

A photograph of a male scientist in a white lab coat and green gloves, focused on using a pipette to transfer liquid into a small vial. He is in a laboratory setting with shelves of equipment and a window in the background. The image is partially obscured by a white diagonal shape in the top right corner.

ARIX

Investing in life changing science

Annual report and accounts 2020



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**

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* Includes FX

Performance snapshot

Net Asset Value (NAV)

£328m

2019: £202m

NAV per share*

242p

2019: 149p

Gross Portfolio net revaluation*

£136m

2019: (£54.1m)

Business highlights

Realised capital

£158m

2019: £4.6m

Capital pool

£174m

2019: £55m

Capital raised by portfolio
companies in 2020

\$580m

\$2.3bn since inception

Operational highlights

- ▶ First M&A exit achieved, with VelosBio being acquired by Merck for \$2.75bn in cash, returning £139m to Arix, representing a 11.8x multiple and an IRR of 320%
- ▶ Positive clinical progress from companies including Aura, Amplyx, Autolus, Harpoon, Imara and Atox Bio
- ▶ Net operating costs reduced to within 2% of Net Asset Value

AT A GLANCE



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



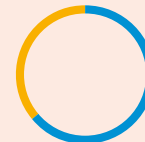
- > UK: 18%
- > Europe: 27%
- > US: 46%
- > RoW: 9%

Therapeutic split



- > Oncology: 46%
- > Genetic diseases: 36%
- > Immunology: 9%
- > Anti-infectives: 9%

Development stage split



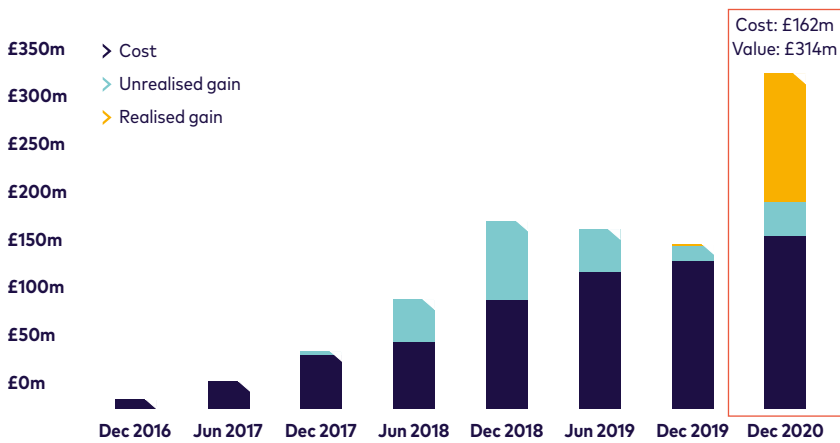
- > Clinical: 64%
- > Preclinical: 36%

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.



Significant growth in the value of our portfolio



NAV per share
242p
Capital Pool
£174m

On target to hit 2023 goals

£500m NAV	ON TARGET	IRR in the range of 15-25% per year	ON TARGET
2 x strategic exits	ON TARGET	Maintain cost base within 2% of NAV	ON TARGET
2 x IPOs	ON TARGET		

» Read more in the Executive Chairman's review on page 6

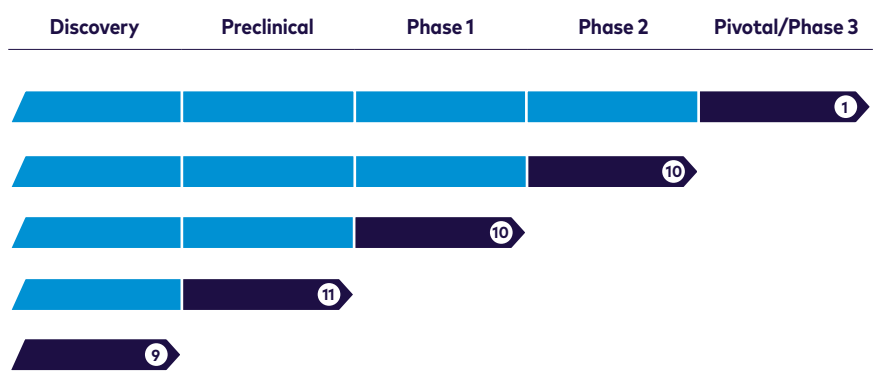
Strong clinical trials pipeline

Collectively our portfolio companies are running 21 clinical trials, with a further 20 in preclinical development.

» Read more on our Pipeline on pages 28 to 29

Clinical trials

21



One exit achieved

INVESTMENT PROPOSITION



Public market access to ground-breaking medical innovation.



Arix portfolio company, Autolus

1 Large, high-growth industry

Biotech fundamentals are strong: long term, sustainable growth drivers, resilience to economic cycles, attractive M&A environment.

Arix provides unique exposure to a portfolio of high growth global biotech companies, both private and public, through a listed vehicle.

» [Read more in Market Insight on page 12](#)

2 High impact and value creation potential

Diverse portfolio of companies addressing significant unmet needs in healthcare, with the potential to deliver breakthrough treatments to patients.

Multiple anticipated near to mid-term milestones with the potential to deliver significant returns, including: new data readouts, new trials initiations, further funding rounds and M&A.

» [Read more in the portfolio review from page 26](#)

3 Expertise and networks

Expert team with deep scientific, commercial and transactional expertise to drive growth in portfolio value.

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

» [Read more about our team on page 40](#)

4 Active, disciplined capital management

Initial investments are typically tranching to pre-agreed milestones supportive of the original investment thesis.

Active management of public portfolio positions to manage risk and optimise returns.

Transparent valuation policy, valuations adhere to IPEV Guidelines.

» [Read more in the financial review on page 36](#)

» [To see how our investment case works in practice, please see our Business Model on page 18](#)

PATIENT IMPACT



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 £162m into innovative biotech companies in our Gross Portfolio, which, in turn, have raised more than \$2bn of funding to date. Multiple jobs been created through Arix and our portfolio companies, which collectively have more than 330 employees today.

£162m

deployed into life sciences since 2016

21

clinical trials across our portfolio addressing significant unmet needs in healthcare

330+

number of employees across Arix portfolio companies


\$2.3bn

capital raised by portfolio companies

From promise to delivery

A transformative year for Arix

Naseem Amin MD
Executive Chairman



» This has been a period of outstanding achievement for our company. We have begun the journey of turning our promises to shareholders into delivery – realising £158m during the year while at the same time refocusing the portfolio, restructuring and reducing our costs and laying the foundation for the next wave of investments.

The last 12 months have seen Arix's portfolio continue to mature, passing a number of key milestones. We have achieved our first major exit, underlining the validity of our business model. We have also increased our Net Asset Value (NAV) by 62% to £328m, moving us significantly closer to our year-end 2023 NAV target of £500m, that we set out in our 2020 interim results. In addition, we recorded a significant reduction in our share price discount to NAV, from 29% to 10%, and generated total shareholder return of 106% during 2020.

2023 goals



We on target for all five key targets we announced at our Interim results presentation in September 2020

Refocus, reinvigorate, realise

Since our IPO in 2017, the potential of our portfolio has become increasingly clear. Our early years were characterised by a strong pipeline, a diversity of investee companies and a series of encouraging data readouts and trials from these investments. However, with Arix moving towards the mid-point in the traditional life cycle of a venture capital fund, 2020 was the time to begin turning promise into reality for our shareholders. That is precisely what we have achieved – and aim to continue in 2021 and beyond.

One of my first actions after moving into the Executive Chairman role in April was to work with the Board and senior team to refocus and strengthen the business. At our interim results presentation in September, we announced the five targets that will guide Arix through the next three years – more details are shown in the panel alongside.

In particular, we pledged to drive run-rate net operating costs down to £5m by the end of 2021, and have committed to maintaining costs at a maximum of 2% of NAV in subsequent years. I am pleased to report that despite incurring a number of one-off charges, 2020 net operating costs were reduced to £6.8m, representing 2.1% of NAV. Run-rate 2021 net operating costs are now within £5m and we are committed to keeping these within 2% of NAV as the company grows.

We completed a portfolio and strategy review during the summer, which has led to us focusing on the companies that we believe have the highest potential value. We remain focused on life sciences, investing to ensure that innovation can meet serious unmet medical need, unconstrained by geography. We regard 10-15 companies as the optimum for our portfolio, with two thirds of our capital deployed in later stage companies, Series B and onwards, and the remainder in seed and Series A investments.

This disciplined approach is enabling us to concentrate on our active investments to ensure that we seize all opportunities for maximising shareholder value in a timely and efficient manner. We have also evolved our policy regarding our presence in the boardrooms of our investee companies and decided to no longer retain a seat on the board of a company once it has gone public. This move gives us the flexibility to optimise

	Progress	
£500m NAV	NAV increased from £251m to £328m	ON TARGET
2 x strategic exits	One exit achieved	ON TARGET
2 x IPOs	Several opportunities under discussion	ON TARGET
IRR in the range of 15-25% per year	Gross Portfolio IRR of 32% from inception to date	ON TARGET
Maintain cost base within 2% of NAV	2020 net operating costs at 2.1% of NAV 2021 on target for 2.0% or less	ON TARGET

EXECUTIVE CHAIRMAN'S REVIEW CONTINUED



The highlight of the year was undoubtedly our first exit, with VelosBio being acquired by Merck for \$2.75bn in cash in November 2020.

returns where we identify opportunities to do so, while also enabling us to manage risk exposure. As always, we continue to focus on generating superior returns and long-term capital growth for our shareholders.

We also appointed a new Scientific Advisory Board during the year, and you can read more details about how this is contributing to more effective investment decisions on page 42.

Delivering on our promises

The highlight of the year was undoubtedly our first M&A exit, with VelosBio being acquired by Merck for \$2.75bn in cash in December 2020. This deal returned \$187m (£139m) to our balance sheet, representing a 11.8x multiple on our investment in a little over two years since our initial investment and an IRR of 320%. This entire gain is expected to be free from corporation tax. Read more on page 39.

VelosBio was also the first co-investment with our strategic partner Takeda Ventures, validating our strategy to form close partnerships with big pharma companies in our core areas of interest. VelosBio's lead investigational candidate is currently being evaluated in clinical trials for the treatment of patients with haematologic malignancies and solid tumours. Read more on page 22.

In total we realised £158m during 2020, which puts us in a strong position to continue to execute our strategy of providing support and flexible, long-term capital to the most innovative biotech companies across the globe that we believe have the potential to deliver transformative new treatments to patients. In addition to the VelosBio proceeds, we realised an additional £19m from the portfolio over the year, through active management of our public companies, including £3m from Imara, £7m from Harpoon and £4m from LogicBio. Our deep understanding of the companies we have invested in allows us to optimise the timing of our disposals and maximise risk adjusted returns for shareholders.

During the year our portfolio companies collectively raised \$580m. Notably, Imara raised \$86.5m in a Nasdaq IPO, with our holding increasing by £12m during the year. At the same time, we saw positive clinical progress from companies including Aura, Amplyx, Autolus, Harpoon, Imara and Atox

Bio – the latter reporting good results from a Phase 3 clinical trial of its immunotherapy treatment for patients with Necrotising Soft Tissue Infection, otherwise known as Flesh Eating Disease.

Over the last 12 months, we invested a total of £25m into the portfolio, including Imara, LogicBio and, prior to our exit, VelosBio. In addition to our venture portfolio, we took advantage of our ability to invest into promising public life science companies where we see potential for superior returns, and invested in GenSight through a public offering.

The strength of the science in the companies we invest in was validated by the announcement of a three-year strategic research partnership between Artios and Merck KGaA. The companies will now collaborate to identify multiple synthetic lethal targets for precision oncology drug candidates and we are very excited about the potential upside that this partnership could ultimately deliver for our investors.

In 2020 we founded a new portfolio company, Twelve Bio, which is developing novel engineered Cas12a nucleases for therapeutic gene editing. This company originated from the Novo Nordisk Foundation Centre for Protein Research at the University of Copenhagen, based on the world-class scientific research of Stefano Stella and Guillermo Montoya. Arix is the sole investor in the company, with a fully diluted equity stake of 49%. Please see the case study on page 14 for details of Twelve Bio.

You can find more details on the progress of our portfolio in the Portfolio Review, which begins on page 26.

Navigating the challenges of Covid-19

The pandemic has presented huge difficulties to people and economies worldwide, and I was delighted to see how well our team stepped up to the challenges. The safety and wellbeing of our people is always our first priority, and we switched to remote working rapidly and effectively.

Venture capitalists in general and Arix in particular proved to be remarkably resilient throughout the year. In the early months, we worked hard to analyse the potential impact of the pandemic – reassessing timelines, identifying those portfolio companies that needed additional support and adjusting our

plans accordingly. The restrictions inevitably caused a degree of disruption – particularly in the areas of clinical trials and research – and we collaborated closely with companies to mitigate this impact. As the year progressed, we continued to evaluate new opportunities, conducting due diligence remotely and harnessing the best that technology can offer in order to build and maintain relationships.

We believe that all our portfolio companies are well financed and positioned to navigate through any further delays caused by Covid-19 and to deliver significant growth over the long term.

The pandemic has shone a positive spotlight on medical science, with the world recognising that the only route through it is via the brilliant work of all those involved in life sciences. Arix is one of the leading venture capital companies directly supporting life sciences, and our investors know that they are investing in the whole future of mankind. Life sciences excite and motivate us every single day – and we are immensely proud to be playing our part in their development.

An evolving Board

My appointment as Executive Chairman took effect in April 2020, following changes in management and the board. To broaden and strengthen the board, in February 2021 we were pleased to announce that James Noble and Axel Wieandt would be joining as Non-Executive Directors on 1 April. James and Axel each bring a wealth of experience with them which will benefit the Company as we shape its future strategy and success. At the same time, Mark Breuer will step down from the Board, leaving with our thanks for his invaluable contribution over the last two years. In addition to these Board changes, we were also pleased to announce the appointment of Giles Kerr as our Senior Independent Director (SID) as part of the Board's ongoing commitment to strengthening corporate governance.

You can read more about changes to the senior team in the Q&A on page 10, as well as in my introduction to the Corporate Governance Report on page 52.

Looking ahead

Following a strong 2020, our focus in 2021 is to continue identifying and investing in great companies across the globe. We plan to expand

¹ Adjusted for FX

Immediate priorities for 2021:

- Expand investment team with senior hires in UK and US
- Continue to strengthen corporate governance

» [Read more on our NAV growth, TSR and capital pool KPIs on page 24](#)

the investment team, with senior hires in the UK and US, to take advantage of our strong pipeline of new opportunities. This process is underway, and we hope to provide an update in due course. Building on the appointment of a SID this year, we are committed to continuing to strengthen corporate governance.

Our portfolio companies are well funded, supported by top venture capital syndicates and led by expert management teams. We expect multiple value catalysts in the next 12 months in line with our 2023 targets, including new data readouts, new trials, further funding rounds, new strategic partnerships and M&A – all of which have the potential to significantly increase the value of our companies.

Our £174m capital pool at the year-end puts us in a strong position to support the current portfolio and invest in the next wave of opportunities. We will continue to seek out and support a mix of late- and early-stage deals, on an approximate ratio of 2:1 in order to manage risk and optimise returns. Arix has the authority to purchase up to 10% of its ordinary shares and we will continue to keep use of cash and the share price discount to NAV under review.

This has been a year of real and transformative achievement for Arix. We have started to turn promise into delivery and seen our share price begin to reflect our strengths and prospects. I would like to thank shareholders for their continued support and assure them that, together, we face the future with confidence.

Naseem Amin MD
Executive Chairman



Arix's portfolio company, Autolus

£158m
realised in the year

62%
increase in NAV

Executive Chairman's Q&A

Building the team to deliver shareholder value

Since his appointment as Executive Chairman in April 2020, Naseem Amin has overseen a major restructuring at Arix – building an expert specialist team with the skills, experience and resources to maximise value for shareholders. Here, Naseem explains the thinking behind some of these changes.



Naseem Amin, MD
Executive Chairman

Why was there a need to evolve the Arix team?

Make no mistake, the teams at both Board and executive levels had done a fantastic job over the previous four years. They had established a firm that quickly became recognised worldwide as one of the industry's leading venture capital outfits and established a core portfolio that was showing real promise.

But now is the time for promise to become reality – the time for us to really deliver in order to meet the expectations of our shareholders. I believe that the team we have now assembled at Arix – together with one or two new additions that I expect over the coming months – has the skills, experience and resources to maximise value.

Is this an indication of a new strategy?

Not at all. Our strategy and business model are well-established and proven. We aim to maintain a strong pipeline of opportunities and a diverse portfolio, ensure effective balance sheet management, build the value of our portfolio companies through hands-on support and deliver long-term capital growth for shareholders.

Now, as we reach what is approximately the mid-point in the 10-year cycle of the average venture fund, it is time to accelerate our efforts and to focus more attention on the last of those strategic priorities – to deliver long-term capital growth for shareholders.

What were the main changes to the senior team in 2020?

I cover the changes to the Board in my statement and also provide more detail in my introduction to the Governance section.

Regarding the investment team, we were delighted to welcome Noor Lalani as Public Investment Director during the year. Now responsible for managing investment positions in our public company portfolio, Noor has over 15 years' experience in capital markets, most recently serving as Director at LXM Group, a London-based investment banking firm. We were also pleased to see Christian Schetter move into a Managing Director role. All these appointments will strengthen our investment capabilities and drive our plans for the years ahead.

In 2021 we will be making further additions to the team. Life sciences is a global industry, and we will continue to build strong expertise not only in the UK but also in the US.

How does the new Scientific Advisory Board (SAB) support the company's ambitions?

Comprising leading researchers and industry executives dedicated to improving treatments for patients, the SAB is a step change for us in terms of ensuring we benefit from the highest quality research and advice. The SAB's role is to provide specialist insight as our portfolio matures and new investment opportunities are evaluated. The SAB members are:

- ▶ Ruth Atherton, PhD, JD, executive sponsor of the Bill & Melinda Gates Foundation Global Access Team.
- ▶ Andreas Busch, PhD, former Head of Research & Development and Chief Scientific Officer at Shire Pharmaceuticals.
- ▶ Professor Trevor Jones, CBE, FMedSci, current Arix Non-Executive Director, former Group R&D director at The Wellcome Foundation Limited.
- ▶ Professor KJ Patel, FRS, FMedSci, Director of the MRC Weatherall Institute of Molecular Medicine and MRC Molecular Haematology Unit in Oxford.

The SAB expands our already large industry network and opens up additional avenues to identify promising opportunities and trends at the forefront of science and industry.

How will the VelosBio proceeds be deployed?

This transaction puts us in a strong position to continue to execute our strategy of providing support and flexible, long-term capital to the most innovative biotech companies across the globe, which we believe have the potential to deliver transformative new treatments to patients and superior returns to our shareholders. Arix has the authority to purchase up to 13,555,185 ordinary shares and we will continue to keep use of cash under review.



"Life sciences is a global industry, and we will continue to build strong expertise not only in the UK but also in the US."

Naseem Amin, MD
Executive Chairman



Arix portfolio company, Artios, Cambridge, UK

A vibrant sector, transforming lives worldwide

The coming years are rich with opportunity for companies in life sciences, as a series of key drivers combine with the continuing realities of the pandemic to demonstrate the enormous value of the sector – to investors, to economies and ultimately to the health and wellbeing of every person on our planet.

1 Covid-19 has underlined the role of life sciences

Governments across the world have invested huge sums to support biotech companies in the search for vaccines to Covid-19. This has shone a spotlight on life sciences and underlined their importance, not only to retail investors but to the future of our planet's entire population. Stakeholders view the sector in an overwhelmingly positive light. It's regarded as an increasingly safe haven – respected for its resilience during pandemics and recessions, and admired for its focus on long-term value. With other sectors failing to live up to expectations, more investor cash is moving into life sciences, building on the good momentum established pre-pandemic and laying the foundations for continued M&A activity.

2 Scientific discovery continues at pace

Entrepreneurial scientists have changed the life science landscape forever. Biotech innovation is shaping a new understanding of the causes and dynamics of disease at a molecular level – and this is driving 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 more than 36,000 new trials in 2020. New therapeutic approaches are making new treatments possible and transforming lives across therapeutic areas, from oncology and respiratory to infectious diseases.

3 Demographics are driving demand

The world's population is growing older and living longer – and with that trend comes an inevitable increase in the prevalence of chronic diseases. Cardiovascular, cancer and neurological conditions are the biggest killers on the planet, and all three are 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. The pattern repeats 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. While economies go through cycles, demand for treatments increases inexorably – this is a long-term defensive sector, with great resilience to other factors.

4 The regulatory environment is increasingly favourable

As the global response to Covid-19 has ably demonstrated, regulators are willing and capable of acting at speed. Scientists are now more effective at evaluating targets and selecting the appropriate patients than ever before – and this has led to more products successfully navigating the approvals process, to the benefit of companies, investors and patients alike. For example, in 2007 only 18 new drugs were approved by the FDA, the US approval authority. In 2020, despite severe challenges from the COVID-19 pandemic, 53 new drugs were approved, the second highest number in more than 20 years. This increase in approvals in the world's largest market comes on the back on a new set of new policies introduced by the FDA to reduce the time, cost and approval risk for new drugs in development.

Sources: IQVA, Population pyramid, HBM Partners, FDA Analysis, clinicaltrials.gov

5 The route to exit is clear

Our role is to invest in young companies, position them for growth and reap the rewards for our investors when these bright, successful companies are acquired, often by Big Pharma. In the last ten years, 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, demonstrating significant and increasing returns on investment. There's also a trend for pharmaceutical companies to compete with each other and agree deals at an earlier stage – and with smaller and younger companies. In the recent past, larger pharmaceutical companies focused primarily on products in phase two or three of clinical trials. Today, they're acquiring companies involved in phase one or even those still working in the pre-clinical stage. It's interesting to note that companies acquired at the early stages of clinical development often generate higher return multiples than later stage companies.

New drugs approved
by the FDA in 2020

53

Novel drug approvals
originated by smaller
biopharma companies

72%

Increase in the number
of clinical trials in 2020

36,742

Biotech companies
acquired in 2019

\$45bn



Arix's Christian Schetter talks about gene editing and founding new portfolio company Twelve Bio

Christian Schetter, Arix Managing Director and Twelve Bio Chairman



Twelve bio

TWELVE BIO

Therapeutic area Genetic diseases

Stage Drug discovery

Ownership 49%*

Value £1.4m

Arix representatives

Christian Schetter, PhD (Chairman)
John Cassidy, PhD (NED)

*when all current commitments are invested

1. What is gene editing and why are you excited about this space?

Gene editing is a method that enables scientists to make specific changes to DNA within the cells of a living organism. Combining this with our rapidly growing understanding of human biology provides an opportunity to tackle disease processes at their origin by targeting the genes responsible and modifying them via deletion, disruption, correction or replacement.

Since the Human Genome Project was completed in 2003 there have been a number of technological advances in DNA sequencing and computing that have vastly improved our understanding of the interplay between genes and disease. The ability to edit our genome provides an almost unlimited number of potential therapeutic applications ranging from direct correction of mutations in rare genetic diseases to indirect edits for more complex and prevalent diseases. Such edits have the potential to be curative since they can effect permanent change in the genome.

These advances are leading us into a new era of transformational therapeutics with the potential to save and improve the lives of a wide range of patients.

Despite the rapid progress made with gene editing approaches, the technology is still nascent and there are only a handful of programmes that have reached the clinic. There remains a huge opportunity for biotechnology companies with differentiated technology and the right support to develop it.

2. What are the key challenges that currently exist when testing and developing gene editing therapies?

As an emerging technology there is a wide range of challenges faced by gene editing companies, but in my view the most critical are:

1) Delivery: In order to achieve the intended therapeutic effect with a gene editing therapy it must first be delivered to the nucleus of the cells that require editing. Outside of the body (ex vivo) this can be relatively straightforward since the cells are accessible and can be handled in ways to facilitate this; however, there are relatively few diseases (e.g. blood disorders such as sickle cell disease) that can be addressed this way. For diseases affecting organs such as the liver, muscles, lungs and brain, the machinery must be delivered in vivo to the right place (and ideally not to other tissues). Depending on the target tissue or organ this can be difficult and a lot of innovation is focused on developing vehicles (vectors) for this such as optimised viruses (e.g. AAV) or lipid-based particles.

2) Safety: Because of the potential for long-lasting and potentially permanent effects on patients' DNA, it is important to show that gene editing therapies are safe. This is especially important for in vivo applications

where it is more difficult to monitor unintended consequences. This is why there has been a big focus on gene editing tools with greater precision and specificity (i.e. fewer off-target effects).

3) Intellectual Property (IP): The pace of discovery and innovation in gene editing has been extremely aggressive and there has been a land-grab for the foundational IP around this. Therefore new entrants to the field must find an IP niche in which to operate in order to protect the value they create and to reduce the costs of sub-licensing from the early developers.

In the case of Twelve Bio, we were impressed by the potential of the technology to overcome these hurdles and to become a differentiated player in a rapidly growing and exciting space.

3. Can you talk about the process of founding Twelve Bio?

Twelve Bio is a spinout from the Novo Nordisk Foundation Centre for Protein Research at the University of Copenhagen based on the world-class scientific research of Stefano Stella and Guillermo Montoya. Arix was introduced to this opportunity by the Bio-Innovation Institute, an independent biotech accelerator/incubator also in Copenhagen, which had selected Twelve Bio for its competitive Creation House programme that provides a fantastic combination of capital, mentorship and laboratory facilities.

Stefano pitched to the Arix team and we were impressed by what we saw as an innovative and differentiated gene editing technology and a high calibre founding scientific team. Over the course of several months, we worked closely with Stefano to refine the business plan and budget for a Seed round and we were able to close the investment in September 2020.



Arix speaks to Stefano Stella, Academic Founder and Chief Technology Officer of Twelve Bio

Stefano Stella, PhD, Founder & CTO



1. Can you tell us about your background?

Since the beginning of my career, I have been fascinated by protein-DNA/RNA interactions. I used biochemical/biophysical and structural biology techniques to study how proteins recognise and cut specific nucleic acid sequences at the atomic level. Since my PhD in Italy, my research has taken me around the world, from the US through France, Spain and Denmark.

In 2015, my curiosity led me to look into a newly discovered CRISPR system based on Cas12a protein. Compared to other CRISPR proteins such as Cas9, Cas12a uses a unique catalytic site to cut both strands of the double-stranded DNA target as well as single-stranded non-specific DNA and I wanted to understand how this site is working. So, using a combination of X-ray crystallography and single-molecule cryo-electron microscopy and FRET, in collaboration with the team lead by Guillermo Montoya at the University of Copenhagen, we obtained the molecular short movie showing how the Cas12a recognise, open and cut all the different DNA filaments. By watching this movie we noticed that some parts of the Cas12a protein were changing and we decided to look further into these regions and we produced variants of the protein.

Based on the results we obtained with these Cas12a variants in 2018, I began looking for possibilities to translate this academic research into a company that will use our Cas12a variants to correct specific genetic disorders. I started Twelve Bio in September 2019 with Guillermo Montoya and the company became fully operational in September 2020 when Arix invested.

2. What is your vision for Twelve Bio?

Twelve Bio will build a gene editing toolbox to target genetic disorders providing tailored and safe molecules to help patients suffering from incurable diseases. Our technology and team will bring new, innovative and unique solutions to the in the gene editing field to improve many patients' lives.

3. How is Twelve Bio going to differentiate from other gene editing companies?

At Twelve Bio we focus on CRISPR-Cas12a, that is a unique CRISPR protein able to target DNA sequences that are not accessible to other gene editing tools. We combine this uniqueness with our ability to manipulate the activities of Cas12a, switching them on or off as needed. Furthermore, we use new and innovative approaches to search for DNA sequences carrying mutations.

These approaches combined with our technology allow us to target diseases that only Twelve Bio can tackle.

4. Can you talk about why you have chosen to partner with Arix and how they have been involved since their investment?

I saw a great fit between Twelve Bio and Arix because right from the first meeting, they were proactively interested in the technology. Above all, I saw that we shared the same vision for the company.

The three months leading to the investment confirmed my first impression. We further discussed the science and the strategy during frequent, fruitful meetings, and we closed the seed round with a clear idea of the direction Twelve Bio would take. After the investment, I now meet every week with Christian Schetter and John Cassidy discussing all strategic aspects of the company.

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.



High impact innovation

Invest in breakthrough therapies which have 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.

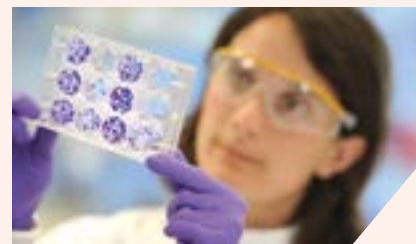
How we allocate capital and manage risk

Late stage venture

To minimise risk we deploy approximately two-thirds of capital into later stage companies – typically Series B and upwards. The majority of these companies are clinical stage and 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. These companies have raised significant capital, supported by a strong syndicate of leading venture investors.

Early stage venture

We deploy approximately one-third of our capital into early stage companies – typically seed or Series A. These companies 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 larger amounts of capital are deployed.



Arix portfolio company, Artios, Cambridge, UK

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.

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's investment team and Scientific Advisory Board have 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.

1. Discover

- ▶ We source globally and review hundreds of companies each year

2. Evaluate

- ▶ Rigorous due diligence for new and follow-on investments

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 page 48

OUR STRATEGIC OBJECTIVES



Arix portfolio company, Artios, Cambridge, UK

Our goal is to make a tangible difference to patients' lives and generate superior returns for shareholders, by investing in innovative biotech companies addressing areas of unmet needs in healthcare.

Strategic priorities



Discover

high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients



Develop

and build the value of these companies through hands-on support



Deliver

attractive returns to shareholders

Performance in 2020	Priorities going forward	Link to KPIs
<ul style="list-style-type: none"> ▶ Founded new portfolio company, Twelve Bio ▶ Provided £25m new capital to portfolio companies ▶ New investment into Euronext listed GenSight Biologics 	<p>£25m <u>capital deployed</u></p>	<ul style="list-style-type: none"> ▶ Recycle proceeds from VelosBio exit into new opportunities ▶ Maintain exposure to quality life science opportunities across the globe <ul style="list-style-type: none"> ⊕ Diverse portfolio ⊕ Active clinical pipeline
<ul style="list-style-type: none"> ▶ Portfolio fair value increased by £136m (including FX) ▶ \$580m of capital raised by portfolio companies ▶ New clinical trials initiated by Autolus, Aura, Harpoon, Imara and Amplyx in the period. Additionally, Artios transitioned to a clinical stage company post period end ▶ New clinical data from, Aura, Amplyx, Autolus, Atox Bio, Harpoon and Imara ▶ FDA accepted new drug application submitted by Atox Bio (review date 30 September 2021) ▶ VelosBio acquired by Merck & Co for \$2.75bn 	<p>£136m <u>net increase in fair value of portfolio companies (including FX)</u></p>	<p>Increase value of portfolio companies through hands-on support including:</p> <ul style="list-style-type: none"> ▶ Raising capital ▶ Clinical development ▶ Management search ▶ Business strategy ▶ Developing strategic interest <ul style="list-style-type: none"> ⊕ NAV growth ⊕ Capital pool
<ul style="list-style-type: none"> ▶ NAV increased by 62% to £328m (242p per share) ▶ £158m cash realised during the year ▶ Gross portfolio IRR of 32% from inception to date ▶ Share price increased by 106% ▶ Cost base run-rate reduced to 2.1% of NAV in 2020 and run rate now below 2% NAV 	<p>£158m <u>capital realised</u></p>	<ul style="list-style-type: none"> ▶ Maintain cost base within 2% of NAV ▶ Targeting IRR 15-25% per year ▶ Continue to grow NAV – targeting a NAV of £500m by 2023 <ul style="list-style-type: none"> ⊕ NAV growth ⊕ TSR ⊕ Capital pool



Our strategy in action



Therapeutic area Oncology

Invested £11.8m

Realised £138.7m

VLS-101, the company's lead product candidate, is an antibody-drug conjugate (ADC) that targets receptor tyrosine kinase-like orphan receptor 1 (ROR1). ROR1 is a cell-surface protein that is expressed during embryofetal development but disappears before birth and is usually not expressed on normal cells in children or adults. By targeting ROR1, VLS-101 was designed to deliver cancer-fighting therapeutics selectively to tumour cells, while sparing normal cells.



- ▶ This investment opportunity was sourced through our strategic partner Takeda Ventures, seed investors in VelosBio. Arix co-led \$58m Series A with Sofinnova Ventures in October 2018, investing £8.4m for an 11.1% stake.
- ▶ Our investment thesis was threefold. First, the Velos founders were serial successful entrepreneurs with a track record of getting multiple drugs through clinical development and onto the market. Their most recent company, Acerta Pharma, developed the drug Calquence for non-Hodgkin's lymphoma, and was acquired by AstraZeneca for \$7bn in 2017. Second, despite ADCs' chequered history, we believed that the accumulation of positive and negative experiences with different molecular constructions meant the timing was right to invest in a novel ADC drug. Finally, the team had chosen ROR1 as the target, which made perfect sense for an ADC approach, and despite investing in the company when it was still in a very early preclinical stage, we strongly believed in its premise.



- ▶ Thorough due diligence utilising team expertise and external networks such as pharmaceutical partners and KOLs.
- ▶ Backing a team of serial entrepreneurs, with enormous experience in oncology drug development, bringing novel compounds to the market and realising value for shareholders.
- ▶ Invested with global blue chip VC investors with deep pockets and domain expertise.
- ▶ We took a hands-on approach through board representation to support the company in its early development.
- ▶ Our initial investments were tranchied to pre-agreed milestones, which supported our investment thesis.

Acquired by Merck for
\$2.75bn

£139m

cash return to Arix;
11.8x return (IRR 320%)



Develop



2019

- Proceeds from the Series A financing allowed the company to initiate its first clinical study for patients with late-stage aggressive lymphomas, who had failed on all other available treatments and would typically have just weeks to live.
- Towards the end of the year the company saw very encouraging early clinical data in this trial.

2020

- Arix invested a further £3.2m in VelosBio's Series B financing, in which the company raised \$137m, supported by some of the largest and most successful life sciences investment firms globally. This financing gave the company a solid shareholder base to provide multiple strategic options for patients in the future and the resources to quickly scale-up their pipeline, including clinical testing of next-generation ROR1-targeting ADCs.
- Proceeds from the Series B financing allowed the company to initiate a Phase 2 clinical trial of VLS-101 in patients with previously treated solid tumours, including breast cancer, lung cancer, and other cancers that are believed to express ROR1.



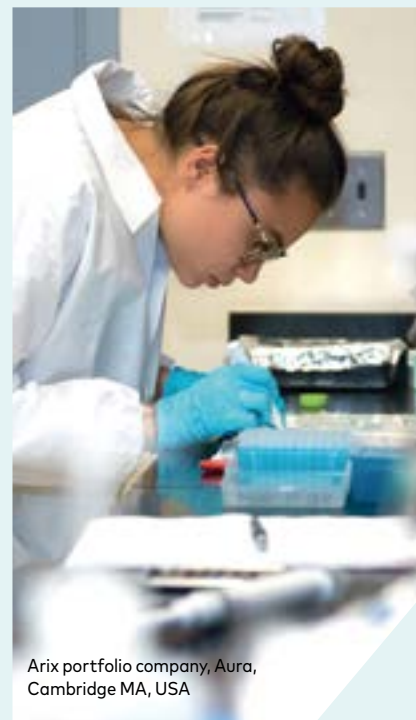
Deliver



- On 5 November, Merck (NYSE: MRK) announced its intention to acquire VelosBio for \$2.75bn, all in cash. The offer VelosBio received from Merck was compelling for all its stakeholders. As one of the top forces in oncology drug development globally, Merck makes the perfect partner to maximise the potential benefit of VelosBio's lead candidate, VLS-101, for the treatment of patients with cancer.
- The trade sale of VelosBio closed in December 2020 and generated gross proceeds of \$187.0m (£138.7m) to Arix, representing a 11.8x return on its original investment of \$15.0m (£11.8m) and an internal rate of return (IRR) of 320%.

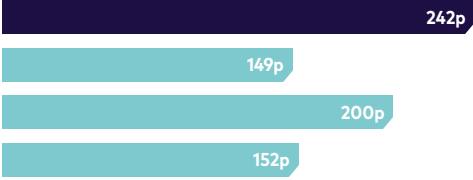


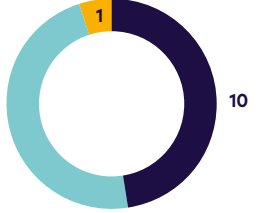
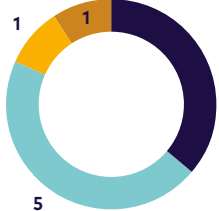
"The strong return on this investment in approximately two years provides a very significant increase in our Net Asset Value moving us significantly closer to our December 2023 NAV goal of £500m, that we set out in our 2020 interim results. This transaction puts us in a strong position to continue to execute our strategy of providing support and flexible, long-term capital to the most innovative biotech companies across the globe, which we believe have the potential to deliver transformative new treatments to patients and superior returns to our shareholders."

Naseem Amin
 Executive Chairman



Arix portfolio company, Aura,
 Cambridge MA, USA

KEY PERFORMANCE INDICATORS

Financial KPI	Description/rationale	Performance 2020
<p>1</p> <p>NAV growth*</p>	Includes performance of portfolio companies and capital pool.	<p>2020  242p</p> <p>2019 149p</p> <p>2018 200p</p> <p>2017 152p</p> <p>▸ 62% growth in NAV in 2020</p> <p><i>Values shown are NAV per share (p), calculated as Net Asset Value, divided by shares in issue</i></p>
<p>2</p> <p>Total Shareholder Return</p>	Measures performance of delivering value to shareholders.	<p>2020  105.6%</p> <p>2019 (36.0)%</p> <p>2018 (14.6)%</p> <p>2017 (5.8)%</p> <p>▸ Share price increased from 106.5p to 219p in 2020</p> <p>▸ TSR of 106%</p>
<p>3</p> <p>Capital pool</p>	Maintain sufficient capital to support growth of portfolio companies and take advantage of new investment opportunities.	<p> £130m £35m £9m</p> <p>▸ Committed</p> <p>▸ Reserved</p> <p>▸ Available</p> <p>▸ £174m of cash and cash equivalents and cash on long-term deposit</p>
Non-financial KPI	Description/rationale	Performance 2020
<p>4</p> <p>Robust and active clinical pipeline*</p>	Measures number of clinical trials across the portfolio, with the potential to deliver important new treatments to patients.	<p> 10 10 1</p> <p>▸ Phase 1</p> <p>▸ Phase 2</p> <p>▸ Phase 3</p> <p>▸ 21 clinical programmes</p>
<p>5</p> <p>Diverse and broad portfolio*</p>	Measures Arix's commitment to invest in the best opportunities worldwide, across different stages of development and therapeutic areas.	<p> 1 1 4 5</p> <p>▸ Genetic diseases</p> <p>▸ Oncology</p> <p>▸ Immunology</p> <p>▸ Anti-infectives</p> <p>▸ 11 companies in Arix's life sciences portfolio</p>

Links to strategic goals

Link to risks

- ▶ **DISCOVER** high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients
- ▶ **DEVELOP** and build the value of these companies through hands-on support
- ▶ **DELIVER** attractive returns to shareholders



- ▶ **DELIVER** attractive returns to shareholders



- ▶ **DISCOVER** high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients
- ▶ **DEVELOP** and build the value of these companies through hands-on support
- ▶ **DELIVER** attractive returns to shareholders



Links to strategic goals

Link to risks

- ▶ **DISCOVER** high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients
- ▶ **DEVELOP** and build the value of these companies through hands-on support



- ▶ **DISCOVER** high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients



KEY

- 1 Covid-19
- 2 Clinical trial risks
- 3 Unquoted investments
- 4 Taxation
- 5 Personnel
- 6 Macroeconomic conditions
- 7 Legislation and Regulation

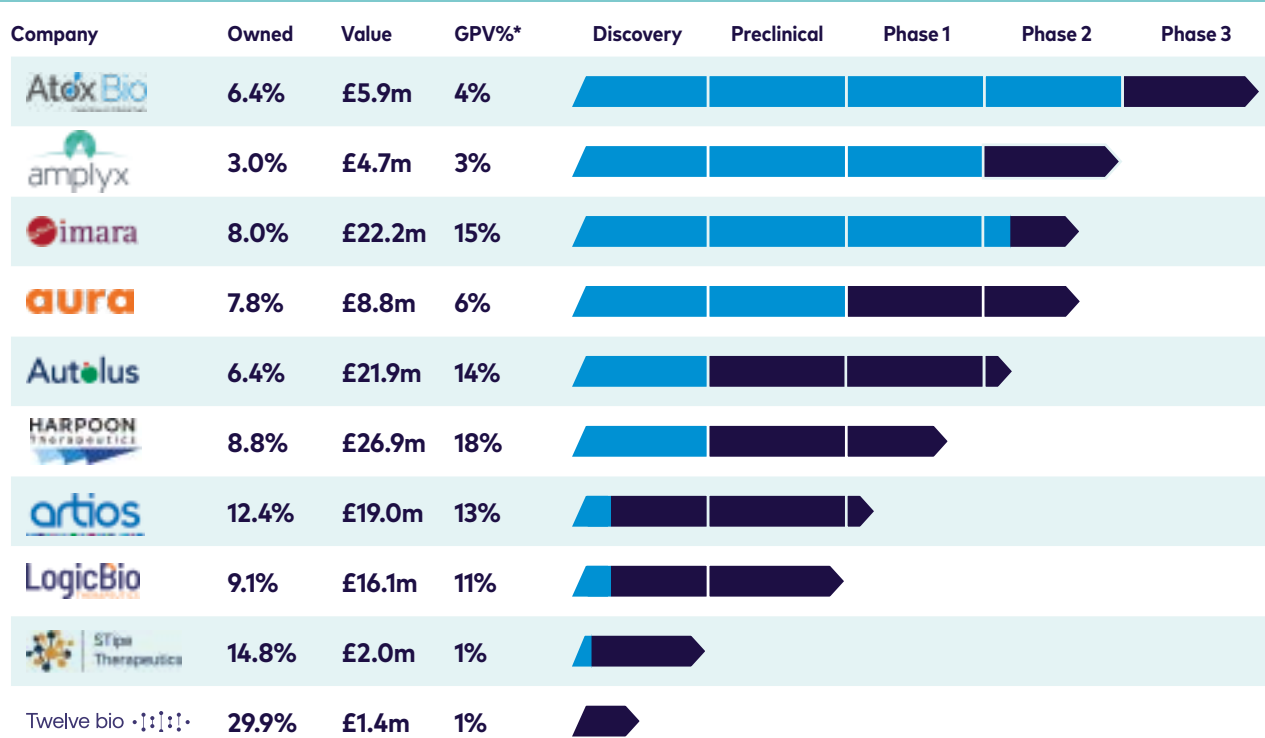
* Alternative Performance Measure

PORTFOLIO REVIEW

A year of development progress


Life sciences portfolio

Key companies by stage of lead programme



KEY

 Prior to Arix investment

 Progress since Arix investment

* Percentage of Gross Portfolio Value, as defined on page 38

** Diagram shows therapeutics companies only; Depixus not included

» Read more on our clinical pipeline and portfolio diversification KPIs on page 24



Our portfolio companies are collectively running 21 clinical trials and conducting 20 pre-clinical studies, providing Arix with multiple shots on goal for value creation.

Key achievements in 2020

\$580m

raised by portfolio companies in the year

\$2.75bn

acquisition of VelosBio

£158m

value realised from the portfolio

21

clinical trials across the portfolio

Overall, the portfolio made good progress in 2020, with several companies reaching important clinical milestones and completing additional financing rounds, as detailed below.

Notably, our oncology portfolio company, VelosBio, was acquired by Merck & Co for \$2.75bn, marking the first strategic exit from our portfolio. As one of the top forces in oncology drug development globally, Merck makes the perfect partner to maximise the potential benefit of VelosBio's lead candidate, VLS-101, for the treatment of patients with cancer.

This transaction returned £139 million to our balance sheet, putting Arix in a strong financial position to provide support and flexible long-term capital to innovative biotech companies and entrepreneurs across the globe.

In addition to the VelosBio proceeds, we realised a further £19 million during the period, through active management of our public holdings, leveraging our deep understanding of the companies we have invested in to optimise the timing of our disposals.

During the period we invested £25 million into the gross portfolio, including the foundation of a new portfolio company, Twelve Bio and further investments into existing portfolio companies. In aggregate, our portfolio companies raised \$580 million during the period, putting them in a strong position to execute on their important clinical development programmes. Notably, Imara raised \$86.5m in a Nasdaq IPO, marking the fifth IPO from our portfolio since inception.

Operationally, there was good progress in the portfolio, with notable highlights including Artios' strategic collaboration with Merck KGaA, new data readouts from Atox, Autolus, Harpoon, Aura, Amplyx and Imara and new trial initiations from Amplyx, Autolus, Aura, Harpoon, Imara and, post period end, Artios. Importantly, Atox Bio reported good results from a Phase 3 clinical trial of its immunotherapy treatment for patients with Necrotizing Soft Tissue Infection, otherwise known as "Flesh Eating Disease" and submitted a New Drug Application (NDA)

with the US Food & Drug Administration (FDA), which was accepted in December 2020. The Prescription Drug User Fee Act (PDUFA) date set by the FDA, which is the goal date for a decision on the NDA, is 30 September 2021.

Meanwhile, a decision was taken to wind down our discovery stage company Quench Bio, post period end. 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. (Read more on page 39).

The year ahead will be important for a number of our portfolio companies as they reach important clinical and development milestones during the year. Our portfolio companies are collectively running 21 clinical trials, a number of which are expected to read out over the next 12 months. There is already significant value in these companies and with multiple clinical milestones expected over the next 12-18 months, we see significant growth potential across this portfolio in the near term.

In addition to clinical milestones, there is potential for M&A, strategic partnerships and other financing events across the portfolio which could significantly increase the value of our companies, and in turn our NAV.

We continue to see a strong pipeline of new investment opportunities and are currently in late stage diligence on a new investment opportunity.

Broad and rich clinical pipeline

Across our portfolio we now have 21 studies in the clinic, focusing on areas of high unmet medical need.

KEY

- ◆ Immunology
- ◆ Oncology
- ◆ Anti-infectives
- ◆ Genetic diseases

- Stage completed
- Stage in progress

Preclinical

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

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.

Phase 2

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

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.






















* Acute lymphoblastic leukaemia

** Intravitreal

*** Suprachoroidal


^ Transfusion dependent thalassaemia

^^ Non-transfusion dependent thalassaemia

Company	Programme	Indication
	Reltecimod	Necrotising soft tissue infection
	APX001	Invasive candidiasis
	AUTO1	Adult ALL*
	IMR-687	Sickle cell disease
	IMR-687	TDT β-thalassaemia^
	IMR-687	NTDT β-thalassaemia^^
	AU-011	Choroidal melanoma (IVT**)
	AU-011	Choroidal melanoma (SC***)
	APX001	Candida auris
	APX001	Invasive aspergillosis
	MAU868	BKV-associated nephropathy
	MAU868	BKV-associated haemorrhagic cystitis
	HPN424	Prostate cancer
	HPN536	Ovarian and pancreatic cancer
	HPN217	Multiple myeloma
	HPN328	Small cell lung cancer
	AUTO1/22	Paediatric ALL
	AUTO3	Diffuse large B cell lymphoma
	AUTO4	Peripheral T cell lymphoma
	AUTO1	Non-Hodgkin lymphoma
	ART0380	Advanced or metastatic solid tumours

Multiple undisclosed preclinical programmes

Preclinical  Phase 1  Phase 2  Phase 3  Expected next steps in 2021

Preclinical	Phase 1	Phase 2	Phase 3	Expected next steps in 2021
				FDA decision on new drug application
				Phase 3 trial start
				Phase 1 long-term follow up data
				Phase 2b interim data
				Phase 2b interim data
				Phase 2b interim data
				Phase 2 full data report
				Phase 2 data
				Phase 2 data
				Phase 2 data
				Phase 2 data
				Phase 2 initiation
				Phase 1/2a data Initiate expansion cohort
				Phase 1/2a data; Initiate expansion cohort
				Phase 1/2a data; Initiate expansion cohort
				Phase 1/2a interim data
				Phase 1 interim data
				Phase 1 long-term follow up data; intend to partner
				Phase 1 interim data
				Phase 1 data updates
				Phase 1 trial start 

Clinical portfolio



Atox Bio

Atox Bio is a late stage clinical company that develops immunotherapies for critically ill patients.

Therapeutic area: Immunology

Value: £5.9m

Cost: £7.4m

% of NAV: 1.8%

Remaining commitment: £nil

Phase

3

During the period, Atox Bio announced results from its Phase 3 clinical trial for patients with Necrotizing Soft Tissue Infection (NSTI) ('Flesh Eating Disease'). Results from the trial showed that Atox Bio's drug relteceimod had a positive effect on resolution of organ dysfunction patients with NSTI. Based on these data the company was able to submit a new drug application (NDA) with the US Food & Drug Administration (FDA), which was accepted in December 2020.

The proposed indication is for the treatment of suspected organ dysfunction or failure in patients with NSTI in conjunction with surgical debridement, antibiotic therapy and supportive care. The Prescription Drug User Fee Act (PDUFA) date set by the FDA, which is the goal date for a decision on the NDA, is 30 September 2021.

NSTI is a potentially life-threatening condition with significant morbidity and long-term mortality that has no FDA-approved treatment. The NDA acceptance marks an important step forward in Atox Bio's development of relteceimod for patients with NSTI. This is a major milestone for the company and takes it one step closer to a potential treatment option for patients with this debilitating disease.



Harpoon Therapeutics (NASDAQ: HARP)

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

Therapeutic area: Oncology

Value: £37.8m (including £10.9m realised to date)

Cost: £19.3m

% of NAV: 8.2%

Realised: £10.9m

Phase

1

The company continues to make good clinical progress with its TriTAC® T cell engager pipeline. During the period Harpoon presented encouraging interim Phase 1 data for its lead programme, HPN424, in patients with metastatic castration-resistant prostate cancer. At the highest fixed dose tested to date, one patient out of 7 has experienced a confirmed partial response with tumour lesion reduction of 43%, and 3 of 7 patients have had serum PSA declines from baseline, including one patient with a PSA reduction greater than 50%. Dose escalation continues in the trial and further data is expected by the in 2021.

During 2020, the company also announced the dosing of the first patient with HPN217, its third product candidate, in a Phase 1/2 clinical trial focused on relapsed/refractory multiple myeloma (RRMM). HPN217 is covered by a global development and option agreement with AbbVie Inc. and dosing of the first patient in the clinical trial triggered a \$50 million milestone payment, which was received in June. Dose escalation continues in this trial and in the Phase 1/2a clinical trial for HPN536 as a treatment for ovarian cancer and other mesothelin-expressing solid tumours, with initial data readouts and initiation of expansion cohorts expected in 2021.

Post period end, Harpoon announced that its fourth T cell engager, HPN328, had entered a Phase 1/2 clinical trial as an investigational treatment of small cell lung cancer (SCLC) and other tumours associated with delta like ligand 3 (DLL3) expression.

In addition, Harpoon successfully completed a public offering in January 2021, raising approximately \$115 million in gross proceeds.



Imara (NASDAQ: IMRA)

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

Therapeutic area: Genetic diseases

Value: £25.4m (including £3.2m realised to date)

Cost: £13.8m

% of NAV: 6.8%

Realised: £3.2m

Phase

2

The company made strong progress during the year, notably completing a successful Nasdaq IPO raising \$86.5 million, in which Arix invested a further \$3.0 million (£2.3 million).

During the period, the company initiated Phase 2b clinical trials of IMR-687 in both SCD and beta-thalassemia. The FDA granted IMR-687 Orphan, Fast Track and Rare Pediatric Disease designations in patients with beta-thalassemia and the European Commission granted Orphan Drug designation for IMR-687 for patients with SCD. IMR-687 has previously been granted Orphan Drug, Fast Track and Rare Pediatric Disease designations from the FDA for patients with SCD. In addition, Imara initiated preclinical studies of IMR-687 in heart failure with preserved ejection fraction and are currently developing a Phase 2 protocol for potential clinical development in this indication.

In January 2021, Imara reported topline results from its Phase 2a clinical trial of IMR-687 in adult patients with SCD. The data from this completed clinical trial demonstrated that IMR-687 was well-tolerated as a monotherapy and in combination with hydroxyurea, the current standard of care. As part of the safety analysis, promising reductions in the rate of vaso-occlusive crises/sickle cell-related pain crises, were observed in certain monotherapy IMR-687 treated patients versus placebo.

The company expects to announce interim results from its ongoing Phase 2b clinical trial in SCD and beta-thalassemia in H2 2021 and anticipates initiating a Phase 1/2 clinical trial of IMR-687 in adolescent patients (12-17 years old) with SCD in the first half of 2021.



Autolus (NASDAQ: AUTL)

Autolus is developing next-generation programmed T cell therapies for the treatment of cancer.

Therapeutic area: Oncology

Value: £21.9m

Cost: £24.6m

% of NAV: 6.7%

Realised: £nil at 31 December 2020 (see page 104)

Phase

1/2

The company continued to make clinical progress in the period, reporting encouraging Phase 1 data in its AUTO1 programme in adult Acute Lymphoblastic Leukemia (ALL), which showed a favourable safety profile and high level of clinical activity.

Post period end, Autolus took the decision to prioritise the development of its AUTO1 programme for adult ALL based on the positive data that the programme has generated to date and the high unmet need in this indication. The Phase 1b/2 pivotal study for the AUTO1 programme is under way and the company plans to provide a full data read out from the study in 2022. Autolus also plan to capitalise on the differentiated profile of AUTO1 by exploring activity in additional B-cell malignancies, including Primary CNS Lymphoma (PCNSL) where no adequate standard of care currently exists.

With the prioritisation of the AUTO1 programme, the company plans to seek a partner for the AUTO3 programme, its CD19 and CD22 dual targeting CAR T product candidate being investigated in relapsed/refractory diffuse large B cell lymphoma (DLBCL), before progressing the programme into the next phase of development. In addition, through Q1 2021, the company will adjust its workforce and infrastructure footprint, which will involve an overall reduction in headcount of approximately 20%. The company expects to realise cash savings, on an annualised basis, of approximately \$15 million per annum once the operational changes are fully implemented.

The company raised gross proceeds of approximately \$80m through a public offering in January 2020 and completed an additional public offering in February 2021, with gross proceeds of approximately \$115m.

PORTFOLIO REVIEW CONTINUED

aura

Aura Biosciences

Aura is a biopharmaceutical company developing a new class of oncology therapies based on the combination of a viral like particle with high affinity to tumour cells coupled to a laser-activatable dye.

Therapeutic area: Oncology

Value: £8.8m

Cost: £7.8m

% of NAV: 2.7%

Remaining commitment: £0.7m

Phase

2

Aura's drug binds to malignant tumour cells with high specificity and once the dye is activated by a short laser treatment there is an acute tumour cell necrosis.

During the period, Aura presented updated clinical data from its ongoing Phase 1b/2 clinical trial evaluating the safety and efficacy of light-activated AU-011, Aura's lead product candidate for the first line treatment of primary choroidal melanoma, a rare and aggressive type of eye cancer. This open-label, multicentre trial is designed to investigate single and multiple ascending doses of light-activated AU-011, administered via intravitreal injection, in adult subjects with clinically diagnosed primary choroidal melanoma. The clinical data presented during the period shows that AU-011 has a favourable preliminary safety profile, controls tumour growth rate, and preserves vision in the vast majority of patients, including those at high risk for vision loss with tumours close to the fovea and optic nerve. In the Phase 2 part of this study the company has enrolled patients with documented tumour growth prior to treatment, constituting the patient population targeted in a potential future Phase 3 study. The data is currently maturing to provide support of tumour growth control at 12 months post treatment in this relevant Phase 3 eligible patient population and the trial continues to be supportive of further clinical investigation in pivotal studies.

In the second half of 2020, Aura initiated a Phase 2 clinical trial evaluating suprachoroidal (SC) delivery of AU-011 in patients with choroidal melanoma. Aura believes that delivering AU-011 into the suprachoroidal space within the eye, has the potential to maximise bioavailability at the tumour site and could allow for the treatment of a wider range of tumour sizes (small to medium size tumours), and therefore, a larger number of patients. Data from this trial is expected in the second half of 2021.

artios

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.

Therapeutic area: Oncology

Value: £19.0m

Cost: £13.8m

% of NAV: 5.8%

Remaining commitment: £nil

Phase

1

It has been a transformational year for Artios with a multi-billion dollar pharma partnership and its lead compound moving into clinical development. Artios has continued to advance its world-leading DDR programmes, announcing the start of its first clinical trial of its small-molecule ATR inhibitor, ART0380, in patients with advanced or metastatic solid tumours in February 2021.

Artios has conducted extensive preclinical work to characterise and differentiate its lead candidates and alongside ART0380, will have ART4215, a first in class Pol theta inhibitor, in the clinic by end of 2021.

In December 2020, Artios entered into a strategic collaboration with Merck KGaA, Darmstadt, Germany to identify and develop precision oncology medicines targeting nucleases. Merck KGaA, Darmstadt, Germany has the right to opt into exclusive development and commercialization of compounds on up to eight targets and Artios is to receive up to US\$860 million total milestones per target. The company has several programs in DDR, identified through its in-house DDR platform as well as in-licensed from MD Anderson and ShangPharma for its ATRi program, in order to create next-generation DDR therapies.

The company expanded its US leadership team with the appointment of Abid Ansari as Chief Financial Officer in January 2021. Abid has 18 years of finance experience in life science businesses and brings a variety of US financial experience to Artios, including a background with global public companies in corporate finance, business development, licensing, and investor relations.

There were also further additions to Artios' clinical development team, as Bryony Harrop joined as Vice President. Bryony has extensive experience through all stages of drug development in cutting-edge oncology clinical trials across a broad range of malignancies. She has been working alongside Dr Gillian Langford and Dr Ian Smith, Chief Medical Officer.

Pre-clinical portfolio



Amplix

Amplix is a clinical stage biopharmaceutical company developing innovative therapies for debilitating and life-threatening diseases in patients with compromised immune systems.

Therapeutic area: Anti-infectives

Value: £4.7m

Cost: £4.8m

% of NAV: 1.4%

Remaining commitment: £nil

Phase

2

During the period, Amplix announced positive topline data following the completion of its Phase 2 clinical trial of fosmanogepix (APX001) as a first-line treatment for patients with invasive fungal infections caused by *Candida*. The trial met its primary efficacy endpoint, demonstrating a treatment success rate of 80%. Fosmanogepix was well tolerated with no treatment-related serious adverse events or discontinuations and importantly, patients were able to easily transition from intravenous to oral formulations during their treatment.

Amplix announced that the first patient has been dosed in its Phase 2 clinical trial evaluating the efficacy and safety of MAU868 for the treatment of BK viremia in kidney transplant recipients. MAU868 is a novel, human monoclonal antibody that potently neutralises all four major genotypes of BK virus (BKV), for which there are currently no treatment options. Dosing the first patient represents a strong start to this important clinical trial and a key milestone in Amplix's development programme, taking the business one step closer to bringing a first-in-class treatment to the vulnerable patients at risk for this devastating transplant complication.

The current pandemic has highlighted how devastating infectious diseases can be and reinforces the need for new and novel anti-infective agents capable of combating emerging threats. During these unprecedented times, Amplix is aware of the challenges being faced by health services and the clinicians at the frontline of delivering healthcare. Despite these challenges, their Phase 2 studies and expanded access programmes remain open and the company expects to report data from a number of studies in 2021.



LogicBio Therapeutics (NASDAQ: LOGC)

LogicBio Therapeutics is a genome editing company, dedicated to extending the reach of genetic medicine with pioneering targeted delivery platforms.

Therapeutic area: Genetic diseases

Value: £19.7m (including £3.6m realised to date)

Cost: £12.8m

% of NAV: 4.9%

Realised: £3.6m

In August, LogicBio announced that the FDA has cleared its IND application for LB-001 for the treatment of methylmalonic acidemia in paediatric patients. This is an important step forward for LogicBio, enabling the company to move LB-001 towards clinical development. The SUNRISE study is a multi-centre, open-label, Phase 1/2 clinical trial designed to assess the safety and tolerability of a single intravenous infusion of LB-001 in paediatric patients with MMA characterised by methylmalonyl-CoA mutase gene (MMUT) mutations. The trial is expected to enrol eight paediatric patients with ages ranging from six months to 12 years, initially starting with three to 12-year-old patients and then adding patients aged six months to 2 years. LogicBio expects to initiate the Phase 1/2 clinical trial in the first half of 2021.

In October 2020, the company completed a public offering raising gross proceeds of approximately \$48m, supported by new and existing investors, including Arix.

LogicBio is also developing a Next Generation Capsid platform for use in gene editing and gene therapies. Data presented has shown that the capsids deliver highly efficient functional transduction of human hepatocytes with improved manufacturability with low levels of pre-existing neutralising antibodies in human samples. Top-tier capsid candidates from this effort demonstrated significant improvements over benchmark AAVs currently in clinical development. LogicBio is developing these highly potent vectors for internal development candidates and potentially for business development collaborations.

Drug Discovery portfolio

Twelve bio

Twelve Bio

Twelve Bio is a startup technology platform based on CRISPR-Cas12a variants. They specialise in structural biology and protein engineering to design superior Cas12a enzymes for gene editing and diagnostics.

Therapeutic area: Genetic diseases

Value: £1.4m

Cost: £1.4m

% of NAV: 0.4%

Remaining commitment: £2.2m

Arix completed a seed investment in Twelve Bio in September 2020, following several months of discussions with the scientific founders Stefano Stella and Guillermo Montoya based at the Centre for Protein Research (CPR) at the University of Copenhagen, Denmark.

Twelve Bio is developing novel gene editing tools based on deep understanding of the structure of naturally occurring enzymes that bind and cut DNA. The seed financing has supported the spinning of the company out from the university and setting up of facilities at the BioInnovation Institute in Copenhagen, the expansion of the scientific team and the ongoing generation and characterisation of variants with enhanced characteristics and profiles compared to natural forms.

Christian Schetter and John Cassidy have joined the Board of Directors and are providing hands-on operational and strategic support to the company during this seed phase.

» [Read Christian and Stefano's interview on pages 14 to 15](#)



STipe Therapeutics

STipe is developing first-in-class drugs that sensitize the STING-pathway, a major driver of innate immunity, to enable a patient's immune system to overcome the immune suppression often observed within solid tumours.

Therapeutic area: Oncology

Value: £2.0m

Cost: £2.0m

% of NAV: 0.6%

Remaining commitment: £3.1m

STipe has a differentiated approach from other programmes targeting the STING pathway since it does not rely on direct overstimulation and therefore has the potential to be a systemically delivered therapy with broader applications.

The company continues to benefit from Christian Schetter's operational experience via his role as Executive Chairman, and has made a number of key additions to the team during 2020. The most notable additions include: 1) Richard Bethell as Chief Development Officer, Richard has >30 years' drug development experience and was previously CSO at Medivir and was in senior R&D positions at Boehringer Ingelheim, Shire, Pfizer and GSK; 2) Natalie Sacks has joined the board of directors, she is currently Chief Medical Officer of Harpoon Therapeutics and previously CMO of Aduro Biotech, which developed STING agonists for immunology applications; 3) Sonia Quaratino as Chair of the Scientific and Clinical Advisory Board, who was most recently CMO of Kymab until its recent acquisition by Sanofi.

In 2020, the company continued to identify and validate compounds that sensitise the STING pathway and to establish the resources required to prepare these for development in clinical trials. We remain excited about the potential of this differentiated approach to deliver important medicines to patients with a broad range of solid tumours.



Depixus

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

Therapeutic area: Genetic diseases

Value: £4.2m

Cost: £2.3m

% of NAV: 1.3%

Remaining commitment: £nil

Depixus has had a productive and busy year and is currently raising new capital in a Series A financing, which is expected to close in the first half of 2021.

The financing will be supported by new and existing investors, including Arix. Proceeds from the Series A will be used to further advance the company's MAGNATM technology, which is being developed to decode valuable new layers of genetic information from DNA, RNA, and protein.

MAGNATM has the potential to be used across a wide range of applications. Depixus has operations in both Paris and Cambridge, UK. Arix participated in the company's previous seed rounds and has helped to grow it to 30 employees.



The Group generated a significant profit in the year, cash reserves have swelled, and we have seen a significant increase in the Company's net asset value



Summary

2020 was a year of substantial progress for Arix's finances. We completed the transition to a leaner structure, with a cost base appropriately proportioned to the business, and had our first M&A acquisition of a portfolio company. This has provided a strong foundation for the business to continue to progress. The Group generated a significant profit in the year, cash reserves have swelled, and we have seen a significant increase in the Company's net asset value (NAV) and NAV per share.

Marcus Karia
Group Finance Director

At year-end, NAV totalled £328.2 million, an increase of £126.1 million, or 62%, compared to 2019's £202.1 million. Profit after tax was £126.1 million (2019: a loss of £69.9 million), while cash and deposits rose by 219% to £174.4 million (2019: £54.6 million), following net realisations from Arix's investments of £132.9 million.

As a business we were able to respond quickly to the Covid-19 pandemic, closing our offices and moving to remote working to safeguard our employees. While there was inevitably an impact on the portfolio, it has been less severe than originally anticipated and has predominantly been in the form of slightly increased timescales for clinical trials. The businesses in the Arix portfolio are well funded, with many of our public companies taking advantage of growing investor sentiment in the biotech sector during the second half of the year by raising further

2020 highlights

Net Asset Value (NAV)

£328m

2019: £202m

» [Read more on our NAV growth, TSR and capital pool KPIs on page 24](#)

capital, leaving them well placed to weather any further business interruptions.

We therefore go into 2021 pleased with the development Arix has made over the past year and looking forward to sharing details of further progress in the portfolio to help reach our goal of a NAV of up to £500 million by the end of 2023.

Portfolio revaluations

Having started 2020 at £149.2 million, the Gross Portfolio generated £147.6 million of net positive revaluations during the year, an outstanding result. The vast majority of this, £134.9 million, arose on VelosBio, first seeing an upward revaluation after closing its Series B funding round in July and then a substantial increase on its acquisition in December.

There were positive movements for many public assets, with Imara returning £12.0 million, Harpoon £5.2 million and LogicBio £1.6 million. These were somewhat offset by the £10.2 million decrease in the value of Autolus.

In the private portfolio, positive movements were seen with Artios (£3.8 million), off the back of promising clinical development and the signing of a strategic collaboration with Merck KGaA; and also with Quench Bio (£0.9 million), following the closing of the company's Series A funding round in January 2020 (although it was disappointing to note that post-period end, in March 2021, the decision was taken to wind down Quench Bio after the company concluded its planned analysis without success). Arix's legacy assets and other interests declined by a net £4.3 million in aggregate.

Portfolio realisations

The acquisition of VelosBio by Merck for \$2.75 billion in cash was hugely positive for Arix, returning \$187.0 million (£138.7 million) to the balance sheet, representing a 11.8x return on \$15.0 million capital invested after allowing for foreign exchange movements, and generating an IRR of 320%.

The public nature of a number of Arix's investments provides opportunities to realise proceeds based upon a risk-based appraisal of individual investments, an assessment which is constantly shifting with the inevitable volatility that accompanies publicly traded early-stage biotech investments. This resulted in Arix trimming its holding in Harpoon by 15% during the year, generating \$8.0 million (£6.6 million), a 2.6x return on blended cost. Exposure to LogicBio was also reduced by 20%, with \$4.5 million (£3.6 million) recycled to the balance sheet at a 1.7x return, while 11% of Arix's Imara stake was sold at a 2.1x multiple, returning £3.2 million.

It is worth noting that this risk-based assessment is not solely focused on selling down investments. Where share prices were deemed favourably low in the year, opportunities for further investment were taken for the holdings in both Harpoon and LogicBio, again highlighting the flexibility of the Arix model.

As the Arix portfolio grew more focused on core assets during the year, full exits were seen from Pharmaxis (£3.0 million of proceeds) and Verona Pharma (£1.5 million), while exposure to Iterum Therapeutics was reduced to an immaterial level, returning £1.0 million to Arix.

Portfolio investment

Arix continued to see positive progress from its portfolio during the year, with further investment across several companies. Following the trend of other Arix portfolio companies, Imara listed on the Nasdaq in March 2020. The listing was priced at a 46% uplift to the company's Series B funding round, which Arix had co-led less than a year earlier. Overall, Arix invested £4.5 million in Imara during the year, covering the second tranche of the Series B commitment as well as further participation at IPO.

A further £6.7 million was invested in VelosBio in 2020, ahead of its December acquisition; after funding the \$4.4 million (£3.5 million) second tranche of Arix's Series A commitment, VelosBio raised a \$137 million Series B round, attracting a further \$4.0 million (£3.2 million) from Arix.

Quench Bio, a company co-founded by Arix in 2018, closed a \$35 million Series A in the year, to which Arix committed \$6 million, of which \$1.2 million (£0.9 million) had been invested before a decision was taken to wind down the company in March 2021. Also raising cash was LogicBio, which gained a further \$48 million via a public offering, with \$3.0 million (£2.3 million) invested by Arix.

There were two additions to the Arix portfolio in the year, with the contrasting geographies and stage of development highlighting the flexibility of Arix's business model. At the earliest stage, Arix invested €1.5 million (£1.4 million) to seed the formation of Twelve Bio, a Danish genome editing platform company. At the other end of the development timeline, Arix invested €5.6 million (£5.1 million)

FINANCIAL REVIEW CONTINUED

in Euronext Paris-listed GenSight Biologics, via a public offering and subsequent market purchases. GenSight is seeking commercial approval for its product in Europe and the United States, using gene therapy to treat vision loss.

Foreign exchange

2020 proved to be a volatile year for foreign exchange, particularly for sterling versus the US dollar, a key metric for Arix. The rate for one pound dropped well under \$1.25 at the height of market disruption in the first quarter of the year, and then rallied to more than \$1.36 by the end of 2020 as the UK reached agreement on a Brexit trade deal with the European Union. This resulted in a £11.9 million net negative impact on portfolio valuations in the year, due to the majority of Arix's investments being denominated in US dollars.

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

Cash and deposits

The above noted realisations from the portfolio have provided Arix with a very strong capital pool to support both the current portfolio and to acquire significant stakes in promising new biotech opportunities. At 31 December 2020, cash and deposits totalled £174.4 million, compared to £54.6 million a year earlier, a 219% increase. At year-end, £9.3 million was committed to existing portfolio companies.

Counterparty risk is managed by holding cash with several financial institutions, all of which

have a credit rating of at least F1, according to Fitch ratings. Returns on cash, while low in previous years, turned somewhat anaemic in 2020 as governments cut rates globally to tackle the Covid-19 pandemic. Arix continues to target yield where possible, weighed against the anticipated timing and quantum of the needs of the portfolio. The Company's Treasury Policy is overseen by the Audit and Risk Committee.

Net operating costs

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

Investment summary

Investment	Value 01 Jan 2020 £m	Investment in period £m	Realisations in period £m	Capitalisations in period £m	Change in valuation £m	FX movement £m	Value 31 Dec 2020 £m	Fully diluted equity interest %	Fully committed. Not invested £m	Fully funded %
Life sciences portfolio										
Amplyx	4.9	-	-	-	-	(0.2)	4.7	3.0%	-	3.0%
Artios	15.2	-	-	-	3.8	-	19.0	12.4%	-	12.4%
Atox Bio	5.0	1.2	-	0.1	(0.1)	(0.3)	5.9	6.4%	-	6.4%
Aura	8.3	0.7	-	-	-	(0.2)	8.8	7.8%	0.5	7.9%
Autolus*	33.8	-	-	-	(10.2)	(1.7)	21.9	6.4%	-	6.4%
Depixus	2.0	0.2	-	-	1.8	0.2	4.2	20.7%	-	20.7%
Harpoon*	28.9	0.1	(6.6)	-	5.2	(0.7)	26.9	8.8%	-	8.8%
Imara*	10.7	4.5	(3.2)	-	12.0	(1.8)	22.2	8.0%	-	8.0%
LogicBio*	16.3	2.3	(3.6)	-	1.6	(0.5)	16.1	9.1%	-	9.1%
Quench	6.5	0.9	-	-	0.9	(0.3)	8.0	25.0%	3.5	21.7%
STipe	1.9	-	-	-	-	0.1	2.0	14.8%	3.1	19.8%
Twelve Bio	-	1.4	-	-	-	-	1.4	29.9%	2.2	49.0%
VelosBio	5.5	6.7	(138.7)	-	134.9	(6.2)	2.2	-	-	-
Healthcare investments										
GenSight*	-	5.1	-	-	2.0	-	7.1	2.8%	9.3	2.8%
Legacy assets										
	10.2	1.5	(5.4)	-	(4.3)	(0.3)	1.7		-	
Gross Portfolio	149.2	24.6	(157.5)	0.1	147.6	(11.9)	152.1		9.3	
Other interests										
	2.7	-	-	-	(0.4)	-	2.4		-	
Total investments	151.9	24.6	(157.5)	0.1	147.2	(11.9)	154.4		9.3	

* Publicly listed company

in 2019), while committing to 2020 net operating costs to be under £7.0 million.

It is pleasing to report that both commitments will be met, after a year of targeted reductions to costs throughout the business. Net operating costs for 2020 represent 2.1% of year-end NAV, compared to 4.0% in 2019. On top of the previously announced headcount reductions, the greatest savings arise from reduced office spend. The full effects of this will be seen once we vacate our Berkeley Square offices in May of this year and move to new premises in the West End, on which we have been able to take advantage of current market conditions in negotiating competitive terms, vastly reducing our property spend.

As noted previously, significantly reduced finance income was generated in the year (£0.1 million versus £0.8 million in 2019), predominantly due to cuts in interest rates across the globe in response to the pandemic, but also due to the business having a lower average cash balance throughout the year. Returns are expected to remain low throughout 2021.

Fund management fee income of £0.3 million, received from managing The Wales Life Sciences Investment Fund, continues to reduce in line with expectation (2019: £0.5 million) and is expected to be lower still in 2021.

Other deductions relate to a foreign exchange loss (£1.6 million) arising predominantly on cash held in currencies other than sterling, an intangible impairment (£0.2 million) and a small share-based payment charge (£0.1 million).

Based on the current business, 2021 run-rate net operating costs have been reduced to below £5.0 million once Berkeley Square is vacated. This represents 1.5% of December 2020 NAV. The significant cash now available to Arix to invest means that there will now be some expansion of net costs beyond £5.0 million to ensure there is appropriate strength and resilience in the investment team. However, we continue to be focused on cost control, and pledge to ensure net costs remain below 2% of NAV on an ongoing basis.

Taxation

As a UK operating group, Arix is subject to UK corporation tax on the majority of its activities, which can include the gains arising on investments. However, wherever possible we aim to take advantage of the UK's Substantial Shareholding Exemption (SSE), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions

are met. This is a nuanced exemption and is always dependent on individual investment fact patterns. For the largest realised gain arising in the year, the sale of VelosBio, we are now confident that the entire gain meets the conditions for SSE and therefore expect it to be free from corporation tax. This exemption will also be claimed for the realised gains arising from Harpoon and LogicBio during the period.

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

These factors, combined with the ability to utilise certain brought forward losses, have reduced the Group's tax expense in the year to £nil (2019: £nil).

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. Further information is available in Note 2 to the financial statements on page 93.

Post-Period End

In March 2021, the decision was taken to wind down Quench Bio, after the company completed its data analysis and could not find a suitable path to progression. While disappointing, this is our approach to risk management in action, tranching commitments to minimise capital at risk and ceasing funding in a prompt and disciplined manner. For further detail on events after the reporting date, please see note 24 of the financial statements.



We continue to be focused on cost control, and pledge to ensure net costs remain below 2% of NAV on an ongoing basis

KEY TEAM MEMBERS

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

Key

◇ Investment team

◆ Executive team



Robert Lyne ◆
Chief Operating Officer & General Counsel

Robert is the Chief Operating Officer, General Counsel and Company Secretary of Arix, responsible for all legal, transactional and regulatory matters at Arix, as well as the day-to-day operations of the business.

He began his career as a lawyer at international law firm Bird & Bird LLP in London before moving into listed venture capital, having worked at Touchstone Innovations plc (formerly Imperial Innovations) before joining Arix in 2017. He has broad experience working with venture-backed biotechnology businesses and other venture capital firms across Europe and North America. Robert has completed over 60 venture capital financings in multiple jurisdictions and worked with company boards and investors to execute trade exits, IPOs and complex cross-border transactions.

Robert has a BA from the University of Oxford and an LLB from Oxford Brookes University. He sits on the board of Arix Capital Management and holds the regulated entity's SMF16 and SMF17 functions.



Marcus Karia ◆
Group Finance Director

Marcus is the Group Finance Director of Arix Bioscience. He works across all aspects of Arix's operations and oversees finance, portfolio monitoring & analysis and IT.

Marcus joined the company soon after its inception in 2016, leading the development of the Group's operations, as well as supporting Arix through its IPO.

Marcus has worked in venture capital and private equity throughout his career. After qualifying as a Chartered Accountant with PricewaterhouseCoopers, he held positions at LDC, the private equity arm of Lloyds Bank, and Bridges Fund Management, a leading impact investor.

Marcus 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.



artios

Naseem Amin MD ◆◆
Executive Chairman

Naseem joined the Arix Board in December 2019 and later became Executive Chairman in April 2020. He is currently CEO of GMP-Orphan and NED of Bellerophon Therapeutics (Nasdaq: BLPH). He has broad life sciences experience in both the US and Europe, having held senior positions in major healthcare businesses in R&D, business development, marketing and in venture capital. Naseem has been a Venture Partner at Advent Life Sciences, CSO of Smith & Nephew plc and led Business Development at both Biogen and Genzyme Therapeutics, where he initiated and executed several acquisitions and partnerships. Naseem started his career at Baxter Healthcare, holding executive roles in marketing, clinical research and product development. Naseem is a qualified medical doctor, from the University College Medical School, London, and holds an MBA from the Kellogg Graduate School of Management.



Twelve Bio | STIpe Therapeutics
aura Atox Bio

Christian Schetter PhD ◆◆
Managing Director

Christian is currently Executive Chairman of Arix portfolio companies, STIpe Therapeutics and Twelve Bio, along with Non-Executive Director of Atox Bio, Aura Bioscience and Quench Bio. Prior to Arix 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.



John Cassidy PhD ◆
Principal

John is a Principal in the investment team at Arix Bioscience and is based in the London office. John joined the team in 2018 and has been involved in a number of investments, including Non-Executive Director at STipe Therapeutics and Twelve Bio as well as board observer roles for Imara, Quench Bio and Depixus.

Prior to Arix, John 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 Pfizer and the Medical Research Council. John has published research in journals including PNAS, Nature Communications, eLife and Journal of Neuroscience.



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.

Tim is a Non-Executive Director at Depixus and board observer at STipe Therapeutics and Amplyx Pharmaceuticals, all Arix portfolio companies. He is also 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.



Noor Lalani ◆
Public Markets Investment Director

Noor is the Public Markets Investment Director of Arix Bioscience. He is responsible for managing investment positions in Arix's public company portfolio.

Noor brings over 15 years' experience in capital markets, most recently serving as Director at LXM Group, a London based Investment Banking firm. Prior to this, Noor was at JP Morgan Investment Bank, which he joined in 2004, as an Executive Director in the Capital Markets Division in London.

Noor holds a first-class degree in Electrical Engineering and Computing from Imperial College London and a Master's Degree in Mathematics from the University of Cambridge.



Felix Breyer PhD ◆
Investment Analyst

Felix is an Analyst at Arix Bioscience, joining the investment team in 2021. Prior to Arix, Felix completed his PhD in Biochemistry at University College London. His doctoral research at The Francis Crick Institute was supported by a Boehringer Ingelheim Fonds Fellowship and focused on innate immune pathways underlying infection. Alongside his PhD, Felix was President of GapSummit 2018, the world's first intergenerational biotech leadership forum that connected industry leaders with the next generation of biotech pioneers.

Felix holds a First-Class Honours degree with distinction in Biochemistry from the University of Dundee and published research in multiple journals, including the Journal of Experimental Medicine.

KEY TEAM MEMBERS SAB



In June 2020, Arix announced the formation of a Scientific Advisory Board (SAB), chaired by Arix Non-Executive Director Professor Trevor Jones, CBE, FMedSci, and comprising leading researchers and industry executives dedicated to improving treatments for patients.

These high calibre individuals share Arix's vision of addressing significant unmet needs in healthcare and provide multi-disciplinary expertise in key areas that are intrinsic to successful drug development and value creation. The SAB also further expands Arix's already large industry network and opens up additional avenues to identify promising investment opportunities and trends at the forefront of science and industry.



Professor Trevor Jones, CBE, FMedSci
Chair of SAB

Trevor joined Arix as Non Executive Director in 2017, at the time of the Company's IPO, and was appointed as Chair of Arix's Scientific Advisory Board in June 2020. 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.

The SAB is primarily responsible for advising the investment team and Board regarding priority investment decisions. These changes are designed to provide access to specialist insight as Arix's portfolio matures and new investment opportunities are evaluated.



Ruth Atherton, PhD, JD
Member of SAB

Ruth Atherton is an experienced pharma, biotech and global health professional with expertise in risk management, governance, global product development, complex transactions and intellectual property. A strategic adviser, recognised for technical acumen, innovation and culture development, Ruth is a data driven, impact-focused problem solver. Her role at the Bill & Melinda Gates Foundation includes advising the foundation and the Bill & Melinda Gates Medical Research Institute, developing pharma and biotech investments, enabling global R&D and commercialisation, protecting reputation and streamlining business processes. Ruth has extensive international experience and unique insights on corporate social responsibility. She is a member of the Global Health Executive team and the executive sponsor of the foundation's Global Access Team which leads intellectual property strategy and creates affordable access to the products and developments to benefit the world's populations who are most in need.

Ruth serves as Director and Corporate Secretary of BIO Ventures for Global Health, a nonprofit creating alliances among biotech, pharma and governments to create access to cancer medicines and neglected tropical disease innovations. Ruth is the Executive Director and founder of Raising The Blues, Ltd., a public charity that brings interactive musical opportunities to children with special-needs and medical needs.

Prior to joining the foundation, Ruth was Sr. Corporate Counsel at Sanofi supporting Global Industrial Affairs and Sr. Counsel at Genzyme Corporation responsible for Global Manufacturing and Operations. Ruth was litigation attorney at Fitzpatrick, Cella, Harper & Scinto in NYC, where she supported biotech and pharmaceutical litigation. Ruth served as a founding Advisory Board member of the UMass Venture Development Center, an award-winning incubator for emerging hi-tech and life science companies.

Ruth holds a Ph.D. in Cell and Molecular Biology from Cornell University and a J.D. from Fordham School of Law.



Professor Andreas Busch, PhD
Member of SAB

Andreas is a member of Arix's Scientific Advisory Board. He has extensive R&D and portfolio leadership experience across a broad range of therapeutic categories, including significant expertise in rare and orphan diseases. He is currently Chief Innovation Officer at Cylerion Therapeutic, where he is primarily focused on delivering the greatest possible patient impact and shareholder value creation from Cylerion's current pipeline of five sGC stimulator programmes. Prior to which he served as Head of Research and Development and Chief Scientific Officer at Shire and as Head of Drug Discovery and a member of the Executive Committee at Bayer Pharma. Prior to that, Andreas was Global Head of Cardiovascular Research at Hoechst and Sanofi-Aventis.

Andreas has been a member of several Supervisory and Scientific Boards, including the German Cancer Research Center, the University of Tübingen, the Max-Delbrück-Center and the Max-Planck-Institute of Molecular Genetics. He also holds the title of Extraordinary Professor of Pharmacology at the Johann Wolfgang Goethe-University in Frankfurt, Germany. He is the author of some 400 publications and abstracts, and received the prestigious Sir Bernard Katz and Franz Volhard Awards for his work on renal and cardiac ion channels and transporters. He received his PhD in Pharmacology from the Johann Wolfgang Goethe-University Frankfurt.



Professor KJ Patel, FRS, FMedSci
Member of SAB

KJ Patel is the Director of the Weatherall Institute for Molecular Medicine and also the MRC Molecular Haematology Unit at the University of Oxford. KJ trained in medicine in London and spent his research career until recently at the MRC Laboratory of Molecular Biology, Cambridge which is one of the premier research institutes in the world. He was also Professor for molecular medicine and stem cell genomics at the University of Cambridge. His research focuses on the molecular basis of inherited genomic instability and the role it plays in the biology of stem cells particularly those that make blood. He has received prestigious awards and prizes for his work and is a Fellow of the Royal Society (FRS), Fellow of the Academy of Medical Sciences UK (FMedSci) and also a member of the European Molecular Biology Organisation (EMBO).

RISK MANAGEMENT



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, which sets 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.

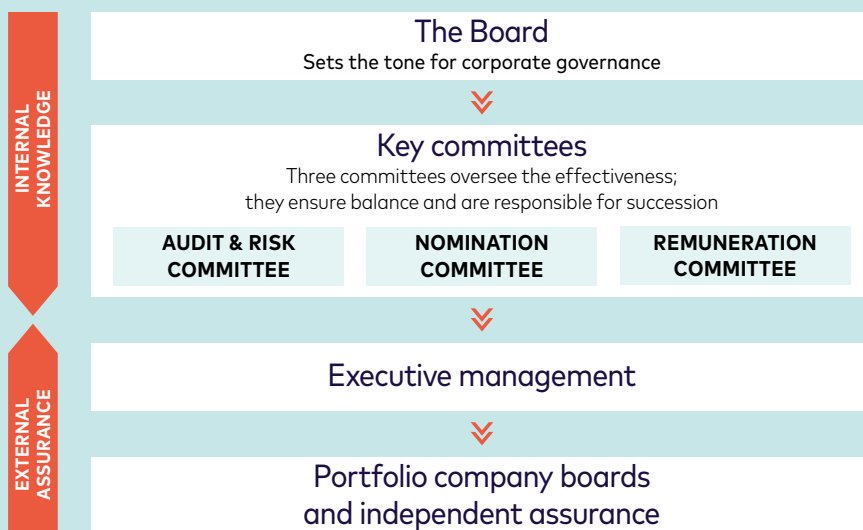
Executive management

The management team is responsible for identifying, assessing and mitigating the day-to-day operational risks. Emerging risks are monitored by the management team with the support of the Board. These risks are considered in the context of the Company' business and stakeholders. Where potentially significant new emerging risks are identified, these are reported to the Board for consideration and mitigation. No new emerging risks have been identified during the period.

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 advisers 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. As the UK's withdrawal from the EU has been finalised, risks to the business relating to Brexit have diminished, meaning this is no longer seen as a key risk area. The Covid-19 pandemic has been an area of significant risk for all businesses during 2020, Arix included, resulting in its inclusion below. There have been no other changes to Arix's risk profile during the year, although Arix continues to consider and reflect on emerging risks, currently with particular regard to cyber security and climate change and their potential impact on the business and its stakeholders.

Area	Risk	Impact	Mitigation
1 Covid-19	<p>The Covid-19 pandemic has had a severe impact globally, resulting in several potential impacts on Arix's business.</p>	<p>Arix's portfolio companies are conducting ongoing clinical trials in healthcare facilities, typically requiring the mobility of trial participants. The pandemic's restriction on mobility in certain geographies has resulted in delays to enrolment and conduct of clinical trials, which has increased portfolio companies' timelines to data readouts. Delays to trials may result in further funding needs for portfolio companies and increase timeframes to the generation of positive cash flows, negatively impacting Arix's cash flow.</p> <p>Arix's operations have the potential to be impacted by the inability of the Company's staff to attend Arix's premises, by sickness or quarantine requirements.</p>	<p>At the outset of the pandemic, Arix conducted a detailed review of its portfolio companies and possible funding requirements, and ensured that cash was adequately reserved for this.</p> <p>To date, the required funding of the portfolio has not been as high as anticipated. Arix's portfolio companies were well funded at the start of 2020, and many have taken advantage of growing investor sentiment in the biotech sector by raising further capital.</p> <p>Arix continues to monitor its portfolio closely and ensure it is adequately reserving capital for its portfolio.</p> <p>In early March 2020, Arix closed its offices and moved all staff to remote working. Arix has flexible IT and communications systems in place to allow staff to continue working efficiently, safely and securely.</p>
2 Clinical trial risks	<p>Arix's portfolio typically comprises companies that are engaged in clinical trials.</p> <p>There is a risk that the trials may produce negative or inconclusive results.</p>	<p>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.</p> <p>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.</p> <p>Portfolio companies are usually not revenue-generating and are typically only funded through to an anticipated subsequent clinical milestone. Negative or inconclusive clinical trial readouts might impact the portfolio company's ability to attract further capital and therefore may be unable to continue in operation.</p>	<p>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.</p> <p>Arix's commitments to investments are typically tranching, such that capital is not overly committed to a company at a single stage, with further funds only invested once pre-agreed milestones have been reached.</p> <p>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.</p>

RISK MANAGEMENT CONTINUED

Area	Risk	Impact	Mitigation
<p>3 Unquoted investments</p>	<p>Arix's portfolio comprises certain investments which are not listed on a recognised stock exchange, making them both harder to value and more difficult to liquidate.</p> <p>There is a risk that ultimate cash proceeds from an investment may be significantly below an investment's current fair value.</p>	<p>Arix may be unable to realise returns on its unquoted investments at prevailing fair values. This may result in a reduction in the carrying value of investments, reducing Arix's profitability.</p> <p>If investments cannot ultimately be realised, this will reduce Arix's ability to generate positive cash flows and reduce Arix's ability to continue to fund new investment opportunities.</p>	<p>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.</p> <p>This should therefore improve the likelihood of the investment being a desirable acquisition target, and therefore Arix's investment being monetised.</p> <p>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.</p>
<p>4 Taxation</p>	<p>Arix aims to generate significant gains on its investments, which can result in potentially large corporation tax charges.</p> <p>Where possible, Arix aims to take advantage of available exemptions to reduce its tax liabilities.</p> <p>There is a risk that tax authorities challenge the use of these exemptions.</p>	<p>Where Arix believes it has met the appropriate qualifying criteria, Arix claims the UK's Substantial Shareholding Exemption which reduces the tax on such gains and losses to nil.</p> <p>If the use of this exemption were rejected by HMRC, this would increase Arix's tax liabilities, reducing Arix's profit after tax. It would also reduce Arix's cash reserves, resulting in fewer funds being available to fund Arix's operations and future investment opportunities.</p>	<p>Arix's finance team comprises chartered accountants who are experienced with the tax treatments and exemptions associated with venture capital investments.</p> <p>Arix employs the use of a 'Big Four' professional services firm to assist with all tax disclosures, returns and regulatory correspondence.</p> <p>For areas of significant judgement in relation to tax, Arix seeks further advice from eminent professionals in the field, such as a Queen's Counsel Barrister, to support the tax treatment adopted.</p>
<p>5 Personnel</p>	<p>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.</p> <p>There is a risk of Arix being unable to attract or retain staff of sufficient calibre.</p>	<p>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.</p> <p>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.</p>	<p>Arix's investment team have strong scientific backgrounds and are experienced life sciences investors.</p> <p>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's Remuneration Committee oversees remuneration for Directors and senior employees.</p> <p>Arix's executive team comprises four members performing active roles, who are able to provide emergency cover for each other over a short period.</p> <p>Arix's Nomination Committee is responsible for appropriate succession planning.</p>

Area	Risk	Impact	Mitigation
<p>6</p> <p>Macroeconomic conditions</p>	Adverse market conditions may impact Arix's operational model.	An economic downturn 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.	<p>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.</p> <p>Arix has funded portfolio companies across a range of geographies, including the UK, USA, Europe and Scandinavia. As such, it is not overly reliant on a downturn or market shock in a single geography.</p> <p>Arix monitors its availability of capital closely, ensuring sufficient funds are available for the investment and operational needs of the business.</p>
<p>7</p> <p>Legislation & regulation</p>	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.	<p>Arix's portfolio is diversified by geography, with exposure to the UK, USA, Europe and Scandinavia, protecting the company from the adverse actions of any one government.</p> <p>Arix's corporate team actively monitors changes to laws and regulation, and where necessary enlists the advice of relevant experts to consider any company or portfolio impacts.</p>

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 (particularly any possible negative impacts from Brexit), and how the availability of capital may be impacted from the loss of key personnel. The impact of Covid-19 was of particular import in the year, with the Board strongly focused on potential cash needs of Arix portfolio companies, as well as any financial impact on Arix's own operations.

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.

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.

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. Whilst physical meetings have been impossible for much of 2020, virtual meetings have continued to be held throughout the year. The results of this investor engagement are reported to the Board to help inform our communications and strategy.



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 pharmaceutical partners with regular reporting to the Board on the progress of the relationships. They are kept under constant review to ensure that they are aligned to the strategic goals of both Arix and the pharmaceutical partners.



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 proportionate to its business and effective.

Statement by the Board in accordance with s172 Companies Act 2006

The Directors of the Board are cognisant of their duties under s172 of the Companies Act and consider that they have acted in a way they each considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so they have had regard to those stakeholders identified under s172, as well as the additional stakeholders set out here.



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. 2020 saw further evolution of the executive management team which saw 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 have implemented 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. Arix is closely involved with its portfolio companies and the members of the investment team provide a direct connection from the Board to the portfolio companies, ensuring that the Board is regularly updated on their progress and can support their development.

Examples of decisions

Investment: The Board has supported the continued deployment of capital into the portfolio, including Quench and VelosBio prior to its exit, and the publicly listed companies Imara and LogicBio. This continued investment not only supports our portfolio companies as they work to deliver new treatments for patients, but also provides the opportunity for significant financial returns to shareholders.

Cost reduction: 2020 saw a significant reduction in the run-rate net operating costs of the business. In approving these changes, the Board had particular regard to Arix's shareholders but also the interests of its employees and portfolio companies in building a sustainable business which can deliver superior returns over the longer term.

VelosBio: The Board fully supported the landmark sale of VelosBio which returned £139m to the Arix balance sheet. In doing so, it was cognisant of our shareholders, who benefit from the significant increase in the NAV of Arix as well as the non-dilutive funding that the sale provides. The exit was also to the mutual benefit of our pharmaceutical partner Takeda with whom we had co-invested in VelosBio and worked to support the business through its development. The Board further considered the impact of the transaction on VelosBio itself, which has a strong future under the ownership of a global pharma company as it works to bring life-changing treatments to patients.



Streamlined Energy & Carbon Reporting

The section below includes our mandatory Streamlined Energy & Carbon Reporting requirements. The reporting period is the same as the Group's financial year, 1 January 2020 to 31 December 2020.



Organisation boundary and scope of emissions

We have reported on all of the emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. These sources fall within 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.

The emissions sources that constitute our boundary for the year to 31 December 2020 are:

- ▶ Scope 1: natural gas combustion within boilers and refrigerant gas losses; and
- ▶ Scope 2: purchased electricity for our own use.

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

- ▶ 5.11 tonnes of CO₂ equivalent (tCO₂e) using a 'market-based' emission factor methodology for Scope 2 emissions.

Total energy use

The total energy use for the Group for FY2020 was 56,337 kWh.

	2020		Total energy use (kWh)
	Electricity (kWh)	Gas (kWh)	
Energy use	29,006	27,331	56,337

Intensity ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported below on the metrics of tonnes of CO₂ equivalent per employee and tonnes of CO₂ 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. The ratios have been calculated using data from the London office only, as the New York office was not open for the full reporting period.

For FY2020, the intensity metrics were as follows:

Location-based method:

- ▶ 1.29 tonnes of CO₂e per employee
- ▶ 0.004 tonnes of CO₂e per square foot of occupied space

Market-based method:

- ▶ 0.55 tonnes of CO₂e per employee
- ▶ 0.002 tonnes of CO₂e per square foot of occupied space

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.

Efficiency actions undertaken

The London office procures its electricity from a renewable contract meaning that under the market-based approach, it is able to report zero tonnes of carbon for its electricity use. Less business travel has been taken as a result of the Covid-19 pandemic and we look forward to exploring how we can implement video conferencing when the world re-opens.

Understanding the indirect environmental impacts of our business activities

The Group's day-to-day operational activities have a limited impact on the environment. We do, however, recognise that the more significant impact occurs indirectly, through the investment decisions we make and the operation of the companies we choose to invest in. The Group therefore considers it important to establish and invest in businesses that comply with existing applicable environmental, ethical and social legislation. It is also important that these businesses can demonstrate that an appropriate strategy is in place to meet future applicable legislative and regulatory requirements and that these businesses can operate to specific industry standards, striving for best practice.

Our 2020 Strategic Report, from pages 2 to 51, has been reviewed and approved by the Board.

Naseem Amin
Executive Chairman
8 March 2021

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 two 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 CO₂e;
- ▶ presentation of gross emissions as the Group does not purchase carbon credits (or equivalents);
- ▶ presentation of global annual energy use; and
- ▶ where data was missing, values were estimated using an extrapolation of available data or available benchmarks.

Absolute emissions

The total Scope 1 and 2 GHG emissions from the Group's operations in the year ending 31 December 2020 were:

- ▶ 11.80 tonnes of CO₂ equivalent (tCO₂e) using a 'location-based' emission factor methodology for Scope 2 emissions; and

GHG emissions

	2020		
	Tonnes CO ₂ e	tCO ₂ e/emp. ⁴	tCO ₂ e/sq. ft. ⁵
Scope 1 ¹	5.02	0.55	0.002
Scope 2 ²	6.77	0.74	0.002
Scope 2 ³	0.09	0.00	0.00
Total GHG emissions (location-based)	11.80	1.29	0.004
Total GHG emissions (market-based)	5.11	0.55	0.002

1 Scope 1 being emissions from the Group's combustion of fuel and operation of facilities. 2019 (left to right): 11.5/0.82/0.002.

2 Scope 2 being electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use. 2019 (left to right): 15.0/1.07/0.002.

3 Scope 2 being electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use. 2019 (left to right): 5.6/0.40/0.0007.

4 Employee numbers: 9 (London office only).

5 Occupied office space: 2,844 ft² (London office only).

Arix Bioscience plc – breakdown of emissions by scope



» Chairman's introduction to corporate governance



Naseem Amin
Executive Chairman

Dear Shareholder,

I am pleased to present this year's Report on Corporate Governance. This report forms part of the Directors' Report which follows. Since its listing on the London Stock Exchange in February of 2017, the Company has voluntarily applied the UK Corporate Governance Code (the Code) as an integral part of its approach to governance. This report includes a description of how the Company has applied the Code in the context of the Company's governance structures.

As part of the strategic and management changes announced in April 2020, Dr Joe Anderson stepped down from the Board and I assumed the role of Executive Chairman.

At our 2020 AGM in May we saw the departure of our former Chairman Jonathan Peacock, and Art Papas who served as a Non-Executive Director. Together with Dr Joe Anderson, I would like to thank them all on behalf of the Board for their contributions to the important first phase of Arix's development.

In February 2021, we were pleased to announce that James Noble and Axel Wieandt will be joining the Board as Non-Executive Directors on 1 April. James and Axel each bring a wealth of experience with them which will benefit the Company as we shape its future strategy and success. At the same time, Mark Breuer will step down from the Board, leaving with our thanks for his invaluable contribution over the last two years.

In addition to these Board changes we were also pleased to announce the appointment of Giles Kerr as our Senior Independent Director as part of the Board's ongoing commitment to strengthening corporate governance.

Naseem Amin
Executive 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 12 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 roles of Chairman and Chief Executive are excised by the same individual as the Board believes that this structure is currently necessary in order to deliver the strategic and operational leadership required by the business in its current phase of growth.

Provision 12 – Following the departure of Dr Franz Humer from the Board in 2019 the Board had not appointed a Senior Independent Director. However, Giles Kerr has agreed to fulfil this role from February 2021.

Responsibilities of the Board

Focus	Operation
Leadership, strategy and management	<ul style="list-style-type: none"> ▸ Providing leadership and setting values and standards ▸ Approving the Company's strategic aims and objectives ▸ Overseeing operations
Structure and capital	<ul style="list-style-type: none"> ▸ Changes to the Group's capital or corporate structure ▸ Changes to the Group's management and control structure
Financial reporting	<ul style="list-style-type: none"> ▸ 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	<ul style="list-style-type: none"> ▸ 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	<ul style="list-style-type: none"> ▸ 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	<ul style="list-style-type: none"> ▸ 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	<ul style="list-style-type: none"> ▸ 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	<ul style="list-style-type: none"> ▸ 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

CORPORATE GOVERNANCE REPORT CONTINUED

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 48 to 49.

Stakeholder and employee engagement

The Board has actively engaged with stakeholders, including employees, throughout the period and has taken their interests into account when making decisions. Due to the very low headcount of the Company, it is possible for the Board to have regular and direct interaction with a large proportion of the Company's employees, many of whom participate at meetings of the Board. A full description of the Company's engagement with its stakeholders is set out on pages 48 to 49 with specific description of engagement with employees on remuneration on page 65 of the Remuneration Report. As described on page 63 of the Audit and Risk Committee Report, the Company has kept

its Whistleblowing Policy and arrangements under review during 2020.

External relationships

Due to the nature of the Company's business it has few suppliers or direct customers; however, the Board carefully considers the need to foster its business relationships with its key stakeholders. Our stakeholders section on pages 48 to 49 explains how this is achieved and the impact that this need has had.

Conflicts of interest

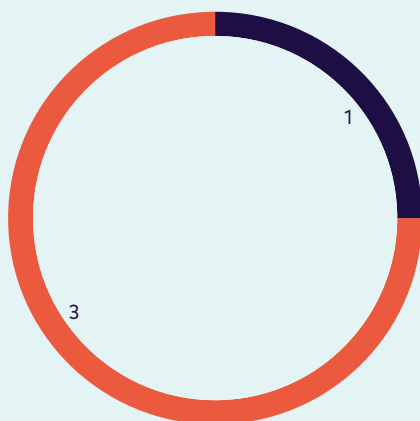
The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest, in line with the Companies Act 2006. The Articles permit the Board to authorise conflicts and potential conflicts, as long as the potentially conflicted Director is not counted in the quorum and does not vote

Board attendance

	Board	Audit	Remuneration	Nomination
Naseem Amin	9/9	–	1/1	4/4
Jonathan Peacock	3/3	–	–	–
Professor Trevor Jones	8/9	–	5/5	4/4
Giles Kerr	8/9	4/4	–	4/4
Art Pappas	3/3	–	2/2	–
Mark Breuer	9/9	4/4	3/3	4/4
Dr Joe Anderson	2/2	–	–	–

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

Naseem Amin

Independent

Mark Breuer

Giles Kerr

Trevor Jones

» [Read more on the Board of Directors on pages 56 to 57](#)

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 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 Code governed 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 Executive Chairman any comments on papers to be considered at the meeting in advance, to ensure their views are recorded and taken into account.

The Non-Executive Directors have met without the Executive Chairman 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 the Executive Chairman 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 four Directors (including the Executive Chairman), three of whom are considered to be independent.

Role of the Chairman

The Board currently combines the role of Chairman and Chief Executive. The Chairman element of this role 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.
- ▶ 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.
- ▶ Chairing the Company's AGM and all other formal shareholder meetings.

Role of the Senior Independent Director

Giles Kerr has acted as the Senior Independent Director (SID) since February 2021. His role as SID is to act as a sounding board for the Executive 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 Executive Chairman present at least once a year, to appraise the Executive Chairman's performance, taking into account the views of any 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 the Executive Chairman or any Executive Directors or for which such contact is inappropriate.

Role of the Chief Executive Officer

The Board currently combines the role of Chairman and Chief Executive. The Chief Executive element of this role 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 Management 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.

Naseem Amin

Executive Chairman

BOARD OF DIRECTORS

Naseem Amin
Executive Chairman



Date of appointment
17 December 2019

Committee memberships
▸ Nomination Committee (Chair)

Career history

Naseem joined the Arix Board in December 2019 and later became Executive Chairman in April 2020. He is currently CEO of GMP-Orphan and NED of Bellerophon Therapeutics (Nasdaq: BLPH). He has broad life sciences experience in both the US and Europe, having held senior positions in major healthcare businesses in R&D, business development, marketing and in venture capital.

Naseem has been a Venture Partner at Advent Life Sciences, CSO of Smith & Nephew plc and led Business Development at both Biogen and Genzyme Therapeutics, where he initiated and executed several acquisitions and partnerships. Naseem started his career at Baxter Healthcare, holding executive roles in marketing, clinical research and product development.

Naseem is a qualified medical doctor, from the University College Medical School, London, and holds an MBA from the Kellogg Graduate School of Management.

Board of Directors

Professor Trevor Jones CBE
Non-Executive Director



Date of appointment
8 February 2016

Committee memberships

- Remuneration Committee (Chair)
- Nomination Committee

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)
- Nomination Committee
- Remuneration Committee

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 Paypoint plc and Chair of the audit committees of Senior plc and Abcam plc. Prior to joining Amersham plc he was an audit partner with Arthur Anderson & Co.

Mark Breuer
Non-Executive Director



Date of appointment
25 April 2019

Committee memberships

- Audit and Risk Committee
- Nomination Committee
- Remuneration 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 30 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 and Chairman Designate of Derwent London plc and is Senior Independent Director 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.

REPORT OF THE NOMINATION COMMITTEE



Naseem Amin
Chairman of the Nomination Committee

Composition

Naseem Amin (Chairman)

Professor Trevor Jones

Giles Kerr

Mark Breuer

Dear Shareholders,

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2020.

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.

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.
- ▶ Considering the need for succession planning within the Board and the Board's committees.
- ▶ Setting and managing the process for the search for new Non-Executive Directors (NEDs).

Board changes

There were a number of Board changes during the year as explained in the Corporate Governance Report. The Nomination Committee has worked throughout 2020 to ensure that the Board and its committees continue to have the necessary balance of skills and appropriate succession plans in place to ensure its continued effectiveness.

The Committee has not engaged an independent external search consultant during 2020.

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

Diversity Policy

The Board's Diversity Policy was reviewed in 2020. 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 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 is satisfied that the Policy is in line with its strategic priorities, as described on page 22 and is looking to improve the Board's diversity with future appointments.

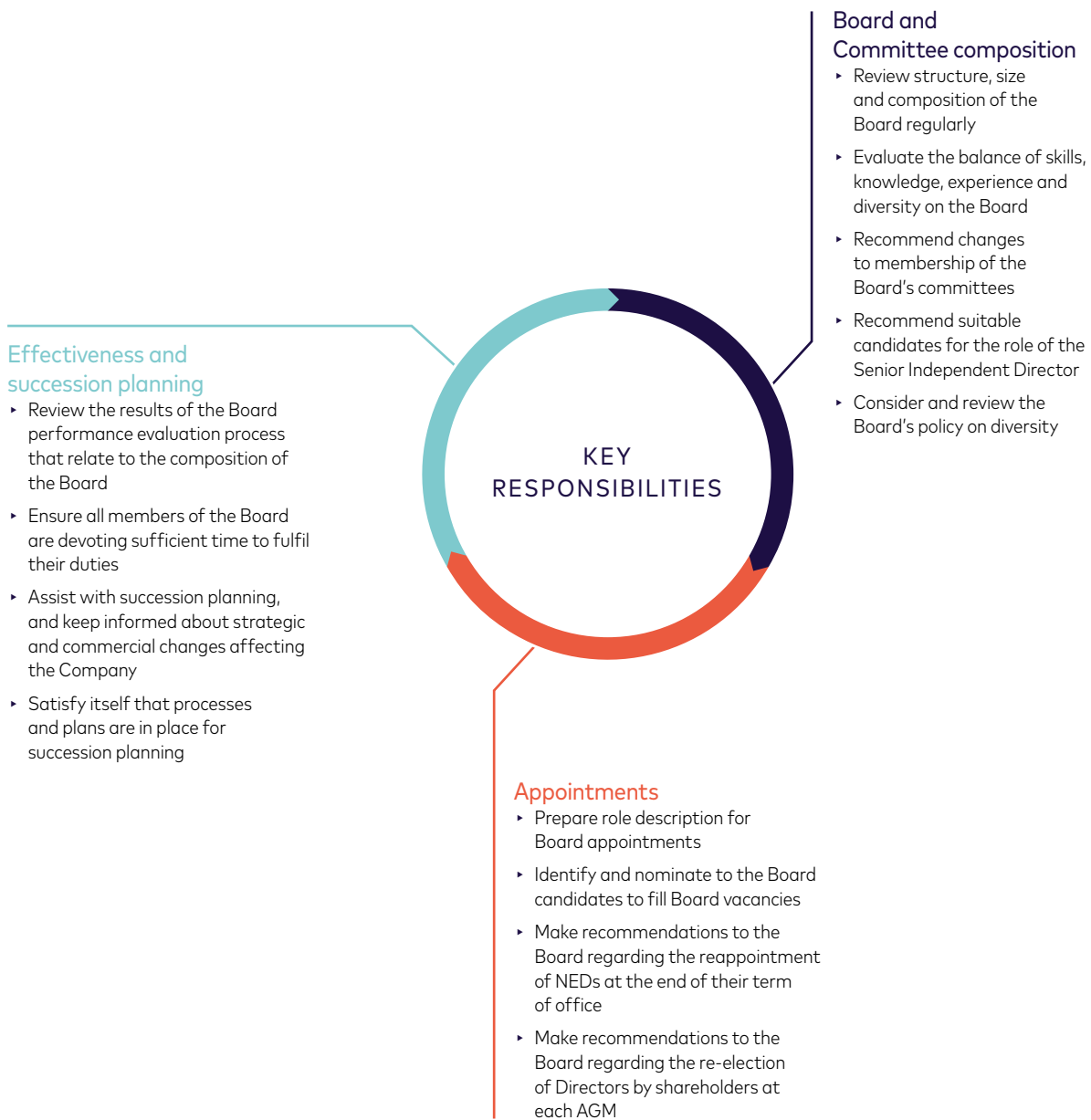
Annual evaluation

The performance of the Board, its Committees, the Chairman and individual Directors are evaluated throughout the period. The Board conducted an internal formal written performance evaluation in early 2020 which included a number of recommendations that were acted upon including changes to the operation of the Board's committees and succession planning.

Naseem Amin

Chairman of the Nomination Committee
8 March 2021

Key responsibilities



REPORT OF THE AUDIT AND RISK COMMITTEE



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 2020.

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 24 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.

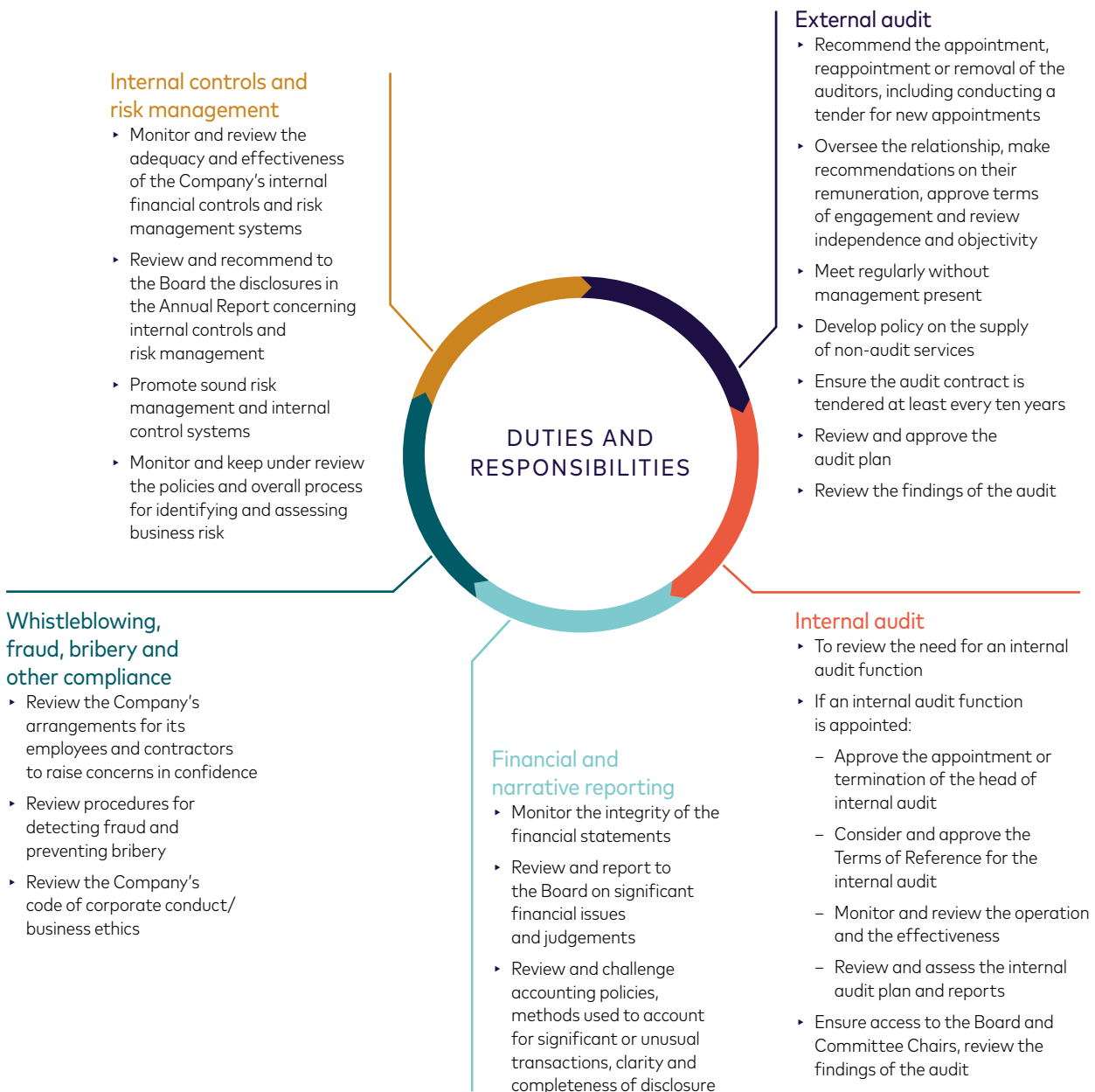
The Committee has met four times during the year. Further details on the activities of the Committee during the year and how it has discharged its responsibilities are provided in the report below.

Giles Kerr

Chairman of the Audit and Risk Committee
8 March 2021

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.



REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

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 Executive Chairman, the Group Finance Director and the external audit lead partner.

Activity during the year

Matters discussed during the year 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 going concern and viability assessment of the Company and the Group
- Reviewing the external auditor's audit plan, process and scope
- Reviewing the independence of the external auditor
- Conducting a tender to recommend to the Board the appointment of a new 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 2020 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 management options, the Executive Incentive Plan and Non-Executive Director awards, 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. It has 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 November 2020 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. 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

PricewaterhouseCoopers LLP (PwC) was first appointed as the external auditors of the Group in December 2016.

In June 2020, the Board announced the appointment of BDO LLP (BDO) as new external auditors. BDO was recommended to the Board for appointment by the Audit and Risk Committee following a competitive tender process conducted in accordance with the Financial Reporting Council's best practice for Audit Tenders. The current lead audit partner for BDO has therefore been in place for less than one year.

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 2025 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 2020, PwC provided non-audit services in relation to a financial review (£26,000).

During the year ended 31 December 2020, BDO provided non-audit services in relation to reviewing the Group's Interim financial statements (£20,500); and performing an FCA CASS Audit of Arix Capital Management Limited, a 100% subsidiary of Arix Bioscience plc (£3,750). The fees paid to BDO for non-audit services during the year totalled £24,250, representing 18% 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 November 2020 and it was considered that they were still appropriate in their current form.

Giles Kerr

Chairman of the Audit and Risk Committee
8 March 2021

DIRECTORS' REMUNERATION REPORT



Professor Trevor Jones CBE
Chairman of the Remuneration Committee

Composition

Trevor Jones (Chairman)

Mark Breuer

Giles Kerr

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 2020 Directors' Remuneration Report.

2020 was a year of significant change and progress in the business, commencing with a change to Board leadership and culminating in the first acquisition of an Arix portfolio company. This leaves Arix well placed to continue to build a compelling portfolio of innovative life science companies.

Board changes

Early 2020 saw a change in leadership of Arix, with Naseem Amin appointed Executive Chairman, and Joe Anderson stepping down as Chief Executive Officer.

In terms of remuneration, Naseem Amin was appointed on a remuneration package, reflecting a time commitment from him as a part-time Executive Chairman, as follows:

- ▶ Base salary: £200,000
- ▶ Annual bonus opportunity: 50% of salary
- ▶ EIP opportunity: 200% of salary

On stepping down as CEO, Joe Anderson was placed on garden leave for six months, following which a £250,000 payment in lieu of notice was made in respect of the final six months of his twelve month contractual notice period.

Pay for performance

Consistent with the Remuneration Policy, the annual bonus scheme for 2020 involved the assessment of performance against financial, strategic and personal goals. This included the use of targets linked to Arix's financial and market performance.

In line with performance as reported above, and as detailed further on page 74 of the Annual Report and Accounts, a pay-out of 100% of maximum (which equates to 50% of base salary) was appropriate. Key highlights for the year included:

- ▶ Growth in NAV per share from £1.49 to £2.42, well in excess of the maximum targets.
- ▶ Growth in the share price from 70p (trailing average at the time of appointment of the Executive Chair) to 196p (trailing average to 31 December 2020), representing growth of 180%.
- ▶ Exceptional performance against the strategic and personal goals set at the start of the year, as described on page 74.

The Committee determined the bonus outcomes were appropriate in light of Company performance during the year. In making its decision, the Committee noted that Arix had not taken any Government or shareholding funding as a result of Covid-19.

With regards to performance over the longer term, awards made under the EIP in 2017, granted to previous executive directors, were subject to the achievement of a share price condition, whereby Arix share price would have to increase to at least £2.61 by 26 May 2020. This condition was not met at the testing date, and as such the award lapsed in full.

The 2020 AGM

At the 2020 AGM, all resolutions were passed, although only 71.98% of shareholders voted in favour of the Directors' Remuneration Report.

At the time of the AGM, having received a registered negative vote from one of the Group's larger shareholders, the Company contacted the shareholder to understand the key challenges underpinning the vote. Upon engagement, the Company understood that the principle reason for the vote against the Directors' Remuneration Report related to the remuneration arrangements for the previous Chief Executive Officer, and it was not a forward looking issue.

Having considered that the matter was in relation to a previous executive, who has ceased employment with the Group, the Remuneration Committee considered the matter closed.

On behalf of the Remuneration Committee, I would like to thank the shareholder for the feedback.

Implementation of the Remuneration Policy in 2021

For 2021, the Committee intends to operate the Remuneration Policy for the Executive Chair in a similar manner to that which applied in 2020. 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.

For 2021, the salary of the Executive Chairman has been increased to £260,000. This reflects the significantly greater workload of the role than what was envisaged upon the Executive Chairman's appointment. Whilst this greater workload has been evident throughout 2020, the Committee considered that no retrospective change to salary would be appropriate.

The Executive Chair will continue to be eligible for a bonus for 2021 of up to 50% of basic salary, payable on the achievement of specific financial, strategic and personal goals. The bonus objectives and performance against them will be disclosed in next year's Directors' Remuneration Report.

An award of 200% of salary will be made under the EIP. 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 Executive Chair and other senior employees.

Arix has a small number of employees and as a result is not required to publish the ratio of Executive Chair pay to that of employees more widely. However, the Committee is confident that there is considerable alignment between the structure of the Executive Chair's pay and the arrangements in place for other employees. For example, in 2020 the annual bonus scheme and the EIP operated in the same way for other employees as for the Executive Chair.

While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Committee receives updates from the Executive Chair 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. In line with best practice, the Board has adopted the policy that Executive Directors maintain their minimum in-employment shareholding from exercised incentive awards of at least 200% of base salary two years post-cessation of employment. Such a requirement will be included in the Remuneration Policy when it is next considered by shareholders.

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
8 March 2021

DIRECTORS' REMUNERATION REPORT CONTINUED

Remuneration snapshot

The following table sets out how the Remuneration Policy will be implemented in 2021.

Topic	Description
Base salary	The basic salary for the Executive Chair for 2021 is set at £260,000
Benefits	The Executive Chair is eligible to receive private health cover, life assurance, income protection and a company car or car allowance
Pension contribution	The Executive Chair receives pension contributions at a level of 7.5% of basic salary, in line with the wider workforce
Annual bonus	<ul style="list-style-type: none"> ▶ 50% of salary maximum for the Executive Chair ▶ Bonus for 2021 will be based on a range of challenging financial, strategic and personal measures aligned with the Company's KPIs. 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 ▶ 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	<ul style="list-style-type: none"> ▶ 200% of salary maximum for the Executive Chair ▶ The current intention is for awards to be based upon share price and NAV growth targets (in line with the 2020 EIP Award). Reflecting the current external uncertainty, however, at the time of writing the report, the Remuneration Committee were still in the process of discussing the performance targets to be attached to the 2021 EIP Award. Details of the finalised performance measures and targets to be attached to awards will be published as soon as practicable ▶ Any shares which vest will be subject to a two-year post-vesting holding period
NED Fees	<p>Fees for 2021 will be as follows:</p> <ul style="list-style-type: none"> ▶ Senior Independent Director: £80,000, for so long as the Board has an Executive Chair, with a lower fee expected thereafter ▶ Non-Executive Director: £50,000 ▶ Chairs of Audit and Risk, Remuneration and Nomination Committees: £10,000 ▶ Chair of Board Investment Committee: £10,000, payable only to Non-Executive Directors ▶ Chair of the Scientific Advisory Board: £10,000

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.
- 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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.	<p>An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> ▶ 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. 	<p>The Committee ensures that maximum salary levels are positioned with consideration for:</p> <ul style="list-style-type: none"> ▶ the need to acquire and retain Executives with the skills and experience to develop and implement the Company's strategy; and ▶ companies that are comparable in terms of business activities, complexity and size to Arix, which we would compete for talent against. <p>In general, increases for Executive Directors will be in line with the increase for employees.</p> <p>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.</p>
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.	<p>The Executive Directors are eligible to receive private health cover, life assurance, income protection and a company car or car allowance.</p> <p>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.</p> <p>Additional benefits may therefore be offered, such as relocation allowances on recruitment and reasonable tax advice and filing support.</p>	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.	<p>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.</p> <p>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.</p> <p>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.</p>

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Annual bonus	<p>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.</p> <p>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.</p>	<p>The Board will determine the bonus to be delivered following the end of the relevant financial year.</p> <p>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.</p> <p>The Group will set out in the Remuneration Report in the following financial year the decisions taken around any requirement to invest in shares.</p> <p>The bonus plan includes malus and clawback provisions which can be used in certain specific circumstances.</p>	<p>The maximum bonus deliverable under the plan will not exceed 125% of a participant's annual basic salary.</p> <p>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.</p> <p>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.</p> <p>Percentage of bonus maximum earned for levels of performance:</p> <p>Threshold: 0%</p> <p>On target: 50%</p> <p>Maximum: 100%</p>
Long-Term Incentive Plan ("EIP")	<p>The purpose of the EIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group strategy.</p> <p>This will better align Executive Directors' interests with the long-term interests of the Group and will also act as a retention mechanism.</p> <p>The award is designed to incentivise Executive Directors to grow the investment portfolio and value creation by successfully delivering the Group's strategy.</p>	<p>Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option.</p> <p>Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration.</p> <p>These awards will vest after three years subject to:</p> <ul style="list-style-type: none"> ▶ the Executive Director's continued employment at the date of vesting; and ▶ satisfaction of the performance conditions. <p>The Committee may award dividend equivalents on awards in either shares or cash to the extent that these vest.</p> <p>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.</p> <p>During this period the shares cannot be sold (other than as required for tax purposes).</p>	<p>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.</p> <p>In exceptional circumstances the Committee may grant an award with a maximum of 300% of salary.</p> <p>The amount payable for threshold performance is 25% of maximum of the award.</p> <p>EIP awards will be subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant.</p> <p>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.</p>
Minimum shareholding requirement	<p>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.</p> <p>The Committee will determine the relevant shareholding guideline on an annual basis.</p>		

DIRECTORS' REMUNERATION REPORT CONTINUED

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.	<p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>The Company will pay reasonable business-related expenses incurred by the Non-Executive Directors and may settle any tax incurred in relation to these.</p>

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 67.

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 Executive Chair'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)
Naseem Amin	29 July 2020	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 2021 AGM and at each subsequent AGM.

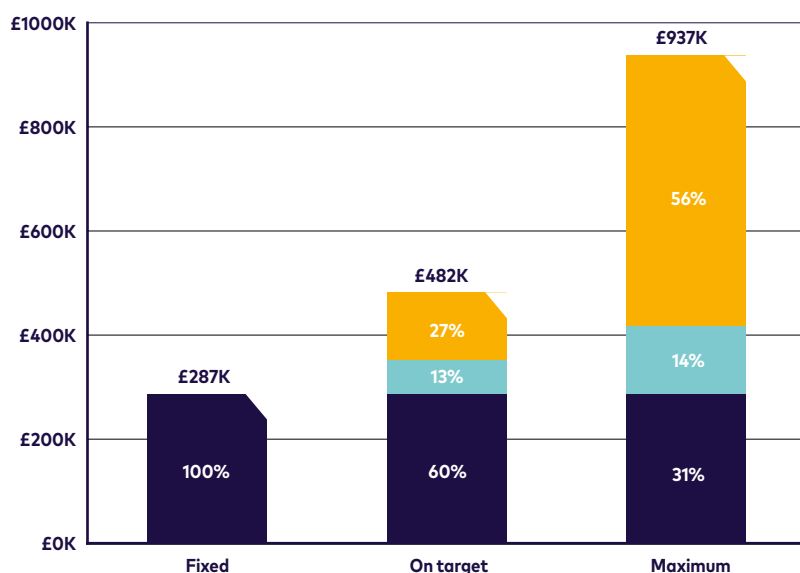
The details of each Non-Executive Director's current term are set out below:

Name	Date of appointment	Initial contractual term (full years)	Notice periods by Company (months)	Notice periods by Director (months)
Professor Trevor Jones	8 February 2016	3	3	3
Giles Kerr	17 October 2017	3	3	3
Mark Breuer	25 April 2019	3	3	3

Illustrations of the application of the Remuneration Policy

Executive Chair

£'000



> Fixed > Short Term Incentive > Long Term Incentive

Notes:

The chart above illustrates the potential remuneration payable to the Executive Chair under different performance scenarios. In all three scenarios the fixed pay element is based on the 2021 basic salary level, pension contribution at the standard rate of 7.5% of salary and benefits provision at a similar level to 2020. 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 25% of the maximum opportunity. Maximum performance assumes a bonus payment at a level of 50% of salary and EIP vesting at a level of 200% of salary. Maximum including share price growth assumes 50% share price growth on the EIP element.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2020 and also describes the operation of the Remuneration Committee.

Remuneration Committee

Membership

Professor Trevor Jones is currently the Chairman of the Committee. The other members of the Committee are Mark Breuer and Giles Kerr (both appointed on 19 May 2020). Naseem Amin stepped down from the Remuneration Committee on appointment as Executive Chair. Art Pappas stepped down from the Remuneration Committee on 19 May 2020.

The Committee met five times during the year under review. Meeting attendance is shown on page 54.

The Board considers each of the members of the Committee to be independent in accordance with the UK Corporate Governance Code ("the Code"). The Executive Chair 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 are 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 2020 included:

- ▶ The outcome with major shareholders on the Remuneration Report presented for shareholder approval at the 2020 AGM, and the reasons for the votes against the remuneration resolution at the AGM;
- ▶ The appointment terms for the Executive Chair;
- ▶ The leaver terms for the previous Chief Executive Officer;
- ▶ Review of Executive Director and senior manager bonuses and equity incentive awards for 2020;
- ▶ Pay benchmarking for key roles within the organisation and a review of alternative incentive structures.

Advisers to the Committee

Following a competitive tender to advise on all aspects of the Directors' Remuneration Policy and its implementation, Deloitte were appointed as advisers to the Remuneration Committee on 30 June 2020. Korn Ferry were retained as advisers until the appointment of Deloitte.

The Committee is satisfied that the advice received during the year was objective and independent. Deloitte and Korn Ferry are members of the Remuneration Consultants Group. Deloitte received fees of £33,700 for its advice during the year (fees charged on a costs incurred basis), with Korn Ferry receiving fees of £15,180. Deloitte also received fees of £103,536 in the year in connection with the provision of Group tax advice unrelated to the services provided to the Remuneration Committee.

The Chief Operating Officer and General Counsel, Robert Lyne, acts as Secretary to the Committee, ensuring 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		Total fixed pay		Total variable pay	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Joe Anderson ¹	379	432	10	23	-	250 ³	-	-	28	25	-	-	417	633	417	383	-	250
Naseem Amin ²	148	-	7	-	100	-	-	-	11	-	-	-	266	-	166	-	100	-

1 Stepped down from the Board on 6 April 2020.

2 Appointed as Executive Chairman of the Board on 6 April 2020. Remuneration shown is his remuneration received as Executive Chairman from 6 April 2020 to 31 December 2020.

3 Served as Executive Director in 2020. The previous CEO committed to deferring 100% of the 2019 net bonus payment into shares in the Company.

- 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%.
- 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. The Company's Executive Chair currently holds an executive position as Director General of GMP-Orphan SA and is a non-executive director at Bellerophon Therapeutics, Inc.

Single Figure Table – Non-Executive Directors (audited)

	Fees		Benefits		Pension		Annual bonus		LTIP		Other*		Total		Total fixed pay		Total variable pay	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Naseem Amin ¹	13	3	-	-	-	-	-	-	-	-	94	-	107	3	107	3	-	-
Professor Trevor Jones	60	50	-	-	-	-	-	-	-	-	-	-	60	50	60	50	-	-
Giles Kerr	60	60	-	-	-	-	-	-	-	-	-	-	60	60	60	60	-	-
Mark Breuer	50	34	-	-	-	-	-	-	-	-	30	65	80	99	80	99	-	-
Jonathan Peacock (retired) ²	35	92	-	-	-	-	-	-	-	-	-	-	35	92	34	92	-	-
Art Pappas (retired) ³	26	60	-	-	-	-	-	-	-	-	81	-	26	141	26	141	-	-

* 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 2020 figures relate to service as Non-Executive Director until his appointment as Executive Chair on 6 April 2020. His 2020 remuneration in the table above is his remuneration received as Non-Executive Director from 1 January 2020 to 5 April 2020.

2 Stepped down from the Board on 19 June 2020.

3 Stepped down from the Board on 19 June 2020.

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual bonus payout table (audited)

The Executive Chairman was eligible for a bonus of up to 50% of salary, his annual bonus objectives were as follows:

Category	Threshold	Maximum	Actuals	Outcome	Supporting rationale
Growth in NAV per share (25%)	9% (£1.62)	17% (£1.74)	62% (£2.42)	100%	Maximum target was significantly exceeded
Growth in share price (trailing average) (25%)	20% (£0.84)	30% (£0.91)	180% (£1.96)	100%	Maximum target was significantly exceeded
Personal goals (50%)	<ul style="list-style-type: none"> ▶ Executing cost-reduction ▶ Organisational restructuring ▶ Implementation of strategic changes ▶ Shareholder engagement 		See supporting rationale	<p>2020 saw a reduction in the net operating costs of the Company, from £8.0m in 2019 to £6.9m in 2020 with the business on course to keep costs within 2% of NAV.</p> <p>Significant changes were implemented within the organisation in 2020. These included a significant change in staffing as well as procedural changes to the investment approval process.</p> <p>Strategic changes have been effected with a new strategy to actively manage public portfolio companies. This has enabled the business to optimise its return from these positions and mitigate downside risk.</p> <p>Shareholder engagement has increased with active discussions on topics such as capital management, ensuring that management and Board decisions are aligned with shareholder interests.</p>	<p>These changes have individually and collectively had a significant impact on the business and its ability to deliver on its strategic goals.</p> <p>The very significant cost reductions have created a more sustainable business delivering greater value for shareholders.</p> <p>Organisational changes have increased both the efficiency of the organisation and its effectiveness in evaluating investment opportunities.</p> <p>The strategic changes have increased the freedom of the business to manage its public holdings, optimising the holdings and returns for the benefit of shareholders.</p>
Total				100%	

The Committee determined that in light of the Company's performance during the year, the bonus outcomes are appropriate.

LTIPs vesting in the year (audited)

Awards were made to previous executive directors in 2017 under the EIP. As detailed in the table below, the share price performance target was not met, and as such the awards lapsed in full.

Metric	Threshold	Target	Maximum	Actual	Level of vesting
Share price	8% p.a. growth	20% p.a. growth	30% p.a. growth	Decline in share price	0%

Scheme interests awarded in 2020 (audited)

During the year ended 31 December 2020, the following Directors were awarded nil-cost options under the EIP, details of which are summarised below.

	Date of grant	Number awarded	Award price £ ¹	Face value £	% of base salary	Vesting date
Naseem Amin	30/06/2020	462,428	0.864	400,000	200%	01/01/2023

Performance measure	Weighting	Performance period	Performance	% vesting
Compound share price growth	60%	1 January 2020 to 31 December 2022	<7% per annum	0%
			7% per annum	25%
			>7% < 21% per annum	25%-100%
NAV per share growth	40%	1 January 2020 to 31 December 2022	≥21% per annum	100%
			<7% per annum	0%
			7% per annum	25%
			>7% < 17% per annum	25%-100%
			≥17% per annum	100%

¹ Starting price based on three month rolling average to the day before the management change (3 April 2020).

As disclosed in last year's Remuneration Report, Jonathan Peacock was awarded a conditional share award on 12 March 2020 for the financial year ending 2019. For administrative reasons the award was not granted during 2019. The award is subject to performance conditions over a three year assessment period, consistent with the awards made to other Executive Directors in 2019, as detailed on page 70 of the 2019 Annual Report and Accounts. Treatment of this award following his stepping down from the Board is detailed below.

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.

Jonathan Peacock

Jonathan Peacock stepped down from the Board at the AGM on 4 June 2020. No payment was made in relation to his loss of office.

As disclosed in last year's Annual Report, the Committee approved the grant of an option to Jonathan Peacock in respect of his executive service in 2018. For administrative reasons this 2019 Option Award was not made in 2019 but was made on 20 March 2020. The Award of 231,348 options represented 100% of his executive base salary. As disclosed in last year's Annual Report, the performance conditions were the same as for the other Executive Directors disclosed in last year's Annual Report.

In accordance with the terms of his departure from the role of Executive Chairman on 19 February 2019 (as reported in the Annual Reports for the years ending 31 December 2018 and 31 December 2019), it had been agreed that:

- The 2017 EIP Award, 2018 EIP Award and 2019 Option Award would continue to vest until his departure as a director of the Company. The 2017 EIP Award lapsed in May 2020 when the performance criteria were not achieved. Each of the 2018 EIP Award and 2019 Option Award have been pro-rated to the date of his departure from the Board such that 241,532 of the 298,507 options granted under the 2018 EIP Award remain eligible to vest in accordance with their terms and 110,075 of the 231,348 options granted under the 2019 Option Award remain eligible to vest in accordance with their terms. These awards will remain subject to performance at the end of the performance period.
- All of the 2,484,250 Founder Options had vested by the date of his departure from the Board and remain eligible for exercise until 4 February 2026 at an exercise price of £1.80 per share.

Joe Anderson

Joe Anderson stepped down from the Board on 6 April 2020. He was placed on garden leave for six months from the date of his departure from the Board. His employment with the Group ceased on 3 October 2020 with a £250,000 payment in lieu of the remaining six months notice due under his contract of employment. Pursuant to the arrangements disclosed in the Annual Report for the year ending 31 December 2018:

- The 2017 EIP Award continued to be eligible for vesting in May 2020 but lapsed when the performance criteria were not achieved.
- All of the 3,036,309 Founder Options had vested by the date of his departure from the Board and remain eligible for exercise until 4 February 2026 at an exercise price of £1.62 per share.
- Each of the 2018 EIP Award and 2019 EIP Award granted to Joe Anderson lapsed in their entirety following his departure from the Board.

Executive Directors' shareholdings and share interests (audited)

The interests of the Executive Chairman and CEO in the Company as at 31 December 2020 (or, if earlier, the date of stepping down from the Board) are shown in the table below. Only the EIP Awards (2018, 2019 and 2020) are subject to performance conditions. The Executive Chair is required to build a shareholding equivalent to 200% of basic salary. This shareholding requirement was met at the end of the financial year.

No options were exercised during the year.

	Ordinary Shares held #	IPO Awards ¹ (vested, unexercised) #	2018 EIP Awards ¹ (unvested) #	2019 EIP Awards ¹ (unvested) #	2020 EIP Awards ¹ (unvested) #	Founder Options ² (vested, unexercised) #	Shareholding as % of basic salary ³
Joe Anderson ⁴	354,310	362,318	373,134	578,368	–	3,036,309	239%
Naseem Amin ⁵	240,803	–	–	–	462,428	–	264%

1 Awards are nil-cost options. The IPO Awards were granted without performance conditions attached. The 2018, 2019 and 2020 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 2018's Annual Report on Remuneration, the exercise price reduced by 18 pence (i.e. 10% of the original exercise price) each year for five years that Joe Anderson remained in full-time employment with Arix. The exercise price is now fixed at £1.62 per share. 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, calculated at closing share price on 31 December 2020.

4 Joe Anderson holds 138,889 Ordinary Shares through PAL Trustees Limited, the trustee of his SIPP. His 2018 EIP and 2019 EIP Awards lapsed upon his departure from Arix.

5 Naseem Amin holds 57,803 Ordinary Shares issued pursuant to his appointment as a Non-Executive Director and has an interest in a further 183,000 Ordinary Shares purchased by Davum Capital Limited, a corporate entity in which he has a majority beneficial interest.

There has been no change in the Executive Directors' shareholdings since the balance sheet date.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2020
Jonathan Peacock ¹	926,601
Professor Trevor Jones	37,312
Giles Kerr	35,746
Art Pappas ²	47,619
Mark Breuer	36,630

1 Reflects the position as at the date of his departure from the Board (19 June 2020).

2 Reflects the position as at the date of his departure from the Board (19 June 2020).

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.

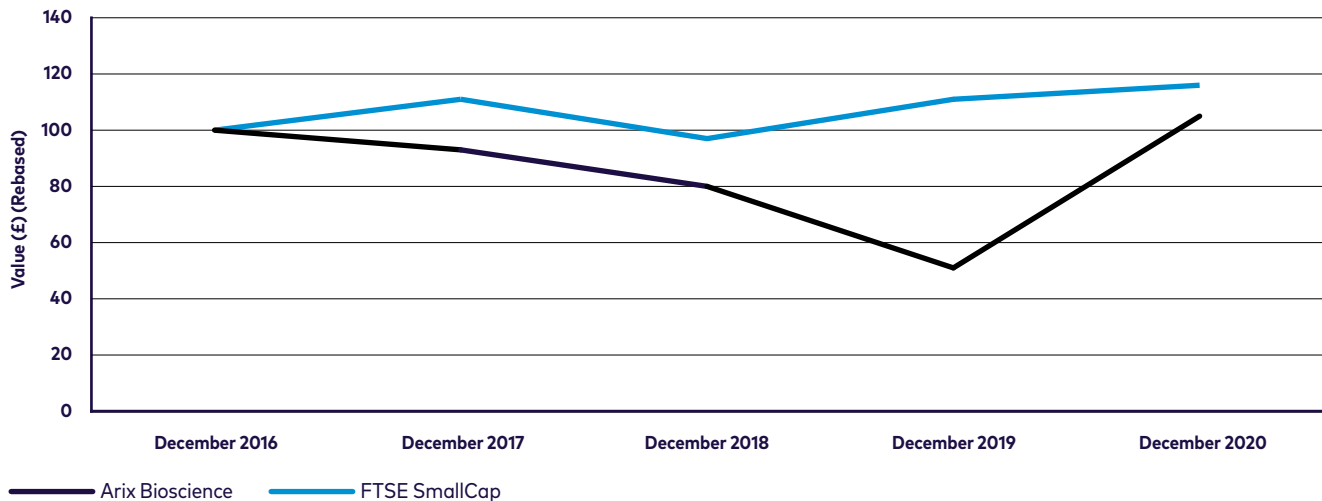
There has been no change in the Non-Executive Directors' shareholdings since the balance sheet date.

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)

	Naseem Amin 2020 £'000	Joe Anderson 2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Single figure total	266	417	737	633	1,726	1,228
Annual variable against maximum opportunity	100%	0%	50%	75%	80%	N/A
EIP vesting rates against maximum opportunity	N/A	N/A	N/A	N/A	N/A	N/A

Percentage change in remuneration

Percentage change in 2020 remuneration compared with remuneration in 2019.

	CEO/Exec Chair	All employees excluding CEO/Exec Chair
Base salary	(66%)	5%
Annual bonus	(60%)	32%
Benefits	(70%)	2%

Comparison of Directors' and employees' pay

The table below sets out the percentage change in each Director's salary/fees, benefits and bonus between the year ended 31 December 2019 and the year ended 31 December 2020, and the average percentage change in the same remuneration over the same period in respect of the employees of the Company on a full-time equivalent basis.

The average employee change has been calculated by reference to the median of employee pay. Mark Breuer was appointed in 2019, while Art Pappas and Jonathan Peacock stepped down from the Board during the year ended 31 December 2020, resulting in large year-on-year changes.

	Base salary/fees	Benefits	Annual incentive
Executive Chair/CEO ¹	(66%)	(70%)	(60%)
Professor Trevor Jones	20%	N/A	N/A
Giles Kerr	0%	N/A	N/A
Mark Breuer ²	47%	N/A	N/A
Jonathan Peacock (retired) ²	(62%)	N/A	N/A
Art Pappas (retired) ²	(57%)	N/A	N/A
Employee Group ³	5%	2%	32%

¹ Where more than one individual performed the role in the year, the sum of the amounts as disclosed in the single figure of remuneration has been used in accordance with disclosure requirements.

² Non-executive directors that served for part year – which explains large year-on-year changes.

³ Average employee change has been calculated by reference to the median of employee pay.

Relative importance of spend on pay

	2020 £'000	2019 £'000
Underlying operating profit/(loss)	126,076	(67,845)
Dividends/share buybacks	-	-
Total Company spend on remuneration	5,066	5,637

The table above shows the relative importance of total spend on pay in the 2020 and 2019 financial years compared with distributions to shareholders. The Company did not pay a dividend or undertake a share buyback programme in either 2020 or 2019. Underlying operating profit/(loss) is considered the most appropriate metric given the current stage of the Group.

Total Group spend on remuneration decreased by 10% 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 and 4 June 2020 respectively are set out below:

	Votes for #	Votes for %	Votes against #	Votes against %	Votes withheld #
To approve the Directors' Remuneration Policy (2019 AGM)	40,079,954	50.26%	39,658,365	49.74%	5,590
To approve the Annual Report on Remuneration	28,565,229	71.98%	11,118,962	28.02%	19,227

Only 71.98% of shareholders voted in favour of the Directors' Remuneration Report. At the time of the AGM, having received a registered negative vote from one of the Group's larger shareholders, the Company contacted the shareholder to understand the key challenges underpinning the vote.

Upon engagement, the Company understood that the principal reason for the vote against the Directors' Remuneration Report related to the remuneration arrangements for the previous management, and it was not a forward looking issue. Having considered that the matter was in relation to previous management, the Remuneration Committee considered the matter closed.

Directors' Report

For the year ended 31 December 2020

The Directors present their report for the year ended 31 December 2020. 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 51
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	» Notes to the financial statements page 95
Going concern	» Strategic Report page 47
Statement of Directors' responsibilities	» Page 81
Diversity Policy	» Report of the Nomination Committee page 58
Details of long-term incentive schemes	» Note 18 to the financial statements pages 102 to 103
Significant Interests	» Directors' Report page 80
Waiver of emoluments by a Director	» Directors' Remuneration Report pages 64 to 77
Compensation for loss of office arrangements	» Directors' Remuneration Report pages 64 to 77







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 64 to 77
Waiver of emoluments by a Director	» Directors' Remuneration Report pages 64 to 77
Waiver of future emoluments by a Director	» Directors' Remuneration Report pages 64 to 77
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 64 to 77




The Strategic Report on pages 2 to 51 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:

-  **Naseem Amin**
-  **Professor Trevor Jones**
-  **Giles Kerr**
-  **Mark Breuer**
-  **Joe Anderson**
Resigned 6 April 2020
-  **Jonathan Peacock**
Resigned 4 June 2020
-  **Arthur Pappas**
Resigned 4 June 2020

KEY

-  Non-independent
-  Independent
-  Past Directors

Results and dividend

The results for the year ended 31 December 2020 are set out in the Consolidated Statement of Comprehensive Income on page 87.

The Board is not recommending a dividend for the year ended 31 December 2020.

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 2020, the Company's share capital consisted of:

- ▶ 135,609,653 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.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

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 4 June 2020, 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 13,555,185 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 2021.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 31 December 2020, is set out in the Directors' Remuneration Report on pages 75 to 76.

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 themselves 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:

Name of Shareholder	As at 31 December 2020		As at 8 March 2021	
	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
Acacia Research Corporation	25,833,311	19.1%	25,833,311	19.1%
Fosun International	11,111,111	8.2%	11,111,111	8.2%
Takeda Ventures	7,497,583	5.5%	7,497,583	5.5%
Christopher Chipperton (including restricted shares)	6,862,823	5.1%	6,862,823	5.1%
Ipsen	6,666,666	4.9%	6,666,666	4.9%
Christopher Evans (including restricted shares)	5,866,039	4.7%	5,291,039	3.9%
UCB	5,647,679	4.2%	5,647,679	4.2%

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

BDO 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 on 19 May 2021 at 10.00 am in central London. Details of the venue and access will be announced in the Notice of Annual General Meeting to be published in due course and will be subject to applicable Covid-related regulations and guidance on attendance at AGMs.

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 accounting standards in conformity with the requirements of the Companies Act 2006, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Article 4 of the IAS Regulation. 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 56 to 57, 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.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- ▶ The group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and Article 4 of the IAS Regulation

and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.

- ▶ The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Robert Lyne
Company Secretary
8 March 2021

FINANCIAL STATEMENTS

Independent Auditors' report to the members of Arix Bioscience plc

Opinion on the financial statements

In our opinion:

- ▶ the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- ▶ the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- ▶ the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- ▶ the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- ▶ the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Arix Bioscience Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the board in May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 1 year, covering the year ended 31 December 2020 only. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In evaluating management's assessment as to the Group and Parent Company's ability to continue to operate as a going concern, we have reviewed management's forecasts covering 12 months from the date of sign off of the financial statements, and beyond over the viability period disclosed in the Strategic Report. We have considered the appropriateness and accuracy of these forecasts, robustly challenging their inputs, as well as reviewed management's stress testing to ascertain the likelihood of the Group and Parent Company not having the ability to meet their obligations as they fall due.

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

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

Overview

Coverage	100%
	100%
	100%
Key audit matters	2020
	Valuation of Investments Yes
	Share Based Payments Yes
Key audit matters	Group financial statements as a whole
	£4.8m (based on 1.5% of net assets)

An overview of the scope of our audit

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

All UK components in the Group were audited by BDO LLP. The US component was audited to our component materiality by BDO LLP.

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of investments</p> <p>Refer to page 93 (Accounting policies) and page 99 (note 11).</p> <p>There is a high level of estimation uncertainty involved in determining the valuation of the unquoted investments in the portfolio. Investments are also the most significant balance contributing to the Net Asset Value (NAV) of the fund, and therefore may be subject to management bias.</p>	<p>We tested the valuations of a sample of unquoted investments.</p> <p>For all investments in our sample we:</p> <ul style="list-style-type: none"> ▶ Considered whether the valuation methodology chosen was in accordance with accounting standards and was the most appropriate in the circumstances under the International Private Equity and Venture Capital (IPEV) Guidelines; ▶ Held meetings with management to understand the recent performance of the investee companies in the context of their "milestones", and corroborated information obtained in these meetings to board papers, management information and publicly available industry articles, reports and press releases; ▶ Where a valuation had been amended based on the price of a recent funding round, obtained associated Sale Purchase Agreements for the funding round in order to corroborate the price of the round, and considered whether the funding round had been carried out on an arm's length basis; ▶ Where a valuation had been amended based on an investee company achieving or failing to meet certain key milestones, we challenged the basis of the change in value and obtained third party evidence to support the investee companies' progress against the milestone. <p>Key observations:</p> <p>Based on the procedures performed, we found that the audit evidence obtained supported the valuation of the unquoted investments in the portfolio.</p>

Independent Auditors' report

to the members of Arix Bioscience plc *continued*

Key audit matter

Share Based Payments The Group operates a number of share and incentive based payment schemes. These are accounted for in accordance with IFRS 2. Recognition of all share based payment awards in the financial statements is based on the fair value at date of grant with an expense recognised in the relevant period and a corresponding increase in liabilities and equity.

Refer to page 95 (Accounting policies) and page 102 (note 18).

Given that these schemes take several forms and can involve complex valuation methodologies, such as Monte Carlo simulations, with significant amounts of estimation uncertainty, there is an inherent risk that the share based payment charges could be materially misstated.

How the scope of our audit addressed the key audit matter

Our testing of the share based payment charge incorporated the following procedures:

- ▶ Obtained and reviewed a sample of the agreements relating to each share based payment scheme in place;
- ▶ Engaged our internal experts to review the valuation of the fair value at grant of each of the schemes and consider the reasonableness of the methodology and key inputs applied;
- ▶ Challenged the judgements surrounding the number of options in each scheme that would vest based on the likelihood of achieving key market and non market vesting conditions;
- ▶ Considered the appropriateness of the accounting for each scheme in the context of the scheme conditions and IFRS 2.

Key observations

Based on the procedures performed, we concluded that the share based payment charge for the period was materially appropriate.

Our application of materiality

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

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

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

	Group financial statements 2020 £m	Parent Company financial statements 2020 £m
Materiality	4.8	3.0
Basis for determining materiality	1.5% net assets	1.5% net assets
Rationale for the benchmark applied	The nature of the investment portfolio, this being the most significant balance in the net asset value of the group at the year end, and the level of judgement inherent in the valuation	The nature of the parent company as a holding company and therefore being an asset based entity.
Performance materiality	3.1	2.0
Basis for determining performance materiality	65% materiality	65% materiality

Component materiality

We set materiality for each component of the Group based on a percentage of between 60% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £2.2m to £4.3m. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

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

Other information

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

We have nothing to report in this regard.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

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

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> ▶ the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and ▶ the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Directors' remuneration	<p>In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> ▶ adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ▶ the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or ▶ certain disclosures of Directors' remuneration specified by law are not made; or ▶ we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Independent Auditors' report

to the members of Arix Bioscience plc continued

of PAYE and VAT legislation and IFRS. In respect of management override we have tested a risk based sample of journals back to supporting documentation and performed extensive procedures over the valuation of the investment portfolio, as discussed above in the Key Audit Matter section.

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

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

Use of our report

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

Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom

8 March 2021

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

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Change in fair value of investments	11	135,297	(62,435)
Revenue	3	477	506
Finance income	7	101	769
Administrative expenses	6	(7,763)	(9,709)
Share-based payment charge	18	(25)	(2,790)
Foreign exchange loss		(1,619)	(650)
Impairment of right-of-use and intangible assets		(167)	(1,259)
Profit/(loss) before taxation		126,301	(75,568)
Taxation	9	-	5,883
Profit/(loss) for the year		126,301	(69,685)
Other comprehensive income/(expense)			
Exchange differences on translating foreign operations		(225)	(185)
Taxation	9	-	-
Total comprehensive income/(expense) for the year		126,076	(69,870)
Attributable to			
Owners of Arix Bioscience plc		126,076	(69,870)
Earnings per share			
Basic earnings per share (p)	10	96.6	(53.8)
Diluted earnings per share (p)	10	88.6	(53.8)

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 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Investments held at fair value	11	154,416	151,921
Intangible assets	12	312	688
Property, plant and equipment	13	49	160
Right of use asset		90	339
Investment property		106	366
		154,973	153,474
Current assets			
Cash and cash equivalents	15	112,085	54,638
Cash on long-term deposit	15	62,276	-
Other assets	14	1,378	1,106
		175,739	55,744
TOTAL ASSETS		330,712	209,218
LIABILITIES			
Current liabilities			
Trade and other payables	16	(2,235)	(6,154)
Deferred tax liability	9	-	-
		(2,235)	(6,154)
Non-current liabilities			
Lease liability		(268)	(956)
TOTAL LIABILITIES		(2,503)	(7,110)
NET ASSETS		328,209	202,108
EQUITY			
Share capital and share premium	17	188,585	188,585
Retained earnings		142,044	15,718
Other reserves		(2,420)	(2,195)
TOTAL EQUITY		328,209	202,108

The accompanying notes form an integral part of the financial statements. The financial statements on pages 87 to 107 were approved by the Board of Directors and authorised for issue on 8 March 2021, and were signed on its behalf by

Naseem Amin
Executive Chairman

Consolidated statement of changes in equity

For the year 31 December 2020

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

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)	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

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash from operating activities	19	(6,833)	(9,242)
Finance income		101	769
Finance expenses		-	-
Tax paid		-	-
Net cash used operating activities		(6,732)	(8,473)
Cash flows from investing activities			
Purchase of equity investments		(28,923)	(34,858)
Disposal of equity and loan investments		157,528	8,791
Purchase of property, plant and equipment		(7)	(6)
Net cash received (placed on)/from long-term deposit		(62,276)	60,209
Net cash from investing activities		66,322	34,136
Cash flows from financing activities			
Net proceeds from issue of shares		-	-
Purchase of own shares by Employee Benefit Trust		-	(986)
Net cash used financing activities		-	(986)
Net increase in cash and cash equivalents		59,590	24,677
Cash and cash equivalents at start of year		54,638	31,009
Effect of exchange rate changes		(2,143)	(1,048)
Cash and cash equivalents at end of year		112,085	54,638

Notes to the financial statements

1. General Information

The principal activity of Arix Bioscience plc (the "Company") and its subsidiaries (together the "Arix Group" or "the Group" or "Arix") is to invest in 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. The Company is the ultimate parent company into which the results of all subsidiaries are consolidated.

2. Accounting Policies

A. Basis of preparation

The consolidated financial statements of the Arix Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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)), share-based payments (see Note 2(O) and Note 18) and taxation (see below and Note 9). Sensitivity of the investment portfolio is disclosed in Note 11.

The Group primarily seeks to generate capital gains from its portfolio company investments, which would ordinarily be subject to UK corporation tax. However, where the Group holds or has held in excess of 10% of the share capital of a portfolio company, and those companies are themselves trading or preparing to carry on a trade, the Directors continue to believe that these holdings will qualify for the UK's Substantial Shareholdings Exemption ("SSE"), which exempts taxable gains or losses from corporation tax. For unrealised gains and losses that are expected to meet the qualifying criteria, no deferred tax provision will be made in the Group's financial statements. Where investment gains or losses are unrealised and are not expected to qualify for SSE, the anticipated tax due based on the current valuation of the underlying investment is reflected in a deferred tax balance, to the extent that these exceed the Group's historical operating losses from time to time. SSE has been applied to net realised gains of £127.5 million in the year (2019: £2.2 million), reducing the tax liability arising on these disposals by £24.2 million (2019: £0.4 million).

The Directors have taken what they consider to be all necessary steps to support the determination that these gains and losses in the Arix portfolio qualify for SSE, including close collaboration with their appointed tax advisers and further consultation and receipt of written opinion from a Queen's Counsel Barrister at a leading tax chambers. The Directors believe that successful HMRC challenge of this conclusion is improbable.

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

In preparing these financial statements, the Directors have concluded that the Company meets the definition of an investment entity as per IFRS 10, as it has the typical characteristics set out in the standard, including holding more than one investment and having more than one investor which is not a related party of the entity. The Group's investment in Twelve Bio is the only investee company which the Group controls and therefore is the only subsidiary held at FVTPL.

Going concern

The financial information presented within these financial statements has been prepared on a going concern basis as disclosed in the Directors' Report. The Directors have made an assessment of going concern taking into account the Group's current performance and outlook, which considered the risks the business is exposed to, including the ongoing Covid-19 pandemic and the legislative impact of the UK's withdrawal from the European Union and concluded that no material uncertainty exists around the Company or the Group's ability to continue as a going concern.

B. Basis of consolidation

Subsidiaries

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

Notes to the financial statements continued

2. Accounting Policies continued

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

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

Entity	Country of Incorporation	Registered Address	Ownership
Arix Bioscience Holdings Limited	England and Wales	20 Berkeley Square, London, W1J 6EQ	100%
Arix Bioscience, Inc	United States	82 Nassau Street, PMB 725, New York, NY 10038	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%

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

The below subsidiary is measured at Fair Value through profit or loss:

Entity	Country of Incorporation	Registered Address	Ownership
Twelve Bio ApS	Denmark	Ole Maaloes Vej 3, 2200 Copenhagen, Denmark	29.9%

The Group considers the above entity to be under its control as employees of the Group hold two of Twelve Bio's four director seats, including the position of chairman, who has the deciding vote in any tied board vote. The Group has the right to variable returns from its investment and has the power to affect these returns through its position on the board.

Associates

The Group has taken the exemption permitted by IAS 28 "Investments in Associates and Joint Ventures" and IFRS 11 "Joint Arrangements" for entities similar to investment entities and measures its investments in associates and joint ventures at fair value. The Directors consider an 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 (as detailed in Note 2(A)) nor an associate, as the Group does not have a 20-50% interest in the entity nor considered to have significant influence.

C. Adoption of new and revised standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

D. Revenue recognition

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

2. Accounting Policies continued

E. Foreign currency translation

The assets and liabilities of foreign operations are translated to Group's presentational currency (British pounds sterling) at foreign exchange rates ruling at the period-end date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. Foreign exchange movements on Investments held at fair value are reported within Change in fair value of investments on the face of the Consolidated Statement of Comprehensive Income. This is a presentational change in 2020, these movements having previously been presented within foreign exchange movements on the face of the Consolidated Statement of Comprehensive Income. The prior year comparatives have been updated to reflect the presentation change, with £3,793k reclassified. Foreign exchange differences arising from other items are disclosed separately on face of the Consolidated Statement of Comprehensive Income.

F. Leases

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

G. Exceptional items

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

H. Property, plant and equipment

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

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

I. Financial assets

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

Amortised cost assets are non-derivative financial assets with fixed or determinable payments that are not 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, and investment subsidiaries. When financial assets are initially recognised they are measured at fair value. They are subsequently remeasured at their fair value if a valuation event occurs.

Valuation of investments

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

The fair value of 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 paid by the external investor is generally considered to represent the investment's fair value at the transaction date, although the specific terms and circumstances of each funding round must always be considered.

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

Notes to the financial statements continued

2. Accounting Policies continued

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

K. Goodwill and intangible assets

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

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

L. Share capital

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

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

M. Trade payables

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

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

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

2. Accounting Policies continued

N. Current and deferred taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Arix Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

O. Share-based payments

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

P. Other reserves

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

Q. 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 \$163.4m and euro-denominated assets valued at €16.3m. A 10% appreciation in each currency would have a £14.9m negative impact on Arix's Income Statement; a 10% depreciation would have a £12.2m 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 and cash on long-term deposit, which earn interest at variable rates. The Arix Group has a treasury policy to manage cash and cash equivalents and cash on long-term deposit. In the year ended 31 December 2020, a 10% change in underlying interest rates would have impacted Arix's finance income by £10k (2019: £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 (£112m (2019: £54.6m)); cash on long-term deposit (£62m (2019: £nil)); and trade and other receivables (£1.4m (2019: £1.1m)).

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

Notes to the financial statements continued

2. Accounting Policies continued

As at 31 December 2020, 100% of cash and cash equivalents and cash on long-term deposit was deposited with institutions that have a short-term credit rating of at least F1, according to Fitch Ratings.

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

Liquidity risk

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

	Within one year £'000	Total £'000
Trade, Other Payables and Accruals (excluding non-financial liabilities)	2,235	2,235

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

	2020 £'000	2019 £'000
Fund management fee income	346	480
Other income	131	26
	477	506

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

5. Profit/(Loss) Before Taxation

	2020 £'000	2019 £'000
Amortisation	(217)	(287)
Depreciation	(116)	(159)
Impairment of right of use asset	-	(464)
Impairment of intangible asset	(159)	(795)

Auditors' remuneration

Statutory audit services

Fees payable for the audit of the Arix Group accounts	92	141
Fees payable for the audit of the accounts of subsidiaries of the Arix Group	41	48

Non-audit services

Other assurance and advisory services	25	36
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Total auditors' remuneration	158	225
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Non-audit services in the year relate to the Arix Bioscience plc interim review (£20k) and an FCA Client Asset Report (£4k) (2019: interim review £30k; FCA Client Asset Report £6k).

6. Administrative Expenses

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

	2020 £'000	2019 £'000
Employment costs	5,066	5,637
Recruitment costs	46	147
Consultancy fees	54	320
Other expenses	2,597	3,605
	7,763	9,709

7. Net Finance Income/(Expenses)

	2020 £'000	2019 £'000
Bank interest	101	769
Bank charges	-	-
	101	769

8. Employee Costs

Employee costs (including Directors) comprise:

	2020 £'000	2019 £'000
Salary and bonus	4,445	4,808
Social security costs	418	532
Pension and benefits costs	203	297
Employee costs excluding share-based payments	5,066	5,637
Share-based payments (Note 18)	25	2,790
	5,091	8,427

The average number of employees during the year was 14 (2019: 16) (investment team: 6 (2019: 8); non-investment team: 8 (2019: 8)).

Notes to the financial statements continued

9. Income Tax continued

	2020 £'000	2019 £'000
Current year tax charge		
Current tax	-	-
Deferred tax – current year	207	(5,760)
Deferred tax – effect of change in tax rates	(185)	687
Adjustment in respect of previous periods	(22)	(810)
Total tax (credit)/charge	-	(5,883)
Reconciliation of tax charge		
Profit/(loss) before tax	126,301	(75,568)
Expected tax based on 19.00% (2019: 19.00%)	23,997	(14,358)
Effects of:		
Expenses not deductible for tax purposes	2,489	12,120
Adjustment in respect of previous periods	(185)	(810)
Income not taxable	(26,706)	(9,808)
Tax rate changes	(22)	693
Net gains/(losses)	-	(6)
Employee share options	(789)	116
Deferred tax not recognised	1,216	6,170
Total tax (credit)/charge	-	(5,883)
Recognised deferred tax provisions		
Brought forward	-	5,883
Adjustments in respect of prior year	(185)	-
Relating to profit and loss	185	(5,883)
Carried forward	-	-
Represented by:		
Unutilised tax losses	(925)	(8)
ACAs	-	-
Intangibles	-	276
Employee benefits	-	(276)
Investments	926	9
Other timing differences	(1)	(1)
	-	-
Unrecognised deferred tax provisions		
Unutilised tax losses	(6,443)	(5,263)
Priority profit share outstanding	95	69
Other timing differences	(1,179)	(299)
	(7,527)	(5,493)

Deferred tax balances have been calculated using a rate of 19% (2019: 19%). The Group is subject to UK corporation tax on the majority of its activities, which can include gains arising on investments. However, where possible the Group aims to take advantage of the UK's Substantial Shareholding Exemption ("SSE"), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met. The Directors continue to believe that the application of SSE to the tax computation remains appropriate.

10. Earnings/(Loss) per Share

On 6 July 2020, the Group issued 57,803 ordinary shares, in relation to certain share awards. As at 31 December 2020 the Group had 135,609,653 ordinary shares in issue (2019: 135,551,850).

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

Potentially dilutive ordinary shares include options and conditional share awards issued under the Company's long term incentive plans. At the year end date, the weighted average number of shares in relation to: (i) options and conditional share awards was 6,760,409; and (ii) ordinary shares subject to restrictions was 5,080,582. Restricted ordinary shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, they have been excluded from the calculation of the weighted average number of shares in issue.

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Profit/(loss) attributable to equity holders of Arix Bioscience plc	126,076	(69,870)
Weighted average number of shares in issue for the purposes of basic earnings per share	130,499,853	129,948,773
Weighted average number of shares in issue for the purposes of diluted earnings per share	142,340,844	129,948,773
Basic earnings/(loss) per share	96.6p	(53.8p)
Diluted earnings/(loss) per share	88.6p	(53.8p)

11. Investments

Equity investments – 2020

	Level 1 – Quoted Investments £'000	Level 3 – Unquoted Investments £'000	Total £'000
At 1 January 2020	87,844	64,077	151,921
Additions	13,487	11,127	24,614
Disposals	(18,821)	(138,707)	(157,528)
Transfers	11,707	(11,707)	–
Capitalisations	112	–	112
Change in fair value	7,278	139,903	147,181
Foreign exchange losses	(5,895)	(5,989)	(11,884)
At 31 December 2020	95,712	58,704	154,416

Transfers from Level 3 to Level 1 reflects companies which have listed during the year, the only company being Imara, Inc in 2020. Level 3 investments are valued with reference to either the most recent funding round (£22.9m, 2019: £37.6); net asset value (£1.1m, 2019: £1.4m); market-based write-up (£31.2m, 2019: £22.7m); discretionary write-down (£1.3m, 2019: £2.4m) or deferred consideration (£2.2m, 2019: £nil). See Note 2(l) for further details on the valuation of Level 3 investments.

The Group's milestone valuation approach cannot be readily sensitised and therefore the Group has not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would resulting a £9.5m (2019: £8.7m) movement in the investment portfolio value.

Equity investments – 2019

	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)	–
Capitalisations	–	–	–
Change in fair value	(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

Notes to the financial statements continued

11. Investments continued

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 2020, 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%	€2,431k	€(1,486)k	31 December 2018
Quench Bio, Inc (USD)	USA	400 Technology Square, Cambridge, MA 02139	25.0%	N/A	N/A	Not publicly available
STipe Therapeutics Aps (EUR)	Denmark	Lyngsievvej 18, 8230 Abyhøj	14.8%	N/A	N/A	Not publicly available

In addition, at 31 December 2020, 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
Amplix Pharmaceuticals, Inc.	Observer	3.0%
Artios Pharma Limited	Y	12.4%
Atox Bio, Inc.	Y	6.4%
Aura Biosciences, Inc.	Y	7.8%
Autolus Therapeutics plc	N	6.4%
Harpoon Therapeutics, Inc.	N	8.8%
GenSight Biologics SA	N	2.8%
Imara, Inc.	N	8.0%
Iterum Therapeutics Limited	N	1.6%
LogicBio Therapeutics, Inc.	N	12.2%
OptiKira, LLC	N	11.8%
PreciThera, Inc	N	13.6%

The Arix Group has an interest in one structured entity, The Wales Life Sciences Investment Fund (registered address: Sophia House, 28 Cathedral Road, Cardiff, Wales, CF11 9LJ). The fund has interests in Welsh life sciences opportunities. A structured entity is an entity that is structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity. The Arix Group is not deemed to have control over this fund for the reasons disclosed in Note 2(A). The Group's interest is £1.1m (2019: £1.4m).

12. Intangible Assets

	Year Ended 31 December 2020	Year Ended 31 December 2019
Brought forward	688	1,770
Amortisation	(217)	(287)
Impairment in period	(159)	(795)
	312	688

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. At the date of acquisition, the fees for the remaining life of the fund were calculated and then 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 year.

13. Property, Plant and Equipment

Year ended 31 December 2020

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

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
Additions	-	-	6	6
Depreciation charge	(120)	(10)	(29)	(159)
At 31 December 2019	138	15	7	160

14. Other Assets

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Trade receivables	1,130	771
Prepayments	236	264
VAT receivable	12	71
	1,378	1,106

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

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

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Cash at bank and in hand	112,085	54,638
Cash on long-term deposit	62,276	-
	174,361	54,638

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 2020 £'000	As at 31 December 2019 £'000
Trade payables	3	123
Accruals and other payables	2,232	6,031
	2,235	6,154

Notes to the financial statements continued

17. Share Capital and Share Premium

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Allotted and called up		
135,609,653 Ordinary Shares of £0.00001 each (2019: 135,551,850 shares)	1	1
49,671 Series C Shares of £1 each (2019: 49,671 shares)	50	50
Share Premium	188,534	188,534

On 6 July 2020, the Group issued 57,803 Ordinary Shares, in relation to certain share awards. As at 31 December 2020, the Group had 135,609,653 Ordinary Shares in issue (2019: 135,551,850).

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 2020, share-based payment (credits)/expenses have been recognised relating to a range of share schemes operated by the Arix Group.

	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
Executive Incentive Plan 2017	173	430
Executive Incentive Plan 2018	(415)	883
Executive Incentive Plan 2019	(143)	448
Executive Incentive Plan 2020	334	–
2017 IPO Award	–	213
Executive Share Option Plan	26	567
Founder Incentive Shares	–	179
Non-Executive Director Awards	50	70
	25	2,790

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 would become exercisable at nil cost and in the case of the conditional share awards, would vest at nil cost on the third anniversary of their grant, on 26 May 2020, subject to performance criteria. This required the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; all options lapsed during the year due to performance conditions not being met (2019: unvested 1,486,747). In the year ended 31 December 2020, a share-based payment charge of £173k (2019: £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; 769,515 options were unvested at year-end (2019: 2,290,499) due to 1,520,984 awards relating to leavers lapsing. In the year ended 31 December 2020, a share-based payment credit of £415k (2019: charge of £883k) was recognised in relation to the Executive Incentive Plan.

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 net asset value and the share price to have grown by a set percentage over the assessment period to 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; 679,581 were unvested at year-end (2019: unvested 2,524,661) due to 1,845,080 awards relating to leavers lapsing. In the year ended 31 December 2020, a share-based payment credit of £143k (2019: charge of £448k) was recognised in relation to the Executive Incentive Plan.

18. Share Options continued

In June 2020, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the net asset value and the share price to have grown by a set percentage over the assessment period to 1 January 2023, with the quantum of shares vesting dependent on both the level of share price growth and the level of net asset value growth; 3,414,241 were issued in the period, all of which are unvested at year-end. In the year ended 31 December 2020, a share-based payment charge of £334k (2019: £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 £0.865, and the assessed likelihood of vesting (2020: 100%). The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£0.865); risk free interest rate (-0.08%); time to vesting (2 years and 6 months); and expected volatility based on comparable listed investments 23.8%.

Executive Share Option Plan and Founder Incentive Shares

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

No options have been exercised to date. In the year ended 31 December 2020, a share-based payment charge of £26k (2019: £567k) was recognised in relation to the Executive Share Option Plan, calculated using the Black-Scholes model. Assumptions used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Restricted shares with identical terms, including a £1.80 price for the lifting of restrictions, were offered to the founders of the Company, totalling 5,080,582 shares. A charge of £nil was recognised in the year ended 31 December 2020 (2019: £179k). 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 £50k (2019: £70k) was recognised during the period.

19. Net Cash From Operating Activities

	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
Profit/(loss) before income tax	126,301	(75,568)
<i>Adjustments for:</i>		
Change in fair value of investments	(135,297)	62,435
Foreign exchange losses	1,619	650
Share-based payment charge	25	2,790
Depreciation and amortisation	335	446
Impairment of assets	167	1,259
Finance income	(101)	(769)
<i>Changes in working capital</i>		
(Increase)/decrease in trade and other receivables	(272)	1,068
Increase/(decrease) in trade and other payables	390	(1,553)
Cash used in operations	(6,833)	(9,242)

20. Financial Commitments

The Group has amounts committed to portfolio companies but not yet invested; at 31 December 2020 these totalled £9.3m (2019: £8.5m).

Notes to the financial statements continued

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.

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Financial assets at fair value through profit or loss		
Equity and loan note investments	154,416	151,921
Other receivables (excluding prepayments)	1,130	771
Long-term cash on deposit	62,276	–
Cash and cash equivalents	112,085	54,638

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

Financial Liabilities

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

	As at 31 December 2020 £'000	As at 31 December 2019 £'000
Trade, other payables and accruals (excluding non-financial liabilities)	2,235	6,154
Lease liability	268	956

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, (£196,088), unchanged from 2019.

23. Related Party Transactions

During the period, key management has comprised Executive Directors, whose remuneration is disclosed in the Directors' Remuneration Report; and other members of the executive team. These other members received short-term employee benefits of £760,010 in the year (2019: £371,834, relating to the period in which they were fulfilling key management responsibilities).

24. Events After the Reporting Date

In January 2021, \$5.5m (£4.0m) was realised from Imara, Inc. Arix's stake in the company now totals 5.8%.

On 11 January 2021, Harpoon Therapeutics, Inc. closed a public offering raising \$115m. Arix did not participate; its stake in the company now totals 6.9%.

On 12 February 2021, Autolus Therapeutics plc closed a public offering raising \$115m. Arix did not participate. Post-period end, Arix realised \$16.4m (£11.7m) from Autolus Therapeutics plc. Its stake in the company now totals 1.6%.

On 24 February 2021, Arix invested a further €2.7m (£2.4m) in Depixus; its stake in the company now totals 21.4%.

In March 2021, Quench Bio opted to wind down after concluding its research activities. Arix anticipates receiving proceeds of \$0.5m-\$1.0m upon conclusion of the wind down.

On 5 March 2021, Arix invested its remaining \$0.7m (£0.5m) commitment in Aura Biosciences; its stake in the company now totals 7.9%.

Following market purchases since 31 December 2020, Arix's stake in GenSight Biologics now totals 4.4%.

In March 2021, it was announced that the United Kingdom's main rate of corporation tax will rise from 19% to 25% from April 2023. As this rate has not been substantively enacted at the balance sheet date, deferred tax balances in these financial statements continue to be measured at 19%.

Company statement of financial position

As at 31 December 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	2	891	891
Amounts due from subsidiary undertakings	4	29,927	157,061
		30,818	157,952
Current assets			
Cash and cash equivalents	3	110,581	49,953
Cash on long-term deposit	3	62,276	–
Trade and other receivables		38	103
		172,895	50,056
TOTAL ASSETS		203,713	208,008
LIABILITIES			
Current liabilities			
Trade and other payables		(475)	(647)
TOTAL LIABILITIES		(475)	(647)
NET ASSETS		203,238	207,361
EQUITY			
Share capital and share premium		188,585	188,585
Loss for the period		(4,148)	(25,885)
Retained earnings		20,998	46,858
Other reserves		(2,197)	(2,197)
TOTAL EQUITY		203,238	207,361

Company statement of changes in equity

For the year ended 31 December 2020

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 1 January 2020	188,585	(1,754)	(443)	20,973	207,361
Loss for the year	-	-	-	(4,148)	(4,148)
Share-based payment charge	-	-	-	25	25
Acquisition of own shares	-	-	-	-	-
Issue of own shares to employees	-	514	(514)	-	-
As at 31 December 2020	188,585	(1,240)	(957)	16,850	203,238

	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

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 in conformity with the requirements of the Companies Act 2006 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Company 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

	2020 £'000	2019 £'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 2020 £'000	As at 31 December 2019 £'000
Cash at bank and in hand	110,581	49,953
Cash on long-term deposit	62,276	-

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 2020 £'000	As at 31 December 2019 £'000
Opening balance	157,061	139,849
Net (repayment)/additions during the year	(127,134)	35,612
Impairments during the year	-	(18,400)
At 31 December	29,927	157,061

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 £nil (2019: £18.4m) has been recognised in the year relating to the Company's outstanding amount due from Arix Bioscience, Inc., a 100% subsidiary of the Company.

5. Employees

The average number of employees during the year was one (2019: two).

OTHER INFORMATION

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

Necrotising 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.

β-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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