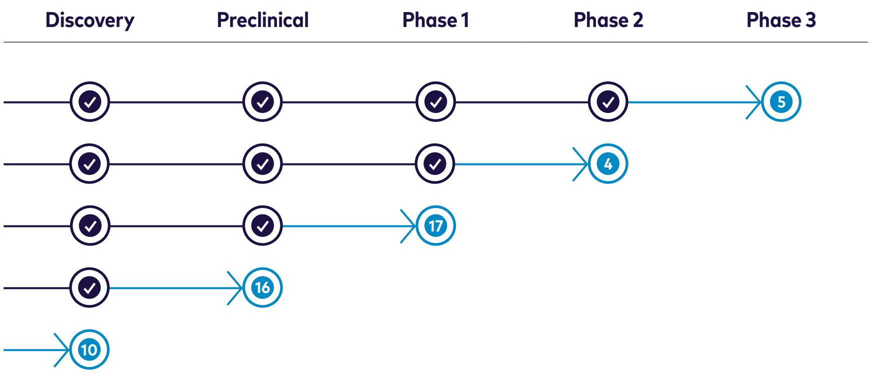
Strong clinical trials pipeline

Collectively our portfolio companies are running 26 clinical programmes, with a further 26 in pre-clinical development.

» Read more on our Pipeline on pages 28 to 29

Clinical trials

26



Investment case

- Clear and focused investment strategy
- Diverse portfolio of disruptive biotech companies
- Experienced, transatlantic team
- Multiple potential value enhancing events
- Strong and effective global networks
- Flexible, long term capital base

Good underlying progress in the portfolio with a focus on unlocking and realising value for shareholders in 2020

2019 was a year of both progress and challenge for the Company.

The Arix portfolio now comprises 16 biotech companies addressing serious unmet medical need, building on innovative science and led by successful entrepreneurs in their respective areas. The portfolio saw positive clinical data from four of these companies during the year and three raised additional capital at valuation uplifts to the prior round. Harpoon was one of these companies, the fourth in our portfolio to successfully list and raise capital on Nasdaq.

Our strategic partnerships continue to play an important role in guiding and supporting our activities at Arix. We have built a strong dialog with our pharmaceutical partners Fosun, Ipsen, Takeda and UCB and benefit from their expertise as they also gain access to our pipeline and portfolio of emerging biotech companies. Our academic partnerships with Max Planck in Germany and Fred Hutch in Seattle are also beginning to bear fruit. Our first company incubated from Max Planck, Quench Bio, attracted leading new investors in its well supported Series A funding round shortly after year-end.

The portfolio is reaching a point where investors can expect to start to see value realisations either through the strategic sale of portfolio companies to pharmaceutical or larger biotech companies or through the sale of publicly listed holdings. The executive team will be focused on this in 2020 as well as attracting additional investment to the company.

During 2019, the book value of the portfolio was impacted significantly by Autolus, one of our listed companies whose stock price was riding high in the early part of the year but has come back significantly. However, we do continue to see good progress in this company's clinical programmes.

An additional challenge during the year was the suspension in June 2019 of the Woodford Equity Income Fund, our largest shareholder with a 19.8% holding in Arix. We have been seeking to achieve an orderly transition of this holding to long-term supportive investors, and remove the distraction and consequent uncertainty that it has had on the share price in recent months.

In the latter part of 2019 the Board held a strategy day to review the performance of the company and the portfolio and to agree the outline of a three year plan to deliver value for shareholders. We also reviewed options to further build the business as value is delivered over the next three years.

From a governance perspective we have also started to build a more London centric Board with the skills and experience to guide the company through the next few critical years. In particular, Mark Breuer, who joined as a Non Executive in 2019 brings broad experience in UK capital markets and in advising public company Boards. Naseem Amin, who joined more recently, brings strong transatlantic industry experience in clinical development, business development and venture capital. With the added industry and financial experience of Giles Kerr, deep R&D expertise of Trevor Jones and the successful venture and industry track record of Art Pappas, the governance is in place to guide the company to take the actions needed to deliver value for shareholders.

I would also like to take this opportunity to thank Franz Humer, James Rawlingson and Meghan Fitzgerald for their service as Board members and for their important contributions in the formative years as we created and built Arix.

Arix has built a portfolio of companies pursuing breakthroughs in treating serious diseases for the benefit of patients. To continue this important work I look forward to 2020, where we start to achieve cash realisations to reinvest in new companies, to attract new investors and to deliver value for shareholders. I know Joe Anderson and the team at Arix are up to the challenge and have a portfolio that can deliver on this.

Jonathan Peacock

Chairman
9 March 2020

Public market access to ground-breaking medical innovation.

Arix's portfolio company, Autolus

1 Clear and focused investment strategy

We are science-led investors focusing on true innovation in areas of unmet need. We collaborate with experienced entrepreneurs to create companies which can dramatically improve patient outcomes.

2 Diverse portfolio of disruptive, high growth potential companies

Balanced portfolio of 16 life science companies, spanning a range of therapeutic areas, development stages and geographies, providing resilience through market cycles.

3 Transatlantic team with deep scientific and industry expertise

Multi-disciplinary team with diverse and complementary backgrounds. Our investment team have deep scientific expertise and a track record of value creation.

4 Maturing portfolio with multiple expected value catalysts

Our portfolio companies are collectively running 26 clinical trials, with a further 26 clinical trials in preclinical development. Over the next 12 months we expect a number of trials to readout and new trials to initiate.

5 Strong and effective global networks

Our global network and transatlantic team provide us with access to a large pool of opportunities, wide scientific networks and a deep understanding of the industries and markets in which we invest.

6 Flexible, long term capital base

Our plc balance sheet enables us to take a longer term view than our non listed peers. We can provide companies with the flexible, long term capital they require to become global leaders in their respective fields.

» To see how our investment case works in practice, please see our Business Model on pages 20 to 21

Developing the long term potential of the business

Joe Anderson PhD
Chief Executive Officer

We are working closely with our portfolio companies to build realisable value for our shareholders and see multiple clinical and scientific development milestones in the year ahead.

We have made good progress since the IPO in February 2017. The portfolio is now well-balanced and diverse, with science that is showing significant promise and products that have progressed well in clinical trials. To date, we have invested £138 million in the Gross Portfolio, which was valued at £154m by year-end, including £5 million of realisations. The team at Arix has the right blend of experience and talent to make the most of the significant opportunities in the portfolio on behalf of shareholders.

Despite this, and disappointingly, during 2019, the results for the period show a 25% decline in Net Asset Value (NAV) per share (down 51p

26

clinical trials across the portfolio

$322m

raised by portfolio companies in 2019

per share) compared to a positive return of 32% (48p per share) a year earlier. Our results were particularly impacted by the volatility of our public stocks, which collectively fell by 38% in 2019, giving up strong gains made in the prior year. As a result, our reported NAV at year-end was £202 million (£1.49 per share) compared to £270 million (£2.00 per share) at December 2018.

Most of our portfolio companies were small private companies at the time we first invested. As we reported last year, progress has been rapid and four of these have already made the transition to public companies following IPOs on the Nasdaq.

An IPO is not necessarily an exit point for us, but rather a means for the portfolio company to access additional capital from the public markets to speed the development of new products through clinical testing. But the development of these medicines takes time; it is a competitive business and clinical trials in humans, rightly, are highly regulated and set very high standards for proving efficacy and safety before approval is achieved for new products to treat patients. As a result, public biotech company share prices can be volatile in the period between their listing and producing definitive data, as was seen with Arix's listed portfolio companies, which made up 44% of our NAV at the beginning of the year.

Our view is that such fluctuations, although important to manage to the extent they can be, are less relevant to true value creation than is making solid progress with clinical development. On that count, during 2019 we saw meaningful progress in the clinical development plans of our portfolio companies as detailed on page 8. This is key to securing sustainable uplifts in our NAV and this remains our top priority.

We have articulated our Group strategy as well as our investment strategy.

How we performed against our five strategic goals

For the first time this year and in line with the increasing maturity of the business, we have articulated our business strategy as well as our investment strategy. Details of progress against our five strategic priorities is set out below.

1. Maintain a strong pipeline of opportunities

Our portfolio is now well balanced, thanks to the expertise, experience and sheer hard work of our people, the strength of our global networks, and the value we gain from industry and academic partners. During the year, we provided follow-on capital to the existing portfolio, while also adding two new companies.

In September, we co-led a €20 million Series A investment in STipe, a company seeking to exploit a novel mechanism in the STING pathway, which is part of the innate immune response against pathogens. Our Entrepreneur in Residence, Christian Schetter, identified the initial opportunity from academic science at the University of Aarhus in Denmark, and has since taken on the Executive Chairman role at STipe. Earlier in 2019, we also committed $15 million (£11.4 million) to Imara, a US clinical stage company developing novel therapeutics to treat patients suffering from rare inherited genetic disorders of haemoglobin, including sickle cell disease and Beta-Thalassemia.

Shortly after the year-end, the progress of our discovery portfolio company Quench Bio gave us sufficient confidence to bring the company out of stealth mode, with completion of a Series A financing. Co-founded by Arix with Atlas Venture, Quench is another good example of our geographical reach. It draws on science pioneered in Europe – in this case through the Dortmund labs of our academic partner Max Planck in Germany – and incubated in the US. The company is conducting early stage pre-clinical research in inflammatory biology, an area where we see tremendous opportunity.

In addition to investments in new portfolio companies, we also provided further capital to existing portfolio companies Aura, Harpoon and Autolus, which completed further funding rounds to advance their clinical pipelines. Notably Harpoon transitioned to a public company in the period, following a successful IPO on Nasdaq, raising $70.7 million in net proceeds.

» Read more in the financial review on page 38

2. Maintain a diverse portfolio

Our strategy is broad to ensure resilience through market cycles. We work hard to make sure that the portfolio comprises a healthy mix of opportunities, enabling us to mitigate risk and deliver greater stability.

In particular, we maintain a constant and disciplined focus on diversity across three areas: therapeutic area; geography; and stage of clinical development.

We have built a balanced portfolio of 16 companies, spanning the UK, US, Europe, Israel and Australia, from preclinical to late stage clinical assets and across a range of therapeutic areas, including immunology, genetic diseases, oncology and anti-infectives.

3. Ensure effective balance sheet management

During the year we demonstrated our commitment to prudent cash management.

On our cost structure, we have made progress towards creating a leaner organisation, with Administrative Expenses 17% lower than 2018, despite incurring a number of one off costs associated with the organisational changes during the year.

> We provide more than just capital when we invest; we take a seat on the Board and provide hands-on support to our portfolio companies, complementing their existing strengths with the market-leading expertise, drive and experience of our own team.

Joe Anderson PhD
Chief Executive Officer

We also took a greater focus on early stage investments, which are less cash intensive – such as those in STipe and Quench. We also looked for opportunities to harvest cash from public stocks, as we demonstrated with Harpoon. Strong progress in Harpoon in 2019, including a Nasdaq IPO and a licensing option with AbbVie, allowed us to realise £4.3 million, at twice the valuation of our average investment cost. We remain an investor in the business, retaining almost 90% of our original stake in the company. Altogether in 2019, we generated £8.9 million in cash, through the above-mentioned Harpoon sell down and further proceeds from our legacy holdings. We also scaled back our commitment to BioMotiv, whilst preserving the option to invest in their pipeline opportunities. Looking forward, we aim to accelerate cash generation from investments as we reach towards a state of permanent capital so that we can finance new opportunities through realisations from our more mature investments.

» **Read more in our Financial Review on pages 38 to 39**

4. Build the value of our portfolio companies through hands-on support

We provide more than just capital when we invest; we take a seat on the board and provide hands-on support to our portfolio companies, complementing their existing strengths with the market-leading expertise, drive and experience of our own team. This support includes everything from helping with initial or subsequent funding, or providing the knowhow to start a business from scratch, to making introductions to pharma companies who may be potential acquirers, and giving expert advice that can make a deal happen. In between, we have the skills to set strategies, help design clinical trials, advise and guide on recruitment at all levels and use our global networks to give our portfolio companies the very best advice and practical help on every aspect of growing a successful business. This high degree of involvement does more than support the development of the company in question – it also gives us control and insight, thereby helping mitigate risk.

We have seen significant financial and clinical progress in our portfolio companies during the year. Major highlights included: Harpoon agreeing an option deal with AbbVie, worth up to $2.3 billion, for its multiple myeloma programme and discovery platform; Aura announcing strong data from its Phase 1/2b trial in ocular melanoma and raising $40 million in its Series D financing, with a 33% uplift in value to the Series C; Autolus announcing strong clinical data from its lead programme AUTO1 in acute lymphoblastic leukemia; Artios expanding its pipeline of novel DNA damage response therapies by in-licensing an inhibitor from MD Anderson; and Amplyx expanding its pipeline by in-licensing a Phase 2-ready virus programme from Novartis, and also reporting positive Phase 2 data in invasive candidemia.

However, in financial terms, the value of our Gross Portfolio reduced from £175 million to £149 million during the year, largely as a result of a fall in the share price of Autolus. We continue to see substantial promise with this company. During the first half of 2020, Autolus is expecting to initiate a Phase 2 potential pivotal study for its lead programme, AUTO1, in adult ALL, where there is currently no approved CAR-T therapy and high unmet need. Data presented last year suggests that AUTO1 has the potential to have an improved efficacy profile and comparable safety profile to the current standard of care. Adult ALL is a significant opportunity, with 8,400 new cases diagnosed yearly worldwide and an addressable patient population of 3,000 patients. We believe this represents a significant commercial opportunity for the business. Behind this lead programme, there are a number of other promising programmes as detailed later in this report, including AUTO3 for DLBCL where a high unmet need remains, and where AUTO3 has the potential to be a true outpatient therapy.

As is the nature of high risk and potential high reward science, the year saw a couple of negatives. These included: disappointing Phase 3 data from Iterum, which narrowly missed its primary endpoint by just one patient, although this setback may be balanced in 2020 by results from two further Phase 3 trials; and the decision by Boehringer Ingelheim not to progress studies of the inhibitor acquired from Pharmaxis in 2015.

Please see the Portfolio Review on pages 26 to 36 for further details of these and other developments during the year.

5. Deliver long-term capital growth for shareholders

As well as seeing volatility in our NAV during 2019, we have also seen significant pressure on the share price of Arix itself. This has been disappointing, especially as progress in our core business has, on the whole, been encouraging. We are looking to address the issues contributing to this, in the year ahead, including resolution of the former Woodford holding.

I am encouraged by where the portfolio is positioned at this stage in our life cycle, with three years of progress in our investee companies post our IPO, leading to some early signs of exit potential that we see ahead. I am confident that we are on track with our plans to realise value from the portfolio and deliver long term, sustainable capital growth to shareholders.

Arix's portfolio company, Autolus

During 2019, we have had a particular focus on building start-up companies based on cutting edge science to balance our portfolio of later stage companies. Company creation involves substantial effort from our team, and yields high ownership of the resulting company for relatively modest investment of capital. We have started a programme of bringing accomplished life science entrepreneurs into Arix to help us with such work and recently the first results of this emerged in the shape of STipe, our new portfolio company, led by Christian Schetter, Arix Entrepreneur in Residence. Our investment team has also been busy helping to build Quench Bio – a company that emerged from stealth mode shortly after year-end. We are looking to extend these efforts in company creation and as part of this are pleased to have announced the appointment of Roberto Iacone as our second Entrepreneur in Residence in March 2020.

The year ahead

We remain focused on driving realisable value in our portfolio, and in turn our NAV, and I believe we are well positioned to do so through 2020 and beyond.

We have had a challenging year with our shareholder structure and volatility in our public portfolio companies, which in the near term continues with the emergence of a new risk in the form of coronavirus, but look ahead with confidence and see a portfolio that is maturing and has the potential to deliver real value.

I am privileged to lead such a talented and dedicated team, optimistic about the direction in which our business is heading and confident in the long-term value Arix can deliver.

Joe Anderson
Chief Executive Officer

14
clinical data readouts expected in 2020

16
new trial initiations expected in 2020

Our stakeholders

The Board sought to understand the views of stakeholders through its interaction with them during the year and had regard for their interests in Board discussions and decision-making.

As described below, the Board sought to understand the views of stakeholders through its interaction with them during the year and had regard for their interests in Board discussions and decision-making. The Board is satisfied, through the careful tracking of the outcomes of these discussions and decisions, that the approach it takes to stakeholder engagement is effective.

How we engage with our stakeholders

Shareholders

The Board naturally considers its shareholders to be key stakeholders of the Company and is focused upon delivering long-term value for their benefit. This purpose is evident throughout the Board's decision making and is a constant consideration when addressing the interests of our other stakeholders.

The Company engages with its shareholders on a regular basis with multiple investor meetings throughout the year as well as focused roadshows at the time of our published results. The results of this investor engagement are reported to the Board to help inform our communications and strategy. During 2019, we were proud to host a very well attended and received Oncology-focused Capital Markets Day in the City of London. This gave our shareholders an opportunity to meet some of our portfolio companies and hear first-hand about the progress they have made since our investments. In addition to such standalone events, our regular Annual General Meeting provides an opportunity for all shareholders to meet and engage with the Board and we very much welcome and encourage attendance at this year's AGM.

Academic Partners

Access to cutting-edge science is a key part of the Company's strategy and is supported by our relationships with researchers and academic institutions. The Board plays an active role in monitoring the Company's interaction with these institutions, particularly those, such as the Fred Hutch Cancer Research Centre and the Max Plank Institute, with which the Company has privileged relationships.

The Board is keen to build on the example of Quench, which was founded with science from the Max Plank Institute's Lead Discovery Centre, by assisting these partners in commercialising their research into successful biotech companies which can deliver value for Arix's shareholders.

s172 Companies Act 2006

The Board is cognisant of its duties under s172 of the Companies Act and has worked throughout the year to promote the success of the Company for the benefit of its members as a whole. In doing so, it has had regard to those stakeholders identified under s172, as well as the additional stakeholders set out here.

Pharmaceutical Partners

Arix is proud of its strategic relationships with four leading pharmaceutical companies: Fosun, Takeda, UCB and Ipsen. These partners provide Arix with specialist industry insight and due diligence capabilities, whilst allowing us to make valuable connections with our portfolio companies. Throughout the period, the Company has held regular meetings with each of our of pharmaceutical partners with regular reporting to the Board at every meeting. This has enabled the Board to monitor and contribute to the evolution of these relationships, the successful progress of which was included in the 2019 goals for the executive management team.

Employees

The Board considers its employees to be a primary stakeholder of the Company and is conscious of the regard it has to them under s172. During the period, the Board has overseen an evolution of the executive management team which has resulted in internal progression for certain employees, whilst strengthening the Company's ability to deliver on its strategy. The Board, and especially the Remuneration Committee, have also had particular regard to employees as they reviewed and revised the Company's long-term incentive arrangements as part of its strategy to attract, retain and motivate employees in order to deliver value for shareholders. These actions were consistent with the Board's commitment to investing in and responsibility rewarding employees as they deliver on the Company's strategy.

Portfolio Companies

Our portfolio companies are at the heart of our business as it is their operational and clinical progress which will ultimately deliver value for our shareholders. However, whilst the Board is naturally focused on their development and what it will mean for the growth in our NAV, we are also conscious of the benefit we can bring to those companies as an engaged and supportive shareholder. For example, during the year, the Board reviewed and endorsed our strategy of appointing directors to the boards of almost all of our portfolio companies. This allows us to provide practical help to these companies as they develop, as well as giving us a clear understanding of their needs. Due to their focus on research and development, there is often a need for further capital and the Board is pleased that Arix's Investment Directors have worked with a number of our portfolio companies throughout the year to help structure and support multiple capital raisings across the portfolio.

Artios Pharma, Cambridge, UK

Exciting, fast-moving and rich with potential

Life science innovation is transforming healthcare. Led by a new breed of entrepreneurial scientists, biotech start-ups in the US, Europe and elsewhere are moving from finding treatments for diseases to creating cures.

Here, we outline the four main drivers of our sector.

1 A step-change in scientific discovery

These are positive times for many aspects of scientific discovery, but particularly for biotech innovation. It's not a stretch to compare today's fast-moving life sciences environment to the tech boom and the development of the internet. Over the last decade, we've seen a step-change in our understanding of the causes and dynamics of disease at a molecular level – and this has driven an acceleration in discovery. For example, the number of new clinical trials added per year has increased from fewer than 11,000 in 2006 to over 32,000 new trials in 2019.

Biotech companies are seizing the opportunities to create new therapeutic approaches that have a very real chance of improving patient outcomes.

2 Demographics are driving demand

More people are living longer than they did 10, 20 or 50 years ago. As populations get older, there's an inevitable increase in the prevalence of chronic diseases. The top three causes of death – cardiovascular, cancer and neurological conditions – are all diseases of ageing. In the US, EU and Japan the number of people aged over 65 is expected to double from 200 million to 400 million in the next decade. It's a similar story in the emerging markets, where increased longevity is matched by a growing middle class able to afford medical care. In China, Brazil, India and Russia, the average total number of prescriptions filled per year has doubled since 2009 and continues to rise.

So demand is increasing, at speed. And it's doing so in a long-term defensive sector, where supply and demand are relatively resilient to the ups and downs of economic cycles.

3 The regulatory environment is increasingly favourable

There's been a significant turnaround in the approach adopted by regulators – and nowhere is that more evident than in the US, the world's largest market. More products are now making it through the approvals process, as scientists have become more effective at evaluating targets and selecting the appropriate patients. Instead of one in 15 or 20 products that enter clinical trials ultimately gaining approval, the number is now closer to one in six. Back in 2007, only 18 new drugs were approved by the FDA. In 2018 that number was 59, a new record, with a further 48 in 2019. This isn't serendipity at work – it's the outcome of a set of new policies introduced by the FDA to reduce the time, cost and approval risk for new drugs in development. Although there's been a change in leadership at the FDA recently, the new commissioner is on record as saying that he wants the trend towards more approvals to continue.

4 The route to exit is clear

We aim to deliver returns by investing in young companies and positioning them for growth before potential acquirers emerge. Over the last decade, the average amount invested by venture capital companies in biotech businesses has remained broadly flat at around $50 million per company. However, the average total exit value has risen from approximately $200 million to $561 million in the same period. So the trend is solidly in the direction of greater returns on investment. (See figure 1).

As pharmaceutical businesses compete with each other to secure the rights to what could be ground-breaking assets, more deals are being struck at an earlier stage with smaller and younger companies. Where larger pharmaceutical companies were once only seriously interested in products in phase two or three of clinical trials, they are now acquiring companies involved in phase one or even those still working in the pre-clinical stage. In recent years, companies that were acquired at the early stages of clinical development, generated higher return multiples than later stage companies. (See figure 2).

Sources: IQVA, Population pyramid, BMO Capital Markets, HBM Partners, FDA Analysis

*% of novel drug approvals in 2018.

New drugs approved by the FDA in 2019

48

Increase in the number of clinical trials in 2019

32,000

Novel drug approvals originated by smaller biopharma companies*

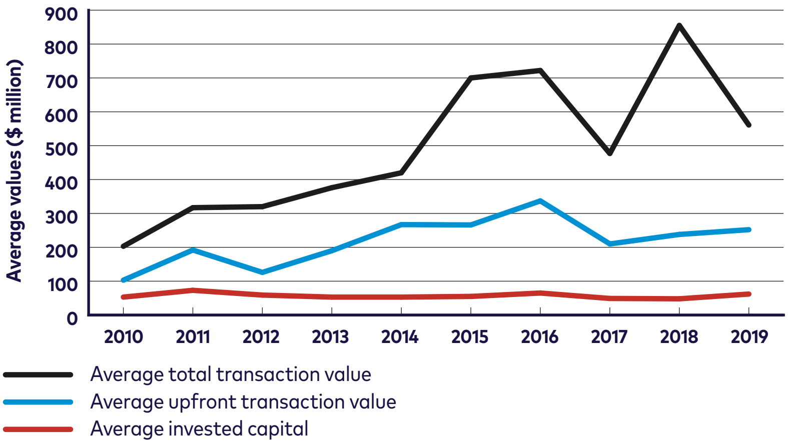
63%

Biotech companies acquired in 2019

$45bn

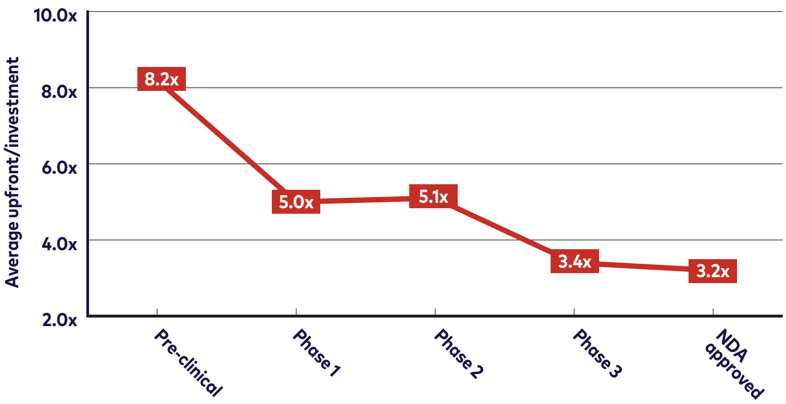
Figure 1: Average investment amounts and transaction values

Acquisitions of VC-backed companies – average investment amounts and transaction values



Completed trade sales of private VC-backed US and European biopharma companies. Only for deals where respective information was available. Includes transactions of all sizes.

Figure 2: Investment multiples of VC-backed companies acquired: 2015 - 2019



Completed trade sales of private US and European VC-backed biopharma companies. Stage of lead product at time of company sale. Investment multiples (upfront/investment) non-weighted. Includes transactions of all sizes.

Arix Q&A

Delivering value for investors

Arix's Christian Schetter and Jonathan Tobin discuss the Arix investment strategy and how it aims to delivers value for investors, for biotech entrepreneurs and, ultimately, for patients.

Jonathan Tobin, Investment Director (right) and Christian Schetter, Entrepreneur in Residence

Why is biotech currently such an attractive proposition for venture capitalists?

Christian Schetter (CS): Biotech is at an inflection point. We're seeing potential become reality at ever greater speed, as innovative scientific discoveries are rapidly being translated into medicines that have the potential to transform lives.

Jonathan Tobin (JT): Although the major pharma companies have the resources to develop new drugs, most of the record number of new drugs approved by the FDA in 2018 actually originated in smaller businesses. That's because Big Pharma needs to meet the demand for new medicines by supplementing their own pipelines with ideas and products from smaller, innovative biotech companies. At Arix, we're playing our part by investing in and building breakthrough companies like these – companies that are right on the leading edge of discovery. And that's delivering huge potential opportunity for investors in terms of the financial returns they can anticipate.

So what makes Arix different?

JT: Firstly, our transatlantic expertise and experience. While most of our peers are focused on either Europe or the US, our policy has always been to be geographically agnostic. For example, our investment team is spread across London, New York and Munich – which means we can simply seek out the best deals, wherever they may be. We also look to invest in companies at different stages of maturity. We'll consider everything from creating a new business from scratch right through to investing in a company working in the later stages of clinical development.

CS: I'd add that the relatively small size of our team is another major advantage. It's one thing to have the skills and knowledge to make the right decisions, but it can be something else entirely to have the agility to make them quickly. I've spent most of the last two decades on the other side of the fence, working within biotech businesses, and I know how well Arix is respected for its fast thinking and equally fast action.

How do you decide which companies to invest in?

CS: During a year, we either approach or are approached by hundreds of companies and identifying the real nuggets isn't an exact science. We rule out 90% very early on for a variety of reasons. We have access to a powerful global network of personal contacts, including some of the top experts in many fields. We consult them to assess the science and, if we get positive feedback, we move into the due diligence stage.

JT: We look for an innovative scientific proposition with strong IP (intellectual property) – one that can support a differentiated competitive position and meet unmet need in a substantial market. It's also important that there's a strong team already in place or capable of being strengthened. The final piece of the jigsaw is a compelling route to approval and exit so that we can deliver value to our investors. It's a very rigorous process and, in the end, we decide to invest in only about one in 86 companies that we see.

Over half the value of your portfolio is focused on oncology. Why is that?

JT: Just as we source opportunities regardless of geography or clinical stage, so we look right across the full range of therapeutic areas. Right now, there's a lot of research focus in oncology – as the industry evolves and new science emerges, the portfolio is likely to reflect that.

CS: Yes, there's a lot of exciting science in oncology but we've also invested heavily in immunology and genetic diseases, to name just two other areas. As long as the science is right, the business case is there and we have the opportunity to move it forward within a reasonable timeframe, we're interested.

It's clear what your portfolio companies offer Arix, but what do you give them in return?

JT: Of course, the first thing we provide is funds from our investors, but there's a lot more to it than that. Again, our network is vital. We give companies access to the best and brightest minds across a range of disciplines: finance and service provision as well as IP and of course science. It's a partnership. We help entrepreneurs build their businesses and take that difficult next step – turning a concept into a product that can change lives.

CS: We typically take a seat on the board. This enables us to influence strategy and key decisions such as when to explore M&A or partnership opportunities and how to hire the right people. It also means we can be assured of transparency and avoid any surprises!

You're both involved at board level with one of Arix's most recent investments. How is that working out?

CS: The STipe Therapeutics investment is a good example of how our strengths work in practice. I originally identified the opportunity for Arix to become involved with STipe, which uses a novel aspect of the interferon genes (STING) pathway to target cancer. This is a technology that I know well, as it's similar in many ways to that which underpinned Rigontec, a company I led as CEO before it was acquired by Merck. Arix co-led an €20 million investment in STipe in September 2019 and I'm now proud to be Executive Chairman.

JT: Christian headed up the deal from an operational perspective and I was glad to lead for the investment side, negotiating with other investors and the founders and managing legal issues. There is a huge amount of work that goes into successfully closing a deal and it is very much a collaborative approach, not only within the Arix team, but also with co-investors and the investee company's management. The combination of the founders' expertise, Christian's experience in immunotherapy and our investment strategy gives us a great chance to accelerate new treatment options for cancer patients. STipe has a novel proposition in an area that's attracting a great deal of interest from pharma companies – and although it's early days, the signs are positive.

"Big Pharma needs to meet the demand for new medicines by supplementing their own pipelines with ideas and products from smaller, innovative biotech companies."

Jonathan Tobin
Investment Director

"We have access to a powerful global network of personal contacts, including some of the top experts in many fields."

Christian Schetter
Entrepreneur in Residence

Portfolio company interview: Quench Bio Samantha Truex, CEO

QuenchBio

Quench Bio

Quench Bio is leveraging new understandings in the molecular biology of inflammation to create novel medicines that treat patients with severe inflammatory diseases.

Therapeutic area immunology

Stage pre-clinical

Ownership 22%
(fully committed, including January 2020 commitment)

Value £6.5m at 31 December 2019

Arix Representative
Jonathan Tobin

1. Tell us about your background.

My educational training is in biology and biomedical engineering and 2020 brings my 25th anniversary of working in the biotech arena. I spent most of the first two decades of my career in large biopharma settings, first consulting to large companies from consulting firm Health Advances, then working in corporate development and drug programme leadership across Chiron, Genzyme and Biogen. After gaining a wide variety of transactional, operational and strategic experiences across several therapeutics areas and modalities in that time, I moved in 2014 to the entrepreneurial world; I joined Padlock Therapeutics as Chief Business Officer to focus on therapies for patients with severe inflammatory diseases. After the sale of Padlock to BMS in 2016, I worked with and advised several companies including the team building what is now Quench Bio.

2. What is your vision for Quench Bio?

Our overarching goal for Quench Bio is to make a tangible difference to patients suffering with severe inflammatory diseases. We have built a team with deep knowledge of inflammation and drug discovery and together, we look to discover innovative therapies that target inflammation at its core and translate them into new treatment options for patients.

3. Tell us about the science behind Quench and the company's novel approach?

At Quench Bio, our main focus is on a novel target called gasdermin, which is a type of protein. As revealed only recently, gasdermin plays a key role in inflammatory cell death by forming lytic pores in the membranes of cells, which causes them to rupture. This explosive cell death leads to a positive feedback loop of inflammation that drives a range of severe diseases when dysregulated and persistent. We aim to inhibit the pore-forming function of gasdermin in order to quiet the inflammation.

4. What attracted you to this opportunity?

The science and the team. I have spent a substantial time in my career focused on immunology and I am motivated to help solve challenges of the immune system, to improve options for patients suffering from inflammatory diseases. Quench's approach to inhibiting Gasdermin, has the potential for high impact across a broad range of indications, with few current treatment options. The founding investors and scientists are bright, experienced and energetic entrepreneurs and, importantly, we are all motivated by the same vision –to deliver cures to patients The combination of those foundational factors made it a great fit for me.

5. Can you tell us about the team and forming the company?

Scientists at The Max Planck Institute and its Lead Discovery Center had done substantial research in innate immunity and gasdermin; Arix and Atlas worked with Atlas entrepreneur-in-residence Mark Tebbe (former Lilly, Forma) and Mike Nolan (former GSK, Wyeth) to form a scientific plan and seed the company in April 2018 with Mark and Mike as founding Chief Technology Officer and Head of Biology, respectively. I consulted with this impressive team during the process and joined as CEO in September 2018. We were then fortunate to hire Iain Kilty (former Pfizer VP of Preclinical Inflammation Research) as Chief Scientific Officer and built the team from there. Wei Li (former Pfizer, Millennium) leads our gasdermin biology center of excellence in the lab with a team of scientists who bring complementary immunology expertise that they apply to the challenge of drugging gasdermin.

6. How has Arix supported Quench in its formation?

Jonathan Tobin from Arix was instrumental in founding the company. The Arix relationship with The Lead Discovery Center drove Jonathan's interest. When Atlas became interested in the programme in parallel, the firms had the wisdom to collaborate on founding the company. Arix has supported Quench Bio in every important way from the time of inception – with founding capital, important relationships and excellent board-level involvement.

Our overarching goal for Quench Bio is to make a tangible difference to patients suffering with severe inflammatory diseases.

Samantha Truex
Chief Executive Officer, Quench

7. What challenges have you had to overcome and what are you most excited about?

Drug discovery is always challenging, particularly when tackling novel targets. As with all companies, we have faced and surmounted many challenges along the research path, sometimes having to pivot away from literature findings and assay designs when the biology does not play out as expected. The challenge itself is what is exciting – and surmounting such challenges brings proprietary know-how that advances our capabilities to inhibit this novel and important inflammatory target.

8. How important are the board and what role do they play?

The board of directors is extremely important for many reasons. Good governance is the most foundational reason. The board, including excellent participation by Jonathan Tobin, serves as a sounding board and provides guidance and direction across scientific, strategic and financial fronts based on the sum total of their experience. We have an excellent board with a diversity of experience sets represented. Jonathan Tobin from Arix joined Bruce Booth from Atlas, who chairs our board, as the founding board members, along with myself and Herbert Waldmann of the Max Planck Institute. We were very fortunate to bring on Jo Viney as our independent board member; she brings enormous depth in immunology and drug development. With our recent fundraise, we add a wealth of biotech and venture experience in Adam Houghton of AbbVie Ventures and Josh Resnick of RA Capital.

Investing in life changing science

Our focus

We focus on true innovation and partner with the most experienced entrepreneurs to create companies that can significantly improve patients' lives.

Science first
High impact science, which has the potential to revolutionise patient outcomes

Source globally
Unconstrained approach: hunt for the best ideas across the globe

Therapeutics focus
Novel therapeutics with first or best in class approach

Early to late stage venture
Flexible to the point of entry, guided by the quality of the opportunity

Our approach

We focus purely on life sciences, with a team that is highly experienced in this sector. We aim to remain at the forefront of new exciting therapeutic areas by anticipating hot areas across the biotech and life science sectors and by identifying the most promising investment opportunities early. We invest in true innovation and disease areas where we believe, the most opportunity exists to advance new treatment options for patients.

Some of our greatest advantages are that we are not constrained by attachment to any single institution, geography, stage of development, or to either private or public companies. We can look for the very best opportunities anywhere. You can find great ideas in seed-level start ups in academic institutions, all the way through to late-stage and small public companies. This breadth of focus enhances the flow of deals, and enriches the quality of the set we select from.

We take a hands on approach when we invest, either in an operational role and/or through a board seat. We can help secure funding, develop business strategy, make connections and recruit experienced and talented management teams.

Our portfolio falls into two categories: **core and discovery**

Core portfolio companies

Venture growth capital for later stage companies
Our core portfolio comprises of investments in companies that are raising additional capital to accelerate their growth – typically Series B and upwards. The majority of our core companies are clinical stage companies, which have begun testing their treatments in patients. These companies will typically have at least one live clinical trial, in either Phase 1, Phase 2 or Phase 3. We have included two pre-clinical companies (Artios, LogicBio) that are making strong progress towards human trials and have validating pre-clinical data. These companies have raised significant capital, supported by a strong syndicate of leading venture investors.

Discovery portfolio companies

Venture capital for early stage companies
These investments are in the early stages of funding – typically seed or Series A. Companies within our discovery portfolio are start-ups in the initial stages of research and development. They have made promising life science discoveries and have secured initial funding to test and validate the science. These companies are in the "prove" phase and are therefore higher risk. We minimise that risk by investing small amounts early and remain firm believers that de-risking should be done before a larger amounts of capital are deployed. We reserve funds for later stage rounds and if key milestones are met, these companies have will move into the core portfolio.

Types of companies we invest in

New investments are predominantly made into private biotech companies. However, we do have the flexibility to invest in public companies, if we believe there is the potential to make significant investment returns by recapitalising the company.

How we create sustainable value

Our purpose sits at the heart of everything we do:

To accelerate the transformation of innovative science into important new treatments for patients and valuable assets for investors.

Key strengths and resources

Extensive global networks

Our global network and transatlantic team provide us with access to a large pool of opportunities, wide scientific networks and a deep understanding of the industries and markets in which we invest.

Unrestricted model

Arix is unconstrained by geography, therapeutic area or investment stage, providing access to the broadest possible range of opportunities.

Pharma partnerships

Pharmaceutical companies are a key stakeholder for Arix as they seek to get closer to scientific and medical innovation outside of their own laboratories. Partnerships with Fosun, Takeda, UCB and Ipsen provide access to extensive R&D insights and due diligence capabilities.

Expert teams

Arix has an investment team with significant scientific and commercial experience, helping portfolio companies to navigate potential hurdles in order to mitigate risk. In addition, the portfolio companies are led by experienced management teams, often strengthened by management sourced from Arix's own networks.

Balance sheet

Our plc balance sheet enables us to take a longer-term view. We can provide companies with the flexible, long term or 'permanent' capital they require to grow. At exit, capital is recycled onto the balance sheet and reinvested, creating a sustainable model.

2. Evaluate

- Rigorous due diligence for new and follow on investments

1. Discover

- We source globally and review hundreds of companies per year

6. Reinvest

- Capital is recycled onto the balance sheet for reinvestment

3. Invest

- Invest in innovation with a clear commercial pathway, approximately 1 out of every 90 seen

4. Develop

- We take a Board seat and play an active role to help our companies grow

5. Exit

- We take a long term view and seek to exit when the optimum value is reached

Underpinned by our values

- Integrity
- Respect
- Transparency
- Discipline
- Collaboration
- Accountability

Value created and shared

For portfolio companies

- Flexible, long term capital
- Deep industry and capital markets expertise
- Access to a broad range of co-investment opportunities
- Introduction to potential acquisition targets
- Due diligence and company building support

Pharma partnerships

- Extensive pipeline of opportunities
- Deep industry and scientific expertise

For society

- We invest in companies that address serious unmet needs in healthcare and have the potential to transform patient outcomes
- New company creation and job creation

For shareholders

- Investing in a business that has a meaningful impact on society
- A diverse portfolio of opportunities and exposure to disruptive, high-growth biotech companies
- Financial returns
- Balanced portfolio

For employees

- Employee engagement
- Talent development
- Working for a business that helps create companies which address serious unmet needs in healthcare

» See more on Stakeholders on 10 to 11

Our strategy is to invest in highly innovative biotech entrepreneurs to create companies which address serious unmet needs in healthcare.

Strategic priorities

Maintain a strong pipeline of investment opportunities

Maintain a diverse portfolio

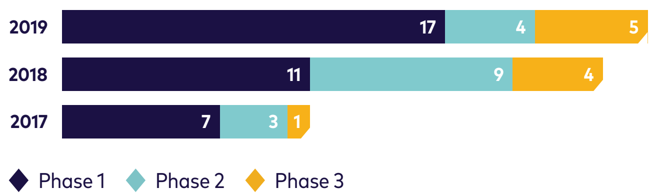
Effective balance sheet management

Build the value of portfolio companies through hands on support

Deliver long term capital growth for shareholders

Performance in 2019		Priorities going forward	Link to KPIs
‣ Reviewed hundreds of global opportunities in 2019, of which we did deep diligence on 81 and provided capital to two new companies.	321 Global opportunities	‣ Maintain exposure to quality life science opportunities across the globe	Gross Portfolio Value Pipeline progression
‣ Portfolio of 16 companies, following new investments in Imara and STipe Therapeutics. Our portfolio spans US, Europe, Israel and Australia, from preclinical to late stage clinical assets and across a range of therapeutic areas, including: immunology, genetic diseases, oncology and anti-infectives.	16 companies in our portfolio	‣ Maintain a diverse portfolio of investments, unconstrained by geography, stage of development or therapeutic area	Gross Portfolio Value Pipeline progression
‣ Started 2020 with a cash balance of £55m, having invested £36m in our Gross Portfolio, including two new investments. ‣ Realised £4.3m from sale of shares in Harpoon.	£36m invested in our Gross Portfolio	‣ Invest in new opportunities and support existing holdings, whilst maintaining price discipline ‣ Evaluate opportunities for realising value from existing investments and reinvest in new opportunities	Net Asset Value NAV per share
‣ 13 board seats and 4 observer seats across the portfolio. ‣ New trials initiated by Harpoon, VelosBio and Pharmaxis. ‣ Positive clinical trial readouts from Amplyx, Aura, Autolus and Imara. ‣ Successful additional financing rounds completed by Harpoon, Aura, Autolus. ‣ Total capital raised by portfolio companies of $322m during 2019. ‣ Appointed and expanded leading management teams at STipe, Quench Bio and Artios. ‣ Gross Portfolio value decreased from £175m to £149m.	$322m raised by portfolio	‣ Increase value of portfolio companies through hands-on support and development, including support with: ‣ Raising capital ‣ Clinical trial progress ‣ Management search ‣ Business strategy ‣ Developing strategic interest	Gross Portfolio Value Pipeline progression
‣ Results for the period show a 25% negative return on Net Asset Value (NAV) per share (down 51p) compared to a positive return of 32% (48p per share) a year earlier. ‣ The portfolio now stands at 16 companies, collectively running 26 clinical trials. These companies made important clinical and financial progress in 2019, putting them in a strong position to build value in the year ahead as they advance towards key inflection points.	26 clinical trials provides 'multiple shots on goal'	‣ Grow value of our portfolio and NAV ‣ Realise value from existing investments	Net Asset Value NAV per share

KEY PERFORMANCE INDICATORS

KPI	Measured by	Performance in 2019
1 Net Asset Value (NAV)	Gross Portfolio Value + cash + other net assets.	 ‣ Net Asset Value decreased to £202m in 2019, due to net negative revaluations of £54m in the Gross Portfolio.
2 NAV per share*	Net Asset Value divided by shares outstanding at the year-end.	 ‣ NAV per share decreased by 25%, reflecting downward portfolio revaluations in 2019.
3 Gross Portfolio Value (GPV)*	The valuation of investments in the Core and Discovery portfolios at year-end.	 ‣ Gross Portfolio Value has decreased by £26m in 2019. This reflects the volatility of Arix's public market holdings in the period.
4 Pipeline progression	Number of trials in clinical development across all investments.	 ‣ The pipeline continues to expand, with 26 clinical trials across the portfolio. ‣ New trials were initiated by Harpoon, VelosBio in the period.

Links to strategic objectives	Key risks
Effective balance sheet management Deliver long term capital growth for shareholders	1 2 3 4 5
Effective balance sheet management Deliver long term capital growth for shareholders	1 2 3 4 5
Maintain a strong pipeline of investment opportunities Maintain a diverse portfolio Build the value of portfolio companies through hands on support	1 3 5
Maintain a strong pipeline of investment opportunities Maintain a diverse portfolio Build the value of portfolio companies through hands on support	1 4

KEY

1 Clinical trial risks

2 Personnel

3 Macroeconomic conditions

4 Legislation and regulation

5 Brexit

* Alternative Performance Measure

A year of development progress

Key portfolio companies

Key companies by stage of lead programme

Core companies

Company	Ownership	Discovery	Preclinical	Phase 1	Phase 2	Phase 3
Iterum Therapeutics	7.3%	✓	✓	✓	✓	●
Atox Bio	6.5%	✓	✓	✓	✓	●
aura	7.7%	✓	✓	✓	●	
amplyx	3.0%	✓	✓	✓	●	
pharmaxis	11.1%	✓	✓	✓	●	
imara	9.9%	✓	✓	✓	●	
Autolus	6.5%*	✓	✓	●		
Harpoon Therapeutics	10.4%	✓	✓	●		
VelosBio	11.3%	✓	✓	●		
artios	12.4%	✓	●			
LogicBio Therapeutics	13.0%	✓	●			

Select Discovery companies

Company	Ownership	Discovery
STipe Therapeutics	19.8%	●
QuenchBio	22.0%	●

KEY

● In progress ✓ Completed phase

* New ownership stake following Autolus' public offering in January 2020.

Quench Bio is the first company we have co-founded and formed from scratch, combining scientific discoveries from professors in Germany with entrepreneurs and co-investors in Boston.

Key achievements in 2019

$322m
raised by portfolio companies in the year

3
new clinical trial initiations

5
companies announced positive Phase 1 and Phase 2 data

2
new companies added to the portfolio

3
financing rounds completed at valuation uplifts to previous rounds

During 2019 the portfolio continued to make good progress, with a number of companies reaching important clinical milestones and completing additional financing rounds. As at 31 December 2019, our Gross Portfolio was valued at £149 million and comprised 17* companies: 12 core companies and 5 discovery companies. The companies in our portfolio are categorised in two stages: Core companies have made strong development progress and raised significant capital, supported by a syndicate of leading venture investors. Discovery companies are in the early stages of funding – typically seed and Series A. These companies are in the "prove" phase and therefore higher risk. We minimise risk by investing small amounts early and remain firm believers that de-risking should be done before a larger amounts of capital are deployed.

During the period we invested £36 million into the gross portfolio, including co-leading investment rounds in two new portfolio companies Imara and STipe and further investments into existing portfolio companies (Aura, Autolus and Harpoon). In aggregate, our portfolio companies raised $322 million during the period, putting them in a good position to execute on their important clinical development programmes.

Operationally, there was good progress in the portfolio, with notable highlights including Harpoon's licensing deal with AbbVie, positive data readouts from Autolus, Aura, Amplyx, Imara and Pharmaxis, along with new trial initiations from VelosBio, Harpoon and Pharmaxis. Additionally, Artios and Amplyx expanded their pipelines acquiring new assets from MD Anderson and Novartis respectively.

Shortly before year end we sold just over 10% of our holding in Harpoon at roughly two times the average cost of investment, following positive newsflows in the company. We retain a 10.4% stake in the company and Mark Chin, Investment Director, continues to serve on the company's Board.

Notwithstanding these positive developments, our Gross Portfolio Value declined from £175m to £149m, principally due to a reduction in the share price of our largest quoted company, Autolus. Despite this, Autolus was still valued at 1.4 times cost at 31 December 2019, given our early investment in this company before it was public (cost £24.6 million, value £33.8 million). This underlines a key aspect of our business model: recognising that biotech is a volatile, high risk sector, we aim to invest in promising technologies early, at relatively low valuations and manage a balanced portfolio. We also take a longer-term view, recognising that real value is driven by clinical data and that along the way individual company valuations can be highly volatile.

Post period end, we announced the Series A financing and launch of our Discovery portfolio company Quench Bio, a business that we formed in stealth mode with Atlas Venture in June 2018. This is the first company we have co-founded and formed from scratch, combining scientific discoveries from professors in Germany with entrepreneurs and co-investors in Boston. It encapsulates the benefits of Arix's transatlantic footprint and culture.

Additionally, in January, Autolus completed a follow-on financing raising net proceeds of approximately $72 million and reported encouraging data in its AUTO3 diffuse large B-cell lymphoma (DLBCL) programme.

Furthermore, post period end, we exited our small position in Verona Pharma, taking the portfolio to 16 companies.

The year ahead will be important for a number of our portfolio companies as they reach significant clinical and development milestones during the year. Our portfolio companies are collectively running 26 clinical trials, a number of which are expected to read out over the next 12 months.

* The portfolio reduced to 16 companies post year end following the sale of Verona Pharma

Innovation at all stages of development

Across our portfolio we now have 26 studies in the clinic, focusing on areas of high unmet medical need.

Discovery

Very initial stages of testing and validating scientific discoveries.

OPK-546 Retinitis pigmentosa	OptiKira
ST100 Cancer	STipe Therapeutics
LB-101 Hemophilia B	LogicBio
LB-201 A1ATD	LogicBio
LB-301 Crigler Najjar	LogicBio
Nuclease 1 Cancer	artios
Nuclease 2 Cancer	artios
Nuclease 3 Cancer	artios
PolQ CD2 Cancer	artios
TGF-ß Orphan bone disease	PreciThera

Preclinical

At this stage, the focus is on researching the feasibility and safety of a treatment before commencing clinical trials.

AU-011 Cancers of ocular surface	aura
AU-011 Choroidal metastasis	aura
AU-012 Primary bladder carcinoma	aura
AU-013 Immuno-oncology	aura
PolQ CD1 Cancer	artios
ATRi ART0380 Cancer	artios
HPN217 Multiple myeloma	HARPOON Therapeutics
HPN328 Small cell lung cancer	HARPOON Therapeutics
LB-001 MMA	LogicBio
AUTO1NG ALL	Autolus
AUTO3NG DLBCL	Autolus
AUTO5 Peripheral TCL	Autolus
AUTO6NG Neuroblastoma	Autolus
AUTO8 Multiple myeloma	Autolus
Topical LOX Anti-fibrotic: scarring	pharmaxis
AUTO7 Prostate cancer	Autolus

KEY

- Anti-infectives
- immunology
- Genetic diseases
- Oncology

Phase 1

This is the first time a product is tested in humans. The focus at this stage is testing the side effects and safety.

APX001 Candida auris	amplyx
APX001 Invasive aspergillosis	amplyx
VLS-101 Haematological cancers	VelosBio
HPN424 Prostate cancer	Harpoon Therapeutics
HPN536 Ovarian cancer	Harpoon Therapeutics
AUTO1 Adult ALL	Autolus
AUTO1 Pediatric ALL	Autolus
AUTO3 DLBCL	Autolus
AUTO4 Peripheral TCL	Autolus
AUTO6 Neuroblastoma	Autolus
APX001 Cryptococcus	amplyx
MAU868 BKV-associated hemorrhagic cystitis	amplyx
MAU868 BKV-associated nephropathy	amplyx
IMR-687 TDT ß-thalassemia	imara
IMR-687 NTDT ß-thalassemia	imara
LOXL-2 NASH/fibrosis	pharmaxis
Systemic LOX Anti-fibrotic: cancer	pharmaxis

Phase 2

Phase 2 involves further trials testing the efficacy and safety and different dosing levels.

IMR-687 Sickle cell disease	imara
APX001 Invasive candidemia	amplyx
AU-011 Choroidal melanoma	aura
AOC3 (BI) Diabetic retinopathy	pharmaxis

Phase 3

This is the final stage of testing before registration. Phase 3 trials focus on testing the effectiveness of the new product compared to existing treatments or to a placebo.

SURE 1 Complicated UTI	Iterum Therapeutics
SURE 2 Complicated UTI	Iterum Therapeutics
SURE 3 Complicated IAI	Iterum Therapeutics
ACCUTE NSTI	Atox Bio
REAKT Acute kidney injury	Atox Bio

Harpoon Therapeutics

Harpoon made significant clinical and strategic progress in 2019; signing a worldwide licensing deal with AbbVie, completing a successful Nasdaq IPO and advancing its second programme into the clinic.

Expected milestones in 2020

2
data readouts

2
new trial initiations

Harpoon Therapeutics (NASDAQ: HARP)

Harpoon is a clinical-stage immuno-oncology company developing a novel class of T cell engagers that unleash the natural power of the T cells to fight cancer and other diseases.

Focus area Oncology

Value £28.9m (plus £4.3m realised to date)

Cost £19.2m

% of gross portfolio 19%

Remaining commitment £nil

Phase
1

Harpoon's TriTAC technology is designed to engage T cells to target and destroy cancer cells.

Harpoon made significant clinical and strategic progress in 2019. In February the company completed a successful Nasdaq IPO, raising net proceeds of $70.7 million to advance Harpoon's pre-clinical and clinical trials. Notably, the company also announced an exclusive worldwide option and license transaction with AbbVie for its multiple myeloma programme and an expansion of their existing discovery collaboration for up to six additional targets. These agreements build upon the discovery collaboration established by the two companies in October 2017. This licensing deal represents up to $100 million in upfront / near term milestones and $2.3 billion in potential future payments.

The company initiated a Phase 1/2a clinical trial for HPN536, a mesothelin-targeting T cell engager, for ovarian cancer and other mesothelin-expressing solid tumours in April 2019. This is the second programme that Harpoon has brought into the clinic, following initiation of a trial in prostate cancer in August 2018. Harpoon expects to report data from both of these trials in 2020 and advance its multiple myeloma and small cell lung cancer trials into the clinic.

Autolus

Autolus Therapeutics (NASDAQ: AUTL)

Autolus is a clinical biopharmaceutical company developing next-generation programmed T cell therapies for the treatment of cancer

Focus area Oncology

Value £33.8m

Cost £24.6m

% of gross portfolio 23%

Remaining commitment £nil

Phase

1

Autolus continued to make good clinical and operational progress during the period. The company presented updated results for its lead programme AUTO1 in adult ALL, showing an 87% complete response rate, which compares to a 42% complete response rate for current standard of care in Adult ALL. There are currently no approved CAR-T therapies for adult ALL and high unmet need. We are optimistic that AUTO1 has the potential to have an improved efficacy profile and comparable safety profile. Adult ALL is a significant opportunity, with 8,400 new cases diagnosed yearly worldwide and an addressable patient population of 3,000 patients. We believe this represents a significant commercial opportunity for the business. Behind this lead programme, there are a number of other promising programmes, including AUTO3 or DLBCL where a high unmet need remains, and where AUTO3 has the potential to be a true outpatient therapy.

Following completion of its successful IPO in July 2018, the company conducted a follow-on financing post, raising $108.8 million in March 2019.

While the Autolus share price has declined during the period, we are focused on long-term value creation and believe the fundamentals of the company are strong.

Post period end Autolus reported additional encouraging data in its AUTO3 DLBCL programme at the EHA conference and expects to report further data from this programme in the second half of 2020, which will enable the company to make its decision on further clinical development, including Phase 2 initiation.

The company additionally, completed a second follow-on financing raising net proceeds of approximately $72.4 million, which will enable Autolus to develop its AUTO1 adult ALL programme through its Phase 2 trial and advance its next generation of T cell therapies into the clinic.

Autolus has a large pipeline of programmes, four of which are already in the clinic. Over the coming year we expect the company to initiate a number of new trials and report further data in adult ALL and DLBCL. The business also expects to present data ,for the first time, from its AUTO4 programme in T Cell Lymphoma, an area of severe unmet need.

imara

Imara

Imara is a clinical-stage biotechnology company focused on developing new medicines to treat patients suffering from rare inherited genetic disorders of haemoglobin

Focus area Genetic diseases

Value £10.7m

Cost £9.3m

% of gross portfolio 7%

Remaining commitment £2.1m

Phase

2

During the period we co-led a $63.0 million Series B for new portfolio company Imara, acquiring a 9.9% stake on a fully diluted basis and committing to invest $15.0 million (£11.4 million), of which £9.3 million has been drawn to date.

Imara is developing novel therapeutics for the chronic treatment of sickle cell disease (SCD) and other haemoglobinopathies. The lead programme, IMR-687, is designed to be a disease-modifying therapy that acts on both red and white blood cells with the potential to create better treatment outcomes for patients. It has a differentiated clinical profile, including a dual mechanism of action on red and white blood cells, once daily dosing, clean safety, and potential impact on foetal haemoglobin.

Imara adds a new therapeutic area and expands the breadth of our portfolio into non-oncology haematology and also adds another later-stage clinical asset to the portfolio. IMR-687, is at an exciting point in its clinical development and is currently being evaluated in a Phase 2a study in sickle cell patients. The company reported encouraging initial safety and efficacy data in June, which demonstrated that treatment with IMR-687 in adult patients was generally well tolerated.

Post period end the company announced that it had filed for a proposed IPO on Nasdaq. Further details will be announced in due course.

Artios Pharma

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

Focus area Oncology

Value £15.2m

Cost £13.8m

% of gross portfolio 10%

Remaining commitment £nil

Phase

PC

Artios made significant progress this year as it advances towards clinical development.

The company recently in-licenced a new ATR inhibitor, with best-in-class potential, from MD Anderson and ShangPharma. ART0380 is under-going IND enabling studies with the hope to establish a superior safety profile in the clinic than competitor compounds. The new asset is expected to enter Phase 1 in ATM-deficient tumours by the end 2020. This significantly broadens and adds further value to the DDR pipeline, as well as bringing the company a step closer to clinical data.

Artios also continued to make excellent progress with its Pol Theta programme, with a first development candidate nominated. The first candidate will be tested for monotherapy and combination efficacy with PARPi and radiosensitisation and is scheduled to be IND ready by Q1 2021.

Behind ATR and Pol Theta there is a deep pipeline of inhibitors targeting key nucleases involved in DNA repair which show synthetic lethality in different genetic backgrounds.

The company continued to expand its team during 2019, with notable hires such as Ian Smith (Eli Lilly, AstraZenca) as Chief Medical Officer and Tania Dimitrova (Pfizer, Bristol-Myers Squibb) as Chief Business Officer. The company also expanded its clinical development team and its US presence with a new office in New York.

Aura Biosciences

Aura is clinical stage company developing a new class of therapies to target and destroy cancer cells selectively, while leaving surrounding tissue unharmed.

Focus area Oncology

Value £8.3m

Cost £7.1m

% of gross portfolio 6%

Remaining commitment £nil

Phase

2

Aura's lead programme, AU-011, targets ocular melanoma, a rare and aggressive eye cancer which represents a significant unmet need. Surgical intervention and radiotherapy can lead to eye damage and loss of vision and, in about 40% of cases, ocular melanoma metastasizes to the liver, where it is nearly always fatal.

Aura's novel technology uses viral nanoparticle conjugates to bind selectively to unique receptors on cancer cells in the back of the eye. The therapy is administered through an intravitreal injection into the eye and, once activated by an ophthalmic laser, the treatment kills the cancer cells while preserving patients' vision.

Aura has been granted Orphan Drug and Fast Track status from the U.S. Food & Drug Administration (FDA) for its AU-011 programme. The ongoing Phase 1b/2 study has shown that the drug is well-tolerated, with clear evidence of tumour control and preservation of visual acuity at long term follow up, even in high risk patients. The company expects to initiate a pivotal Phase 3 trial in the second half of 2020.

Aura also continues to make strong operational and financial progress. The company completed a $40.0 million Series D financing in the period, in which Arix committed a further $4.5 million (£3.4 million), to increase our stake to 7.7%. The financing recognised a 33% uplift in the book value of Arix's Series C investment in Aura, with Arix's total interest in Aura increasing to £8.3 million from £3.9 million on a fully committed basis.

Aura plans to use the proceeds from the Series D financing to support the late stage clinical development of its lead asset, light-activated AU-011, for the treatment of primary choroidal melanoma.

VelosBio

VelosBio is a privately held, clinical-stage biopharmaceutical company developing first in class antibody-drug conjugate (ADC) and bispecific antibodies programmes to treat cancer.

Focus area Oncology

Value £5.5m

Cost £5.1m

% of gross portfolio 4%

Remaining commitment £3.3m

Phase

1

VelosBio is our ADC company, originally sourced through our pharmaceutical partner, Takeda Ventures.

Antibody Drug Conjugates (ADCs) are highly potent drugs designed as a targeted therapy for the treatment of people with cancer. In contrast to traditional chemotherapeutic drugs, ADCs only target delivery of "drug payloads" to cancer cells so that healthy cells are less affected.

The company has a highly experienced leadership team, led by Chief Executive Officer, Dave Johnson, the former CEO of Acerta Pharma, which developed the approved blood cancer treatment, CALQUENCE (acalabrutinib), acquired by AstraZeneca for up to $7 billion in 2015.

The company has made rapid clinical progress in 2019, dosing the first patient in its lead programme VLS-101 for the treatment of haematological cancers and moving through four dose levels.

Very early data presented at Arix's 2019 capital markets day, is encouraging and the company expects to provide further safety and efficacy data in H2 2020.

Outside its lead programme, the company's goal is to expand its pipeline to build novel best-in-class therapeutics for cancer and develop next generation ADCs and bispecific antibodies (BiAbs) as fast followers to VLS-101.

LogicBio Therapeutics (NASDAQ: LOGC)

LogicBio is a genome editing company focused on developing medicines to durably treat rare diseases in pediatric patients with significant unmet medical needs using GeneRide™, its proprietary technology platform.

Focus area Genetic diseases

Value £16.3m

Cost £10.5m

% of gross portfolio 11%

Remaining commitment £nil

Phase

PC

LogicBio is initially targeting rare liver disorders where it is critically important to treat patients early in life, before irreversible damage occurs. Unlike traditional gene therapy, GeneRide™ harnesses the cell's natural DNA repair process to integrate a corrective gene directly into the patient's genome. This approach is designed to provide a durable therapeutic benefit from a single treatment.

During the period, LogicBio was granted orphan and rare paediatric disease designation by the FDA for its lead product candidate LB-001 for the treatment of methylmalonic acidemia (MMA). The business also moved into new facilities and expanded its lab space, which will support the continued growth of its pipeline and team.

Notably, post period end, LogicBio announced a research collaboration with Takeda, one of our strategic partners, to further develop its LB-301 programme for the treatment of Crigler-Najjar syndrome. The collaboration will bring together LogicBio's propriety platform for genome editing and Takeda's expertise in researching and developing gene therapies.

In February 2020, the FDA placed a clinical hold on the Investigational New Drug (IND) submission for LB-001 for the treatment of MMA pending the resolution of certain clinical and non-clinical questions. The Company submitted the IND in January 2020 to support the initiation of a Phase 1/2 clinical trial in patients with MMA. LogicBio plans to work closely with the FDA to resolve these questions as quickly as possible.

Atox Bio

Atox is focused on developing cures for serious, life threatening conditions in critically ill patients resulting from severe acute inflammation

Focus area Immunology

Value £5.0m

Cost £6.2m

% of gross portfolio 3%

Remaining commitment £0.2m

Phase
3

Atox Bio's lead product, Reltecimod, is a novel peptide that modulates the body's severe acute immune response. It is initially being developed to treat Necrotizing Soft Tissue Infections (NSTI), also known as "flesh eating bacteria." This is a rare, life threatening response to infection that results in significant tissue destruction and systemic disease leading to multiple organ dysfunction, failure and death.

During the period the company recently completed enrolment of the ACCUTE (Reltecimod Clinical Composite endpoint StUdy in necrotizing soft Tissue InfEctions) study, a phase 3 clinical trial evaluating the efficacy of Reltecimod in patients with NSTI. Results of the study are expected to be presented at a medical meeting in the first half of 2020. Previously, the company completed a phase 2 study of Reltecimod in NSTI, which demonstrated that patients treated with Reltecimod had a meaningful improvement across multiple end points.

Reltecimod is also being studied in REAKT (Reltecimod Efficacy for Acute Kidney Injury Trial), in patients with abdominal sepsis induced Acute Kidney Injury (SA-AKI).

Reltecimod was granted Fast Track status for both NSTI and AKI and Orphan Drug designation from the FDA for NSTI as well as Orphan Medicinal Product designation from the European Commission for NSTI.

Amplyx

Amplyx is a clinical stage company focused on developing innovative therapies for patients with compromised immune systems, including cancer and transplant patients and the critically ill.

Focus area Anti-Infectives

Value £4.9m

Cost £4.8m

% of gross portfolio 3%

Remaining commitment £nil

Phase
2

The recovery of patients struggling to overcome cancer, or a lifesaving transplant, is often put at risk by the very treatments necessary to save their lives – namely, medicines which suppress the immune system. Amplyx's mission is to bring innovative therapies to these vulnerable patients and keep them on the path to renewed health.

Amplyx made strong progress in 2019, expanding its clinical pipeline and reporting positive interim Phase 2 data.

During the period the company announced encouraging safety and efficacy data from 50% of the planned study population enrolled in its Phase 2 trial of APX001 (fosmanogepix) for the treatment of candidemia. These data, which were reviewed by two independent review committees, showed that fosmanogepix demonstrated a high level of treatment success. Candidemia is a significant threat in patients who are critically ill or have compromised immune systems, with mortality among patients as high as 40%. The currently available antifungal agents are associated with significant side effects such as liver or kidney damage and no new classes of antifungal drugs have been approved since 2001. We believe that fosmanogepix has the potential to become an important therapy for treating patients with these life-threatening infections.

Additionally, the company expanded its pipeline of innovative therapies, with a new Phase 2 ready programme (MAU868) for the treatment of BK virus, licensed from Novartis. BKV disease can lead to devastating and costly consequences, such as nephropathy, that primarily affects kidney transplant recipients, and hemorrhagic cystitis that affects hematopoietic cell transplant recipients. Amplyx expects to initiate the Phase 2 programme Phase 2 studies for this programme in the first half of 2020.

Iterum Therapeutics (NASDAQ: ITRM)

Iterum is a late stage clinical company aimed at combating the global crisis of multi-drug resistant pathogens

Focus area Anti-Infectives

Value £3.7m

Cost £13.0m

% of gross portfolio 2%

Remaining commitment £nil

Phase

3

During the period Iterum completed enrolment of its three Phase 3 clinical trials of sulopenem (Iterum's lead compound and novel antibiotic for the treatment of gram-negative, multi-drug resistant infections) in complicated and uncomplicated urinary tract infections (UTI) and complicated intra-abdominal infections (IAI).

In December, the company announced topline Phase 3 results of sulopenem in the first of these trials in complicated intra-abdominal infections. The full body of evidence from the trial, known as Sulopenem for Resistant Enterobacteriaceae (SURE) 3, confirms overall safety profile and suggests that treatment with sulopenem may result in clinically important benefits in patients with complicated intra-abdominal infections, the second leading cause of infection-related mortality in intensive care units. However, the trial narrowly missed its primary endpoint of clinical response on Day 28 in the microbiological MITT (modified intent to treat) population, by just one patient. All the secondary endpoints met the bar for non-inferiority and will provide, at a minimum, supportive safety data. Sulopenem clearly showed activity and the product was well tolerated.

Iterum expects to announce Phase 3 data from its SURE 1 and SURE 2 clinical trials for sulopenem in uncomplicated and complicated UTI in H1 2020.

Pharmaxis (ASX: PXS)

Pharmaxis is an Australian pharmaceutical research and development company focussed on inflammation and fibrosis with a portfolio of products at various stages of development.

Focus area Immunology

Value £3.7m

Cost £8.0m

% of gross portfolio 2%

Remaining commitment £nil

Phase

2

During the period Pharmaxis announced positive Phase 1a results from its systemic LOX inhibitor programme for the treatment of fibrotic cancer and myelofibrosis. The Phase 1 study commenced in February 2019 and consists of two stages. In the first single ascending dose stage (phase 1a) the drug was well tolerated and no safety signals were identified during the study. Importantly for potential clinical benefit, the data showed a drug with good pharmacokinetics and a dose related inhibition of LOX enzymes, with the upper doses causing significant inhibition for a full 24 hours after a single application. The second multiple ascending dose stage (phase 1b) commenced in October and is due to report in H1 2020.

In October, the FDA provided detail advice on the Human Factor Study design that is needed for Bronchitol approval in the US. Pharmaxis believes that the FDA review of the Bronchitol NDA will be completed in mid 2020. Subject to approval, Pharmaxis will receive a US$10 million milestone on the commercial launch of Bronchitol in the US, mid to high teen percentage royalties and will be the exclusive supplier of Bronchitol for the US market.

The company ended 2019 with the disappointing news that Boehringer Ingelheim (BI) were discontinuing the development of the AOC3 inhibitor acquired from Pharmaxis in 2015 in the NASH indication, despite a Phase 2a study that met all endpoints. While the NASH opportunity is now gone a separate study in diabetic retinopathy (DR) is underway with phase 2 recruitment completed and a read out due in H2 2020. BI have emphasised in their discussions with Pharmaxis that the development track in DR will be assessed separately from NASH and that the degree of clinical benefit seen in the ongoing phase 2a study will be key in deciding whether to progress further.

STipe Therapeutics

STipe Therapeutics is a privately held biotechnology company with a vision to become a leader in the immune-oncology field, pioneer therapies using a novel aspect of the stimulator of interferon genes (STING) Pathway to target cancer.

Therapeutic area Oncology

Ownership 19.8% (fully committed)

Cost: £2.0m

Remaining commitment: £2.9m

Value: £1.9m

Phase

PC

In September 2019, we co-led the Series A financing of new discovery portfolio company STipe Therapeutics; a company focused on harnessing the innate immune system to battle cancer. STipe is developing first-in-class drugs targeting intracellular protein-protein interactions of the STING Pathway; a major driver of innate immunity, and regulator of tumorigenesis and autoimmune disorders. The company has identified and validated compounds that sensitizes the STING pathway and by this modulates the tumour microenvironment to support a potent anti-tumoral response.

Dr Christian Schetter, Entrepreneur in Residence at Arix, joined the company as Executive Chairman and Jonathan Tobin, Investment Director at Arix, joined STipe's board of directors.

The combination of this exciting science, the founders' expertise and Christian's experience and leadership in immunotherapy, gives STipe a great platform on which to launch. We are looking forward to building this company with our co-investors and working with the leadership team to accelerate the development of new treatment options for cancer patients.

» Read Christian's interview on pages 14 to 15

Quench Bio

Quench Bio is a biotechnology company leveraging new insights into gasdermin biology and innate immunity to develop medicines for severe inflammatory diseases.

Therapeutic area Immunology

Ownership 22% (fully committed, including January 2020 commitment)

Cost: £5.3m at 31 December 2019

Remaining capital: £4.6m in January 2020

Value: £6.5m at 31 December 2019

Phase

PC

In January post period end, we announced the Series A financing and launch of Quench Bio, a company that we created and seeded with leading early stage life science investor, Atlas Venture, in June 2018. This is the first company we have co-founded and formed from scratch, combining scientific discoveries from professors in Germany with entrepreneurs and co-investors in Boston. It encapsulates the benefits of Arix's transatlantic footprint and culture.

Quench originated from Arix academic partner, the Lead Discovery Center (LDC), which helps to translate scientific discoveries from Max Planck Institutes in Germany into drug discovery projects for partnering with pharma or spin outs.

The science is based on a novel target called gasdermin, which is a type of protein, which plays a key role in inflammatory cell death by forming lytic pores in the membranes of cells and causing them to rupture. This explosive cell death leads to a positive feedback loop of inflammation that drives a range of severe diseases when dysregulated and persistent. Quench aims to inhibit the pore-forming function of gasdermin in order to dampen the inflammation.

Similar to our other early stage investments going after scientific white space, Artios and STipe, the investment thesis was based on the combination of superb science with top quality entrepreneurial management.

We are very excited about the journey ahead for Quench. It is a privilege to be involved with setting up a new company with such high quality investors and entrepreneurs, and we aim for this to be the first of a number of new companies that Arix helps create.

» Read more from Quench CEO Samantha Truex on pages 16 to 17

Our core purpose is to help translate scientific innovation into new medicines for patients. Through the portfolio companies that we back and build, we aim to address significant challenges in healthcare in the areas of oncology, genetic diseases, immunology and anti-infectives.

At Arix we focus on outcomes beyond financial performance and through our portfolio companies we hope to make a tangible difference to patients' lives. To date, we have invested £138m into innovative biotech companies in our Gross Portfolio, which, in turn, have raised more than $1.5bn of funding to date. Multiple jobs been created through Arix and our portfolio companies, which collectively have over 730 employees today.

16
portfolio companies

$1.5bn
capital raised by portfolio companies

£138m
deployed into life sciences since 2016

26
clinical trials across our portfolio addressing significant unmet needs in healthcare

730+
number of employees across Arix portfolio companies

Arix's core focus is to invest in and build breakthrough biotech companies, whilst maintaining disciplined capital allocation.

2019 has been a year of transition for Arix's finances, during which the Group implemented a leaner structure and lower ongoing cost base. Arix's portfolio companies have continued to progress, although this year's results are marked by volatility in the valuation of Arix's listed investments, which has led to a reduction in the Group's net asset value, and a loss for the financial year.

At year-end, net asset value totalled £202.1 million, a reduction of £68.1 million compared to 2018's £270.2 million. This was predominantly driven by a net downward revaluation of Arix's investments of £58.6 million in the year (2018: £51.2 million positive revaluation).

Arix ended the year with cash and deposits of £54.6 million (2018: £91.2 million), the reduction predominantly driven by strong investment activity, with £39.2 million deployed across both new and existing portfolio companies; partially offsetting this, some initial modest realisations were seen (£8.9 million of proceeds).

Core Portfolio

Arix added one new company to its Core Portfolio during the year, co-leading the $63 million Series B investment into Imara, with a commitment of $15.0 million (£11.3 million). In the first half of the year, Harpoon Therapeutics completed its Nasdaq IPO, in which Arix invested a further $6.0 million (£4.7 million); and Aura Biosciences successfully closed a Series D financing round, at a 33% uplift to the 2017 Series C, when Arix first invested in the company. Autolus Therapeutics also completed a follow-on financing, in April 2019, in which Arix invested a further £3.8 million.

Investment pace slowed during the second half of the year, although milestone investments were made into Amplyx Pharmaceuticals, Aura Biosciences and Artios Pharma (the latter funded in January 2020), in line with existing commitments.

The Core Portfolio incurred a net negative revaluation of £54.6 million during the year, arising almost exclusively from Arix's listed investments. The majority of the impact was from Autolus Therapeutics, with Arix's stake falling by £50.8 million, compared to a £55.9 million positive revaluation in 2018. Other notable decreases in the value of listed stakes were seen with LogicBio Therapeutics (£7.7 million) and Pharmaxis (£2.6 million). Arix's stake in Harpoon Therapeutics increased in value by £6.1 million in the period, while the unlisted investments in the Core Portfolio contributed £1.9 million.

Shortly prior to year-end, with the stock at all-time highs, Arix realised 11% of its stake in Harpoon, at two times the average cost of investment, marking the first modest proceeds received from the Core Portfolio.

Discovery Portfolio

Arix holds its earliest stage assets in the Discovery Portfolio. This acts as a development pool for some of the most promising emerging areas of biotech, with the companies often in the initial stages of research and development. One new company was added to this portfolio in the year, as Arix co-led the €20 million Series A financing of STipe Therapeutics, committing €5.7 million (£4.8 million), for a 19.8% stake. Meanwhile, a decision was taken to wind down Mitoconix Bio, in which Arix had invested £0.8 million. While it is always disappointing when a company does not reach its potential, this highlights Arix's risk-based approach, initially committing small amounts of capital split into milestone-dependent tranches, meaning cash is preserved when necessary levels of conviction are not achieved.

A positive development within the Discovery Portfolio was Quench Bio, which emerged from stealth mode shortly after year-end, concluding its Series A financing. Arix co-founded the company in 2018, alongside Atlas Venture, incubating the investment within the Discovery Portfolio over the past 18 months.

Other Interests

Arix's Other Interests reflect legacy holdings, which continue to wind down. Proceeds of £4.3 million were received during the year, while net writedowns of £4.5 million were recognised; at year-end, the remaining positions total £2.7 million.

Cash Position

Cash and deposits totalled £54.6 million at year-end, compared to £91.2 million the previous year. The reduction in the period was predominantly driven by ongoing deployment into Arix's portfolio, with £39.2 million invested. This was partially offset by the realisation of a portion of Arix's Harpoon holding, and by the wind down of Arix's Other Interests, which cumulatively generated £8.8 million of proceeds during the year.

At year-end, amounts committed to portfolio companies, upon completion of agreed milestones, totalled £8.5 million; this excludes 2019's £4.3 million investment in Artios, the funds for which were transferred in January 2020. Arix continues to take a prudent approach to cash management, reserving funds for both the anticipated future requirements of the portfolio and the ongoing costs of the business, leaving Arix well placed to continue supporting the existing portfolio.

Consolidated Statement of Comprehensive Income

The largest component of Arix's Statement of Comprehensive Income is the change in fair value of investments, which reduced by £58.6 million in the year (2018: increase of £51.2 million). The significant movements in this balance are discussed on the previous page.

Throughout 2019, Arix has been transitioning to a leaner organisational structure and lower cost base. Significant changes were made to the management team, with Sir Christopher Evans and James Rawlingson departing, and Jonathan Peacock moving to a Non-Executive role. The previously announced premises review resulted in the sub-letting of Arix's US office and a move to smaller location. Despite incurring a number of one-off costs associated with these changes during 2019, Administrative Expenses excluding Depreciation and Amortisation were £1.5 million lower than the previous year, at £9.3 million. Arix anticipates that these costs will be below £9.0 million in 2020.

As expected, Revenue decreased to £0.5 million (2018: £1.3 million), reflecting The Wales Life Sciences Investment Fund's reducing contribution as the fund enters the later years of its life. Interest income of £0.8 million (2018: £0.7 million) was earned on Arix's cash and deposits.

Other deductions in the period relate to foreign exchange losses of £4.4 million (2018: £4.6 million gain), predominantly arising from Arix's increasingly US dollar denominated investment portfolio; a one-off £0.5 million impairment relating to Arix's sub-let US property; a £0.8 million impairment to intangible assets; and a share based payment charge of £2.8 million (2018: £3.3 million).

Taxation

Movements in Arix's tax balance to date have principally related to deferred tax balances. Revaluations in Arix's investments are only taxable once realised, but a deferred tax charge is recognised in the same period as an unrealised revaluation. Where possible, Arix aims to take advantage of the UK's Substantial Shareholding Exemption, which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met.

Valuation Policy

Arix's investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines December 2018 ('IPEV Guidelines'). Quoted investments are marked-to-market at the period end. Unquoted investments are valued with reference to the most recent funding round; milestones; or by discounted cash flow.

Investment summary

Investment	Value 31 December 2018 £m	Investment in period £m	Realisations in period £m	Change in valuation £m	FX movement £m	Value 31 December 2019 £m	Fully diluted equity interest %	Fully committed. Not yet invested £m	Fully funded. Fully diluted equity interest %
Core portfolio									
Amplyx Pharmaceuticals	3.2	1.9	–	–	(0.2)	4.9	3.0%	–	3.0%
Artios Pharma	10.9	4.3	–	–	–	15.2	12.4%	–	12.4%
Atox Bio	3.2	3.2	–	(1.2)	(0.2)	5.0	6.4%	0.2	6.5%
Aura Biosciences	3.9	3.4	–	1.2	(0.2)	8.3	7.7%	–	7.7%
Autolus	81.5	3.8	–	(50.8)	(0.7)	33.8	7.5%	–	7.5%
Harpoon Therapeutics	23.9	4.7	(4.3)	6.1	(1.5)	28.9	10.4%	–	10.4%
Imara	–	9.3	–	1.4	–	10.7	9.2%	2.1	9.9%
Iterum Therapeutics	4.3	–	–	(0.6)	–	3.7	7.3%	–	7.3%
LogicBio Therapeutics	24.3	–	–	(7.7)	(0.3)	16.3	13.0%	–	13.0%
Pharmaxis	6.4	–	–	(2.6)	(0.1)	3.7	11.1%	–	11.1%
VelosBio	5.2	–	–	0.5	(0.2)	5.5	8.9%	3.3	11.3%
Verona Pharma	2.5	–	–	(0.9)	–	1.6	2.5%	–	2.5%
	169.3	**30.6**	**(4.3)**	**(54.6)**	**(3.4)**	**137.6**		**5.6**	
Discovery portfolio	**6.2**	**5.6**	**(0.3)**	**0.5**	**(0.4)**	**11.6**		**2.9**	
Gross portfolio	**175.5**	**36.2**	**(4.6)**	**(54.1)**	**(3.8)**	**149.2**		**8.5**	
Other interests	**8.5**	**3.0**	**(4.2)**	**(4.5)**	**(0.1)**	**2.7**		**–**	
Total Investments	**184.0**	**39.2**	**(8.8)**	**(58.6)**	**(3.9)**	**151.9**		**8.5**	

Experienced and collaborative team with diverse backgrounds, deep scientific knowledge and commercial expertise.

Key

◇ Investment Team

◆ Executive Committee

Joe Anderson PhD ◆◆
CEO and Chair of the Investment Committee

Joe was a partner at Abingworth LLP for 12 years, where he led venture-capital style investments in public companies. Joe has a PhD in Biochemistry and extensive board level experience of building successful life science companies. He has founded and managed public equities funds and been a director of Algeta, Amarin plc, Cytos and Epigenomics AG, and is currently a director of Autolus Therapeutics.

Joe began his career at the Ciba (now Novartis) Foundation, before joining The Wellcome Trust in 1990 where he became head of the strategy team. He then moved to the City of London as a pharmaceuticals analyst at Dresdner Kleinwort Benson before being appointed as Head of Global Healthcare and Portfolio Manager at First State Investments, Commonwealth Bank of Australia, in London.

Jonathan Tobin PhD ◆
Investment Director

Jonathan currently sits on the board of Artios Pharma, Atox Bio, STipe Therapeutics and Quench Bio. Prior to joining Arix, Jonathan spent five years at Touchstone Innovations where he was involved with the formation and investment in a number of early stage companies. Jonathan also previously worked at LifeArc, sourcing and evaluating new small molecule and antibody drug discovery projects.

He has a first-class degree in biology from the University of Oxford, a PhD in Molecular Medicine from UCL, carried out postdoctoral research at the Cancer Research UK London Research Institute (now Crick Institute), and published research in journals including PNAS, New England Journal of Medicine, and Nature Genetics. Jonathan also has an MBA with distinction from Imperial College, and is a Trustee of the Autism Research Trust.

Mark Chin ◆
Investment Director

Mark currently sits on the board of Harpoon Therapeutics, Iterum Therapeutics, VelosBio, Aura Biosciences, Imara and OptiKira. Mark has over 10 years of experience in the life sciences industry. He was previously a principal at Longitude Capital, where he focused on investments in both private and public biotechnology and medical technology companies. Prior to Longitude, he was a consultant at the Boston Consulting Group, where he was responsible for strategy and corporate development projects for pharmaceutical and biotechnology companies. Before BCG, Mark worked in corporate development at Gilead Sciences and market planning at Genentech. Mark has an MBA from The Wharton School at the University of Pennsylvania, an MS in Biotechnology from the University of Pennsylvania, and a BS in Management Science from the University of California at San Diego.

Edward Rayner ◆
Investment Director

Ed currently sits on the board of Depixus and Pharmaxis. Before joining Arix Bioscience at its inception, Ed spent 18 years as an equity analyst and Portfolio Manager in Europe and Australia. From 2004 to 2014, he was Head of Research at Alliance Bernstein and then a senior portfolio manager at AMP Capital, a leading Australian investment house with over A$130bn in funds under management, both in Sydney, Australia. At AMP Capital, he managed the growth equity portfolios and launched a small companies fund.

Prior to his move to Australia, Ed analysed European equities at UBS Asset Management and JP Morgan Investment Management. He gained an MA in Chemistry and MSc in Management at the University of Oxford and is a Chartered Financial Analyst.

Christian Schetter PhD
Entrepreneur in Residence

Christian is currently Executive Chairman of Arix Portfolio company, STipe Therapeutics. Prior to this he was CEO of Rigontec, a German Biotech company in the immune oncology space, which he led to a successful acquisition in 2017 by MSD for $465m.

Christian was also President and CEO of Neovii Biotech, previously Fresenius Biotech, which sold to the Neopharm Group, Israel, to form Neovii Biotech and positioning it as a successful standalone business. Before joining Fresenius, Christian was Senior VP, European Operations of Coley Pharmaceutical Group, Inc. and Managing Director of Coley GmbH. He was part of the leadership team which built Coley Pharmaceuticals from inception through multiple financing rounds, a NASDAQ IPO and finally a trade sale to Pfizer in 2007.

Before entering the life-science industry Christian performed academic research at the Max Planck Institute in Germany. He received his undergraduate degree and PhD from the University of Cologne and did postdoctoral research at the Scripps Research Institute in La Jolla, California.

STipe Therapeutics

Roberto Iacone
Entrepreneur in Residence

Roberto has over 15 years' experience in the life sciences sector. He is currently serves as joint Entrepreneur in Residence at Arix and Takeda, with a focus on sourcing early stage European investment opportunities that Arix and Takeda will jointly fund. Prior to this Roberto was EiR at Versant Ventures where he was involved in the successful founding of new companies, including Black Diamond Therapeutics, where he served as VP Biology. Previously, Roberto was the Director and Global Head of the Rare Diseases Research Division at Roche, where he was employed for 10 years. During his tenure at Roche, he was responsible for generating disease area strategies and advancing several assets for immunological and neurological disease from discovery to early clinical development, which included both large and small molecule programmes. He obtained his MD/PHD from the Max Planck Institute and University of Naples Federico II.

John Cassidy PhD
Investment Associate

John previously worked at L.E.K. Consulting LLP, as a Consultant in the Life Sciences practice, responsible for strategy and transaction support for pharma, biotech and private equity clients. John has a first-class degree in Biochemistry from Imperial College London and a PhD in Neuroscience from University College London sponsored by the Medical Research Council and Pfizer. John has published research in journals including Proceedings of the National Academy of Sciences (PNAS), Nature Communications, eLife and Journal of Neuroscience. John is also a board observer for Imara, STipe Therapeutics and Quench.

imara STipe Therapeutics QuenchBio

Tim Xu MD
Investment Associate

Tim joined Arix Bioscience in September 2019. He was previously an Engagement Manager at McKinsey & Company, where he advised pharmaceutical, insurance, and hospital clients on strategy and operations challenges. He has an MD from the Johns Hopkins School of Medicine, an MPP from the University of Cambridge, and a BA in Neuroscience and Modern European Studies from Vanderbilt University.

He is a co-founder of Cogentis Therapeutics (Alzheimer's disease) and Goldwater Scholar for his genetics translational research (obsessive-compulsive disorder). He has over 30 publications on US health policy, including as lead author in JAMA, JAMA Internal Medicine, and JAMA Surgery.

Robert Lyne
Chief Operating Officer & General Counsel

Robert has over 10 years' experience working with high growth technology companies. In addition to his role as Chief Operating Officer, Robert acts as the Company's General Counsel and Company Secretary. He began his career as a lawyer at international law firm Bird & Bird LLP in London. He has advised on over 60 venture capital financings in Europe and North America as well as multiple trade exits and IPOs, working with both company boards and investors to execute complex cross-border transactions. Robert joined Arix in 2017 from Touchstone Innovations plc where he worked with a number of venture-backed biotechnology companies, both private and public.

Marcus Karia
Group Finance Director

Marcus is the Group Finance Director of Arix Bioscience. He joined the company soon after inception in 2016 and has led the development of the Group's finance operations, as well as supporting Arix through its IPO.

After qualifying as a Chartered Accountant with PricewaterhouseCoopers, Marcus held positions at LDC, the private equity arm of Lloyds Bank, and Bridges Fund Management, a leading impact investor.

He holds a first class degree in Economics from the University of Nottingham and is a member of the Institute of Chartered Accountants in England and Wales.

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

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

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

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

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

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

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

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

Risk management framework

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

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

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

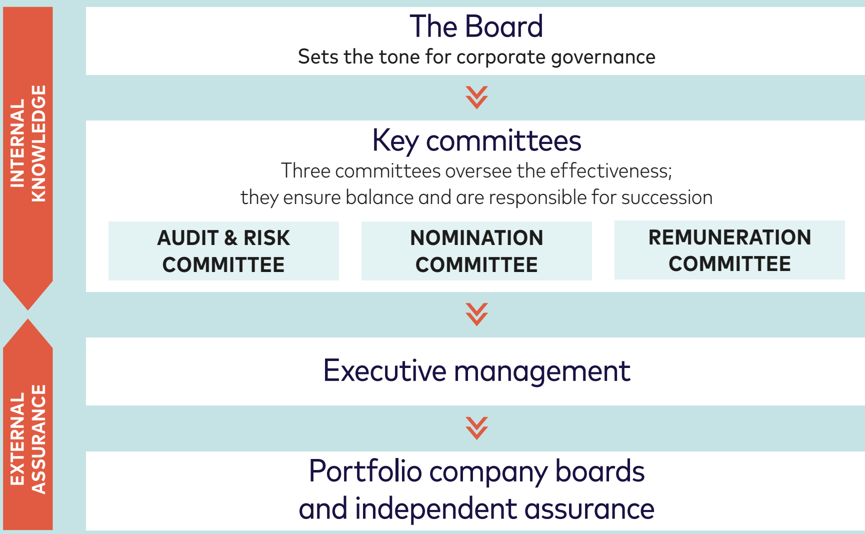
The Remuneration Committee ensures incentives and reward are balanced and appropriate for achieving the strategy.

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

Executive management
The management team is responsible for identifying, assessing and mitigating the day-to-day operational risks.

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

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



Risks and Mitigants

The key risks to Arix have been assessed in light of the current environment; these, along with the steps taken by Arix to manage such risks, are detailed below.

Area	Risk	Impact	Mitigation
1 **Clinical trial risks**	Arix's portfolio typically comprises companies that are engaged in clinical trials. There is a risk that the trials may produce negative or inconclusive results.	Negative clinical trial read outs may reduce the value of the portfolio company, potentially to nil. This would therefore result in a decrease in Arix's profitability, and reduce Arix's ability to generate positive cash flows from future realisations. Inconclusive read outs may both reduce the value of the portfolio company, impacting Arix's profitability, and require further capital to fund additional trials to seek further clarity in the results, adversely impacting Arix's cash flow.	Arix has an experienced team responsible for identifying and developing portfolio companies, resulting in a high standard of due diligence before the commitment of any capital. Post-investment, Arix typically has representatives on the company's board of directors, ensuring it is fully aware of business developments, and allowing for mitigation of possible issues as they arise. Arix funds a range of portfolio companies and continues to develop its portfolio across a range of therapeutic areas. Its diverse portfolio means that Arix's financial performance is not overly reliant on any one business.
2 **Personnel**	Arix's success is predicated on the quality of its investment decisions, which in turn is a product of the calibre of its investment team. There is a risk of Arix being unable to attract or retain staff of sufficient calibre.	The financial performance of Arix depends on its ability to identify and develop outstanding portfolio companies and, as such, is reliant on its key personnel. Loss of key individuals could reduce the quality of Arix's investment decision-making and therefore negatively affect Arix's financial performance and future prospects.	Arix's investment team have strong scientific backgrounds and are experienced life sciences investors. Arix has a market-appropriate remuneration scheme for its senior employees. This includes share incentive schemes, which reward personnel for long-term service and performance. Arix has three management members making up the Executive Committee performing active day-to-day roles who are able to provide emergency cover for each other over a short period. Arix's Nomination Committee is responsible for appropriate succession planning.
3 **Macroeconomic conditions**	Adverse market conditions may impact Arix's operational model.	An economic downturn, triggered by macroeconomic factors or a market shock such as coronavirus may reduce opportunities for Arix to realise capital from portfolio companies, affecting cash flow and financial performance if portfolio valuations are reduced. The availability of capital for any external fundraising by Arix or its portfolio companies may also be affected.	Arix's strategy is to deploy capital into innovative businesses which have unique, high impact outcomes; Arix believes that such businesses are less susceptible to macroeconomic cycles. Arix has funded portfolio companies across a range of geographies, including the UK, USA, Europe, Israel and Australia. As such, it is not overly reliant on a downturn or market shock in a single geography. Arix monitors its availability of capital closely, ensuring sufficient funds are available for the investment and operational needs of the business.
4 **Legislation & regulation**	Changes to government policy or regulation in the research, healthcare or life sciences industries could impact Arix or its portfolio companies.	A change in government regulation (for example CFIUS in the United States) may adversely affect the profitability of the healthcare and life sciences industry, resulting in a reduction in the number of investment opportunities, availability of external funding or potential exit opportunities for portfolio companies.	Arix's portfolio is diversified by geography, with exposure to the UK, USA, Europe, Israel and Australia, protecting the Group from the adverse actions of any one government. Arix's corporate team actively monitors changes to laws and regulation, and where considered necessary enlists the advice of relevant experts to consider any company or portfolio impacts.

Area	Risk	Impact	Mitigation
5 **Brexit**	Brexit may have an impact beyond the risks described above in terms of by severity of a downturn or the nature of the impact.	**Specific impacts could include:** ‣ a depressed UK capital market that does not support the raising of capital for the Group or its UK-based portfolio companies; or ‣ a reduction in government-funded research in biotech, leading to reduced investment opportunities.	Arix has the ability to withstand a depressed capital market, including but not limited to the ability to dispose of a portion of its listed investments; withhold funds that are reserved for the existing portfolio; or the ability to issue up to 10% of share capital to a new investor. Arix also closely monitors available capital and holds cash reserves to cover future operating costs. Both Arix's portfolio and pipeline of future opportunities has a broad geographic spread, with limited exposure to the UK capital market and government policy. As such, its financial performance is not overly reliant on the UK market.

Viability statement

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

A robust assessment of the principal risks and their mitigants has been carried out. The Board assessed Arix's business model, particularly its approach to future cash commitments to existing portfolio companies. Key judgements reflected how future cash requirements may change from restrictive regulations, and how the availability of capital may be impacted from the loss of key personnel.

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

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

Sustainability

The section below includes our mandatory reporting of greenhouse gas emissions. The reporting period is the same as the Group's financial year.

Greenhouse Gas Emissions

The section below includes our mandatory reporting of greenhouse gas emissions. The reporting period is the same as the Group's financial year.

Organisation Boundary and Scope of Emissions

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall with the Group's consolidated financial statement.

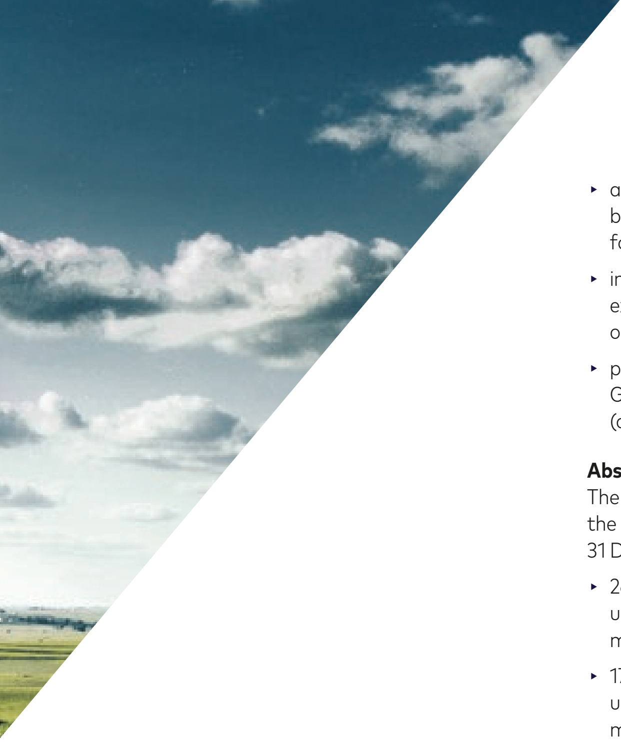
An operational control approach has been used in order to define our organisational boundary. This is the basis for determining the Scope 1 and 2 emissions for which the Group is responsible.

Methodology

For the Group's reporting, the Group has employed the services of a specialist adviser, Verco, to quantify and verify the Greenhouse Gas (GHG) emissions associated with the Group's operations.

The following methodology was applied by Verco in the preparation and presentation of this data:

- the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol");
- application of appropriate emission factors to the Group's activities to calculate GHG emissions;



- application of 2 reporting methods, location-based and market-based emission factors, for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO_2e;
- presentation of gross emissions as the Group does not purchase carbon credits (or equivalents);

Absolute Emissions

The total Scope 1 and 2 GHG emissions from the Group's operations in the year ended 31 December 2019 were:

- 26.5 tonnes of CO_2 equivalent (tCO_2e) using a 'location-based' emission factor methodology for Scope 2 emissions;
- 17.1 tonnes of CO_2 equivalent (tCO_2e) using a 'market-based' emission factor methodology for Scope 2 emissions.

This is the third year of reporting for the Group so we can show a comparison between FY2019, FY2018 and FY2017. There have been no major changes to the group's operations since 2017. During FY2019, the New York office moved to much smaller premises. They did occupy both the old and new offices for a period of 4 months.

Overall, there has been a drop in total emissions across both Scopes 1 and 2. There was a large decrease in Scope 1 emissions due to less gas use, but there was also a significant decrease in Scope 2 emissions (both location-based and market-based).

Intensity Ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes of CO_2 equivalent per employee and tonnes of CO_2 equivalent per square foot of the occupied areas. These are the most appropriate metrics given that the majority of emissions result from the operation of the Group's offices and the day-to-day activities of the employees.

Target and Baselines

Given the comparatively low GHG impact of the Group's operations, the Group's objective is to maintain or reduce its GHG emissions per employee and per square foot of office space each year and will report each year whether it has been successful in this regard.

For FY2019, the intensity metric based on emissions per square foot of office space remained at 0.004 tCO_2e per ft^2 using the location-based method and decreased from 0.003 tCO_2e per ft2 to 0.002 tCO_2e per ft^2 using the market-based method. The total emissions reduced but there was a fluctuation over the year in the total floor area.

For FY2019, the intensity metric based on emissions per employee increased from 1.86 tCO_2e per employee to 1.90 tCO_2e per employee using the location-based method and decreased from 1.37 tCO_2e per employee to 1.22 tCO_2e per employee using the market-based method. Both the total emissions and the number of employees has decreased.

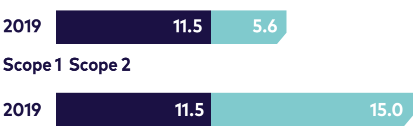
Our 2019 Strategic Report, from page 02 to page 47, has been reviewed and approved by the Board.

Jonathan Peacock
Chairman
9 March 2020

CO_2 equivalent emissions

29.8t

Arix Bioscience plc – Breakdown of emissions by scope



GHG emissions

	2019			2018			2017		
	Tonnes CO_2e	tCO_2e/ emp.[4]	tCO_2e/ sq. ft.[5]	Tonnes CO_2e	tCO_2e/ emp.[4]	tCO_2e/ sq. ft.[5]	Tonnes CO_2e	tCO_2e/ emp.[4]	tCO_2e/ sq. ft.[5]
Scope 1	11.5	0.82	0.002	14.1	0.88	0.002	14.1	0.88	0.002
Scope 2	15.0	1.07	0.002	15.7	0.98	0.002	18.5	1.15	0.002
Scope 3	5.6	0.40	0.0007	7.9	0.49	0.001	7.0	0.44	0.001
Total GHG emissions (Location-based Scope 2)	26.5	1.90	0.004	29.8	1.86	0.004	32.6	2.04	0.004
Total GHG emissions (Market-based Scope 2)	17.1	1.22	0.002	22.0	1.37	0.003	21.2	1.32	0.003

1 Scope 1 being emissions from the Group's combustion of fuel and operation of facilities.
2 Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.
3 Scope 3 being electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use.
4 Employee numbers: 14 (FY2019), 16 (FY2018) and 16 (FY2017).
5 Occupied office space: 8,239 sq. ft for 4 months; 8,329 sq. ft. for 5 months; 2,934 sq. ft. for 3 months. Arix moved premises in New York but let both premises for 5 months.

Chairman's introduction to corporate governance

Jonathan Peacock
Chairman

Dear Shareholder,
I am pleased to present this year's Report on Corporate Governance. Since its listing on the London Stock Exchange in February of 2017, the Company has applied the UK Corporate Governance Code (the "Code) as an integral part of its approach to governance. 2019 was first year of application for the revised Code that was published in July 2018. This report includes a description of how the Company has applied the Code in the context of the Company's governance structures.

As described in last year's report, the early part of 2019 saw an evolution of the executive governance of the Company when the Board confirmed Dr Joe Anderson in the CEO role and at the same time I stepped into a Non-Executive Chairman role and Sir Chris Evans stepped down from the Board.

2019 has also seen change amongst the non-executive directors of the Board, with Mark Breuer being welcomed onto the Board in April 2019 and Naseem Amin joining in December 2019. Mark's experience in UK and international capital markets and on public company boards, together with Naseem's experience in life sciences, corporate development and venture capital, will be invaluable in guiding our future.

On behalf of the Board, I would like to thank Dr Franz Humer, Meghan FitzGerald and James Rawlingson, who each departed the Board this year, for their important contributions to the early development of Arix.

Jonathan Peacock
Chairman

UK Corporate Governance Code – Compliance Statement

As a company admitted to the standard segment of the Official List, the Company is not required to adopt the UK Corporate Governance Code but it has voluntarily chosen to observe the requirements of the Code. During the year the Company has applied all of the main principles of the Code and provides below explanations of its non-compliance with the Code provisions:

Provision 5 – The Company operates a lean business model employing only 15 employees across Europe and the USA; this scale means that the Board has not felt it necessary to designate a Non-Executive Director to specially engage with the workforce, as the Board has regular contact with much of the organisation through both Non-Executive and Executive Directors.

Provision 9 – The Chairman was not independent on appointment. Due to the nature of the strategic objectives of the Company the Company has a highly experienced Chairman, Jonathan Peacock. The Board considers that leadership of this quality is essential notwithstanding that the Chairman is not independent under the terms of the Code.

Provision 10 – On appointment as a Non-Executive Director, Naseem Amin was considered to be independent. In coming to this decision, the Board notes that Naseem holds a directorship at Bellerophon Therapeutics, which is chaired by Jonathan Peacock. Having regard to the other indicators of independence, all of which Naseem fulfils, the Board is satisfied that this non-executive position would not impair his independence when acting as a non-executive director of the Company.

Provision 12 – The Board has not appointed a replacement senior independent director following the departure of Dr Franz Humer. The role has only been vacant since December 2019 and the Board expect to appoint a successor in due course during 2020.

Provision 36 – The Remuneration Committee has not yet developed a formal policy for post-employment shareholding requirements. The Committee believes that the current Remuneration Policy provides for considerable alignment between the interests of Executive Directors and shareholders, including through the three-year performance period for EIP awards, the two-year post-vesting holding period in the EIP and the requirement for Directors to build a shareholding equivalent to 200% of basic salary while in employment. With this in mind, the Committee has chosen not to go further and introduce post-employment holding requirements at this stage, however it will keep this matter under review in light of ongoing market developments in this area.

Responsibilities of the Board

Focus	Operation
Leadership, strategy and management	‣ Providing leadership and setting values and standards ‣ Approving the Company's strategic aims and objectives ‣ Overseeing operations
Structure and capital	‣ Changes to the Group's capital or corporate structure ‣ Changes to the Group's management and control structure
Financial reporting	‣ Approval of financial statements ‣ Approval of the dividend policy ‣ Approval of material changes in accounting policies ‣ Approval of major capital expenditure
Risk management and internal controls	‣ Ensuring maintenance of a sound system of internal control and risk management ‣ Determining the principal risks of the Company and how they are managed and mitigated ‣ Reviewing the effectiveness of the risk and controls processes
Board membership	‣ Changes to the structure, size and composition of the Board ‣ Ensuring adequate succession planning ‣ Appointment or removal of the Chairman, CEO, SID and Company Secretary
Corporate governance	‣ Review of Group's overall governance framework ‣ Determining the independence of Directors ‣ Considering the balance of interests between shareholders and other stakeholders ‣ Authorising any conflicts of interest
Remuneration	‣ Determining the policy for remuneration of Chairman, the Executive Directors, Executive Committee (including the Company Secretary) and senior investment team members ‣ Ensuring that the pension contribution rates for executive directors, or payments in lieu, are aligned with those available to the workforce ‣ Ensuring that workforce remuneration and related policies are taken into account when setting directors' remuneration ‣ Ensuring that employee engagement has taken place to explain how executive remuneration aligns with wider company pay policy ‣ Determining the remuneration of the Non-Executive Directors ‣ Introducing new share incentive plans or major changes to existing plans
Other	‣ Approval and monitoring of the share dealing code ‣ Approval and monitoring of CSR ‣ Approving policies and political and charitable donations ‣ Approval of the overall levels of insurance for the Group

Board leadership and company purpose

An effective board

The role of the Board is to provide entrepreneurial leadership to the Group, set strategy and monitor performance, and to ensure that the necessary financial and human resources are in place to enable the Group to meet its objectives. In addition, the Board ensures the appropriate financial and business systems and controls are in place to safeguard shareholders' interests and maintain effective corporate governance.

The Board operates in accordance with the Company's Articles of Association and its own written terms of reference. The Board has established a number of committees. Each has its own terms of reference, which are reviewed at least annually.

Assessing and monitoring culture

The Board is keen to ensure that the culture of the Company is aligned to Arix's purpose, Goal and Values as set out on the inside front cover. Individual Board members have regular, direct contact with the business and are confident that the culture of the company and its employees is consistent with what it expects in order to maintain a high standard of business conduct and deliver the Company's strategy. This is consistent with the Board's duties under s172 of the Companies Act as further described on pages 10 to 11.

Stakeholder and Employee engagement

The Board has actively engaged with stakeholders, including employees, throughout the period and has taken their interest into account when making decisions. A full description of the Company's engagement with its stakeholders is set out on pages 10 to 11 with specific description of engagement with employees on remuneration on page 61 of the Remuneration Report. As described on page 59 of the Audit and Risk Committee Report, the Company keeps its Whistleblowing Policy and arrangements under review.

Conflicts of interest

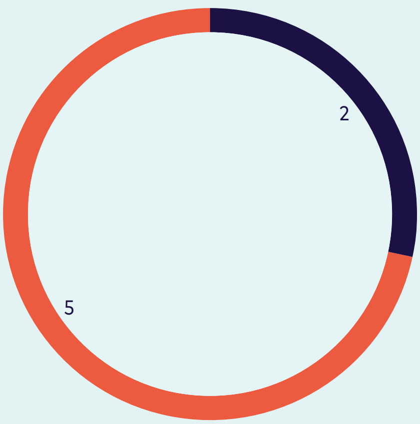
The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest, in line with the Companies Act 2006. The Articles permit the Board to authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the quorum and does not vote on the resolution to authorise. All Directors declare any potential conflicts of interest before their appointment, such that the Board can consider how to address any pre-existing potential conflicts before an appointment is confirmed. A record of Directors' interests is kept and Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest, in accordance with Sections 175, 177 and 182 of the Companies Act 2006.

Board attendance

	Board	Audit	Remuneration	Nomination
Jonathan Peacock	5/5			
Dr Joe Anderson	5/5			
James Rawlingson	3/3			
Dr Franz Humer	4/5		4/4	1/1
Professor Trevor Jones	5/5		4/4	
Giles Kerr	5/5	4/4		
Art Pappas	5/5		4/4	1/1
Mark Breuer	3/3	3/3		1/1
Meghan FitzGerald		1/1		

Attendance is expressed as the number of scheduled meetings attended out of the number of such meetings possible or applicable for the Director to attend.

Board independence



Non-Independent

- Jonathan Peacock
- Joe Anderson

Independent

- Mark Breuer
- Giles Kerr
- Art Pappas
- Trevor Jones
- Naseem Amin

» **Read more on the Board of Directors on pages 52 to 53**

Board process
The Board meets formally at least four times a year, with ad hoc meetings called as and when circumstances require at short notice. The table on the previous page shows the attendance of each Director at formal meetings of the Board and the committees of which they are a member.

All Directors are expected to attend all meetings of the Board, and any committees they are members of, and to devote sufficient time to the Company's affairs to fulfil their duties as Directors. Where Directors are unable to attend a meeting, they will be encouraged to submit to the Chairman any comments on papers to be considered at the meeting in advance, to ensure their views are recorded and taken into account.

The Chairman and Non-Executive Directors have met without the Executive Directors present on a number of occasions throughout the year.

Training and development of Board Directors
The Company Secretary regularly provides the Board with updates on Corporate Governance and regulatory matters at Board meetings. A formal and tailored induction is also provided to Directors on joining the Board. All Directors have access to the advice of the Company Secretary who is responsible for advising the Board on all governance matters.

Information and support
An agenda and accompanying detailed papers are circulated to the Board in advance of each Board meeting. These include reports from Executive Directors and other members of senior management, and all Directors have direct access to senior management should they require additional information on any of the items to be discussed.

The information supplied to the Board and its committees will be kept under review to ensure it is fit and proper for purpose, and that it enables sound decision-making.

The Company has adopted a formal procedure through which Directors may obtain independent professional advice at the Company's expense. The Directors also have access to the services of the Company Secretary.

Division of Responsibilities

Key Board roles and responsibilities
The Board currently consists of seven Directors (including the Chairman), five of whom are considered to be independent.

Role of the Chairman
Jonathan Peacock is the Chairman.
The Chairman is responsible for:

- Leading the Board to ensure its effectiveness on all aspects of its role in particular, the formulation of strategy and its alignment with culture, governance (having regard to best practice); and Board changes and succession planning.
- Establishing a partnership and close relationship of trust with the Chief Executive, providing appropriate support and advice.
- Ensuring constructive relations between executive and non-executive Directors and between Directors and senior management.
- Ensure that new Directors receive a full, formal and tailored induction on joining the Board.
- Monitoring stakeholder engagement including employee and shareholder engagement
- Ensuring that the Company Secretary is effective and supported
- Chair the Company's AGM and all other formal Shareholder meetings.

Role of the Senior Independent Director
The Board has not yet appointed a replacement Senior Independent Director (SID) following the departure of Dr Franz Humer at the end of the year. The Board expects to appoint a successor in due course during 2020.

Upon appointment, the SID's role will be to act as a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary. In order to fulfil this role:

- The SID will meet other Non-Executive Directors without the Chairman present at least once a year, to appraise the Chairman's performance, taking into account the views of Executive Directors, plus on such other occasions as are deemed appropriate.
- The SID is also available to shareholders should they wish to discuss concerns they have failed to resolve through the normal channels of Chairman, Chief Executive Officer or Executive Directors or for which such contact is inappropriate.

Role of the Chief Executive Officer
The Chief Executive Officer is primarily responsible for the running of the Group and for executing strategy as agreed by the Board. This involves:

- Driving the execution of the strategy
- Chairing the Investment Committee
- Ensuring implementation of the Board's decisions
- Ensuring the timely communication of information to the Board in sufficient detail to allow it to monitor the performance of the Group's business as a whole
- Communicating to the Board their own views and those of the executive team, on business issues facing the Group such that the Board may have a full and balanced view of the issues and factors it should consider when making decisions
- Managing their direct reports and ensuring that the overall team is motivated and develops in order to deliver on the Group's strategy
- Ensuring the effective implementation of the company's wider stakeholder engagement programmes

Commitment
The Board expects Non-Executive Directors to commit sufficient time to allow them to meet their obligations to the Company. The Non-Executive Directors are required to confirm, on acceptance of the role, that they have sufficient time to meet the expectations of their role. Non-Executive Directors will need to attend scheduled and emergency Board meetings, and committees as well as the AGM, as well as allowing appropriate preparation time ahead of each meeting.

Jonathan Peacock
Chairman

Jonathan Peacock
Non-Executive Chairman

Date of appointment
8 February 2016

Career history

Jonathan has 35 years global experience in operations, strategy and business development. He is the former CFO of Amgen Inc. and prior to that was the CFO of the Pharmaceuticals Division of Novartis AG, with global responsibilities including business development and strategy. During Jonathan's tenure as CFO of Amgen, Amgen Inc.'s share price increased by approximately 125%. Novartis Pharma AG's operating profit increased over 40% during his tenure as CFO of that company. Before joining the pharmaceutical industry, Jonathan was a partner at McKinsey & Company where he was co-head of the European Corporate Finance practice.

He was also a partner at PricewaterhouseCoopers in London and New York from 1993 to 1998. He has a Masters degree in Economics from the University of St Andrews in Scotland. Jonathan has extensive expertise in strategy, finance and operations within the biopharma industry. He has raised over $20bn in new capital and has been engaged throughout his career in business development and mergers and acquisitions on both the buy-side and sell-side globally. Jonathan was the CEO of NASDAQ-listed Bellerophon Therapeutics until November 2016 and is currently the Chairman; he also sits on the board of Avantor, Inc. He was formerly a non-executive director of Kite Pharma until its acquisition by Gilead Sciences for $11.9bn in 2017.

Joe Anderson PhD
CEO and Chair of the Investment Committee

Date of appointment
19 February 2019

Career history

Joe has over 30 years' experience in the life sciences industry with a successful track record of generating investment returns. He was a partner at Abingworth LLP for 12 years, where he led venture-capital style investments in public companies. He has founded and managed public equities funds and been a director of Algeta (acquired by Bayer AG for $2.9 billion), Amarin plc, Cytos (merged with Kuros) and Epigenomics AG, and is currently a director of Autolus Therapeutics.

Joe began his career at the Ciba (now Novartis) Foundation, before joining The Wellcome Trust in 1990 where he became head of the strategy team. He then moved to the City of London as a pharmaceuticals analyst at Dresdner Kleinwort Benson before being appointed as Head of Global Healthcare and Portfolio Manager at First State Investments, Commonwealth Bank of Australia, in London. Joe has a PhD in Biochemistry and extensive board level experience of building successful life science companies.

Professor Trevor Jones CBE
Non-Executive Director

Date of appointment
8 February 2016

Committee memberships
- Nomination Committee
- Remuneration Committee (Chair)

Career history

Trevor has led a distinguished career in both the pharmaceutical and biotech industries, as well as in academia. He was Group R&D director at The Wellcome Foundation Limited, responsible for the development of AZT, Zovirax, Lamictal, Malarone and other medicines. He was a director of Allergan Inc. (USA) for ten years, until 2015, and was formerly Director General of the Association of the British Pharmaceutical Industry (ABPI), served for 12 years as a member of the UK Government Regulatory Agency Medicines Commission and Chairman of the UK Government Advisory Group on Genetics Research. He is a visiting professor at King's College, London and holds honorary degrees and Gold Medals from six universities. In 2004, he was appointed to the World Health Organization Commission on Intellectual Property Rights, Innovation and Public Health. In 2003 he was awarded the CBE for services to the pharmaceutical industry.

Giles Kerr
Non-Executive Director

Date of appointment
17 October 2017

Committee memberships
- Audit and Risk Committee (Chair)

Career history
Giles has over 35 years' experience in finance across a broad range of industrial sectors with a particular focus on life sciences. He was formerly CFO of the University of Oxford and during his tenure he established a successful investment office with £4bn under management and a £650m early-stage investment fund.

Through his role on the board of the University of Oxford's technology transfer company, Oxford University Innovation Ltd., he has gained considerable experience of establishing and growing technology-based companies. Prior to joining the University of Oxford, he was CFO of Amersham plc and during his time at Amersham the share price increased seven-fold. Giles has extensive experience as chairman and senior independent director, and as chairman of UK and US listed company audit committees. He is currently Chairman of the audit committees of Senior plc, Paypoint plc and a member of the audit committees of Abcam plc and Adaptimune Therapeutics plc. Prior to joining Amersham plc he was an audit partner with Arthur Anderson & Co.

Arthur Pappas
Non-Executive Director

Date of appointment
12 September 2018

Committee memberships
- Nomination Committee (Chair)
- Remuneration Committee

Career history
Art Pappas has over 30 years experience as a pharmaceutical and biotechnology industry executive, and venture capital investor in life science companies. He is the founder and managing partner of Pappas Capital, a leading US venture firm. Prior to founding Pappas Capital in 1994, Art was an executive member of the board of directors of Glaxo Holdings plc (NYSE: GLX, now GSK), and served as chief executive responsible for international operations, including research, development and manufacturing.

Prior to Glaxo, Art held various senior executive positions with Abbott International, Merrell Dow Pharmaceuticals, and the Dow Chemical Company. He previously served as Chairman and founding CEO of CoLucid Pharmaceuticals (acquired by Eli Lilly), and on the boards of Afferent Pharmaceuticals (acquired by Merck), Chimerix, Quintiles Transnational Corp. (NASDAQ: QTRN, now NASDAQ: IQV), TYRX (acquired by Medtronic), Syntonix Pharmaceuticals (acquired by Biogen), LEAD Therapeutics (acquired by BioMarin), and Embrex (acquired by Pfizer). Art is a member of the Board of Directors of the North Carolina Biotechnology Center, the Medical University of South Carolina Foundation for Research Development, the Wistar Institute (a National Cancer Institute centre) and the Board of Advisors of the Duke Cancer Institute.

Mark Breuer
Non-Executive Director

Date of appointment
25 April 2019

Committee memberships
- Audit and Risk Committee
- Nomination Committee

Career history
Mark is a highly experienced corporate financier and has operated at senior levels in the UK and abroad. He has worked in investment banking for thirty years, and recently retired from a 19-year career at JP Morgan in London, where he held the position of Vice Chairman Global M&A and was a member of the Global Strategic Advisory Council. During his career, he has served in numerous client-facing and management roles, delivering mergers and acquisitions and broader corporate finance advice to both domestic and international clients. Mark currently serves as a Non-Executive Director on the Board of DCC plc. Mark is a fellow of the Institute of Chartered Accountants, having qualified in 1987, and has a B.A. from Vassar College in the US.

Naseem Amin
Non-Executive Director

Date of appointment
17 December 2019

Committee memberships
- Nomination Committee
- Remuneration Committee

Career history
Naseem joined the Arix Board in December 2019. He brings over 25 years of broad life sciences experience, having held senior positions in major healthcare businesses. Previous roles include Chief Scientific Officer of Smith and Nephew Plc, Senior Vice President of Business Development at Biogen and Vice President of Business Development and Clinical Research at Genzyme. He is currently CEO of GMP-Orphan and a Venture Partner at Advent Life Sciences. Naseem is a qualified medical doctor, from the University College Medical School, London, and an MBA from the Kellogg Graduate School of Management, Northwestern University.

Art Pappas
Chairman of the Nomination Committee

Composition

Art Pappas (Chairman)
Mark Breuer

Dear Shareholders,
On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2019.

Role and responsibilities

The role of the Nomination Committee is set out in its terms of reference, available on the Company's website.

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition and make-up of the Board and its committees.

Specific duties of the Nomination Committee include:

Meetings

The number of meetings of the Nomination Committee and attendance is set out on page 50 of the Corporate Governance Report. Only members of the Nomination Committee have the right to attend meetings, but we may invite other Directors, executives or advisers to attend all or part of any meeting as appropriate. In practice, the Chairman attends most meetings.

The Nomination Committee's work during the year has included the following matters:

- Reviewing the composition of the Board and the Board's committees
- Reviewing the balance of skills required by the Board and its committees and the business as a whole
- Setting and managing the process for the search for new Non-Executive Directors
- Recommending for approval new Directors to be appointed to the Board

Board changes

There were a number of Board changes during the year as explained in the Corporate Governance Report. Following the appointment of Mark Breuer to the Board in April, the Committee also recommended his appointment as a member of the Audit Committee, whilst Naseem Amin was appointed as a member of the Remuneration Committee when he joined the Board in December. The Committee continues to monitor the membership of the Board's Committees to ensure that each Committee has a suitable balance of skills as well as taking into consideration the length of service of the members.

The Committee chose to use an independent external search consultant, Korn Ferry, for new Non-Executive Director appointments. The Committee set the profile and criteria to be used in the search and is committed to ensuring that appointments follow formal, rigorous and transparent process.

In accordance with past practice, and the new Code, all directors will be subject to re-election at each AGM.

Diversity Policy

During 2019 the Board adopted a Diversity Policy. The Policy acknowledges the benefits of greater diversity, including gender diversity and states that the Company remains committed to ensuring that the Company's directors bring a wide range of skills, knowledge, experience, backgrounds and perspectives. All appointments will, however, continue to be made on merit against objective criteria, in the context of the overall balance of skills and backgrounds that the Board needs to maintain in order to remain effective. The objectives of the policy set out the process to be followed by the Nomination Committee during the recruitment process in order to ensure that an appropriately diverse pool of candidates is considered to enhance the balance of skills and backgrounds on the Board. The Board's use of an external search consultant helps to ensure that a diverse pipeline of candidates is considered for new appointments of Non-Executive Directors which will be made in accordance with the recently adopted Policy. The Board is satisfied that the Policy is in line with its strategic priorities, as described on page 22.

Annual evaluation

The performance of the Board, it Committees, the Chairman and individual directors are evaluated throughout the period. At year-end, the Board conducted a formal written performance evaluation which will be considered by the Board at its first meeting in 2020 and reported on in next year's annual report.

Art Pappas
Chairman of the Nomination Committee
9 March 2020

Key responsibilities

Board and Committee composition

- Review structure, size and composition of the Board regularly
- Evaluate the balance of skills, knowledge, experience and diversity on the Board
- Recommend changes to membership of the Board's committees
- Recommend suitable candidates for the role of the Senior Independent Director
- Consider and review the Board's policy on diversity

Effectiveness and succession planning

- Review the results of the Board performance evaluation process that relate to the composition of the Board
- Ensure all members of the Board are devoting sufficient time to fulfil their duties
- Assist with succession planning, and keep informed about strategic and commercial changes affecting the Company
- Satisfy itself that processes and plans are in place for succession planning

Appointments

- Prepare role description for Board appointments
- Identify and nominate to the Board candidates to fill Board vacancies
- Make recommendations to the Board regarding the reappointment of NEDs at the end of their term of office
- Make recommendations to the Board regarding the re-election of Directors by shareholders at each AGM

Giles Kerr
Chairman of the Audit and Risk Committee

Composition

Giles Kerr (Chairman)
Mark Breuer

Dear Shareholders,
On behalf of the Board, I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2019.

All members of the Committee are Independent Non-Executive Directors. The Board considers that I have recent and relevant financial experience as recommended under Provision 2.4 of The UK Corporate Governance Code (the Code) as it applies to the Company. In line with the Code, the Audit and Risk Committee as a whole is deemed to have competence relevant to the sector in which the Company operates.

The Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Group.

The Committee has met four times during the year. Further details on the activities of the Committee during the year and how it has discharged its responsibilities are provided in the report below.

Giles Kerr
Chairman of the Audit and Risk Committee
9 March 2020

Duties and responsibilities

The Audit and Risk Committee's duties and responsibilities are set out in its terms of reference which are available on the Company's website.

DUTIES AND RESPONSIBILITIES

Internal controls and risk management

- Monitor and review the adequacy and effectiveness of the Company's internal financial controls and risk management systems
- Review and recommend to the Board the disclosures in the annual report concerning internal controls and risk management
- Promote sound risk management and internal control systems
- Monitor and keep under review the policies and overall process for identifying and assessing business risk

External audit

- Recommend the appointment, reappointment or removal of the auditors
- Oversee the relationship, make recommendations on their remuneration, approve terms of engagement and review independence and objectivity
- Meet regularly without management present
- Develop policy on the supply of non-audit services
- Ensure the audit contract is tendered at least every ten years
- Review and approve the audit plan
- Review the findings of the audit

Whistleblowing, fraud, bribery and other compliance

- Review the Company's arrangements for its employees and contractors to raise concerns in confidence
- Review procedures for detecting fraud and preventing bribery
- Review the Company's code of corporate conduct/ business ethics

Financial and narrative reporting

- Monitor the integrity of the financial statements
- Review and report to the Board on significant financial issues and judgements
- Review and challenge accounting policies, methods used to account for significant or unusual transactions, clarity and completeness of disclosure

Internal audit

- To review the need for an internal audit function
- If an internal audit function is appointed:
  - Approve the appointment or termination of the head of internal audit
  - Consider and approve the Terms of Reference for the internal audit
  - Monitor and review the operation and the effectiveness
  - Review and assess the internal audit plan and reports
- Ensure access to the Board and Committee Chairmen, review the findings of the audit

Meetings and attendees

The Audit and Risk Committee has met four times during the year. The Audit and Risk Committee will normally meet no fewer than three times a year with further meetings being called as required.

The external auditors are invited to attend the majority of the meetings. Outside of the formal meeting programme, the Audit and Risk Committee chairman maintains a dialogue with key individuals involved in the Company's governance, including the Chairman, the Chief Executive Officer, the Group Finance Director and the external audit lead partner.

Activity during the year

The Audit and Risk Committee has met four times during the year. Matters discussed have included:

- Reviewing the Committee's terms of reference and recommending changes to the Board
- Reviewing the Company's internal controls environment
- Reviewing the Company's Whistleblowing Policy
- Reviewing the Company's Treasury Policy for recommendation to the Board
- Considering the Group's policy on the provision of non-audit services by the external auditors
- Reviewing the External Auditor's audit plan, process and scope
- Reviewing the independence of the External Auditor
- Reviewing the significant issues in the External Audit report
- Reviewing the Annual Report and Accounts and recommending their approval by the Board

Significant issues considered in relation to the financial statements

Significant issues and accounting judgements are identified by the finance team and are considered and reviewed by the Audit and Risk Committee. The significant issues considered by the Committee in respect of the year ended 31 December 2019 are set out in the table below:

Significant issues and judgements	How the issues were addressed
Valuation of unquoted Investments	The Audit and Risk Committee reviewed management's determination of the valuations of the unquoted investments, including the valuation methodology applied. The Committee concluded that the valuations of the unquoted investments were properly prepared in accordance with the stated accounting policy and the evidence available.
Calculation of share-based payment expense	The Audit and Risk Committee considered management's calculation of the share-based payment expense relating to founder shares, founder options, management options and the Executive Incentive Plan, including the assumptions made regarding volatility and the risk-free interest rate. The Committee was satisfied that the expense had been calculated appropriately.
Presentation of the Annual Report	The Audit and Risk Committee reviewed management's presentation of the Annual Report. The Committee noted that the inputs into, and disclosures and accounting policies included, in the annual report are reviewed by people with relevant financial experience and knowledge of the business, up to and including the Audit and Risk Committee. The Committee concluded that management has presented the report in a suitable manner, and that it is fair, balanced and understandable.

Risk management and internal control

The Board has overall responsibility for setting the Group's risk appetite and ensuring there is an effective risk management framework to maintain levels of risk within this risk appetite. The Board has, however, delegated responsibility for reviewing the risk management methodology and effectiveness of internal control to the Audit and Risk Committee. The Audit and Risk Committee provides oversight and advice to the Board on current risk exposures and future risk strategy. Further details of the Group's risk management approach, structure and principal risks are set out in the Strategic Report on pages 43 to 45.

The Group's system of internal control comprises entity-wide high level controls, controls over business processes and centre level controls. Policies and procedures are clearly defined. Levels of delegated authority have been communicated across the Group and management has identified the key operational and financial processes which exist within the business and implemented internal controls over these processes, in addition to the higher level review and authorisation based controls. Policies cover defined lines of accountability and delegation of authority; financial reporting procedures; and preparation of monthly management accounts; these facilitate the accuracy and reliability of financial reporting and govern the preparation of financial statements.

The Board is ultimately responsible for the Group's system of internal controls and risk management. Having discharged its duties in this area by:

- holding regular Board meetings to consider the matters reserved for its consideration;
- receiving regular management reports which provide an assessment of key risks and controls;
- scheduling annual Board reviews of strategy, including reviews of the material risks and uncertainties facing the business;
- ensuring there is a clear organisational structure, with defined responsibilities and levels of authority;
- ensuring there are documented policies and procedures in place; and
- reviewing regular reports containing detailed information regarding financial performance, rolling forecasts, actual and forecast covenant compliance and financial and non-financial KPIs.

In reviewing the effectiveness of the system of internal controls, the Audit and Risk Committee:

- reviews the risk register compiled and maintained by senior management within the Group and questions and challenges where necessary;
- reviews the system of financial and accounting controls regularly; and
- reports to the Board on the risk and control culture within the Group.

No significant failings or weaknesses were identified.

Internal audit

The Group does not have an internal audit function. The Audit and Risk Committee reviews the need for an internal audit function at least annually but following the most recent review in December 2019 feels it is not currently required given the Group's size.

External auditors

The Audit and Risk Committee is responsible for overseeing the Group's relationship with its external auditors, PricewaterhouseCoopers LLP (PwC). This includes the ongoing assessment of the auditors' independence and the effectiveness of the external audit process, by regular meetings and assessment of non-audit engagements. The results of this inform the Committee's recommendation to the Board as to the auditors' appointment (subject to shareholder approval) or otherwise.

Appointment and tenure

PwC was first appointed as the external auditors of the Group in December 2016. The current lead audit partner, Richard McGuire, has been in place for four years.

Regulations require the rotation of the lead audit partner every five years for a listed client. Therefore, we expect a new lead audit partner to be selected for the 2021 audit. In accordance with EU legislation, the Committee intends to put the external audit out to tender at least every ten years.

Non-audit services

The engagement of the external audit firm to provide non-audit services to the Group can affect the independence assessment, and the Group has therefore adopted a policy which conforms to the Revised Ethical Standard 2016 published by the Financial Reporting Council. Under the policy the engagement of the external auditors to provide statutory audit services, certain assurance, taxation and certain advisory services with fees of less than £5,000 is pre-approved. Any engagement of the external auditors to provide permitted services above £5,000 is subject to the specific approval of the Audit and Risk Committee. The policy recognises that certain non-audit services may not be carried out by the external auditors (in accordance with the EU Statutory Audit regime).

During the year ended 31 December 2019, PwC provided non-audit services in relation to reviewing the Group's Interim financial statements (£30k); and performing an FCA CASS Audit of Arix Capital Management Limited, a 100% subsidiary of Arix Bioscience plc. The fees paid to PwC for non-audit services during the year totalled £36,235, representing 19% of the total audit fee.

Whistleblowing

The Group has adopted procedures where employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The whistleblowing policy applies to all Group employees. The Audit and Risk Committee is responsible for monitoring the Group's whistleblowing arrangements and the Board reviews the policy periodically. The Audit and Risk Committee, on behalf of the Board, reviewed the Group's whistleblowing arrangements in December 2019 and it was considered that they were still appropriate in their current form.

Giles Kerr
Chairman of the Audit and Risk Committee
9 March 2020

Professor Trevor Jones CBE
Chairman of the Remuneration Committee

Composition

Trevor Jones (Chairman)
Art Pappas
Naseem Amin

Annual Statement by the Chairman of the Remuneration Committee

Dear Shareholders,

As the Chairman of the Remuneration Committee (the "Committee") I am delighted to introduce our 2019 Directors' Remuneration Report. I became Chairman of the Committee in December following Franz Humer's retirement from the Board. I would like to take this opportunity to thank Franz for his leadership of the Committee as Arix has become established as a listed company.

2019 was a year of continued development in which the business made solid progress on its internal and strategic goals against a challenging market backdrop and changes to the shareholder base. Following an evolution in senior management, Arix has a reinvigorated leadership team and is continuing to build a compelling portfolio of innovative life science companies.

The Remuneration Committee's initial focus during 2019 was on finalising the terms of the new Directors' Remuneration Policy and agreeing new targets to apply for the 2019 Executive Incentive Plan ("EIP") award. Full details were included in last year's Directors' Remuneration Report, and the new Policy received the support of a majority of shareholders at last year's AGM.

Later in 2019 the Committee considered a number of matters, including the likely vesting outcomes of outstanding EIP awards. After the year end we met to agree bonus outcomes in respect of 2019 and among other things considered the structure of EIP awards to be made in 2020.

The Committee regularly reviews the Remuneration Policy and its implementation in light of company-specific and market-wide developments. For example, during 2019 the Committee considered long-term incentive practices at competitor companies, although no changes were recommended to Arix's existing approach following this exercise. At the current time, the Committee believes that the Remuneration Policy is consistent with the key remuneration principles set out in the 2018 UK Corporate Governance Code. The Policy is clear, transparent, simple and operates within clearly defined limits and boundaries. The incentive schemes provide a link between strategy, Arix's high-performance culture and individual rewards.

Business Performance and Remuneration Outcomes for 2019

2019 has been a year of transition for Arix, during which the Company implemented a leaner structure and lower ongoing cost base. Arix's portfolio companies have continued to progress, although this year's results are marked by volatility in the valuation of Arix's listed investments, which has led to a reduction in the company's net asset value, and a loss for the financial year.

As in previous years, and consistent with the Remuneration Policy, the annual bonus scheme for 2019 involved the assessment of performance against strategic and operational goals. This included the use of targets linked to Arix's financial and market performance.

The Committee reviewed the level of performance against the bonus targets set at the start of the year and determined that although a number of important goals had been achieved, other targets were not met. After also taking into account the overall shareholder experience in 2019, the Committee agreed that Joe Anderson, the CEO (and the only Executive Director), would receive a bonus at a level of 50% of his maximum bonus opportunity. This was lower than the outcome of the formulaic assessment of performance under the bonus targets set out at the start of the year. The CEO will use all of the after-tax proceeds of the bonus to purchase shares in the Company, to be held for a minimum of three years. Further details of the specific bonus targets and the level of performance achieved can be found on page 70.

No shares vested under the EIP in respect of 2019. The first grant under this three-year plan was made in 2017, with a performance period which ends in May 2020. Based on share price performance from the date of grant to the date of this report, the Committee does not expect this award to vest. A final assessment will be made in May, based on the share price at that time.

As disclosed in last year's Directors' Remuneration Report, awards under the EIP were granted in 2019 with new performance targets to be achieved over the three-year period 2019-21. 60% of the award will vest based on share price performance, and 40% on the basis of growth in NAV per share. To the extent that the awards vest, they will be subject to a two-year post-vesting holding period.

The 2019 AGM

The new Directors' Remuneration Policy was passed with a 50.26% majority at the AGM in June 2019. The separate resolution to approve the 2018 Annual Report on Remuneration was defeated. This was naturally a matter of great disappointment for the Committee, particularly as the Committee Chair had engaged with all major shareholders, including those who subsequently voted against, before the AGM and had not received any objections to the new Policy. It is understood that the key driver for these outcomes was opposition from two of Arix's largest shareholders (accounting for approximately 50% of the shares voted at the AGM) in light of specific concerns they had with certain decisions taken by the Board. The vast majority of other shareholders voted in favour of the Policy, which the Committee continues to believe sets an appropriate framework for rewarding Arix's Executive Directors.

The higher level of opposition to the Directors' Remuneration Report reflected additional concerns raised by other shareholders in relation to the intended grant of an option award to the Chairman in 2019, reflecting his prior service as Executive Chairman, and the amendments to the terms of the Founder Options held by the CEO. Both of these matters were disclosed and explained in last year's Directors' Remuneration Report, and are considered to be one-off issues which will not be repeated.

Board Changes

We set out in last year's report the terms on which Jonathan Peacock stepped back from his executive duties, Joe Anderson was reappointed as CEO and the arrangements reached in connection with the termination of Sir Chris Evans as Deputy Chairman.

Later in 2019, the Committee agreed the appropriate termination arrangements for Arix's CFO, James Rawlingson, who left the Board in October. The Committee exercised its discretion to make a payment in lieu of notice equivalent to 12 months' basic salary to James. This decision was taken in return for the waiver by James of any claims against Arix arising in connection with the termination of his employment, including bonus for the 2019 financial year, and did not result in the payment by Arix of any more compensation than would have been payable had monthly payments been made over the 12-month notice period.

Implementation of the Remuneration Policy in 2020

For 2020, the Committee intends to operate the Remuneration Policy for the CEO in a similar manner to that which applied in 2019. This ensures alignment with Arix's strategy and provides a reward package which is appropriate in the context of external market positioning and internal relativities.

There will be no change to the CEO's salary in 2020.

The CEO will be eligible for a bonus for 2020 of up to 100% of basic salary, payable on the achievement of specific strategic and operational goals. The bonus objectives and performance against them will be disclosed in next year's Directors' Remuneration Report.

The Committee intends to make a further EIP grant to the CEO in 2020 but, at the time of writing, has not made final decisions on the size of the award or the specific performance targets. The current intention is that the award will be based on similar metrics as chosen for the 2019 award, namely growth in share price and net asset value per share. Full details of the award will be disclosed in the regulatory announcement at the time the grant is made and also in next year's Remuneration Report.

In line with the Directors' Remuneration Policy, a two-year post-vesting holding period will apply to the EIP award.

Alignment of Executive and Employee Pay

Consistent with best practice and the 2018 UK Corporate Governance Code, the Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the CEO and other senior employees.

Arix has a small number of employees and as a result is not required to publish the ratio of CEO pay to that of employees more widely. However, the Committee is confident that there is considerable alignment between the structure of the CEO's pay and the arrangements in place for other employees. For example, the annual bonus scheme and the EIP operate in the same way for other employees as for the CEO. During 2019, the Committee also considered information provided by its external advisers on pay levels and structures at comparable companies to Arix.

While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Committees receives updates from the CEO on his discussions and reviews with senior management and employees.

The UK Corporate Governance Code

In line with its previous practice, although Arix is not required to adhere to the UK Corporate Governance Code, the Board feels it is entirely appropriate to do so. Having considered the remuneration elements of the 2018 Code, the Committee believes that Arix remains fully compliant with the Code provisions, with the exception of the recommendation that a formal policy on post-employment shareholding requirements should be developed. The Committee believes that the current Remuneration Policy provides for considerable alignment between the interests of Executive Directors and shareholders, including through the three-year performance period for EIP awards, the two-year post-vesting holding period in the EIP and the requirement for Directors to build a shareholding equivalent to 200% of basic salary while in employment. With this in mind, the Committee has chosen not to go further and introduce post-employment holding requirements at this stage. However, we will keep this matter under review in light of ongoing market developments in this area.

I hope that you find the information contained in this report helpful, thoughtful and clear. The Remuneration Committee continues to welcome dialogue with shareholders on remuneration matters and any questions or feedback you have would be gratefully received.

At the forthcoming AGM, shareholders will be asked to approve an advisory resolution on the contents of the Annual Report on Remuneration. I hope the Committee can count on your continued support for this resolution.

Trevor Jones CBE
Chairman of the Remuneration Committee
9 March 2020

The 2019 AGM

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In line with the Directors' Remuneration Policy, a two-year post-vesting holding period will apply to the EIP award.

Alignment of Executive and Employee Pay

Consistent with best practice and the 2018 UK Corporate Governance Code, the Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the CEO and other senior employees.

Arix has a small number of employees and as a result is not required to publish the ratio of CEO pay to that of employees more widely. However, the Committee is confident that there is considerable alignment between the structure of the CEO's pay and the arrangements in place for other employees. For example, the annual bonus scheme and the EIP operate in the same way for other employees as for the CEO. During 2019, the Committee also considered information provided by its external advisers on pay levels and structures at comparable companies to Arix.

While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Committees receives updates from the CEO on his discussions and reviews with senior management and employees.

The UK Corporate Governance Code

In line with its previous practice, although Arix is not required to adhere to the UK Corporate Governance Code, the Board feels it is entirely appropriate to do so. Having considered the remuneration elements of the 2018 Code, the Committee believes that Arix remains fully compliant with the Code provisions, with the exception of the recommendation that a formal policy on post-employment shareholding requirements should be developed. The Committee believes that the current Remuneration Policy provides for considerable alignment between the interests of Executive Directors and shareholders, including through the three-year performance period for EIP awards, the two-year post-vesting holding period in the EIP and the requirement for Directors to build a shareholding equivalent to 200% of basic salary while in employment. With this in mind, the Committee has chosen not to go further and introduce post-employment holding requirements at this stage. However, we will keep this matter under review in light of ongoing market developments in this area.

I hope that you find the information contained in this report helpful, thoughtful and clear. The Remuneration Committee continues to welcome dialogue with shareholders on remuneration matters and any questions or feedback you have would be gratefully received.

At the forthcoming AGM, shareholders will be asked to approve an advisory resolution on the contents of the Annual Report on Remuneration. I hope the Committee can count on your continued support for this resolution.

Professor Trevor Jones CBE
Chairman of the Remuneration Committee
9 March 2020

Remuneration snapshot

Topic	Description
Base salary	The basic salary for the CEO for 2020 is set at £500,000 (unchanged from 2019)
Benefits	The CEO is eligible to receive private health cover, life assurance, income protection and a company car or car allowance
Pension contribution	The CEO receives pension contributions at a level of 7.5% of basic salary
Annual bonus	‣ 100% of salary maximum for the CEO ‣ Bonus for 2020 will be based on a range of challenging strategic measures aligned with the Company's KPIs ‣ Up to 50% of the annual bonus can be deferred and invested into shares which must be held for a period of three years
Long term incentive	‣ For 2020, the Committee intends to grant an award to the CEO but has not yet reached a final decision on the award size and the specific performance targets ‣ Any awards which vest will be subject to a two-year post-vesting holding period
Shareholding guidelines	200% of salary

Directors' Remuneration Policy (summary)

Introduction

The Directors' Remuneration Policy was approved by shareholders at the AGM held on 3 June 2019 and applies for a period of three years from the date of approval. A summary of the Policy is set out on the following pages. The full Policy is included within the 2018 Annual Report, available in the Investor Relations section of Arix's website, www.arixbioscience.com.

The table on the following pages sets out each element of remuneration for Executive Directors and how it supports the Company's short and long-term strategic objectives.

Policy summary

The Remuneration Committee is responsible for determining the Remuneration Policy for the Executive Directors, the Chairman and other senior executives for current and future years. In setting the policy, the Committee has sought to ensure that it is sufficiently flexible to take account of future changes in the Company's business environment and in executive remuneration practices. The policy is designed around the following key principles:

- Alignment with the long-term interests of shareholders;
- Competitive remuneration which is set at an appropriate level to attract, retain and motivate executive management of the quality required to help ensure growth and success as the Company enters its next stage of development operating in a listed company environment;
- Strategic alignment, having regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals;
- Encourage and support a high performance culture with appropriate reward for superior performance; and
- Avoid creating incentives that will encourage excessive risk-taking or unsustainable Company performance.

The Remuneration Committee will review annually the remuneration arrangements for the Executive Directors, members of the Executive Committee and senior investment team members, drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- Business strategy over the period;
- Overall corporate performance;
- Market conditions affecting the Company;
- The recruitment market;
- Changing practice in the markets where the Company competes for talent; and
- Changing views of institutional shareholders and their representative bodies.

Remuneration policy table

Element of Remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and Performance metrics
Salary	Provide salaries that support the Company to acquire and retain the highly qualified Executive Directors who are needed to develop and implement the Group's strategy.	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: ‣ individual degree of responsibility; ‣ the general operational performance of the Group and individual performance (if applicable); ‣ the economic environment and the sustainable development of the Group; ‣ remuneration structures in companies that are comparable in terms of business activities, complexity and size; ‣ any change in scope, role and responsibilities; and ‣ remuneration practices within the Group.	The Committee ensures that maximum salary levels are positioned with consideration for: ‣ the need to acquire and retain Executives with the skills and experience to develop and implement the Company's strategy; ‣ companies that are comparable in terms of business activities, complexity and size to Arix, which we would compete for talent against. In general, increases for Executive Directors will be in line with the increase for employees. The Group will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.
Benefits	Provides a benefits package in line with standard market practice to enable the Group to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The Executive Directors are eligible to receive private health cover, life assurance, income protection and a company car or car allowance. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered, such as relocation allowances on recruitment and reasonable tax advice and filing support.	The maximum will be set at the cost of providing the benefits described.
Pensions	Provides a pension provision in line with standard market practice to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The Group contributes to defined contribution (DC) pensions schemes for UK employees and US employees contribute into the Arix 401(k) pension scheme (which is open to all employees) with a contribution made by Arix alongside an employee's contribution.	The maximum contribution for UK employees into a defined contribution plan or a salary supplement in lieu of pension will be 10% of gross basic salary. US employees contribute into the Arix 401(k) pension scheme with a matching contribution made by Arix on their contributions up to the US government limits imposed on the 401(k) Plan. The Group will set out in the Annual Report on Remuneration the pension contributions for the Executive Directors within the above limits. No Executive Directors have a prospective entitlement to a Defined Benefit Pension.

Element of Remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and Performance metrics
Annual bonus	The bonus plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the plan supports the Company's objectives allowing the setting of annual targets based on the business strategy at the time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	The Board will determine the bonus to be delivered following the end of the relevant financial year. The Committee can require part of any bonus (up to 50% of the maximum bonus earned) to be deferred on a post-tax basis and invested into shares. These shares must be held for a minimum period, normally three years. The Group will set out in the Remuneration Report in the following financial year the decisions taken around any requirement to invest in shares. The bonus plan includes malus and clawback provisions which can be used in certain specific circumstances.	The maximum bonus deliverable under the plan will not exceed 125% of a participant's annual basic salary. Bonus targets and weightings are set each year and will take into account the strategic priorities of the business at the time. The Group will set out in the Remuneration Report in the following financial year, the nature of the targets and their weighting for the year. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. Percentage of bonus maximum earned for levels of performance: Threshold: 0% On target: 50% Maximum: 100%
Long-Term Incentive Plan ("EIP")	The purpose of the EIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group Strategy. This will better align Executive Directors' interests with the long-term interests of the Group and will also act as a retention mechanism. The Award is designed to incentivise Executive Directors to grow the investment portfolio and value creation by successfully delivering the Group's strategy.	Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration. These awards will vest after three years subject to: ‣ the Executive Director's continued employment at the date of vesting; and ‣ satisfaction of the performance conditions. The Committee may award dividend equivalents on awards in either shares or cash to the extent that these vest. With effect from the EIP awards granted in 2019, a post-vesting holding period will apply to awards such that any shares which vest must be held for a further two-year period. During this period the shares cannot be sold (other than as required for tax purposes).	Normal maximum value of 225% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan. In exceptional circumstances the Committee may grant an award with a maximum of 300% of salary. The amount payable for threshold performance is 25% of maximum of the award. EIP awards will be subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Any changes made and the exceptional circumstances will be clearly disclosed to shareholders in the Annual Report on Remuneration.
Minimum Shareholding Requirement	The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a percentage of basic salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. The Committee will determine the relevant shareholding guideline on an annual basis.		

Element of Remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and Performance metrics
Non-Executive Director Fees	Provides a level of fees to support recruitment and retention of high-calibre Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the pay of the Chairman. Non-Executive Directors are paid an annual fee and additional fees for chairmanship of committees. Fees are normally paid in cash. In addition, to create alignment with shareholders and to cover the duration of their time on the Board, Non-Executive Directors may be issued with shares up to the value of their annual fee at the time of their appointment. The Company may settle any tax incurred in relation to these shares. The shares must be held for the duration of their period on the Board. Fees are reviewed annually based in line with the review policy for the Executive Directors. With the exception of the EIP award to the Chairman disclosed in last year's Annual Statement from the Chairman of the Remuneration Committee, Non-Executive Directors do not participate in any variable remuneration arrangements. Non-Executive Directors may be eligible for benefits such as use of secretarial support or other benefits which may be appropriate for performing their duties.	In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will pay reasonable business-related expenses incurred by the Non-Executive Directors and may settle any tax incurred in relation to these.

Performance conditions and target-setting

Performance measures applying to the annual bonus plan and the EIP are chosen by the Remuneration Committee on an annual basis taking into account the strategic priorities of the business. The chosen measures and the specific targets are designed to be consistent with the policy principles as set out on page 63. Full details of the performance conditions applying to any year's awards are set out in the Annual Report on Remuneration.

Discretion

The Remuneration Committee has discretion in several areas of Policy as set out in this report. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Remuneration Committee has discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

In addition, the Committee retains the discretion to override the formulaic outcomes of incentive schemes. The purpose of this discretion is to ensure that the incentive scheme outcomes are consistent with overall Company performance and the experience of shareholders.

Service agreements and letters of appointment

The CEO's service agreement is for a rolling term and may be terminated by the Company by giving 12 months' notice.

Name	Date of service agreement	Notice periods by Company (months)	Notice periods by Director (months)
Joe Anderson	26 March 2019	12	6

The Non-Executive Directors of the Company do not have service contracts, but are appointed by letters of appointment. Each Non-Executive Director's term of office runs for an initial period of three years unless terminated earlier upon written notice or upon their resignations.

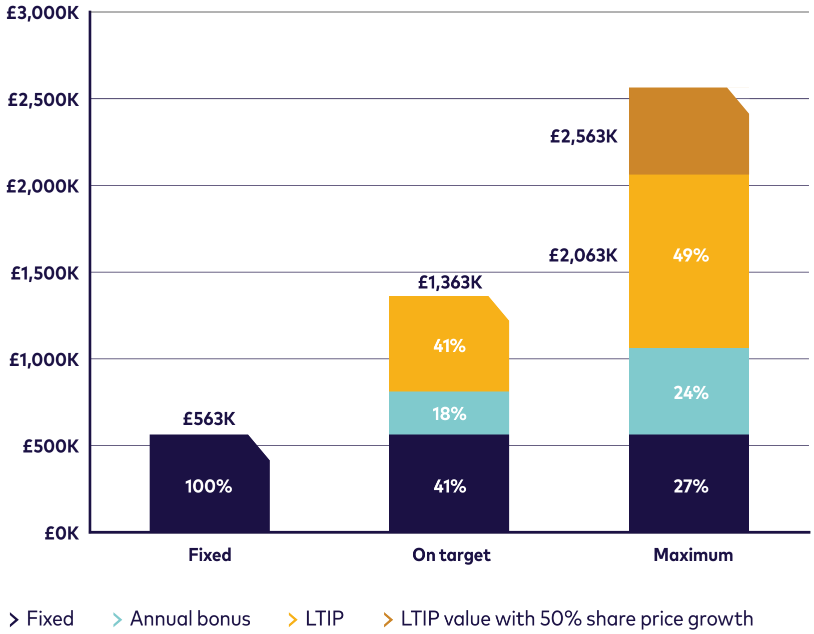
The terms of the Non-Executive Directors' appointments are subject to their re-election by the Company's shareholders at the 2020 AGM and at each subsequent AGM.

The details of each Non-Executive Director's current term are set out below:

Name	Date of appointment	Initial contractual term (full years)	Notice periods by Company (months)	Notice periods by Director (months)
Jonathan Peacock	8 February 2016	3	3	3
Professor Trevor Jones	8 February 2016	3	3	3
Giles Kerr	17 October 2017	3	3	3
Art Pappas	12 September 2018	3	3	3
Mark Breuer	25 April 2019	3	3	3
Naseem Amin	17 December 2019	3	3	3

Illustrations of the application of the remuneration policy

CEO
£'000



Notes:

The chart above illustrates the potential remuneration payable to the CEO under different performance scenarios. In all three scenarios the fixed pay element is based on the 2020 basic salary level, pension contribution at the standard rate of 7.5% of salary and benefits provision at a broadly similar level to 2019. Minimum performance assumes no bonus payment and no EIP vesting. On-target performance assumes a bonus payment at a level of 50% of maximum and EIP vesting at a level of 55% of the maximum opportunity. Maximum performance assumes a bonus payment at a level of 100% of maximum (£500,000) and EIP vesting at a level of 100% of the maximum opportunity. The EIP maximum opportunity is the level of EIP awards to be made in 2020, i.e. 200% of basic salary. The Remuneration Committee has not yet determined the size of the EIP award to be made to the CEO in 2020.

The Maximum column has been extended to reflect the potential impact of 50% share price appreciation on the shares which vest.

Annual Report on Remuneration

This section sets out details of the remuneration of the Executive and Non-Executive Directors received during the financial year ended 31 December 2019 and also describes the operation of the Remuneration Committee.

Remuneration Committee

Membership

Franz Humer was Chairman of the Committee until his retirement from the Board on 17 December 2019. He was replaced as Chairman by Professor Trevor Jones, who has been a member of the Committee since 2016. The other members of the Committee are Art Pappas and Naseem Amin (appointed to the Committee on 17 December 2019).

The Committee met four times during the year under review. Meeting attendance is shown on page 50.

The Board considers each of the members of the Committee to be independent in accordance with the UK Corporate Governance Code ("the Code"). The Chairman of the Board and Chief Executive will also attend meetings of the Committee by invitation, but will not be present when matters relating to their own remuneration are discussed.

Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference which are available on request to shareholders and on the Company's website.

The Committee's role includes:

- Setting the remuneration policy for all Executive Directors of the Company, the Chairman of the Board and key management (being the Executive Committee (including the Company Secretary) and all personnel receiving an annual basic salary of £250,000 or more).
- Within the terms of the remuneration policy and in consultation with the Chairman of the Board and/or Chief Executive, as appropriate, determining the total individual remuneration package of each Executive Director, the Chairman and other designated senior executives including bonuses, incentive payments and share option or other share awards.
- Approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving total annual payments made under such schemes.
- Ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded, that the duty to mitigate loss is fully recognised and that any payments are consistent with the shareholder-approved remuneration policy.

In carrying out its duties the Remuneration Committee takes into account any legal and regulatory requirements, including the Code and the UK Listing Rules, as well as good practice guidance issued by investors and investor representative bodies. Determining the fees of the Non- Executive Directors is a matter for the Board (excluding the Non-Executive Directors).

The Committee believes that its approach to Executive Director remuneration is consistent with the factors set out in Provision 40 of the Code:

- Clarity: the Remuneration Policy and its implementation are set out in extensive detail in this report;
- Simplicity: Remuneration is based on a mix of fixed and variable pay. Incentives involve an annual bonus scheme based on the achievement of key corporate objectives, and a long-term plan which rewards the generation of value for shareholders;
- Risk: Performance targets for incentive schemes are calibrated carefully to ensure that the ultimate rewards will correspond closely with an appropriate level of performance. For example, EIP awards will only vest if a certain level of share price and NAV per share growth is achieved;
- Predictability: annual participation in the bonus scheme and the EIP is capped (as a percentage of basic salary), and awards cannot exceed these levels. The ultimate value of any vested EIP award will depend on the share price at the time which cannot be predicted but is simple to calculate;
- Proportionality: there is a clear link between the delivery of strategy and individual awards through the annual bonus scheme. The EIP rewards the successful delivery of long-term outperformance. If there is little or no growth in share price or NAV, awards will not vest; and
- Alignment to culture: Arix's high-performance culture and the awareness within the Company of what ultimately drives shareholder value is reflected in the incentive schemes operated and the choice of performance metrics.

Key matters considered by the Remuneration Committee

Key issues reviewed and discussed by the Remuneration Committee during 2019 included:

- The outcome of consultation with major shareholders on the terms of the remuneration policy presented for shareholder approval at the 2019 AGM, and the reasons for the votes against the remuneration resolutions at the AGM;
- Review of Executive Director and senior manager bonuses and equity incentive awards for 2019;
- The remuneration package for Joe Anderson following his reappointment as CEO (as disclosed in last year's report);
- The separation arrangements for Jonathan Peacock's transition to Non-Executive Chairman;
- The termination arrangements for Sir Chris Evans and James Rawlingson; and
- Pay benchmarking for key roles within the organisation and a review of alternative incentive structures.

Advisers to the Committee

The Committee appointed Korn Ferry in 2018 following a competitive tender to advise on all aspects of the Directors' remuneration policy and its implementation. The Committee is satisfied that the advice received during the year was objective and independent. Korn Ferry is a member of the Remuneration Consultants Group. Korn Ferry received fees of £91,611 for its advice during the year (fees charged on a costs incurred basis). A separate practice within Korn Ferry provided recruitment advisory services to the Company during the year.

The Chief Operating Officer and General Counsel, Robert Lyne, acts as Secretary to the Committee, ensures that the Committee fulfils its duties under its terms of reference and provides regular updates to the Committee on relevant regulatory developments in the UK. He is not present when matters relating to his own remuneration are discussed.

Single Figure Table – Executive Directors (audited)

	Basic salary		**Benefits**		**Annual bonus**		**LTIP**		**Pension**		**Other**		**Total**	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Jonathan Peacock[1]	**49**	400	**8**	14	**–**	300	**–**	–	**6**	22	**–**	–	**63**	736
Sir Chris Evans[2]	**32**	250	**1**	15	**–**	–	**–**	–	**1**	18	**100**	454	**134**	737
Joe Anderson[3]	**432**	333	**23**	25	**250**	250	**–**	–	**32**	25	**–**	–	**737**	633
James Rawlingson[4]	**222**	270	**10**	22	**–**	203	**–**	–	**16**	20	**–**	**–**	**248**	515

1 2019 figures relate to service as an Executive Director up to 19 February 2019; details of his separation agreement are disclosed on page 71. Payments for service as Non-Executive Chairman are included in the separate table below.
2 Stepped down from the Board on 19 February 2019 although retained on a consultancy basis until 26 June 2019, payments for which are included within "Other". Figures in the table above reflect service as a Director only. Details of his severance arrangements are disclosed on page 71.
3 Stepped down from the Board on 4 September 2018 and employed by the Company as Chief Investment Officer for the remainder of 2018. Reappointed as CEO and as a Director on 19 February 2019. Figures reflect service as a Director only for both 2018 and 2019.
4 Stepped down from the Board and left the Company on 2 October 2019. He did not receive any bonus in respect of 2019. Details of his severance arrangements are disclosed on page 71.

- Basic salary: amount earned for the year.
- Benefits: the taxable value of benefits received in the year, including life assurance, long-term sickness insurance, private healthcare and company car cash allowance
- Pension: the value of the Company's contribution in the year: 7.5% or, in the case of Jonathan Peacock, 6.0% Company contributions to 401(k) plan
- Annual Bonus: see separate section below for explanation of determination of bonus amounts.
- Subject to Board approval, the Company allows its Executive Directors to hold non-executive positions outside of the Company that complement and enhance their current role. Any fees may be retained by the Director. Non-Executive Director positions in exchange-listed companies held by the Company's current Executive Director are: Joe Anderson (Autolus Therapeutics plc, Nasdaq-listed).

Single Figure Table – Non-Executive Directors (audited)

	Fees		**Benefits**		**Pension**		**Annual bonus**		**LTIP**		**Other***		**Total**	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Jonathan Peacock[1]	**92**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**92**	–
Professor Trevor Jones	**50**	58	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	58
Giles Kerr	**60**	60	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**60**	60
Art Pappas	**60**	20	**–**	–	**–**	–	**–**	–	**–**	–	**81**	–	**141**	20
Mark Breuer[2]	**34**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	–	**99**	–
Naseem Amin[3]	**3**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**3**	–
Franz Humer (retired)[4]	**86**	118	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**86**	118
Meghan FitzGerald (retired)[5]	**13**	58	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**13**	58
David U'Prichard (retired)[6]	**–**	45	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	45
Lord John Hutton (retired)[7]	**–**	24	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	24

* Other amounts relate to additional one-off share awards made to Non-Executive Directors in connection with their appointment, as set out in the Directors' Remuneration Policy.

1 2019 figures relate to service as Non-Executive Chairman from 19 February 2019. Payments for service as Executive Chairman prior to this date are included in the separate table above.
2 Appointed to the Board on 25 April 2019.
3 Appointed to the Board on 17 December 2019.
4 Stepped down from the Board on 17 December 2019.
5 Stepped down from the Board on 1 April 2019.
6 Stepped down from the Board on 12 September 2018.
7 Stepped down from the Board on 31 May 2018.

Annual Bonus Payout Table (audited)

For the CEO, the annual bonus objective outcomes were as follows (certain outcomes not listed due to commercial sensitivity):

Category	Weighting	Performance Outcome	Bonus Outcome	Rationale
Portfolio companies ‣ Demonstrate positive portfolio company catalysts ‣ New company investments ‣ Increase in NAV	**30%**		**17.5%**	‣ Achieved: 10+ catalysts ‣ Partially Achieved: 2 new company formations ‣ Not achieved: decline in NAV
Capital markets ‣ Maintain analyst "Buy" ratings and initiate new analysts ‣ Successful Capital Markets Day (CMD) ‣ Reduce share price discount to NAV ‣ Raise additional capital through exits or fresh cash	**30%**		**15%**	‣ Achieved: ratings maintained ‣ Achieved: well received CMD ‣ Not achieved: discount not reduced ‣ Not achieved: some proceeds raised in portfolio
Operations ‣ Identify cost savings ‣ Build and maintain high-performing team ‣ Manage net operating costs to within 3% of NAV	**20%**		**17.5%**	‣ Achieved: material savings implemented ‣ Achieved: team strengthened ‣ Partially Achieved: costs lowered but > 3% of NAV
Strategy ‣ Deliver on strategic partnership goals ‣ Create 5-year vision and strategy ‣ Develop additional plans to unlock value	**20%**		**20%**	‣ Achieved: strong relationships with partners ‣ Achieved: evolution of business model agreed with board ‣ Achieved: wider plans developed
Total			**70%**	

The Committee reviewed the level of performance against the bonus targets set at the start of the year and determined that although a number of important goals had been achieved, other targets were not met. After also taking into account the overall shareholder experience in 2019, the Committee agreed that Joe Anderson, the CEO (and the only Executive Director), would receive a bonus at a level of 50% of his maximum bonus opportunity. This was lower than the outcome of the formulaic assessment of performance under the bonus targets set out at the start of the year. The CEO will use all of the after-tax proceeds of the bonus to purchase shares in the Company, to be held for a minimum of three years.

LTIPs Vesting in the Year (audited)

During 2019, IPO Awards, awarded under the EIP, vested; Joe Anderson's award has not yet been exercised. The first grant of performance-related LTIP options awarded under the EIP was made in 2017 and is not eligible to vest until 2020, subject to the achievement of the performance conditions.

Scheme Interests Awarded in 2019 (audited)

During the year ended 31 December 2019, the following Directors were awarded nil-cost options under the EIP, details of which are summarised below.

	Date of Grant	Number Awarded	Award Price £	Face Value £	% of Base Salary	Vesting Date
Joe Anderson	09/05/2019	578,368	1.7290	1,000,000	200%	01/01/2022
James Rawlingson	09/05/2019	234,239	1.7290	405,000	150%	01/01/2022

Performance Measure	Weighting	Performance Period	Performance	% Vesting
Compound share price growth	60%	1 January 2019 to 31 December 2021	<7% per annum	0%
			7% per annum	25%
			≥15% per annum	100%
NAV per share growth	40%	1 January 2019 to 31 December 2021	<7% per annum	0%
			7% per annum	25%
			≥15% per annum	100%

The market share price used to determine the size of awards was £1.7290, being the 30-day trading average prior to the start of the performance period.

As disclosed in the Annual Statement from the Chairman of the Remuneration Committee in last year's Annual Report, the Committee intended to make an EIP award to the Chairman, Jonathan Peacock, during 2019 in consideration for his service as an Executive Director during 2018. For administrative reasons, this award was not granted during 2019 and the Committee intends to grant the award as soon as possible in 2020 following the publication of the annual results for 2019. The number of shares over which the award is to be granted, and the terms of the award will not be affected by the delay in grant. The performance conditions and performance period will be the same as for the other Directors, as set out above.

Payments for Loss of Office/Payments to Past Directors (audited)

During the year, certain payments were made to directors in relation to their loss of office. No payments in this capacity were made to Franz Humer and Meghan FitzGerald.

Jonathan Peacock
On 19 February 2019 Jonathan Peacock moved from the role of Executive Chairman to Non-Executive Chairman. The following arrangements (disclosed in last year's Annual Report on Remuneration) were agreed in connection with his termination as an Executive Director:

- He received a payment of £200,000 in respect of the termination of his executive service agreement.
- His 2017 EIP Award and 2018 EIP Award were pro-rated as at 19 February 2019 and will be eligible to vest in May 2020 and May 2021 respectively, subject to the Company having achieved the relevant performance conditions. The remaining 2017 EIP Award and 2018 EIP Awards will continue to vest in accordance with their terms.
- His unvested Founder Options will continue to vest for the duration of his service as a Director. Similar to the treatment agreed for the Founder Options held by Joe Anderson when he became CIO in 2018 (as disclosed last year), all Founder Options which vest will be exercisable up to February 2026. This is in recognition of his ongoing involvement with Arix. As at 8 February 2020, all Founder Options have now vested.

Sir Chris Evans
Sir Chris Evans stepped down from the Board on 19 February 2019. The following arrangements (disclosed in last year's Annual Report on Remuneration) were agreed in connection with his termination:

- He received a payment in lieu of notice of £250,000, equivalent to 12 months' basic salary.
- His outstanding IPO Awards, which had a vesting date of 22 February 2019, vested in full, taking into account the notional 12-month notice period in Sir Chris's contract. The IPO Awards do not have performance conditions attached.
- The final tranche of the Founder Incentive Shares held by Sir Chris and Ectoplasm Limited which had a vesting date of 8 February 2020 were deemed to have vested in full, taking into account the notional 12-month notice period in Sir Chris's contract. All of the Founder Incentive Shares are released subject to the payment of a fee of £1.80 per Founder Incentive Share. It was agreed as part of the termination discussions that Sir Chris and Ectoplasm will now have until 8 February 2026 to pay this fee. The Founder Incentive Shares were created in 2016 prior to Arix's IPO and are a legacy arrangement for the purposes of the Directors' remuneration policy.
- The Board agreed to retain the services of Sir Chris as a consultant to the Company. Until April 2019 Sir Chris continued to receive his prior consultancy fee of £20,000 per month. After this time he was engaged by the Company on a lower fee of £4,166 per month (equivalent to £50,000 per annum). This consultancy arrangement ended on 26 June 2019, at which point a payment was made to cover the three-month notice period set out in the consultancy agreement.

James Rawlingson
On 2 October 2019 James Rawlingson stepped down from the Board and left the Company. The following arrangements were agreed in connection with his termination:

- He received a payment in lieu of notice of £278,100, equivalent to 12 months' basic salary. This approach was agreed by the Committee in return for the waiver by James of any claims against Arix arising in connection with the termination of his employment.
- No annual bonus was payable in respect of 2019.
- The EIP awards granted in 2017, 2018 and 2019 remain outstanding and the Committee retains the discretion to determine whether or not these awards will be eligible to vest at the time of vesting of each award. Each award remains subject to the performance conditions set at the time of grant and, in the event of any vesting, the awards will be reduced on a pro rata basis to reflect the shortened period between the grant of the award and the termination of employment.

Executive Directors' Shareholdings and Share Interests (audited)

The interests of the CEO (the only Executive Director) in the Company as at 31 December 2019 are shown in the table below. Only the EIP Awards (2017, 2018 and 2019) are subject to performance conditions. The CEO is required to build a shareholding equivalent to 200% of basic salary (£1.0m).

No options were exercised during the year.

	Ordinary Shares Held #	IPO Awards[1] (vested, unexercised) #	2017 EIP Awards[1] (unvested) #	2018 EIP Awards[1] (unvested) #	2019 EIP Awards[1] (unvested) #	Founder Options[2] (vested, unexercised) #	Founder Options[2] (unvested, unexercised) #	Shareholding as % of Basic Salary[3]
Joe Anderson[4]	354,310	362,318	569,619	373,134	578,368	2,846,540	189,769	116%

1 Awards are nil-cost options. The IPO Awards were granted without performance conditions attached. The 2017, 2018 and 2019 EIP Awards include performance conditions which must be met prior to vesting. Details of the specific performance targets in place for each grant are included in the relevant year's Annual Report on Remuneration.

2 The Founder Options were granted in 2016 prior to Arix's IPO and are a legacy arrangement for the purposes of the Directors' Remuneration Policy. The Founder Options were granted with an exercise price of £1.80 per Founder Option. As disclosed in last year's Annual Report on Remuneration, the exercise price reduces by 18 pence (i.e. 10% of the original exercise price) each year for five years while Joe Anderson remains in full-time employment with Arix. None of the Founder Options were granted with performance conditions attached.

3 Reflects value of ordinary shares plus net of tax value of IPO awards, which are vested but unexercised nil-cost options.

4 Joe Anderson holds 138,889 Ordinary Shares through PAL Trustees Limited, the trustee of his SIPP.

There has been no change in the Executive Directors' Shareholdings since the balance sheet date other than in respect of the unvested Founder Options held by Joe Anderson which have now fully vested as at 8 February 2020.

The table below includes details of the shareholdings of former Executive Directors who stepped down from the Board during 2019, as at the date of their departure from the Board. Shares held by Jonathan Peacock are shown below.

No options were exercised during the year.

Director	Ordinary Shares Held #	IPO Awards[1] (vested) #	2017 EIP Awards[1] (unvested) #	2018 EIP Awards[1] (unvested) #	2019 EIP Awards[1] (unvested) #	Shareholding as % of Basic Salary[3]
Sir Chris Evans[2]	7,316,039	295,893	–	–	–	3,183%
James Rawlingson[3]	37,484	163,043	205,062	201,492	234,239	47%

1 Awards are nil-cost options.

2 Share position for Sir Chris Evans stated as at 19 February 2019, the date he stepped down from the Board. As at 19 February 2019, Sir Chris Evans held part of his interest through Ectoplasm Limited as to 6,096,699 Ordinary Shares. Ectoplasm Limited is wholly owned by Abacus Trust Company Limited as Trustee of the Ectoplasm Settlement, of which the discretionary beneficiaries include C Evans and members of his close family. 3,048,350 of the Ordinary Shares held by Sir Chris Evans and Ectoplasm Limited are Founder Incentive Shares. These were created in 2016 prior to Arix's IPO and are a legacy agreement for the purposes of the Directors' remuneration policy. The Founder Incentive Shares are released subject to the payment of a fee of £1.80 per Founder Incentive Share (payable up to 8 February 2026).

3 Share position for James Rawlingson stated as at 2 October 2019, the date he stepped down from the Board. As noted above, the EIP awards granted in 2017, 2018 and 2019 remain outstanding and the Committee retains the discretion to determine whether or not these awards will be eligible to vest at the time of vesting of each award. Each award remains subject to the performance conditions set at the time of grant and, in the event of any vesting, the awards will be reduced on a pro rata basis to reflect the shortened period between the grant of the award and the termination of employment.

Non-Executive Directors' Shareholdings (audited)

Non-Executive Directors are not subject to a shareholding requirement. Details of their interests in Ordinary Shares in the Company are set out below:

Non-Executive Director	Shareholding as at 31 December 2019
Jonathan Peacock[1]	**926,601**
Franz Humer[2]	**74,503**
Professor Trevor Jones	**37,312**
Meghan FitzGerald[2]	**35,545**
Giles Kerr	**35,746**
Art Pappas	**47,619**
Mark Breuer	**36,630**
Naseem Amin	**–**

1 Please see table below for further information on Jonathan Peacock's shareholdings. Jonathan Peacock served as an Executive Director until 19 February 2019.

2 The stated shareholdings for Franz Humer and Meghan FitzGerald reflect the position as at the date of their departure from the Board (17 December 2019 and 1 April 2019 respectively).

Director	Ordinary Shares Held #	C Shares Held #	IPO Awards[2] #	2017 EIP Awards[1] (unvested) #	2018 EIP Awards[1] (unvested) #	Founder Options (vested, unexercised) #	Founder Options (unvested, unexercised) #
Jonathan Peacock	926,601	49,671	–	379,746	298,507	2,328,985	155,265

1 Awards are conditional share awards.

2 The IPO Awards vested during 2019 and the relevant shares are now included within the number of Ordinary Shares held as set out above.

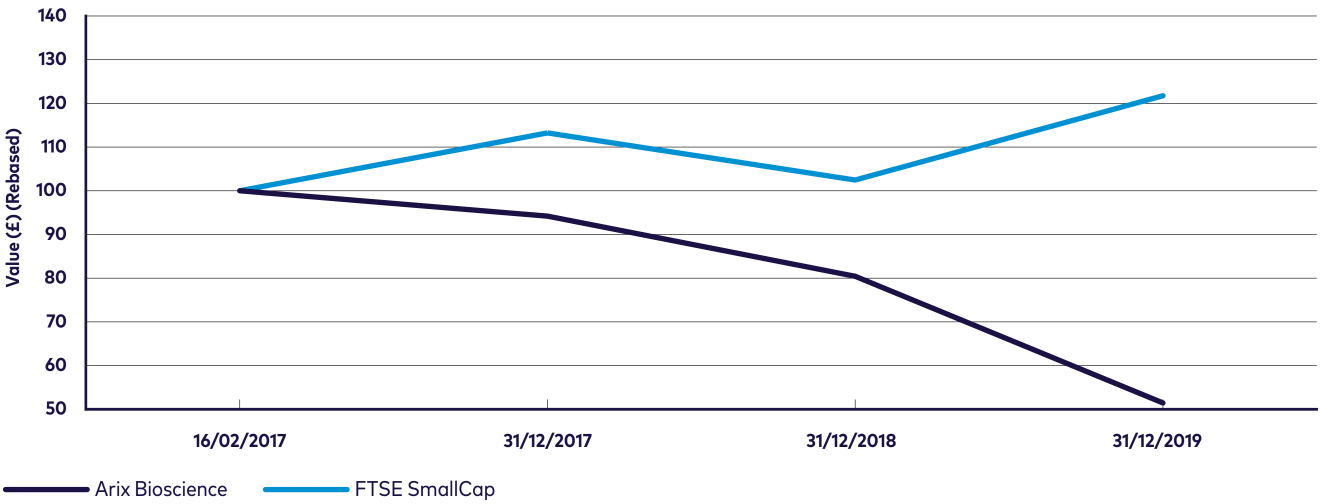
As set out on page 71, and as disclosed last year, the Committee intended to make an EIP award to the Chairman, Jonathan Peacock, during 2019 in consideration for his service as an Executive Director during 2018. For administrative reasons, this award was not granted during 2019 and the Committee intends to grant the award as soon as possible in 2020 following the publication of the annual results for 2019. The terms of the award will not be affected by the delay in grant and the performance conditions and performance period will be the same as for the awards granted to the Executive Directors in 2019.

There has been no change in the Non-Executive Directors' Shareholdings since the balance sheet date other than in respect of the unvested Founder Options held by Jonathan Peacock which have now fully vested as at 8 February 2020.

Comparison of Overall Performance and Pay

The graph below shows the value of £100 invested in the Company's shares since listing in February 2017 compared to the FTSE SmallCap index. Although Arix is not a member of the FTSE SmallCap index, the index has been chosen as a broad equity market index, the constituents of which include companies of a similar size and scale to Arix.

Total Shareholder Return
Source: Datastream (Thomson Reuters)



CEO – Historic Remuneration Information (audited)

	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Single Figure Total	**737**	633	1,726	1,228
Annual Variable against maximum opportunity	**50%**	75%	80%	N/A
EIP vesting rates against maximum opportunity	**N/A**	N/A	N/A	N/A

Note: Arix Bioscience plc was incorporated in 2015; it listed on the London Stock Exchange in February 2017; as such, only four periods of data are included above, all of which relate to Joe Anderson. No shares have yet vested under the EIP (the first awards were granted in 2017, with performance measured until May 2020).

Percentage Change in Remuneration of CEO (audited)

Percentage change in 2019 remuneration compared with remuneration in 2018.

	CEO	All employees excluding CEO
Base Salary	0%	12%
Annual Bonus	0%	(7%)
Benefits	0%	0%

CEO: reflects the percentage change in the single figure amounts for basic contracted salary, annual bonus and benefits, assuming a full 12 months of service in both 2018 and 2019. Employees: changes in salaries and bonuses consider all employees who completed a full year of service in each year

Relative Importance of Spend on Pay

	2019 £'000	2018 £'000
Underlying operating profit/(loss)	**(67,845)**	40,803
Dividends/share buybacks	**–**	–
Total company spend on remuneration	**5,637**	6,537

The table above shows the relative importance of total spend on pay in the 2019 and 2018 financial years compared with distributions to shareholders. The Company did not pay a dividend or undertake a share buyback programme in either 2019 or 2018. Underlying operating profit/(loss) is considered the most appropriate metric given the current stage of the Group.

Total Group spend on remuneration decreased by 14% compared to the previous year.

Statement of Voting on Remuneration

The results of the voting on the Directors' Remuneration Policy and the Annual Report on Remuneration at the AGM held on 3 June 2019 are set out below:

	Votes for #	Votes for %	Votes against #	Votes against %	Votes withheld #
To approve the Directors' Remuneration Policy	40,079,954	50.26%	39,658,365	49.74%	5,590
To approve the Annual Report on Remuneration	23,179,050	32.41%	48,338,181	67.59%	8,226,678

The Board was naturally disappointed that these resolutions received substantial levels of opposition. A key reason for these outcomes was that two of Arix's largest shareholders voted against both resolutions in light of specific concerns they had with certain decisions taken by the Board. The holdings of these two shareholders were equivalent to approximately 50% of the shares voted at the AGM, giving them considerable influence over the final result.

The Board further concluded that, with the exception of these two shareholders, the vast majority of other investors voted in favour of the Directors' Remuneration Policy. As disclosed in the 2018 Annual Report, the new Policy, which was the subject of a consultation exercise with major shareholders prior to being finalised, incorporates a number of features to align it with corporate governance best practice and Arix's strategic objectives. The Policy – a summary of which is included on pages 63 to 66 of this Annual Report – sets an appropriate framework for rewarding Arix's Directors and the Board believes it remains fit for purpose at the current time.

As noted above, a larger number of shareholders voted against the Annual Report on Remuneration at the AGM. The Board understands that, in addition to the opposition from the two investors mentioned above, a number of other shareholders had concerns with some other remuneration matters. These included the intended grant of an award under the Executive Incentive Plan to the Chairman in 2019 and the amendments to the terms of the Founder Options held by the CEO. An explanation for the Remuneration Committee's decisions in respect of these issues was included in the 2018 Directors' Remuneration Report. The Board considers that they were both one-off matters which will not be repeated.

The Board continues to welcome engagement with shareholders on remuneration matters and invites any further feedback on the Remuneration Policy and its implementation, as detailed in this year's Annual Report on Remuneration.

Implementation of Remuneration Policy for 2020 for Executive Directors

Base Salary

The salary for the CEO has not been increased for 2020 and remains at £500,000.

Benefits and Pension

No changes are proposed to benefits or pension arrangements in 2020.

Annual Bonus

The operation of the bonus plan for 2020 will be consistent with the framework detailed in the Policy section of this report. The maximum opportunity for the year ending 31 December 2020 will be 100% of salary for the CEO. The Remuneration Committee can require up to 50% of the bonus to be deferred and invested in shares.

Proposed target levels have been set to be challenging relative to the 2020 business plan and the performance conditions comprise of a range of strategic and operational measures aligned to the long-term growth of the Group. Specific targets will not be disclosed upfront because the Remuneration Committee consider forward looking targets to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Remuneration Report to the extent that they do not remain commercially sensitive.

Long Term Incentive

The Committee intends to make an EIP grant to the CEO in 2020 but, at the time of writing, has not made final decisions on the size of the award or the specific performance targets. The current intention is that the award will be based on similar metrics as chosen for the 2019 award, namely growth in share price and net asset value per share. Full details of the award will be disclosed in the regulatory announcement at the time the grant is made and also in next year's Remuneration Report.

Any shares which vest will be subject to a two-year post-vesting holding period.

Malus and Clawback

As set out in the Directors' Remuneration Policy, the rules of the Company's incentive schemes include malus and clawback provisions. These will continue to apply for 2020 bonuses and EIP awards made in 2020. The provisions apply in the following specific circumstances:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine cash or share awards was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- corporate failure; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company.

Implementation of Remuneration Policy for 2020 for Non-Executive Directors

The table below includes details of the fees to be paid to the Non-Executive Directors for 2020.

	2020 £'000
Base Fees	
Non-Executive Chairman	**100**
Senior Independent Director	**80**
Non-Executive Director	**50**
Additional Fees	
Audit Committee Chair	**10**
Remuneration Committee Chair	**10**
Nomination Committee Chair	**10**

Directors' report

For the year ended 31 December 2019

The Directors present their report for the year ended 31 December 2019. Additional information which is incorporated by reference into this Directors' Report, including information required in accordance with the Companies Act 2006, can be found as follows:

Disclosure	Location
Important events affecting the Company since the year-end, likely future business developments and research and development activities	» Strategic Report pages 2 to 47
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	» Notes to the financial statements page 94
Going concern	» Strategic Report page 45
Statement of Directors' responsibilities	» Page 79
Diversity Policy	» Report of the Nomination Committee page 54
Details of long-term incentive schemes	» Note 18 to the financial statements pages 101 to 102
Significant Interests	» Directors' Report page 78
Waiver of emoluments by a Director	» Directors' Remuneration Report pages 60 to 75
Compensation for loss of office arrangements	» Directors' Remuneration Report pages 60 to 75

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R can be found in the following locations:

Disclosure	Location
Interest capitalised	Not applicable
Publication of unaudited financial information	Not applicable
Details of long-term incentive schemes	» Directors' Remuneration Report pages 60 to 75
Waiver of emoluments by a Director	» Directors' Remuneration Report pages 60 to 75
Waiver of future emoluments by a Director	» Directors' Remuneration Report pages 60 to 75
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contract of significance in which a director is interested	Not applicable
Contract of significance with a controlling shareholder	Not applicable
Provision of services by a controlling shareholder	Not applicable
Shareholder waiver of dividends	Not applicable
Shareholder waiver of future dividends	Not applicable
Agreements with controlling shareholder	Not applicable
Compensation for loss of office arrangements	» Directors' Remuneration Report pages 60 to 75

The Strategic Report on pages 2 to 47 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

Directors

The Directors of the Company who held office during the year are:

- Jonathan Peacock
- Joe Anderson*
- Art Pappas
- Professor Trevor Jones
- Giles Kerr
- Naseem Amin
  Appointed 17 December 2019
- Mark Breuer
  Appointed 25 April 2019
- Dr Franz Humer
  Resigned 17 December 2019
- Professor Sir Christopher Evans
  Resigned 19 February 2019
- James Rawlingson
  Resigned 2 October 2019
- Meghan FitzGerald
  Resigned 1 April 2019

* Resigned 4 September 2018, re-appointed 19 February 2019

KEY
- Non-independent
- Independent
- Past Directors

Results and Dividend

The results for the year ended 31 December 2019 are set out in the Consolidated Statement of Comprehensive Income on page 86.

The Board's intention during the current phase of the Group's development is to retain any Group earnings for the foreseeable future to finance growth and expansion and to invest in the infrastructure of portfolio companies. Accordingly, the Board is not recommending a dividend for the year ended 31 December 2019.

Articles of Association

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association. The Articles of Association may be amended by a special resolution of the Company's shareholders.

Share capital

Details of the Company's share capital, including changes during the year, are set out in note 17 to the financial statements. As at 31 December 2019, the Company's share capital consisted of:

- 135,551,850 Ordinary Shares of £0.00001 each (99.96% of total share capital by number, 2.66% by nominal value)
- 49,671 C Shares of £1.00 each (0.04% of total share capital by number, 97.34% by nominal value)

Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company.

On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share they hold. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies. Ordinary Shares held as Restricted Shares pursuant to the Restrictive Share Agreement are disenfranchised and, accordingly, holders of such Restricted Shares are not entitled to vote, attend the meetings of the Company or receive dividends or other distributions made or paid on the Ordinary Share capital of the Company.

No voting rights attach to the C Shares and their holders are not entitled to receive notice of, or to attend and speak at, any general meeting of the Company. Holders of C Shares are not entitled to receive any dividend or distributions made or paid on the Ordinary Share capital of the Company.

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions of the size of a holding or on the transfer of any class of shares in the Company except as follows:

- Prior consent of the Directors is required for the transfer of C Shares;
- Holders of Restricted Shares may not dispose of Restricted Shares until and unless the relevant Restricted Shares are released from their respective undertakings pursuant to the Restrictive Share Agreement;
- Pursuant to a lock-up deed dated 15 August 2018, Christopher Chipperton agreed following a sale of Ordinary Shares not to offer sell, pledge or otherwise dispose of any further Ordinary Shares held by him until 15 August 2019 (subject to usual and customary exceptions, for example when the Company has given consent to any such transfer). Christopher Chipperton further agreed that any disposals made in the 12 months after 15 August 2019 would be effected through the Company's broker to ensure an orderly market in the Ordinary Shares.

Other than as set out above, the Directors are not aware of any other agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the AGM on 3 June 2019, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 13,546,760 of its Ordinary shares. The Company has not repurchased any of its Ordinary shares under this authority, which is due to expire on the earlier of the date of this year's AGM or 30 June 2020.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 31 December 2019, is set out in the Directors' Remuneration Report on page 72.

Directors' indemnities

The Company's Articles of Association (the 'Articles') provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers. The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the period and these remain in force at the date of this report.

The Company maintains Directors' and officers' liability insurance cover and this is in place for all the Company's Directors at the date of this report. The Company will review its level of cover annually.

Overseas offices

Arix Bioscience, Inc. has an office in New York, USA.

Political donations

The Group did not make any political donations during the year.

Change of control – significant agreements

There are a number of agreements that may take effect, alter or terminate on a change of control of the Company, such as commercial contracts and property lease agreements.

None of these are considered to be significant in their likely impact on the business as a whole.

Audit information

Each Director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the company's auditors are aware of that information. The auditors have been provided with:

- Access to all information of which the directors are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that has been requested for the purpose of the audit; and
- Unrestricted access to persons within the Group from whom it was determined necessary to obtain audit evidence.

Significant interests

The table below shows the interests in shares notified to the Company in accordance with the Disclosure Guidance and Transparency Rules:

	As at 31 December 2019		As at 6 March 2020	
Name of Shareholder	**Number of Ordinary Shares of 0.001 pence each held**	**Percentage of total voting rights held**	**Number of Ordinary Shares of 0.001 pence each held**	**Percentage of total voting rights held**
Link Fund Solutions	26,819,617	19.8%	26,819,617	19.8%
Fosun International	11,111,111	8.2%	11,111,111	8.2%
Ruffer	8,180,878	6.0%	8,180,878	6.0%
Takeda Ventures	7,497,583	5.5%	7,497,583	5.5%
Christopher Chipperton (including restricted shares)	6,942,823	5.2%	6,942,823	5.2%
Ipsen	6,666,666	4.9%	6,666,666	4.9%
Christopher Evans (including restricted shares)	6,368,539	4.7%	6,368,539	4.7%
UCB	5,647,679	4.2%	5,647,679	4.2%
Wicklow Family Office	4,607,999	3.4%	4,607,999	3.4%

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution seeking to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held at the offices of Brown Rudnick, 8 Clifford Street, London W1S 2LQ on 19 May 2020 at 10.30am. The Notice of Annual General Meeting is contained in a separate letter from the Chairman accompanying this report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make reasonable and prudent judgements and accounting estimates
- state whether IFRS as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Company will continue in business

The Directors are responsible for keeping adequate accounting records sufficient to show and explain the Group's and Company's transactions, and to disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

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 consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 52 to 53, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Robert Lyne
Company Secretary
9 March 2020

Independent Auditors' report

to the members of Arix Bioscience plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Arix Bioscience plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2019; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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.

Independence

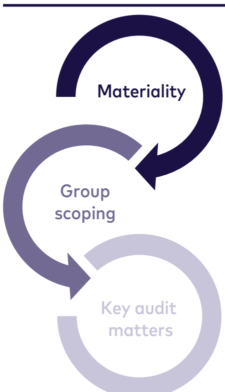
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Note 5 of the financial statements and Page 59 of the Report of the Audit and Risk Committee, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



Reporting obligation	Outcome
Materiality	‣ Overall Group materiality: £2.02 million (2018: £2.70 million), based on 1% of net assets. ‣ Overall Company materiality: £1.91 million (2018: £2.31 million), based on 1% of net assets and capped at 95% of Group materiality.
Group scoping	‣ We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes, and the industry in which the Group operates. ‣ We audited the Company and four significant subsidiaries of the Group which together make up 116% of the loss before tax and 100% of the net assets. The four significant subsidiaries subject to audit were Arix Bioscience Holdings Limited, Arix Capital Management Limited, Arthurian Life Sciences SPV GP Limited and ALS SPV Limited, and these were subject to audit as they represent a significant portion of the Group income, loss before tax or net assets. In addition, we have performed specified audit procedures over Arix Bioscience Inc., which made a loss and is in a net liabilities position.
Key audit matters	‣ Valuation of unquoted investments (Group) ‣ Share-based payments expense (Group and Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK regulatory principles such as those governed by the Financial Conduct Authority. We reviewed the financial statement disclosures to underlying supporting documentation, review of correspondence with, and reports to the regulators, review of correspondence with legal advisors, enquiries of management, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inaccurate journal entries to increase the value of assets, and management bias in accounting estimates such as the valuation of unquoted investments. Audit procedures performed by the Group engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding and evaluation of management's controls designed to prevent and detect irregularities;
- Reading key correspondence with regulatory authorities and legal advisers in so far as it related to non-compliance with laws and regulations and fraud;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit and Risk Committee;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing of personal expenses;
- Reviewing tax returns submitted by the Group;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of unquoted investments (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of unquoted investments (Group) Refer to page 92 (Accounting Policies), pages 98 to 99 (notes) and page 58 (Report of the Audit and Risk Committee). The fair value of unquoted investments is £64.08 million as at 31 December 2019. This is an area of focus due to the fact that unquoted investments ('investee entities') do not have readily determinable prices. The valuation methodology primarily used by the Group is a 'calibration to the price of a recent investment' or a 'milestone analysis'. The calibration to the most recent funding transaction approach refers to looking back at the last external investment in the investee company equity that would give an indication of fair value and calibrating the value based on events subsequent to that transaction to the year end. The milestone analysis approach refers to monitoring the fair value of the investment for potential adjustments based on meeting certain milestones or performance targets. As such the valuation of unquoted investments is judgemental, increasing the risk of material misstatement based on the size of the investments held in relation to the overall financial statements.	We understood and evaluated the valuation methodology applied, by reference to industry practice, and applicable accounting standards, and tested the techniques used by management in determining the fair value of the investee entities. We performed the following specific procedures: • Held meetings with management, including the investment directors, to understand the performance of each investee company in relation to its plan/milestones and the rationale for the valuation methodology applied (including any assumptions being used). • Obtained supporting financial information, such as purchase agreements, funding drawdown requests or bank statements showing the pricing and cash movement for transactions that occurred. • Obtained board papers from the investee companies and corroborated these with discussions held with management, further substantiated through independent research, for example, press releases and online reports, to identify any other corroborating or potentially conflicting information. • Challenged management assumptions regarding discretionary changes in fair value, focusing on the risk profile of ongoing trials and future funding rounds. • Circularised share confirmation letters to the unquoted portfolio companies and tied through the capitalisation tables for each investment based on their responses. We found that management's valuation of unquoted investments, in particular the assumptions used, were supported by the audit evidence obtained.

Independent Auditors' report

to the members of Arix Bioscience plc continued

Key audit matter	How our audit addressed the key audit matter
Share-based payments expense (Group and Company) Refer to page 94 (Accounting Policies), pages 101 to 102 (notes) and page 58 (Report of the Audit and Risk Committee). The share-based payment expense is determined to be an area of focus given the assumptions used by management, estimates made, and the complexity of the Black-Scholes and the Monte Carlo valuation models. These factors increase the risk of material misstatement based on the size of the share-based payment charges in relation to the financial statements. There is also a risk that due to the complexity of some of the incentive and share arrangements that the charged is not completely recognised. The share-based payment expense amounted to £2.79 million for the year.	In testing the share based payment expense, we performed the following testing to address the risks identified for each type of share based payment transaction: ‣ Obtained and read the contracts for new and amended awards in the year and shareholder agreements to examine whether all share based payments have been accounted for. ‣ Tested each of the new awards in the year by checking that they were appropriately authorised, consistent with scheme plans, classified correctly as equity or cash settled and used an appropriate share price. ‣ Obtained the valuation models for new schemes and grants made in the year and tested those models by agreeing key inputs (such as the service commencement date, exercise price, share amount, vesting period) used, to the share agreements in place, and examining that this model was appropriate in the context of an industry accepted pricing model. ‣ Assessed the reasonableness of the estimates in relation to performance conditions and/or service conditions for existing awards. The key assumptions in calculating the share based payment expense are the share volatility of the Group, the exercise date for the shares, the assumed dividend yield of the Group's shares, the forfeiture rates of the share options, the leaver rate and performance conditions. ‣ Assessed the treatment of the scheme leavers in the year including their status as either good or bad leavers based on the original grant documents and the results of any Remuneration Committee meetings for the future treatment of the shares. ‣ Assessed whether all disclosures required by IFRS 2 had been made and appropriately reflected the scheme agreements and the calculations and estimates made. Based on our work we found that the pricing model used to value the awards was in line with accepted market practice and that the assumptions made by management were supported by audit evidence we obtained.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

We have held a number of early planning discussions with those charged with governance and with management in order to appropriately scope and plan the audit.

This has allowed us to adequately capture the areas of focus for the audit. We audited the Company and four significant subsidiaries of the Group, which together account for 116% of the loss before tax, and 100% of the net assets. This together with the procedures performed over the consolidation, has provided the evidence we need for our opinion on the Group financial statements.

We also performed audit procedures on the Group consolidation adjustments and the financial statement disclosures. The four significant subsidiaries subject to audit were Arix Capital Management Limited, Arix Bioscience Holdings Limited, Arthurian Life Science SPV GP Limited, ALS SPV Limited. In addition to this we performed specified procedures over Arix Bioscience, Inc., which holds certain Group investments, which is a specific risk and is part of the key audit matter on valuation of unquoted investments.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£2.02 million (2018: £2.70 million).	£1.91 million (2018: £2.31 million).
How we determined it	1% of net assets.	1% of net assets capped at 95% of the Group materiality.
Rationale for benchmark applied	Net assets is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark for businesses such as the Group, which invests in other businesses for capital appreciation.	Net assets is the primary measure used by the shareholders in assessing the performance of the Company and is a generally accepted auditing benchmark for businesses such as the Company, which invests in other businesses for capital appreciation.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £1.91 million and £0.01 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £100,000 (Group audit) (2018: £135,000) and £95,000 (Company audit) (2018: £115,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06) and ISAs (UK) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Independent Auditors' report

to the members of Arix Bioscience plc continued

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Report (on pages 48 to 79) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Report (on pages 48 to 79) with respect to the 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 DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

As a result of the Directors' voluntary reporting on how they have applied the UK Corporate Governance Code (the "Code"), we are required to report to you if we have anything material to add or draw attention to regarding:

- The Directors' confirmation on pages 44 to 45 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 45 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report in respect of this responsibility.

Other Code Provisions

As a result of the Directors' reporting on how they have applied the Code, we are required to report to you if, in our opinion:

- The statement given by the Directors, on page 79, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 56 to 59 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.

We have nothing to report in respect of this responsibility.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the Directors on 9 December 2016 to audit the financial statements for the period ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2016 to 31 December 2019.

Other voluntary reporting

Going concern

The Directors have requested that we review the statement on page 45 in relation to going concern as if the Company were a premium listed Company. We have nothing to report having performed our review.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

The Directors have requested that we perform a review of the Directors' statements on pages 44 to 45 that they have carried out a robust assessment of the principal risks facing the Group and in relation to the longer-term viability of the Group, as if the Company were a premium listed Company. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. We have nothing to report having performed this review.

Richard McGuire (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 March 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Change in fair value of investments	11	**(58,642)**	51,173
Revenue	3	**506**	1,328
Administrative expenses	6	**(9,709)**	(11,698)
Operating (loss)/profit		**(67,845)**	40,803
Net finance income	7	**769**	708
Foreign exchange (losses)/gains		**(4,443)**	4,583
Impairment of right-of-use and intangible assets		**(1,259)**	–
Share-based payment charge	18	**(2,790)**	(3,333)
(Loss)/profit before taxation		**(75,568)**	42,761
Taxation	9	**5,883**	(5,883)
(Loss)/profit for the year		**(69,685)**	36,878
Other comprehensive (expense)/income			
Exchange differences on translating foreign operations		**(185)**	1,269
Taxation	9	**–**	–
Total comprehensive (expense)/income for the year		**(69,870)**	38,147
Attributable to			
Owners of Arix Bioscience plc		**(69,870)**	38,147
Earnings per share			
Basic earnings per share (p)	10	**(53.8)**	32.1
Diluted earnings per share (p)	10	**(53.8)**	29.7

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

Consolidated statement of financial position

As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investments held at fair value	11	**151,921**	183,981
Intangible assets	12	**688**	1,770
Property, plant and equipment	13	**160**	313
Right of use asset		**249**	–
Investment property		**366**	–
		153,384	186,064
Current assets			
Cash and cash equivalents	15	**54,638**	31,009
Cash on long-term deposit	15	**–**	60,209
Trade and other receivables	14	**1,106**	2,174
Right of use asset		**90**	–
		55,834	93,392
TOTAL ASSETS		**209,218**	279,456
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(6,154)**	(3,399)
Lease liability		**(685)**	–
Deferred tax liability	9	**–**	(5,883)
		(6,839)	(9,282)
Non-Current Liabilities			
Lease Liability		**(271)**	–
TOTAL LIABILITIES		**(7,110)**	(9,282)
NET ASSETS		**202,108**	270,174
EQUITY			
Share capital and share premium	17	**188,585**	188,585
Retained earnings		**15,718**	82,018
Other reserves		**(2,195)**	(429)
TOTAL EQUITY		**202,108**	270,174

The accompanying notes form an integral part of the financial statements. The financial statements on pages 86 to 106 were approved by the Board of Directors and authorised for issue on 9 March 2020, and were signed on its behalf by

Joe Anderson
Chief Executive Officer

Consolidated statement of changes in equity

For the year 31 December 2019

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

For the year ended 31 December 2018

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 1 January 2018	105,125	–	(768)	42,088	146,445
Profit for the year	–	–	–	36,878	36,878
Other comprehensive income	–	–	1,550	(281)	1,269
Contributions of equity, net of transaction costs and tax	83,460	–	–	–	83,460
Share-based payment charge	–	–	–	3,333	3,333
Acquisition of own shares	–	(1,211)	–	–	(1,211)
Issue of own shares to employees	–	–	–	–	–
As at 31 December 2018	188,585	(1,211)	782	82,018	270,174

Consolidated statement of cash flows

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Net cash from operating activities	19	**(9,242)**	(11,018)
Finance income		**769**	–
Finance expenses		**–**	(12)
Tax paid		**–**	(28)
Net cash from operating activities		**(8,473)**	(11,058)
Cash flows from investing activities			
Purchase of equity investments		**(34,858)**	(55,228)
Disposal of equity and loan investments		**8,791**	–
Purchase of property, plant and equipment		**(6)**	(2)
Net cash received from/(placed on) long-term deposit		**60,209**	(60,209)
Net cash from investing activities		**34,136**	(115,439)
Cash flows from financing activities			
Net proceeds from issue of shares		**–**	83,460
Purchase of own shares by Employee Benefit Trust		**(986)**	(1,211)
Net cash from financing activities		**(986)**	82,249
Net increase/(decrease) in cash and cash equivalents		**24,677**	(44,248)
Cash and cash equivalents at start of year		**31,009**	74,938
Effect of exchange rate changes		**(1,048)**	319
Cash and cash equivalents at end of year		**54,638**	31,009

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') is to invest in and build breakthrough biotech companies around cutting edge advances in life sciences.

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

2. Accounting Policies

A. Basis of preparation

The consolidated financial statements of the Arix Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by the European Union. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

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

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

Use of judgements and estimates

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

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

Significant estimates are made by the Arix Group when determining the appropriate methodology for valuing investments (see Note 2(i)) and share-based payments (see Note 2(o) and Note 18).

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.

B. Basis of consolidation

Subsidiaries

Subsidiaries are entities over which the Arix Group has control. The Arix Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 combinations by the Group.

The consolidated financial statements comprise a consolidation of the subsidiary entities listed below. This table contains the disclosures required by Section 409 of the Companies Act 2006 for subsidiaries.

Entity	Country of Incorporation	Registered Address	Ownership
Arix Bioscience Holdings Limited	England and Wales	20 Berkeley Square, London, W1J 6EQ	100%
Arix Bioscience, Inc	United States	214 West 29th Street, 2nd Floor, New York NY 10001	100%
Arix Capital Management Limited	England and Wales	Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ	100%
Arthurian Life Sciences GP Limited	Scotland	16 Charlotte Square, Edinburgh, EH2 4DF	100%
ALS SPV Limited	England and Wales	20 Berkeley Square, London, W1J 6EQ	100%
Arthurian Life Sciences SPV GP Limited	England and Wales	Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ	100%
Arix Bioscience plc Employee Benefit Trust	Jersey	26 New Street, St Helier, Jersey, JE2 3RA	100%
Arthurian Life Sciences Carried Interest Partner LP	Scotland	16 Charlotte Square, Edinburgh, EH2 4DF	100%
Arix Bioscience Pty Limited*	Australia	Level 27, AMP Centre, 50 Bridge Street, Sydney NSW 2000	100%

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.

*Arix Bioscience Pty Limited, a dormant company, was deregistered on 8 January 2020.

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
Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

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

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

WLSIF is considered neither a subsidiary nor an associate, as detailed in Note 2(a).

C. Adoption of new and revised standards
Certain new accounting standards and interpretations have been applied by the Group from 1 January 2019. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 'Leases'
The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments. Right of use assets were 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.

Assessment for Impairment and Resulting Investment Property
The Group has assessed its right of use assets for impairment, in line with IAS 36 Impairment of Assets. During the year, the Group vacated its New York office at 250 West 55th Street, and has sub-let that space. The right of use asset at 250 West 55th Street has therefore been impaired to its fair value, being the expected proceeds to the Group from sub-letting. As the property no longer contributes to the Group's core business and is able to produce its own independent cash flows it is considered its own cash generating unit, and is therefore required to be classified as an investment property in line with IAS 40 Investment Property. The property is held at its fair value, being the expected proceeds to the Group from sub-letting.

D. Revenue recognition
Revenue is generated from fund management fees, and from Non-Executive Directors' fees. Fund management fees are earned as a percentage of funds managed and are recognised in the period in which these services are provided. Non-Executive Directors' 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.

F. Leases
As explained in Note 2(c) above, the Group has changed its accounting policy for leases. Until 31 December 2018, leases of the Group's premises were classified as operating leases. Rents payable under operating leases were charged against income on a straight-line basis over the lease term, even if payments were not made on such a basis.

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

Notes to the financial statements continued

2. Accounting Policies continued

I. Financial assets

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

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

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

Equity investments

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

Valuation of investments

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

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

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

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

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

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

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

Treatment of gains and losses arising on fair value

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

Recognition of financial assets

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

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

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

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

J. Cash and cash equivalents and Cash on long-term deposit
Cash and cash equivalents comprise cash at bank and in hand, call deposits and bank overdrafts. 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 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.

Notes to the financial statements continued

2. Accounting Policies continued

O. Share-based payments

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

P. 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 $126.5m; euro-denominated assets valued at €4.7m; Canadian dollar-denominated assets valued at C$0.2m; and Australian dollar-denominated assets valued at A$7.0m. A 10% appreciation in each currency would have a £9.4m negative impact on Arix's Income Statement; a 10% depreciation would have a £11.5m positive impact on Arix's income statement. The impact of foreign exchange on these holdings is closely monitored.

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

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

Interest rate risk

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

The Arix Group's income is substantially independent of changes in market interest rates. Interest-bearing assets include only cash and cash equivalents, 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 2019, a 10% change in underlying interest rates would have impacted Arix's Finance Income by £71k.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Arix Group. The major classes of financial assets of the Arix Group are cash and cash equivalents (£54.6m (2018: £31.0m)); cash on long-term deposit (£nil (2018: £60.2m)); and trade and other receivables (£1.1m (2018: £2.2m)).

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 2019, 100% of cash and cash equivalents and cash on long-term deposit was deposited with institutions that have a credit rating of at least category A+, according to Fitch ratings.

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

Liquidity risk

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

	Within one year £'000	**Total £'000**
Trade, Other Payables and Accruals (excluding non-financial liabilities)	6,154	**6,154**

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

	2019 £'000	2018 £'000
Fund management fee income	**480**	866
Other income	**26**	462
	506	1,328

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

4. Segmental Information

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

5. (Loss)/Profit Before Taxation

	2019 £'000	2018 £'000
Amortisation	**(287)**	(287)
Depreciation	**(159)**	(216)
Impairment of right of use asset	**(464)**	–
Impairment of intangible asset	**(795)**	–
Auditors' remuneration		
Statutory audit services		
Fees payable for the audit of the Arix Group accounts	**141**	135
Fees payable for the audit of the accounts of subsidiaries of the Arix Group	**48**	40
Non-audit services		
Other assurance and advisory services	**36**	195
Total auditors' remuneration	**225**	370

Non-audit services in the year relate to the Arix Bioscience plc interim review (£30k) and an FCA Client Asset Report (£6k) (2018: capital raise £150k; remuneration advice £10k; interim review £29k; FCA Client Asset Report £6k).

6. Administrative Expenses

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

	2019 £'000	2018 £'000
Employment costs	**5,637**	6,537
Recruitment costs	**147**	563
Consultancy fees	**320**	512
Other expenses	**3,605**	4,086
	9,709	11,698

Notes to the financial statements continued

7. Net Finance Income/(Expenses)

	2019 £'000	2018 £'000
Bank interest	**769**	720
Bank charges	**–**	(12)
	769	708

8. Employee Costs

Employee costs (including Directors) comprise:

	2019 £'000	2018 £'000
Salary and bonus	**4,808**	5,651
Social security costs	**532**	580
Pension and benefits costs	**297**	306
	5,637	6,537

9. Income Tax

	2019 £'000	2018 £'000
Current year tax charge		
Current tax	**–**	–
Deferred tax – current year	**(5,760)**	6,665
Deferred tax – effect of change in tax rates	**687**	(782)
Adjustment in respect of previous periods	**(810)**	–
Total tax (credit)/charge	**(5,883)**	5,883

	2019 £'000	2018 £'000
Reconciliation of tax charge		
(Loss)/profit before tax	**(75,568)**	42,761
Expected tax based on 19.00% (2018: 19.00%)	**(14,358)**	8,124
Effects of:		
Expenses not deductible for tax purposes	**12,120**	3,101
Adjustment in respect of previous periods	**(810)**	–
Income not taxable	**(9,808)**	(2,926)
Impact of rate between deferred tax and current tax	**693**	(777)
Recognition of items previously not recognised	**–**	(2,646)
Net gains/(losses)	**(6)**	–
Employee share options	**116**	23
Deferred tax not recognised	**6,170**	984
Total tax (credit)/charge	**(5,883)**	5,883

	2019 £'000	2018 £'000
Recognised deferred tax provisions		
Brought forward	**5,883**	–
Relating to Profit and loss	**(5,883)**	5,883
Relating to Other comprehensive income	**–**	–
Carried forward	**–**	5,883
Represented by:		
Unutilised tax losses	**(8)**	(2,835)
ACAs	**–**	(17)
Intangibles	**276**	325
Employee benefits	**(276)**	(373)
Investments	**9**	8,784
Other timing differences	**(1)**	(1)
	–	5,883

	2019 £'000	2018 £'000
Unrecognised deferred tax provisions		
Unutilised tax losses	**(5,263)**	(996)
Priority profit share outstanding	**69**	–
Other timing differences	**(299)**	–
	(5,493)	(996)

Following changes to the UK's long term corporation tax rate, deferred tax balances have been calculated using a rate of 19% (2018: 17%).

Notes to the financial statements continued

10. (Loss)/Earnings per Share

On 4 January 2019, the Group issued 114,358 ordinary shares, in relation to certain share awards. On 1 May 2019, 530,000 shares were issued, in relation to certain share awards. On 2 July 2019, 84,249 shares were issued, in relation to certain share awards. As at 31 December 2019, the Group had 135,551,850 ordinary shares in issue (2018: 134,823,243).

At the year-end date, 5,080,582 of the ordinary shares were subject to restrictions. These shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, restricted shares have been excluded from the calculation of the weighted average number of shares in issue.

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.

No adjustment has been made to the basic loss per share in the year ended 31 December 2019, as the exercise of share options would have the effect of reducing the loss per ordinary share, and therefore is not dilutive. Potentially dilutive ordinary shares relate to contingently issuable shares arising under the Group's Executive Incentive Plan.

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
(Loss)/profit attributable to equity holders of Arix Bioscience plc	**(69,870)**	38,147
Weighted average number of shares in issue for the purposes of basic earnings per share	**129,948,773**	118,787,412
Weighted average number of shares in issue for the purposes of diluted earnings per share	**129,948,773**	128,521,402
Basic (loss)/earnings per share	**(53.8p)**	32.1p
Diluted (loss)/earnings per share	**(53.8p)**	29.7p

11. Investments

Equity Investments

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

Transfers from Level 3 to Level 1 reflects companies which have listed during the year. Level 3 investments are valued with reference to either the most recent funding round (£37.6m, 2018: £33.4m); net asset value (£1.4m, 2018: £4.5m); market-based write-up (£22.7m, 2018: £23.8m); discretionary write-down (£2.4m, 2018: £3.2m); or by discounted cash flow (£nil, 2018: £nil). See Note 2(l) for further details on the valuation of Level 3 investments.

As permitted by IAS 28 'Investment in Associates' and in accordance with the Arix Group accounting policy, investments are held at fair value even though the Arix Group may have significant influence over the companies. Significant influence is determined to exist when the Group holds more than 20% of the holding or when less than 20% is held but in combination with a certain level of board representation is deemed to be able to exert significant influence. As at 31 December 2019, the Arix Group is deemed to have significant influence over the following entities:

Company	Country of Incorporation	Registered Address	% of Issued Share,Capital Held	Net Assets/ (Liabilities) of Company	Profit/(Loss) of Company	Date of Financial Information
Depixus SAS (EUR)	France	3-5 Impasse Reille, 75014 Paris	20.7%	1,948	(1,439)	31 December 2017
Quench Bio, Inc (USD)	USA	400 Technology Square, Cambridge, MA 02139	32.4%	N/A	N/A	Not publicly available
STipe Therapeutics Aps (EUR)	Denmark	Lyngsievvej 18, 8230 Abyhoj	14.8%	N/A	N/A	Not publicly available

In addition, at 31 December 2019, the Group held the following investments in companies where it is not considered to have significant influence:

Company	Board Seat?	% of Issued Share Capital Held
Amplyx Pharmaceuticals, Inc.	Observer	3.0%
Artios Pharma Limited	Y	12.4%
Atox Bio, Inc.	Y	6.4%
Aura Biosciences, Inc.	Y	7.7%
Autolus Therapeutics plc	Y	7.5%
Harpoon Therapeutics, Inc.	Y	10.4%
Imara, Inc.	Y	9.2%
Iterum Therapeutics Limited	Y	7.3%
LogicBio Therapeutics, Inc.	Y	13.0%
OptiKira, LLC	Y	13.3%
Pharmaxis Limited	Y	11.1%
PreciThera, Inc	N	13.9%
VelosBio, Inc.	Y	8.9%
Verona Pharma plc	N	2.5%

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 recognised within both Investments and Receivables, and totals £1.7m at year-end (2018: £5.5m); the Group's exposure is limited to the carrying value within Investments and Receivables.

Notes to the financial statements continued

12. Intangible Assets

	Year Ended 31 December 2019	Year Ended 31 December 2018
Brought forward	**1,770**	2,057
Amortisation	**(287)**	(287)
Impairment in period	**(795)**	–
	688	1,770

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

13. Property, Plant and Equipment

Year ended 31 December 2019

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

Year ended 31 December 2018

	Fixtures and Fittings £'000	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
As at 1 January 2018	410	34	79	523
Exchange translation adjustments	2	1	1	4
Additions	–	–	2	2
Depreciation charge	(154)	(10)	(52)	(216)
At 31 December 2018	258	25	30	313

14. Trade and Other Receivables

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade receivables	**771**	1,734
Prepayments	**264**	359
VAT receivable	**71**	81
	1,106	2,174

The maximum exposure to credit risk at the reporting date is the carrying value of each asset class listed above. The Arix Group does not hold any collateral as security.

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

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Cash at bank and in hand	**54,638**	31,009
Cash on long-term deposit	**–**	60,209

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

16. Trade and Other Payables

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

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Trade payables	**123**	228
Accruals and other payables	**6,031**	3,171
	6,154	3,399

17. Share Capital

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Allotted and called up		
135,551,850 ordinary shares of £0.00001 each (2018: 134,823,243 shares)	**1**	1
49,671 Series C shares of £1 each (2018: 49,671 shares)	**50**	50

On 4 January 2019, the Group issued 114,358 ordinary shares, in relation to certain share awards. On 1 May 2019, 530,000 shares were issued, in relation to certain share awards. On 2 July 2019, 84,249 shares were issued, in relation to certain share awards. As at 31 December 2019, the Group had 135,551,850 ordinary shares in issue (2018: 134,823,243).

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

18. Share Options

During 2019, share-based payment expenses have been recognised relating to a range of share schemes operated by the Arix Group.

	Year Ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Executive Incentive Plan 2017	**430**	430
Executive Incentive Plan 2018	**883**	427
Executive Incentive Plan 2019	**448**	–
2017 IPO Award	**213**	1,470
Executive Share Option Plan	**567**	582
Founder Incentive Shares	**179**	348
Non-Executive Director Awards	**70**	76
	2,790	3,333

Executive Incentive Plan

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

In May 2017, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options will become exercisable at nil cost and in the case of the conditional share awards, will vest at nil cost on the third anniversary of their grant, on 26 May 2020, subject to performance criteria. This requires the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; 1,486,747 options were unvested at year-end (2018: 1,486,747). In the year ended 31 December 2019, a share-based payment charge of £430k (2018: £430k) was recognised in relation to the Executive Incentive Plan.

In May 2018, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost on the third anniversary of their grant, on 17 May 2021, subject to performance criteria. This requires the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; 2,290,499 options were unvested at year-end (2018: 2,290,499). In the year ended 31 December 2019, a share-based payment charge of £883k (2018: £427k) was recognised in relation to the Executive Incentive Plan.

Notes to the financial statements continued

18. Share Options continued

In May 2019, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the share price to have grown by a set percentage over the assessment period, on 1 January 2022, with the quantum of shares vesting dependent on both the level of share price growth and the level of net asset value growth; 2,524,661 were issued in the period, all of which are unvested at year-end. In the year ended 31 December 2019, a share-based payment charge of £448k (2018: £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 £1.5750, and the assessed likelihood of vesting. The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£1.5750); risk free interest rate (0.72%); time to vesting (3 years); and expected volatility based on comparable listed investments (39.6%).

IPO Award

In February 2017, the Executive Directors and certain employees were awarded one-off nil cost options or conditional awards in recognition of their contribution to the Company's initial public offering. The options were granted on 22 February 2017; all options vested after two years, on 22 February 2019. 1,409,166 options were unvested at the start of the period; all vested, of which 439,799 were exercised at nil cost; 969,367 were unexercised at year-end. In the year ended 31 December 2019, a share-based payment charge of £213k (2018: £1,470k) was recognised in relation to the IPO Awards. The charge was calculated as the total number of options granted, at the IPO share price of £2.07, recognised across the two-year vesting period.

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 per annum for a five year period from February 2019 to February 2024. 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 2019, a share-based payment charge of £567k (2018: £582k) 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. As these relate to a former Director, no longer employed by Arix, the full remaining share based payment charge of £179k was recognised in the year ended 31 December 2019 (2018: £348k). The charge was calculated using the Black–Scholes model. Assumptions used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Non-Executive Director Awards

Pursuant to their respective letters of appointment, certain Non-Executive Directors received a one-off share award during the year; a share based payment charge of £70k (2018: £76k) was recognised during the period.

19. Net Cash From Operating Activities

	Year Ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
(Loss)/profit before income tax	**(75,568)**	42,761
Adjustments for:		
Change in fair value of investments	**58,642**	(51,173)
Foreign exchange losses/(gains)	**4,443**	(4,583)
Share-based payment charge	**2,790**	3,333
Depreciation and amortisation	**446**	503
Impairment of assets	**1,259**	–
Finance income	**(769)**	(708)
Changes in working capital		
Decrease/(increase) in trade and other receivables	**1,068**	(908)
Decrease in trade and other payables	**(1,553)**	(243)
Cash used in operations	**(9,242)**	(11,018)

20. Financial Commitments

The Group has amounts committed to portfolio companies but not yet invested; at 31 December 2019 these totalled £8.5m (2018: £21.0m).

21. Financial Instruments

Financial Assets

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

	Year Ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Financial assets at fair value through profit or loss		
Equity investments	**151,921**	183,981
Loans and receivables		
Other receivables (excluding prepayments)	**771**	1,734
Long-term cash on deposit	**–**	60,209
Cash and cash equivalents	**54,638**	31,009

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 A+ rated institutions. Investments and other receivables do not have a credit rating. However, the Group does not believe these to be past due nor impaired.

Financial Liabilities

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

	Year Ended 31 December 2019 £'000	Year Ended 31 December 2018 £'000
Trade, other payables and accruals (excluding non-financial liabilities)	**6,154**	3,399

22. Guarantees

The Company has provided a rent deposit guarantee in respect of its former US office, now classified as an Investment Property, for an amount of $261,657, (£198,456), unchanged from 2018.

23. Related Party Transactions

Consultancy fees plus expenses amounting to £130,262 (inclusive of VAT) (2018: £544,336) were payable to Merlin Scientific LLP during the period, a partnership controlled by Sir Chris Evans, a former Director and substantial shareholder of the Company. All contractual arrangements with Merlin Scientific LLP have ceased. At 31 December 2019, £nil (inclusive of VAT) (2018: £nil) was owed to Merlin Scientific LLP by the Company.

During the period, key management has comprised Executive Directors, whose remuneration is disclosed in the Directors Remuneration Report; and other members of the Executive Committee. These other members received short-term employee benefits of £371,834 in the year, relating to the period in which they were fulfilling key management responsibilities (2018: £nil).

24. Events After the Reporting Date

On 22 January 2020, a further $1.9m (£1.5m) was invested in Iterum Therapeutics plc. The Arix Group's investment was in the form of convertible loan notes and royalty-linked senior subordinated notes.

On 24 January 2020, the Arix Group participated in the Quench Bio, Inc. Series A financing. Arix's aggregate commitment to the company now totals over $12.5m, and the Group retains a stake in the company of over 20%.

On 27 January 2020, Autolus Therapeutics plc closed a public offering. The Arix Group did not participate; its stake in the company now totals 6.5%.

On 5 February 2020, the Arix Group completed the sale of its direct holding in Verona Pharma plc. Proceeds of £1.5m were received, in line with the investment's valuation as at 31 December 2019.

On 25 February 2020, a further $2.7m (£2.1m) was invested in Imara, Inc., in line with existing commitments. The Group's fully diluted stake in the company now totals 9.9%.

Company statement of financial position

As at 31 December 2019

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	2	**891**	891
Amounts due from subsidiary undertakings	4	**157,061**	139,849
		157,952	140,740
Current assets			
Cash and cash equivalents	3	**49,953**	30,587
Cash on long-term deposit	3	**–**	60,209
Trade and other receivables		**103**	261
Deferred tax asset		**–**	373
		50,056	91,430
TOTAL ASSETS		**208,008**	232,170
LIABILITIES			
Current liabilities			
Trade and other payables		**(647)**	(728)
TOTAL LIABILITIES		**(647)**	(728)
NET ASSETS		**207,361**	231,442
EQUITY			
Share capital and share premium		**188,585**	188,585
Loss for the period		**(25,885)**	(3,782)
Retained earnings		**46,858**	47,850
Other reserves		**(2,197)**	(1,211)
TOTAL EQUITY		**207,361**	231,442

Company statement of changes in equity

For the year ended 31 December 2019

	Share Capital and Premium £'000	**Other Equity £'000**	**Other Reserves £'000**	**Retained Earnings £'000**	**Total £'000**
As at 1 January 2019	**188,585**	**(1,211)**	**–**	**44,068**	**231,442**
Loss for the year	**–**	**–**	**–**	**(25,885)**	**(25,885)**
Share-based payment charge	**–**	**–**	**–**	**2,790**	**2,790**
Acquisition of own shares	**–**	**(986)**	**–**	**–**	**(986)**
Issue of own shares to employees	**–**	**443**	**(443)**	**–**	**–**
As at 31 December 2019	**188,585**	**(1,754)**	**(443)**	**20,973**	**207,361**

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 1 January 2018	105,125	–	–	44,516	149,641
Loss for the year	–	–	–	(3,782)	(3,782)
Contributions of equity, net of transaction costs and tax	83,460	–	–	–	83,460
Share-based payment charge	–	–	–	3,334	3,334
Acquisition of own shares	–	(1,211)	–	–	(1,211)
As at 31 December 2018	188,585	(1,211)	–	44,068	231,442

Notes to the Company financial statements

1. Accounting Policies

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

Statement of Cash Flows and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures: IFRS 2 Share Based Payments; certain disclosures required by IFRS 13 Fair Value Measurement; and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have been applied consistently. Where relevant, the accounting policies of the Arix Group have been applied to the Company.

Investments in Subsidiary Undertakings

Unlisted investments are held at cost less any provision for impairment.

Amounts Due from Subsidiary Undertakings

All amounts due from subsidiary undertakings are initially recognised at fair value and subsequently measured at amortised cost. Amounts provided to subsidiaries are intended for use on a continuing basis in the Company's activities, with no intention of their settlement in the foreseeable future; as such, they are presented as non-current fixed assets.

2. Non-Current Fixed Assets

	2019 £'000	2018 £'000
Opening balance	**891**	891
Additions	**–**	–
Disposals	**–**	–
At 31 December	**891**	891

The Company's subsidiary undertakings are detailed in Note 2(b) to the Group financial statements.

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

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Cash at bank and in hand	**49,953**	30,587
Cash on long-term deposit	**–**	60,209

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

4. Amounts Due from Subsidiary Undertakings

	As at 31 December 2019 £'000	As at 31 December 2018 £'000
Opening balance	**139,849**	77,221
Net additions during the year	**35,612**	62,628
Impairments during the year	**(18,400)**	–
At 31 December	**157,061**	139,849

The amounts due from subsidiary undertakings are interest free, repayable on demand and unsecured. Arix Bioscience plc currently has no intention to request repayment of any amounts due.

An impairment of £18.4m (2018: £nil) has been recognised relating to the Company's outstanding amount due from Arix Bioscience, Inc., a 100% subsidiary of the Company; this is because there is sufficient uncertainty regarding the recoverability of the balance.

Shareholder information

Warning about unsolicited approaches to shareholders and 'boiler room' scams

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in UK investments. These operations are commonly known as 'boiler rooms'.

These 'brokers' can be very persistent and persuasive. Arix Bioscience plc shareholders are advised to be extremely wary of such approaches and are advised to only deal with firms authorised by the FCA. You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/scams (where you can also review the latest scams) or by calling the FCA Consumer Helpline: 0800 111 6768.

If you have already paid money to share fraudsters then contact Action Fraud on 0300 123 2040.

Registrar

The Company's register of shareholders is maintained by our Registrar, Equiniti Limited. All enquiries regarding shareholder administration, including lost share certificates or changes of address, should be communicated in writing or by calling 0371 384 2030 for callers from the UK (lines are open 8.30am to 5.30pm Mondays to Fridays, excluding Bank Holidays in England and Wales) or +44 (0)121 415 7047 for callers from outside the UK.

Shareholders can also view and manage their shareholdings online by registering at www.shareview.co.uk/myportfolio.

Forward-looking statements

This Annual Report has been prepared for, and only for, the members of Arix Bioscience plc ('the Company') as a body, and for no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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Glossary

aALL/pALL
Adult/paediatric acute lymphocytic leukaemia – a cancer of the bone marrow and blood in which the body makes abnormal white blood cells (lymphocytes).

Acute Kidney Injury (AKI)
Sudden episode of kidney failure or damage following a specific insult (e.g., infection, chemicals). AKI results in a buildup of waste products in blood, which can be toxic if not resolved within days.

BKV
BK virus; a common polyomavirus that does not typically lead to symptoms in healthy individuals. BKV infections may become problematic in immunocompromised patients (e.g., patients receiving immunosuppressive therapy after organ transplant).

BKV-associated hemorrhagic cystitis
BKV infection can result in inflammation and bleeding from the bladder in patients receiving bone marrow transplants.

BKV-associated nephropathy
BKV infection can cause kidney dysfunction in patients receiving kidney transplants due to immunosuppressive therapy to prevent kidney rejection. Unmanaged nephropathy may lead to rejection of the transplanted organ.

Candida Auris
A species of yeast (a type of fungus) that is typically found on skin, but in some circumstances it can become "invasive" and lead to life-threatening blood-stream infections. This happens most frequently in immunocompromised patients, such as those receiving immunosuppressive therapy post-bone marrow transplant.

Complicated IAI
Complicated intra-abdominal infection; a difficult to treat infection of the abdomen cavity.

Core Portfolio
Arix's core portfolio comprises investments in companies that are raising additional capital to accelerate their growth – typically Series B and upwards. These companies have raised significant capital, supported by a strong syndicate of leading venture investors, and have reached validating milestones.

Cryptococcus
A genus of yeast (fungus) including Cryptococcus neoformans, which can cause opportunistic infections in immunosuppressed individuals.

Diabetic retinopathy
A complication of diabetes caused by high blood sugar levels damaging the back of the eye (retina) that can lead to blindness.

Discovery Portfolio
These investments are in the early stages of funding – typically seed and Series A. They have made promising life science discoveries and have secured initial funding to test and validate the science. These companies are in the "prove" phase, but have the potential to move to the core portfolio when milestones are met.

DLBCL
Diffuse large B-cell lymphoma – an aggressive type of blood cancer that can arise in lymph nodes (glands) or outside of the lymphatic system.

Gross Portfolio
Arix's Core Portfolio plus Arix's Discovery Portfolio.

Haematology
The branch of medicine concerned with the study of the cause, prognosis, treatment, and prevention of diseases related to blood.

Invasive Aspergillosis/Candidiasis
A life-threatening fungal infection that has invaded the bloodstream of an immunocompromised patient.

Myeloma
A type of blood cancer arising from plasma cells found in the bone marrow.

NASH
Non-Alcoholic SteatoHepatitis; a chronic progressive liver disease caused by accumulation of fat and subsequent inflammation and fibrosis, primarily associated with high fat and sugar intake.

Net Asset Value (NAV)
A company's assets less its liabilities.

Net Asset Value per share
A company's net asset value divided by the number of shares in issue.

Neuroblastoma
A cancer that develops from immature nerve cells found in several areas of the body, and most commonly arises in and around the adrenal glands on top of the kidneys.

NSTI
Necrotizing Soft Tissue Infections; serious bacterial infections that cause inflammation and damage to the soft tissue layers underneath the surface of the skin.

Ocular melanoma
A type of cancer arising in the pigmented cells of the eye (e.g., the iris).

Phase 1
A clinical study testing a therapy in humans (healthy volunteers or in some cases in patients) for the first time to establish the safety of a range of doses.

Phase 2
A clinical study testing a therapy in patients to establish the safety and efficacy of one or more doses. Intended to provide "Proof of Concept" and to influence design of one or more Phase 3 studies.

Phase 3
A clinical study testing a therapy in a larger group of patients (vs. Phase 2) to establish efficacy and safety with statistical significance in order to support registration and approval by a regulatory agency (e.g., FDA, EMA).

Preclinical
Testing of drug in non-human subjects, to gather efficacy, toxicity and pharmacokinetic information.

SCD
Sickle Cell Disease – an inherited health condition that affects the red blood cells.

Solid Tumour
A cancer comprising solid tissue (i.e. not a blood cancer).

T Cell Lymphoma
A type of blood cancer arising from a type of white blood cell (T cells).

T Cell
A type of lymphocyte white blood cell, which forms part of the immune system and develops from stem cells in the bone marrow.

TriTAC
Tri-specific T cell Activating Construct – Harpoon's approach for targeted penetration and destruction of solid tumours and haematologic malignancies.

UTI
Urinary tract infection.

ß-thalassemia NTDT/TDT
Non-transfusion-dependent thalassemia – a rare inherited disease that reduces the production of healthy haemoglobin. Severe patients often require frequent blood transfusions to ensure they have enough functional red blood cells (TDT Transfusion Dependent Thalassemia). Patients with less severe mutations may not require regular transfusions (NTDT Non-Transfusion Dependent Thalassemia).

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