

Investing in life changing science

Annual report and accounts 2021

ARIX BIOSCIENCE PLC

Company No. 09777975



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ARIX

Arix Bioscience plc is a global venture capital company focused on investing in breakthrough biotechnology companies to deliver superior risk-adjusted returns to shareholders.

2023 ANNUAL REPORT
2023-2024

Our Purpose

To generate superior returns for our investors and to make a tangible difference to patients' lives, by investing in a focused portfolio of innovative biotechnology companies addressing areas of high unmet need in healthcare

Our Goal

Delivery of double digit NAV growth through a diversified portfolio of biotechnology investments

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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Highlights

Performance snapshot

Net Asset Value (NAV)

£255m

2020: £328m

NAV per share

198p

2020: 242p

Gross Portfolio net revaluation*

(£54m)

2020: £136m

Business highlights

Realised capital

£39m

2020: £158m

Capital pool

£134m

2020: £174m

Capital raised by portfolio companies in 2021

\$776m

2020: \$580m

Operational highlights

- > Second M&A exit from the portfolio with Amplyx being acquired by Pfizer, resulting in a 1.1x return on the upfront payment
- > Two IPOs within the portfolio, including Aura which raised \$75m on Nasdaq to fund its clinical development
- > Further cost reduction targeting a cost run rate within 2% of Net Asset Value under normal market conditions

* Includes FX and impairment

Strategic report

Corporate governance

Financial statements

Other information

At a glance

Who we are:

Arix Bioscience plc is a global venture capital company focused on investing in breakthrough biotechnology companies.

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.

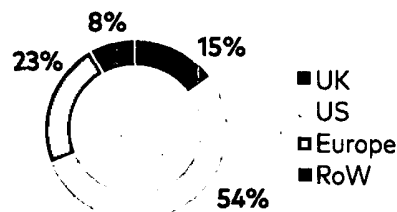
We are here for two key reasons. To generate superior returns for our investors and to make a tangible difference to patients' lives.

Investment strategy providing resilience through market cycles

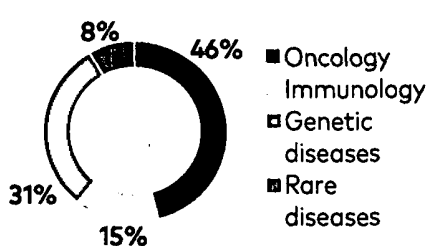
We focus on innovation and partner with highly experienced entrepreneurs to create companies that can significantly improve patients' lives.

Diverse portfolio

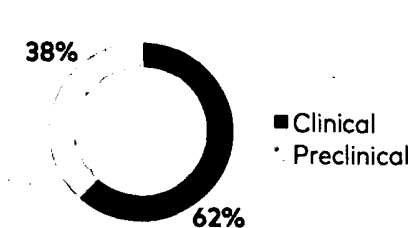
Geographic split



Therapeutic split



Development stage split



NAV per share

198p 2020: 242p

Capital Pool

£134m 2020: £174m**Rolling 36 month goals**Double Digit NAV per share
Growth

15% annualised in 2019 - 2021

2 x successful exits

ON TARGET

2 x IPOs

ON TARGET

Maintain cost base
within 2% of NAV

ON TARGET

Read more in the Chairman's statement on page 5.

Strong clinical trials pipeline

Collectively our portfolio companies were running 22 clinical trials at 31 December 2021, with a further 19 in preclinical development.

Clinical trials**22** One exit achieved

Read more on our Pipeline on page 20.

Investment proposition

Public market access to ground-breaking medical innovation

1 Large, high-growth industry

Biotech's core fundamentals are strong: long term, sustainable growth drivers, resilient, 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 11.

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

Read more in the portfolio review from page 18.

3 Expertise and networks

Expert team with deep scientific, commercial and transactional expertise and a proven track record of success to drive growth in portfolio value.

Arix's global networks and transatlantic team provide access to a large pool of opportunities across the full spectrum of biotech disciplines and a deep understanding of the industries and markets in which we invest.

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 27.

To see how our investment case works in practice, please see our Business Model on page 15.

5 Uncorrelated returns

The healthcare and pharma sector is generally uncorrelated with other industries and the wider macroeconomic environment. As big pharma are a key driver of the biotech sector through M&A, the potential for cash exits from our portfolio is less impacted by the broader economic cycle.

Our core purpose is to help translate scientific innovation into new medicines for patients. Through the portfolio of 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 more than £200m into innovative biotech companies in our Gross Portfolio, which, in turn, have since raised more than \$3bn of funding. Multiple jobs been created through Arix and our portfolio companies, which collectively have more than 330 employees today.

£200m+

deployed into life sciences since 2016

\$3bn+

Capital raised by portfolio companies

330+

number of employees across Arix portfolio companies

22

live clinical trials across our portfolio at year end

Chairman's Statement

Introduction

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

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

Performance and valuation

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

We ended the year with a strong cash position of £134.2 million compared to £174.4 million in the prior year. Conserving cash allows the company to exploit

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

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

Corporate Governance

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

I was joined on the board by Maureen O'Connell and Isaac Kohlberg as non-executive directors. A certified public accountant, Maureen has extensive executive

Chairman's Statement continued

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

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

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

Progress on key targets

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

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

completed initial public offerings on Nasdaq, collectively raising \$243 million and meeting our target of two further IPOs.

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

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

Market overview

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

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

With many patents protecting blockbuster products expected to expire before the end of the decade, and the boost from Covid-19 revenues expected to subside, many

larger groups will be seeking new engines of growth. Large pharmaceutical companies have historically outsourced much of the research and development of new drugs to smaller companies, often start-ups, which are faster and more agile in making cutting-edge medical breakthroughs. Analysts have forecast that big US and European pharma groups could have \$500 billion to deploy on acquisitions in the coming years, providing a clear path to exit for biotech companies that do succeed.

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

Applying our flexible investment strategy

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

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

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

Share Repurchases

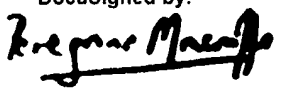
Following the trade sale of VelosBio in 2020, the Company launched a share buyback programme in the period under review, during which it purchased 6,428,853 shares, representing 4.7% of its issued share capital prior to starting the programme, at a cost of £11.6 million.

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

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

Peregrine Moncreiffe

Chairman
4 May 2022

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Chief Executive Officer's Review

Introduction

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

Performance

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

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

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

Whilst 2021 has clearly been a year of disappointing financial progress for the portfolio and shareholders, our experience demonstrates that performance within the portfolio can drive significant growth in NAV, close the

discount and therefore drive growth in the share price for the benefit of our shareholders. It is with this focus that we intend to manage the portfolio, in order to deliver the performance which will more than make up the ground that we lost in 2021.

Portfolio Overview

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

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

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

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

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

Investment team

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

Portfolio progress

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

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

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

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

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

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

We achieved our second strategic exit in the year.

Amplix Pharmaceuticals (Value £1.2 million), a privately held company dedicated to the development of therapies for debilitating and life-threatening diseases that affect

people with compromised immune systems, was acquired by Pfizer Inc. Whilst the upfront return was modest at 1.1x our original investment, the acquisition by a strategic buyer further demonstrates our ability to identify gaps in the pipelines of the large pharmaceutical groups and to select companies with products and technologies of interest. It also ensures that Amplix's pipeline of novel treatments is well-supported with the potential for new drugs to be approved in the future. In addition, the terms of the sale provide for an expected escrow release in October 2022 and potential milestone payments from 2025. We have applied a discount for time and probability of success to these amounts, resulting in the current holding value of £1.2 million.

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

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

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

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

Other portfolio updates

Towards the end of the year, **LogicBio Therapeutics** (Value £4.9 million) announced early clinical trial results with LB-001, its investigational, single-administration, adeno-associated virus (AAV) genome editing therapy, in paediatric patients with methylmalonic acidemia

Chief Executive Officer's Review continued

(MMA). After the year end, the company reported that it had received a notice from the US Food and Drug Administration (FDA) that its trial would be placed on clinical hold following a second drug-related serious adverse event. LogicBio is working with the FDA and the data safety monitoring board to determine the next steps for the trial and for the clinical development programme.

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

Active management of the portfolio

We continue to actively manage our listed holdings and reduce our positions where appropriate, whilst retaining, and in certain cases, building our positions, where we have conviction that we will see greater value in the future. We have been reducing our exposure to legacy public companies that have become less compelling. During the period under review, we substantially reduced our holding in **Autolus** and post year end have subsequently now exited our position in the stock.

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

Outlook

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

value of our companies, and in turn our NAV, as well as leading to further cash realisations.

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

We look to the future with confidence.

Robert Lyne
Chief Executive Officer
4 May 2022

DocuSigned by:

Robert Lyne

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Market insight

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 and these investments have successfully transformed lives around the world as vaccination programmes have been rolled out globally and at an unprecedented pace throughout 2021. 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 is regarded increasingly as a safe haven – respected for its resilience during pandemics and recessions, and admired for its focus on long-term value and positive impact on human wellbeing. With other sectors underdelivering versus expectations, increased investor funds are being allocated to 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 33,000 new trials initiated in 2021. Therapeutic approaches are making new treatments possible and transforming lives across therapeutic areas, from oncology and inflammatory 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 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 2021, despite severe challenges from the Covid-19 pandemic, 50 new drugs were approved, the third highest number in more than 20 years. This increase in approvals in the world's largest market comes on the back of new policies introduced by the FDA to reduce the time, cost and approval risk for new drugs in development.

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 is 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 are acquiring companies involved in phase one or even those still working in the pre-clinical stage. It is interesting to note that companies acquired at the early stages of clinical development often generate higher return multiples than later stage companies.

50

New drugs approved by the FDA in 2021

51%

Novel drug approvals originated by smaller biopharma companies

33,276

Increase in the number of clinical trials in 2021

\$63bn

Value of Biotech companies acquired in 2021

Sources: FDA, S&P Capital IQ, clinicaltrials.gov

Portfolio company case study

Mark Chin talks about Arix's investment strategy and new portfolio company Disc Medicine

Mark Chin, Managing Director at Arix Bioscience and Board Member at Disc Medicine

DISC MEDICINE

Therapeutic area Hematology

Stage Clinical

Ownership 4.2%

Value £8.1m

Arix representatives Mark Chin, MBA (Board Director)

Why did you get excited about Disc Medicine and how does the company fit into Arix's investment strategy?

At the time we invested into Disc Medicine, August 2021, the company had completed the in-licensing of a Phase 2-ready asset, bitopertin, and received IND clearance by the FDA to advance a second independent programme into human clinical trials. Imminently upon closing the Series B financing Disc was therefore a clinical stage company with several shots on goal for clinical success. Since bitopertin was previously in advanced clinical development by Roche for schizophrenia, deep expertise around the mechanism of action and tolerability profile means that bitopertin is a clinically validated and de-risked asset. Multiple near-term clinical milestones within the next 12-18 months give Disc Medicine the opportunity to either be subject to M&A activity by Big Pharma, or raise further capital at an attractive valuation to continue clinical development of its programmes. For us at Arix, backing leadership teams with a track record of success in the biopharmaceuticals industry is critical. Disc's high-quality senior management team and board includes industry veterans and former C-level executives from Acceleron. More specifically, Disc's Chief Executive Officer is John Quisel, who was Acceleron's Chief Business Officer. One month after we invested into Disc Medicine, Merck acquired Acceleron for \$11.5bn, which highlighted Arix's approach of investing in and partnering with companies that are led by high calibre management teams with a track record of building biotech companies that are bought by Big Pharma.

For the many reasons outlined above coupled with favourable deal terms, which included a seat on Disc's Board of Directors, an appropriate company valuation and a top tier investor syndicate, we have had strong conviction that Disc Medicine presents a great late-stage investment opportunity for Arix and we remain excited about what lies ahead for Disc Medicine.

What attracted your attention to Disc Medicine's development pipeline?

The two leading programmes that Disc Medicine is advancing through clinical development are in-licensed Big Pharma assets, which are modulating clinically validated targets. The partly de-risked approach that Disc Medicine is taking attracted us to investing into the Series B.

Disc Medicine obtained global rights to DISC-0974 and related molecules under a license agreement from AbbVie. DISC-0974 is an investigational, first-in-class monoclonal antibody designed to suppress hepcidin production by inhibiting the hemojuvelin (HJV) co-receptor, a highly selective and critical target of the hepcidin pathway. Hepcidin is the primary regulatory hormone of iron homeostasis and plays a central role by restricting iron absorption and preventing deployment from internal iron stores. In 2021, Disc announced the initiation of the Phase 1 study in healthy volunteers to assess safety and tolerability as well as the effect of DISC-0974-mediated inhibition of HJV on hepcidin and iron biomarkers. In 2022, Disc expects to report findings from this Phase 1 study and initiate Phase 1b/2a clinical studies in anemia of myelofibrosis and other anemias of inflammation. This clinical development path highlights the plethora of opportunities for DISC-0974 to address unmet medical needs across multiple indications.

Shortly before we invested into the company, Disc Medicine expanded its pipeline with a worldwide licensing agreement for bitopertin, a first-in-class modulator of heme synthesis. Bitopertin is a clinical stage, orally administered small molecule inhibitor of glycine transporter 1 (GlyT1). Glycine is an essential precursor for heme biosynthesis and GlyT1 is required to maintain adequate levels of intracellular glycine in developing erythrocytes. The first clinical stage bitopertin programme is positioned to enter a Phase 2 trial in erythropoietic protoporphyria (EPP) in 2022. We believe very few investment opportunities, even at late stage, provide as many clinical shots on goal across independent clinical programmes as Disc Medicine does.

What is your vision for Disc Medicine?

The next 12-18 months will be a transformational period for Disc Medicine as the company reaches Phase 1 and Phase 2 clinical trial read-outs from both of its two most advanced programmes, resulting in four trial read-outs in total. If successful, these read-outs will demonstrate the safety of the drugs they have under development and, for the Phase 2 trials, *provide clinical signs of efficacy in the targeted diseases*. We are excited to work closely with John and the team to reach these important clinical milestones, if successful, will represent material value inflexion points for the business. Disc Medicine has the optimal foundation to become a leader for novel therapeutic approach to treat a range of hematologic diseases with potentially life-changing outcomes for patients.

Our Investment strategy

Investing in life changing science

Our focus: We focus on true innovation and partner with the most experienced entrepreneurs, management teams and investors to develop treatments that can significantly improve patients' lives.

High impact innovation

Invest in breakthrough therapies which have the potential to revolutionise patient outcomes.

Focused Geographies

Source primarily from the USA and Europe, areas with world-leading science and biotech ecosystems in which we have strong networks.

Therapeutics focus

Novel therapeutics with first or best-in-class approach, focusing on therapeutic areas with high unmet need, significant market opportunity and a disease and mechanism of action which are well understood.

Clinical and late pre-clinical opportunities

Investing into assets which are partially de-risked with near term value inflexion points of clinical progress with the potential for valuation uplifts and exits.

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 in our belief, the most opportunity exists to advance new treatment options for patients.

We have a global network across top tier biotech investors and world-leading management teams with a proven track record of success in biotech. This network of excellence ensures that we have access to top tier syndicates and premier deals across Europe and the US. We have a renowned group of advisors, including serial drug developers and biotech executives, who aid in the sourcing and assessment of potential investment opportunities. We take a proactive approach when we invest, frequently either leading or co-leading financing rounds and joining the board of portfolio companies. We can help secure funding, develop business strategy, make connections and recruit experienced and talented management teams.

How we allocate capital and manage risk

Private venture

To minimise risk, we focus on investments into later stage private companies which are already conducting clinical trials. The majority of these companies are clinical stage and have begun testing their treatments in patients. These companies will have at least one live clinical trial, in either Phase 1, Phase 2 or Phase 3 and have raised significant capital, supported by a strong syndicate of leading venture investors. A recent example of such a new investment is Disc Medicine.

We also retain the flexibility to invest in companies which are late pre-clinical. These companies would have the goal of advancing their lead asset into clinical development within 12 to 18 months of investing. As these companies are not yet assessing their drug candidates in patients, these opportunities are of higher translational risk and therefore we allocate a minority of our capital to such opportunities. However, the increased risk is typically offset by greater return multiples than late-stage investments. We minimise that risk by investing into clinically de-risked programmes based upon well-understood biology. Sorriso Pharmaceuticals is a recent example of such an investment.

PIPE (Private Investment in Public Equity)

Whilst the majority of our investments are into private biotech companies, the public markets can offer investment opportunities at attractive valuations. By investing through structured PIPE transactions, we can act as a catalyst to provide funding for and unblock opportunities in clinical stage public companies with depressed valuations. These businesses will typically have clinical readouts within 18 months of our investment. Their public status provides a mechanism for the re-rating of our investment in short order when clinical read-outs are published, as well as liquidity to return funds to our balance sheet.

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.

Business model

How we create sustainable value

Key strengths and resources

1. Discover

We source globally and review hundreds of companies each year

2. Evaluate

Rigorous due diligence for new and follow-on investments

3. Invest

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

6. Reinvest

Capital is recycled onto the balance sheet for reinvestment

5. Exit

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

4. Develop

We typically take a board seat and play an active role to help our companies grow

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

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 employees

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

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

Underpinned by our values

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

See more on stakeholders on page 35.

Our strategic objectives

To generate superior returns for investors and to make a tangible difference to patients' lives by investing in a focused portfolio of innovative biotechnology companies addressing areas of high unmet need in healthcare.



Discover

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

Performance in 2021

- Provided £59.2m new capital to portfolio companies
- New investments including Disc Medicine and Sorriso Pharmaceuticals

£59m

capital deployed



Develop

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

Performance in 2021

- \$776m of capital raised by portfolio companies
- New clinical trials initiated by Artios and Disc Medicine in the period
- Two Nasdaq IPOs, including Aura Biosciences

\$776m

capital raised by portfolio companies



Deliver

double digit NAV growth

Performance in 2021

- NAV decreased by 22% to £255m (198p per share)
- £39.1m cash realised during the year
- Gross portfolio IRR of 19% from inception to date
- Share price decreased by 44%
- Cost base run-rate now below 2% NAV

£39m

capital realised

Priorities going forward

- Maintain exposure to quality life science opportunities across the globe

Priorities going forward

- Increase value of portfolio companies through hands-on support including:
- Raising capital
 - Clinical development
 - Management search
 - Business strategy
 - Developing strategic interest

Priorities going forward

- Targeting a cost run rate within 2% of Net Asset Value under normal market conditions
- Targeting double digit NAV growth

Link to KPIs

- Diverse portfolio
- Active clinical pipeline

Link to KPIs

- NAV growth
- Capital pool

Link to KPIs

- NAV growth
- TSR
- Capital pool

Key performance indicators

Financial KPI	Description/rationale	Performance 2021	Links to strategic goals	Link to risks
1 NAV growth*	Includes performance of portfolio companies and capital pool.	• 22% decline in NAV in 2021	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	1 2 3 4 5 6
2 Total Shareholder Return	Measures performance of delivering value to shareholders.	• Share price decreased from 219p to 122p in 2021 • TSR decrease of 44%	DELIVER attractive returns to shareholders	1 2 3 4 5 6
3 Capital pool	Maintain sufficient capital to support growth of portfolio companies and take advantage of new investment opportunities.	• £134m of cash and cash equivalents	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	1 2 3 4 5 6
Non-financial KPI	Description/rationale	Performance 2021	Links to strategic goals	Link to risks
4 Robust and active clinical pipeline*	Measures number of clinical trials across the portfolio, with the potential to deliver important new treatments to patients.	• 22 clinical programmes	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	1 6
5 Diverse and broad portfolio*	Measures Arix's commitment to invest in the best opportunities worldwide, across different stages of development and therapeutic areas.	• 13 companies in Arix's core portfolio	DISCOVER high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients	1 2 4 6

KEY

- 1** Clinical trial risks
- 2** Unlisted investments
- 3** Taxation

- 4** Personnel
- 5** Macroeconomic conditions
- 6** Legislation and Regulation

* Alternative Performance Measure, as defined by the Financial Reporting Council

Portfolio review

At year end, our portfolio companies were collectively running 22 clinical trials and conducting 19 pre-clinical studies, providing Arix with multiple shots on goal for value creation.

In aggregate, our portfolio companies raised \$776m during the period, putting them in a strong position to execute on their important clinical development programmes. Overall, the portfolio made good progress in 2021, with several companies reaching important clinical milestones and completing additional financing rounds, as detailed below.

Operationally, there was continued progress across the portfolio. Notably, our portfolio company, Artios Pharma, transitioned from a preclinical to a clinical-stage company, advancing its two lead programmes into clinical trials. Both ART4215, a Poltheta Inhibitor, and ART0380, an ATR inhibitor, are now dosed in patients. The successful transition of two independent programmes into the clinic in 2021 consolidated Artios' position as a leading DNA damage response (DDR) company with first-in-class treatments for cancer. To support the further development of its pipeline, Artios completed a Series C financing of \$153 million, following strong interest from leading global healthcare investors. Arix participated in the Series C and retained its position as the largest shareholder in Artios. Importantly, Artios announced a collaboration with Novartis worth up to \$1.3bn to create next generation DDR cancer therapies. As one of the top forces in oncology drug development globally, Novartis makes the perfect partner to maximise the potential impact of Artios' DDR discovery platform to advance development of proprietary radioligand therapies for the benefit of patients.

Aura Biosciences presented final Phase 2 data of its lead asset, AU-011, in choroidal melanoma, demonstrating good safety and significant clinical benefit in patients. To further advance clinical development Aura closed an oversubscribed \$80m financing, with participation from Arix, in March 2021 and later priced its Nasdaq IPO for gross proceeds of \$75.6m. Aura is now well set up for advancing its asset into pivotal studies in cancer patients. Aura marked the seventh IPO from our portfolio since inception, demonstrating the high calibre of our portfolio companies which are able to attract funding on public markets.

An additional portfolio company to note is LogicBio Therapeutics, which announced early clinical trial results towards the end of the year demonstrating first-ever in vivo gene editing in children. Subsequently, the FDA placed the trial on clinical hold, pausing development. LogicBio is engaging with the FDA to determine next steps for the trial and programme.

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

2021 saw the second M&A activity in our portfolio when Amplyx Pharmaceuticals, a privately held company dedicated to the development of therapies for debilitating and life-threatening diseases that affect people with compromised immune systems, was acquired by Pfizer Inc. The acquisition of Amplyx followed an initial equity investment by Pfizer in December 2019 as part of Amplyx's Series C financing. Given Pfizer's deep heritage in infectious diseases, this Big Pharma company provided the ideal acquirer for Amplyx's clinical-stage asset.

During the period we invested £59.2 million into the gross portfolio, including the second tranche of investment in Twelve Bio, which has made good progress throughout 2021 advancing its novel gene editing platform based on pioneering work into CRISPR-Cas12a technology. Arix is the sole venture capital investor in the company, with a 49% ownership stake. In addition, we co-led the \$31m Series A financing for the new portfolio company Sorriso Pharmaceuticals, which is led by Ciara Kennedy, former CEO of Amplyx Pharmaceuticals. Sorriso is advancing a pipeline of disease-modifying antibodies for the treatment of inflammatory diseases with high unmet medical need, including Crohn's disease and ulcerative colitis. Series A proceeds will be used to advance the lead asset, a bispecific antibody inhibiting two clinically validated disease drivers, into clinical trials for inflammatory bowel disease. We also participated in the \$90m Series B financing for Disc Medicine. Here we joined a syndicate of leading global biotech investors and Mark Chin now sits on Disc Medicine's Board of Directors to help advance the company's clinical programmes across multiple hematologic diseases. The third new transatlantic investment featured Pyxis Oncology, where we led the \$152 million Series B financing to advance Pyxis' differentiated antibody-drug conjugate (ADC) and immune oncology programmes to next value inflection points. Subsequently, Pyxis priced its Nasdaq IPO for gross proceeds of \$167.2m. Additional financing events in the portfolio included a €30.6m Series A raised by Depixus and a financing of up to \$250m from Blackstone Life Sciences into Autolus Therapeutics to develop obe-cel in adult acute lymphoblastic leukemia and advance the broader platform.

The year ahead will be significant for a number of our portfolio companies as they reach important clinical and development milestones throughout 2022. Our portfolio companies are collectively running 22 clinical trials, a

number of which are expected to read out over the next 12 months with the potential for value inflection if the results are positive. 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 several new investment opportunities.

Key achievements in 2021

\$776m

raised by portfolio companies in the year

22

clinical trials across the portfolio at year end

3

new additions to the portfolio

2

IPOs by portfolio companies on Nasdaq

1

portfolio company acquisition by Big Pharma

Broad and rich clinical pipeline

Across our portfolio at year-end we have 22 studies in the clinic, focusing on areas of high unmet medical need.

Company	Programme	Indication	Clinical Stage	Expected next steps in 2022
Gensight†	LUMEVOQ®	LHON ND4 (EU)	Registration	Potential EU approval
Atox Bio	Reltecimod	NSTI (US)	Registration	Company wind down
Gensight†	LUMEVOQ®	LHON ND4 (US)	Phase 3	BLA submission
Imara*	IMR-687	Sickle cell disease	Phase 2	
Imara*	IMR-687	TDT β-thalassemia^	Phase 2	
Imara*	IMR-687	NTDT β-thalassemia^^	Phase 2	
Aura	AU-011	Choroidal melanoma (IVT*)	Phase 2	Select pivotal study design
Aura	AU-011	Choroidal melanoma (SC**)	Phase 2	Phase 2 data
Autolus†	AUTO1 (Obe-cel)	Adult ALL+	Phase 2	Phase 1 and Phase 2 data
Harpoon*	HPN424	Prostate cancer	Phase 1	
Harpoon*	HPN536	Ovarian and pancreatic cancer	Phase 1	Phase 1/2 data
Harpoon*	HPN217	Multiple myeloma	Phase 1	Phase 1/2 data
Harpoon*	HPN328	Small cell lung cancer	Phase 1	Phase 1/2 data
Autolus†	AUTO1 (Obe-cel)	B-NHL++ & CLL+++	Phase 1	Phase 1 data
Autolus†	AUTO1 (Obe-cel)	PCNSL	Phase 1	Phase 1 data
Autolus†	AUTO1/22	Paediatric ALL	Phase 1	Phase 1 data
Autolus†	AUTO4	Peripheral T Cell lymphoma	Phase 1	Interim Phase 1 data
Artios	ART0380	Advanced or metastatic solid tumours	Phase 1	Interim Phase 1 data
LogicBio	LB-001	Methylmalonic acidemia	Phase 1	Interim Phase 1/2 data
Gensight†	GS030	Retinitis Pigmentosa	Phase 1	Recruitment completion
Artios	ART4215	PARP resistant cancers	Phase 1	Interim Phase 1 data
Disc Medicine	DISC-0974	Healthy volunteer study	Phase 1	Phase 1 data

Multiple undisclosed preclinical programmes

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.

* Intravitreal

** Suprachoroidal

^ Transfusion dependent thalassemia

^^ Non-transfusion dependent thalassemia

+ Acute lymphoblastic leukaemia

* Exited post year end

++ B cell Non-Hodgkin lymphoma

+++ Chronic lymphocytic leukaemia

* Discontinued post year end

Core portfolio

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	Phase 1
Holding value: £24.9m	
Original cost: £20.2m	
% of Gross Portfolio: 21.1%	
Outstanding commitment: £nil	

The year of 2021 was a transformational year for Artios as it advanced two programmes into clinical trials. Artios has continued to advance its world-leading DNA damage response (DDR) programmes, announcing the start of its first clinical trial of the small molecule ATR inhibitor, ART0380, in patients with advanced or metastatic solid tumours in February 2021. In September 2021, Artios initiated a Phase 1/2a study evaluating its Polθ inhibitor, ART4215, in patients with advanced or metastatic solid tumors. Interim safety and efficacy data are expected from ART0380 in 2022. The successful transition of two independent programmes into the clinic in 2021 consolidated Artios' position as a leading DDR company with first-in-class treatments for cancer.

To further support the development of its pipeline, Artios completed a Series C financing of \$153 million, following strong interest from leading global healthcare investors. Arix participated in the Series C and retained its position as the largest shareholder in Artios. Importantly, Artios announced a collaboration with Novartis worth up to \$1.3bn to create next generation DDR cancer therapies. As one of the top forces in oncology drug development globally, Novartis makes the perfect partner to maximise the potential impact of Artios' DDR discovery platform to advance development of proprietary radioligand therapies for the benefit of patients. The Novartis deal marked the second industry partnership after the strategic collaboration with Merck KGaA, which highlights the strategic interest in DDR, and more specifically Artios, by Big Pharma.

Artios further 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.

Aura Biosciences (NASDAQ: AURA)

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	Phase 2
Holding value: £20.0m	
Realised to date: £1.5m	
Original cost: £11.5m	
% of Gross Portfolio: 16.9%	

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. AU-11, Aura's lead asset, is being developed for the first line treatment of indeterminate lesions and small choroidal melanoma, a life and vision threatening and rare disease with no approved therapies besides radiation.

During the period, Aura presented final Phase 1b/2 data with intravitreal administration. Overall encouraging data demonstrated a statistically significant reduction in tumour growth rate and a high visual acuity preservation rate, which is superior to the current standard of care with radiotherapy. In addition, Aura announced interim Phase 2 safety data with suprachoroidal administration. Preliminary results demonstrated a favourable safety and tolerability profile for AU-011 with suprachoroidal administration. The company plans to present 6-12mo safety and efficacy data from this trial in 2022 and select the route of administration as well as treatment regimen to initiate the pivotal programme in the second half of 2022.

Notably, Aura raised an oversubscribed \$80m financing in March 2021, with participation from Arix, and the company priced its Nasdaq IPO for gross proceeds of \$75.6M later in the year. Moreover, Aura announced the appointment of David Johnson, former CEO of Arix's portfolio company VelosBio, as Chairman of the Board to further strengthen the excellent leadership at Aura.

Core portfolio continued

Pyxis Oncology (NASDAQ: PYXS)

Pyxis Oncology is building a differentiated portfolio of biologics, including antibody-drug conjugates and immunotherapies, to improve the lives of patients with difficult-to-treat cancers.

Therapeutic area: Oncology
Holding value: £14.1m
Original cost: £14.5m
% of Gross Portfolio: 11.9%
Outstanding commitment: £nil

Operationally, Pyxis has added seasoned industry executives to its senior management team and board. Pyxis appointed Jay Feingold as Chief Medical Officer. Jay holds 20 years of experience in clinical development and medical affairs with a history of successfully bringing new hematology and oncology drugs to market. Most recently, Jay served as Chief Medical Officer and Senior Vice President of ADC Therapeutics, where he led the clinical development of six ADCs for hematologic malignancies and solid tumors. His ADC expertise will be integral as Pyxis drives its ADC programmes towards human trials. In addition, Freda Lewis-Hall joined Pyxis' Board of Directors. Freda has held numerous senior executive roles in the biopharmaceuticals industry during her 40-year career, most recently as Chief Medical Officer and Executive Vice President at Pfizer, Inc.

Following a review by the Board, the position was exited post year end.

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	Phase 1
Holding value: £12.2m	
Realised to date: £12.5m	
Original cost: £20.5m	
% of Gross Portfolio: 10.3%	

Following a thorough review of clinical data to date, Harpoon decided in March 2022 to discontinue the HPN424 dose escalation study. Albeit HPN424 discontinuation, the

company continues to make good clinical progress with its TriTAC® T cell engager pipeline. Dose escalation continues across three programmes and additional clinical data is expected to read out across 2022. Furthermore, the company has advanced development of HPN217, a BCMA-targeted T cell engager, for the treatment of multiple myeloma. Harpoon received Fast Track designation for HPN217 in relapsed, refractory myeloma. Positive interim data from the ongoing Phase 1/2 trial reported clinical activity at higher dose levels. More specifically, a small dose cohort achieved 63% overall response rate and 88% disease control rate with manageable safety.

In addition, Harpoon obtained interim Phase 1/2 data from its trial with HPN328, a DLL3-targeted T cell engager. Notably, 3 out of 4 patients with small cell lung cancer experienced target lesion reduction at high doses. Preliminary efficacy and safety data of HPN328 look promising, which provides an encouraging outlook as dose escalation continues into 2022. Harpoon announced Orphan Drug designation for HPN328 in small cell lung cancer.

Disc Medicine

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

Therapeutic area: Hematology	Phase 1
Holding value: £8.1m	
Original cost: £8.0m	
% of Gross Portfolio: 6.9%	
Outstanding commitment: £nil	

In September 2021, Arix participated in the \$90m Series B financing for Disc Medicine, a clinical stage hematology company. Arix joined a financing round led by OrbiMed and the syndicate comprised top tier global biotech investors. Series B proceeds will enable Disc Medicine to advance multiple programmes in Disc's hematology pipeline into Phase 2 development. Based in Boston, MA, Disc Medicine is building a unique portfolio of innovative, first-in-class therapeutic candidates based on fundamental pathways of red blood cell biology. Disc is committed to building a brighter future for patients who suffer from hematologic disease, ranging from severe orphan conditions to widely prevalent diseases.

During the period, Disc Medicine expanded its pipeline with a worldwide licensing agreement for bitopertin, a first-in-class modulator of heme synthesis, which was previously developed by Roche for non-hematologic indications. The clinical-stage programme for bitopertin is ready to enter

a Phase 2 trial in erythropoietic protoporphyria (EPP), a rare metabolic disorder, in 2022. Interim Phase 2 data will be announced by the end of 2022. In addition, Disc announced the initiation of the first-in-human Phase 1 study in healthy volunteers for DISC-0974, a first-in-class inhibitor of hemojuvelin (HJV). HJV is a novel, genetically validated target for modulating iron metabolism and red blood cell formation. DISC-0974 is being advanced through clinical development as a potential treatment for anemia of inflammation. Following confirmation of favourable tolerability in the ongoing Phase 1, the company will initiate Phase 1b/2a clinical trials in anemia of myelofibrosis and other anemias in 2022.

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

Holding value: £7.8m

Original cost: £4.6m

% of Gross Portfolio: 6.6%

Outstanding commitment: £nil

Depixus has had a productive year as it closed its €30.6m (£26.1m) Series A financing in late 2021. The financing was supported by a global investor syndicate, led by Lansdowne Partners and Bpifrance, with participation from Arix. The financing will support development of a commercial instrument system based on Depixus' proprietary MAGNA™ technology, which is being developed to decode valuable new layers of genetic information from DNA, RNA and protein. In early 2021, Depixus announced the publication of a scientific paper showcasing the MAGNA™ capabilities in the peer-reviewed journal Communications Biology, part of Nature Research journals. The overall concept of the company's technology is very strong and over the next 12-18 months Depixus expects to reach significant milestones, including proof of concept on a functional prototype.

Sorriso Pharmaceuticals

Sorriso is a biotechnology company advancing a pipeline of disease-modifying antibodies for the treatment of inflammatory diseases, including Crohn's disease and ulcerative colitis.

Therapeutic area: Immunology

Holding value: £5.9m

Original cost: £6.0m

% of Gross Portfolio: 5.0%

Outstanding commitment: £3.7m

Arix co-led a Series A financing in new portfolio company, Sorriso Pharmaceuticals, alongside New Enterprise Associates, Inc. As part of the financing, Arix has committed \$13 million (£9.8 million) for a 26% stake on a fully diluted basis. The Sorriso platform generates potent antibodies that can be delivered orally and are designed to maintain activity throughout the intestinal system. The lead programme, SOR102, is being developed for the treatment of inflammatory bowel disease (IBD), an area of high unmet medical need. SOR102 simultaneously inhibits TNFα and IL-23, two clinically validated drivers of IBD. This unique approach combines the strong clinical impact of antibody therapeutics with the benefits of oral administration, resulting in targeted activity, negligible systemic exposure and minimal immunogenicity.

Sorriso is led by Ciara Kennedy, former CEO of Amplex Pharmaceuticals, a former portfolio company of Arix until its acquisition by Pfizer in April 2021. The Series A financing will enable Sorriso to advance SOR102 into early clinical trials and advance its early-stage pipeline through preclinical development.

Core portfolio continued

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	Phase 1
Holding value: £4.9m	
Realised to date: £3.8m	
Original cost: £13.3m	
% of Gross Portfolio: 4.1%	

LogicBio previously announced that the FDA cleared its IND application for LB-001 for the treatment of methylmalonic acidemia (MMA) in paediatric patients. This was 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.

During the period, LogicBio announced clinical trial results demonstrating the first-ever in vivo genome editing in children. Early data from the company's Phase 1/2 SUNRISE clinical trial in paediatric patients with MMA showed measurable levels of albumin-2A, a technology-related biomarker indicating site-specific gene insertion and protein expression. After the year end, LogicBio reported that it had received a notice from the FDA that its trial would be placed on clinical hold following a second drug-related serious adverse event. LogicBio is engaging with the FDA and the data safety monitoring board to determine the next steps for the trial and programme.

Imara (NASDAQ: IMRA)

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

Therapeutic area: Genetic diseases	Phase 2
Holding value: £3.9m	
Realised to date: £7.3m	
Original cost: £19.6m	
% of Gross Portfolio: 3.3%	

The company has continued clinical development of its non-brain penetrant PDE9 inhibitor in SCD and beta-thalassemia. In January 2021, Imara reported topline results from its Phase 2a clinical trial of IMR-687 (tovinontrine) 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 IMR-687 monotherapy-treated patients versus placebo and this will be the primary endpoint for approval based on agreement with the FDA. In April 2022 Imara announced interim analyses of tovinontrine Phase 2b clinical trials in sickle cell disease and beta-thalassemia. Interim results for sickle cell disease showed no significant difference in median annualised rate of vaso-occlusive crises between the tovinontrine-treated and placebo group. Besides, interim results for beta-thalassemia showed no significant benefit in transfusion burden or improvement in disease-related biomarkers. Imara decided to discontinue both Phase 2b clinical trials and terminate any further development of tovinontrine in sickle cell disease and beta-thalassemia.

The company plans to initiate a new Phase 2 trial of IMR-687 in heart failure with preserved ejection fraction (HFpEF) in 2022. The company is also exploring potential clinical development paths for IMR-261, an activator of nuclear factor erythroid 2-related factor 2, which it added to its pipeline in November 2021.

Twelve Bio

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

Therapeutic area: Genetic diseases

Holding value: £3.8m

Original cost: £3.5m

% of Gross Portfolio: 3.2%

Outstanding commitment: £nil

Since the completion of the seed investment in Twelve Bio in September 2020, the company has made continuous progress to advance its CRISPR-Cas12a toolbox and build out the team.

Gita Dittmar is now Executive Chair. Gita is a seasoned biotech executive with more than 20 years of experience in strategy and operations. She has worked with both established biopharmaceutical companies and start-ups, holding roles of increasing responsibility in business and corporate development and as CEO. Under Gita's leadership, Twelve Bio is well positioned to continue to mature and hit important development milestones.

Twelve Bio is developing novel gene editing tools based on deep understanding of the structure of naturally occurring proteins, more specifically Cas12 enzymes, that bind and cut DNA. During the period, Twelve Bio has designed proprietary Cas12 variants and potential lead variants are currently subjected to in-depth characterisation. The gene editing space continues to be highly attractive both for small and large biotech. We continue to be excited about Twelve Bio following its good progress during 2021.

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

Holding value: £2.9m

Original cost: £3.0m

% of Gross Portfolio: 2.5%

Outstanding commitment: £1.9m

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.

STipe has made good progress over the past year continuing to characterise compounds that sensitise the STING pathway in a variety of preclinical models. This resulted in the company nominating a development candidate for its lead asset in late 2021. As STipe now prepares for IND-enabling studies the company has successfully transitioned from a drug discovery to a preclinical stage. We remain excited about the potential of this differentiated approach to deliver important medicines to patients with a broad range of solid tumours.

Core portfolio continued

Autolus (NASDAQ: AUTL)

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

Therapeutic area: Oncology	Phase 1/2
Holding value: £1.9m	
Realised to date: £14.2m	
Original cost: £24.6m	
% of Gross Portfolio: 1.6%	

Autolus continued to make good progress on the clinical evaluation of obe-cel in the Phase 2 portion of the FELIX study and remains on track to deliver primary endpoint data by mid-2022. Notably, response rates and safety data from patients in the multi-center Phase 1b cohort were consistent with data reported from the academic ALLCAR19 study of obe-cel in relapsed/refractory adult B-acute lymphoblastic leukemia (ALL).

The latest ALLCAR19 extension data of obe-cel in relapsed/refractory B-Cell Non-Hodgkin's Lymphoma (B-NHL) and Chronic Lymphocytic Leukaemia (CLL) were presented by the company in late 2021. This cohort comprised 15 r/r B-NHL and 1 B-CLL patient, who had received obe-cel with 14 patients evaluable for response. Encouraging data demonstrated that 14 of 14 patients responded to obe-cel, of which 13 of 14 patients achieved complete metabolic responses and 15 of 16 patients were without disease progression at the last follow-up. Importantly, Autolus' treatment demonstrated a favourable safety profile.

The AUTO4 Phase 1 clinical trial in peripheral T cell lymphoma is progressing through dose escalation and Autolus expects to provide its next data update from the trial in the first half of 2022.

In addition, Autolus announced its entry into an agreement with Moderna, Inc., granting Moderna an exclusive license to develop and commercialize mRNA-based therapeutics incorporating Autolus' proprietary binders for up to four immuno-oncology targets.

Autolus entered into a strategic collaboration and financing agreement under which Blackstone Life Sciences will provide up to \$250 million in equity and product financing to support Autolus' advancement of obe-cel, as well as next generation product therapies of obe-cel in B-cell malignancies.

Following a review by the Board, the position was exited post year end.

Financial review

Year ended 31 December 2021

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

Nikki Edgar
Head of Finance

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

2021 highlights

Net Asset Value (NAV)

£255m

2020: £328m

Read more on our NAV growth, TSR and capital pool KPIs on page 17

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

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

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

Portfolio revaluations

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

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

Portfolio realisations

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

Portfolio investment

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

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

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

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

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

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

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

Foreign exchange

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

Financial review continued

Year ended 31 December 2021

being denominated in US dollars.

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

Cash and deposits

With a cash balance of £134.2 million at 31 December 2021, Arix has a very strong capital pool to support both the current portfolio and new biotech opportunities. During the year, the Company paid £11.6 million in relation to the repurchase of its own shares under the buyback programme. The prior year cash balance of £174.4 million at 31 December 2020 had been swelled by the realisation of VelosBio during 2020. At year-end, £5.6 million was committed to existing portfolio companies.

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

Net operating costs

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

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

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

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

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

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

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

Taxation

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

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

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

Valuation policy

Arix's investments are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines December 2018 (IPEV Guidelines). Listed investments are marked-to-market at the period end. Unlisted investments are valued with reference to the most recent funding round; milestones; or by discounted cash flow. The Group uses valuation techniques that management consider appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs taking into account any discounts required for non-marketability and other risks inherent in early-stage businesses. Further information is available in Note 2 to the financial statements on page 90.

Post Year End

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

Investment summary

Investment	Value 1 Jan 2021 £m	Investment in period £m	Realisations in period £m	Impairment in period £m	Change in valuation £m	FX movement £m	Value 31 Dec 2021 £m	Fully diluted* equity interest %	Committed, not invested £m	Fully funded %
Core portfolio										
Listed on NASDAQ										
Aura	8.8	3.6	(1.5)	–	8.8	0.3	20.0	5.5%	–	5.5%
Pyxis Oncology	–	14.5	–	–	(0.8)	0.4	14.1	5.3%	–	5.3%
Harpoon	26.9	1.1	(1.7)	–	(13.9)	(0.2)	12.2	6.7%	–	6.7%
LogicBio	16.1	0.5	(0.2)	–	(11.5)	–	4.9	8.9%	–	8.9%
Imara	22.2	5.8	(4.0)	–	(20.1)	–	3.9	8.9%	–	8.9%
Autolus	21.9	–	(14.2)	–	(5.5)	(0.3)	1.9	0.7%	–	0.7%
Unlisted										
Artios	19.0	6.3	–	–	(0.4)	–	24.9	8.8%	–	8.8%
Disc Medicine	–	8.0	–	–	–	0.1	8.1	4.2%	–	4.2%
Depixus	4.2	2.4	–	–	1.6	(0.4)	7.8	21.4%	–	21.4%
Sorriso	–	6.0	–	–	–	(0.1)	5.9	26.0%	3.7	26.0%
Twelve Bio	1.4	2.2	–	–	0.4	(0.2)	3.8	49.0%	–	49.0%
STipe	2.0	1.0	–	–	0.1	(0.2)	2.9	17.8%	1.9	20.0%
Amplix	4.7	–	(5.3)	–	1.9	(0.1)	1.2	–	–	–
VelosBio	2.2	–	(2.5)	–	0.4	(0.1)	–	–	–	–
AtoxBio	5.9	–	–	(5.9)	–	–	–	6.4%	–	6.4%
Quench	8.0	–	(0.8)	–	(7.1)	(0.1)	–	–	–	–
Other public market investments										
GenSight (Euronext Paris)	7.1	7.4	(6.2)	–	(1.4)	(0.6)	6.3	2.9%	–	2.9%
Legacy assets	1.6	0.4	(2.7)	–	1.0	–	0.3	–	–	–
Gross Portfolio	152.0	59.2	(39.1)	(5.9)	(46.5)	(1.5)	118.2		5.6	
Other interests	2.4	–	–	–	–	–	2.4		–	
Total investments	154.4	59.2	(39.1)	(5.9)	(46.5)	(1.5)	120.6		5.6	

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

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.

The Strategy & Investment Committee reviews investment and divestment proposals for management and recommends actions to the Board for approval. It also formulates strategy for the Group for ratification by the Board.

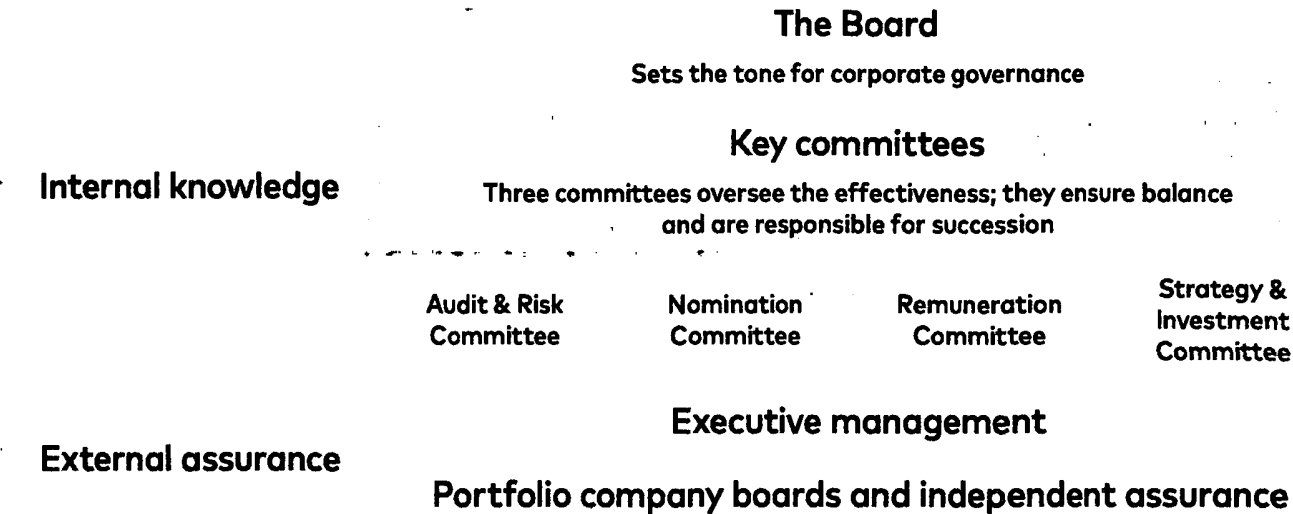
Executive management

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's 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 Arix appointee directors.

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. Similarly, the Covid-19 pandemic was an area of significant risk for all businesses during 2020 and into 2021. However its impact on Arix and our portfolio companies has diminished to such an extent that it is no longer seen as a key risk area going forward. 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 Clinical trial risks	Arix's portfolio typically comprises companies that are engaged in clinical trials.	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.	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.
	There is a risk that the trials may produce negative or inconclusive results.	Inconclusive read outs may both reduce the value of the portfolio company, impacting Arix's profitability, and require further capital to fund additional trials to seek further clarity in the results, adversely impacting Arix's cash flow.	Arix'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.
		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.	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.

Risk Management continued

Area	Risk	Impact	Mitigation
2 Unlisted investments	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.	Arix may be unable to realise returns on its unlisted investments at prevailing fair values. This may result in a reduction in the carrying value of investments, reducing Arix's profitability.	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.
	There is a risk that ultimate cash proceeds from an investment may be significantly below an investment's current fair value.	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.	This should therefore improve the likelihood of the investment being a desirable acquisition target, and therefore Arix's investment being monetised. 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.
3 Taxation	Arix aims to generate significant gains on its investments, which can result in potentially large corporation tax charges.	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.	Arix's finance team comprises chartered accountants who are experienced with the tax treatments and exemptions associated with venture capital investments.
	Where possible, Arix aims to take advantage of available exemptions to reduce its tax liabilities. There is a risk that tax authorities challenge the use of these exemptions.	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.	Arix employs the use of a 'Big Four' professional services firm to assist with all tax disclosures, returns and regulatory correspondence. 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.

Area	Risk	Impact	Mitigation
4 Personnel	Arix's success is predicated on the quality of its investment decisions, which in turn is a product of the calibre of its investment team.	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.	Arix's investment team have strong scientific backgrounds and are experienced life sciences investors.
	There is a risk of Arix being unable to attract or retain staff of sufficient calibre.	Loss of key individuals could reduce the quality of Arix's investment decision-making and therefore negatively affect Arix's financial performance and future prospects.	Arix is implementing a market-competitive carried interest scheme for its investment team. Corporate staff and executive directors will continue to be incentivised with a share option scheme which aligns with Arix's performance and shareholder experience. Arix's Nomination Committee is responsible for appropriate succession planning.
5 Macroeconomic and geopolitical conditions	Adverse macroeconomic and geopolitical market conditions may impact Arix's operational model.	Adverse geopolitical and/or macroeconomic conditions may reduce opportunities for Arix to realise capital from portfolio companies, affecting cash flow and financial performance if portfolio valuations are reduced.	Arix's strategy is to deploy capital into innovative businesses which, if successful, will have unique, high impact outcomes on patients' lives. Arix believes that the inherent value of such businesses to patients and therefore acquirers, is less susceptible to macroeconomic cycles and disruptive geopolitical events.
	In particular, the current conflict in Ukraine, including sanctions imposed on Russia.	The same conditions may also negatively impact the availability of capital for any external fundraising by Arix or its portfolio companies.	Arix has generally well-funded portfolio companies across the USA and Europe. As such, it is not overly reliant on capital markets in the short term. Arix monitors its availability of capital closely, ensuring sufficient funds are available for the investment and operational needs of the business.

Risk Management continued

Area	Risk	Impact	Mitigation
6 Legislation & regulation	Changes to government policy or regulation in the research, healthcare or life sciences industries could impact Arix or its portfolio companies.	A change in government regulation (for example CFIUS in the United States) may adversely affect the profitability of the healthcare and life sciences industry, resulting in a reduction in the number of investment opportunities, availability of external funding or potential exit opportunities for portfolio companies.	Arix's portfolio is diversified by geography, with exposure to the USA and Europe, protecting the company from the adverse actions of any one government. 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.

Viability statement

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

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

Having initially started with a base case scenario considering Arix's finances over the assessment period, the estimated impacts on the Group's cash flow, as described above, are modelled, creating a range of adverse scenarios. An extreme downside case is then considered, reflecting the estimated cash flow impact of all considered risks occurring concurrently. Finally, the analysis considers the mitigating actions the Group could take to reduce the financial impact of the noted risks. Although the new recommendations from the Task-Force on Climate-related Financial Disclosures have not been addressed in isolation, the Board considers that the extreme downside case captures the degree of uncertainty around this issue in the short term.

Based on its review, and the consideration of any changes that had occurred post year-end, including the risk of additional market volatility due to the emerging conflict in Ukraine (note 24), 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

s172 Companies Act 2006

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

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.

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 significant engagement in 2021. Whilst physical meetings have been impossible for much of 2021, 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.

Employees

The Board considers its employees to be primary stakeholders of the Company and is conscious of the regard it has to them under s172. 2021 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.

Decisions

Investment: The Board has supported the continued deployment of capital into the portfolio, including Pyxis Oncology, Disc Medicine and Sorriso Pharmaceuticals. 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: 2021 saw a further 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.

Amplix: The Board was engaged and supportive of the exit of Amplix to Pfizer in April 2021. Whilst the upfront return on investment was modest, it returned capital to Arix which supports the company's long-term goals and provided a strong future for Amplix and its vital clinical research as it ultimately seeks to bring a new drug to market.

Share buyback programme: The Board agreed a share buyback programme in March 2021. The Company had bought back 6,428,853 shares at the time of its suspension in October 2021.

Sustainability

Streamlined Energy & Carbon Reporting

The section below includes our mandatory Streamlined Energy and Carbon Reporting requirements. The reporting period is the same as the Group's financial year, 1 January 2021 to 31 December 2021.

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 2021 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 Development and the World Resources Institute (the "WBCSD/WRI GHG Protocol");
- application of appropriate emission factors to the Group's activities to calculate GHG emissions;
- application of 2 reporting methods, location-based and market-based emission factors, for electricity supplies;
- inclusion of all the applicable Kyoto gases, expressed in carbon dioxide equivalents, or CO₂e;
- presentation of gross emissions as the Group does not purchase carbon credits (or equivalents);
- presentation of global annual energy use;
- where data was missing, values were estimated using an extrapolation of available data or available benchmarks;
- calculation of electricity and gas consumption using CIBSE energy benchmarks where data was not available.

Absolute Emissions

The total Scope 1 and 2 GHG emissions from the Group's operations in the year ending 31 December 2021 were:

- 7.53 tonnes of CO₂ equivalent (tCO₂e) using a 'location-based' emission factor methodology for Scope 2 emissions; and
- 7.80 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 FY2021 was 39,089 kWh.

	Electricity/Fuel		Total Energy Use (kWh)
	Electricity (kWh)	Gas (kWh)	
2021	12,524	26,565	39,089
2020	29,006	27,331	56,337

Intensity Ratio

As well as reporting the absolute emissions, the Group's GHG emissions are reported 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 intensity metrics for FY2021 were as follows:

- 1.29 tonnes of CO₂e per employee (location-based method) and 0.55 tonnes of CO₂e per employee (market-based method)
- 0.004 tonnes of CO₂e per square foot of occupied space (location-based method) and 0.002 tonnes of CO₂e per square foot of occupied space (market-based method)

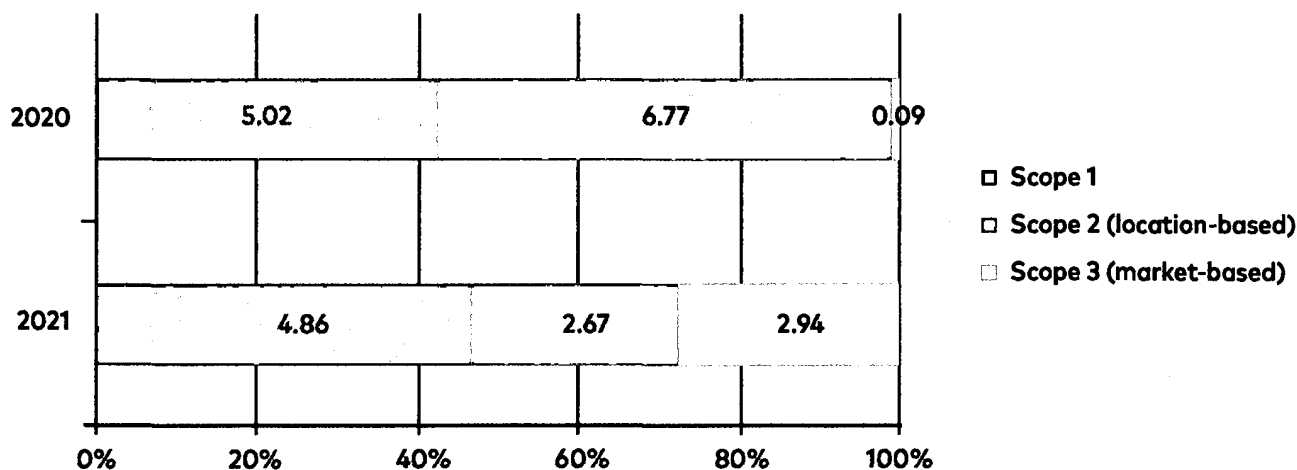
Change in Emissions

There has been a reduction in emission for both location-based of 36% and an increase in emissions market-based methods of 53%. The market-based emissions have increased due to different electricity suppliers in FY2021 and therefore different emissions factors.

The London office moved to new premises in May 2021. A New York office was opened 9 November 2021. Some of the consumption data has been estimated as energy data was not available

Key Figures

Arix Bioscience plc – Breakdown of emissions by scope



GHG emissions	2021			2020		
	Tonnes CO ₂ e	tCO ₂ e / emp. ⁴	tCO ₂ e / sq. ft. ⁵	Tonnes CO ₂ e	tCO ₂ e / emp. ⁴	tCO ₂ e / sq. ft. ⁵
Scope 1 ¹	4.86	–	–	5.02	0.55	0.002
Scope 2 ²	2.67	–	–	6.77	0.74	0.002
Scope 2 ³	2.94	–	–	0.09	0.00	0.00
Total GHG emissions (Location-based Scope 2)	7.53	–	–	11.8	1.29	0.004
Total GHG emissions (Market-based Scope 2)	7.80	–	–	5.1	0.55	0.002

¹ Scope 1 being emissions from the Group's combustion of fuel and operation of facilities.

² Scope 2 being emissions from electricity (from location-based calculations), heat, steam and cooling purchased for the Group's own use.

³ Scope 2 being emissions from electricity (from market-based calculations), heat, steam and cooling purchased for the Group's own use.

⁴ Employee numbers: 15 (FY2021); 9 (FY2020). Intensity ratio not calculated as data was not available for the full year and employee numbers changed during the year.

⁵ Occupied office space: Intensity ratio not calculated as data was not available for the full year and due to office moves. The floor area for FY2020 was 2,844 ft².

Efficiency actions undertaken

There were no energy efficiency actions taken during the reporting year.

Corporate Governance Report

Chairman's introduction to corporate governance

Dear Shareholder,

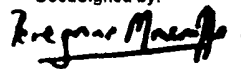
I am pleased to present this year's Report on Corporate Governance. This report forms part of the Directors' Report which follows. Since its listing on the London Stock Exchange in February of 2017, the Company has voluntarily applied the UK Corporate Governance Code (the Code) as an integral part of 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 2021, Naseem Amin stepped down from the Board and I was appointed as Non-Executive Chairman. At the same time, Maureen O'Connell and Isaac Kohlberg joined the Board as Non-Executive Directors and having been proposed by our largest shareholder Acacia are therefore not deemed to be independent directors for the purposes of the UK Corporate Governance Code. Maureen serves as the non-executive Chair of Acacia. Isaac serves as a non-executive director of Acacia.

Earlier in April 2021, Mark Breuer had resigned as Non-Executive Director and at our 2021 AGM in June we saw the departure of Professor Trevor Jones also as a Non-Executive Director. In October 2021 Giles Kerr resigned from the Board and Sir Michael Bunbury was appointed, taking up the role of Senior Independent Director.

On behalf of the Board I would like to thank those that have stepped down this year for their contributions to the Company in its initial phase of development.

Peregrine Moncreiffe
Chairman
4 May 2022

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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 7 (at 31 December 2021) 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 Director.

Provision 9 – The roles of Chairman and Chief Executive were combined until April 2021, when they were separated with the appointment of Peregrine Moncreiffe as non-executive Chairman.

Provision 11 – Only one quarter of the board, excluding the chair, is currently comprised of independent non-executive directors. The Board is looking to add a further independent non-executive director to address this balance.

Provision 12 – Sir Michael Bunbury was appointed as the Senior Independent Director in October 2021. Giles Kerr had previously fulfilled this role from February 2021, prior to which it was vacant.

Provision 24 – Membership of the Audit Committee includes the chair and a non-independent non-executive director. However, the committee is chaired by an independent non-executive director and including the chair, it is comprised of a majority of independent non-executive directors.

Focus	Operation
Leadership, strategy and management	• Providing leadership and setting values and standards • Approving the Company's strategic aims and objectives • Overseeing operations
Structure and capital	• Changes to the Group's capital or corporate structure • Changes to the Group's management and control structure
Financial reporting	• Approval of financial statements • Approval of the dividend policy • Approval of material changes in accounting policies • Approval of major capital expenditure
Risk management and internal controls	• Ensuring maintenance of a sound system of internal control and risk management • Determining the principal risks of the Company and how they are managed and mitigated • Reviewing the effectiveness of the risk and controls processes
Board membership	• Changes to the structure, size and composition of the Board • Ensuring adequate succession planning • Appointment or removal of the Chairman, CEO, SID and Company Secretary
Corporate governance	• Review of Group's overall governance framework • Determining the independence of Directors • Considering the balance of interests between shareholders and other stakeholders • Authorising any conflicts of interest

Corporate Governance Report continued

Focus	Operation
Remuneration	• Determining the policy for remuneration of Chairman, the Executive Directors, Executive Committee (including the Company Secretary) and senior investment team members • Ensuring that the pension contribution rates for executive directors, or payments in lieu, are aligned with those available to the workforce. • Ensuring that workforce remuneration and related policies are taken into account when setting Directors' remuneration • Ensuring that employee engagement has taken place to explain how executive remuneration aligns with wider company pay policy • Determining the remuneration of the Non-Executive Directors • Introducing new share incentive plans or major changes to existing plans
Other	• Approval and monitoring of the share dealing code • Approval and monitoring of CSR • Approving policies and political and charitable donations • Approval of the overall levels of insurance for the Group

Board leadership and company purpose

An effective Board

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

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

Assessing and monitoring culture

The Board is keen to ensure that the culture of the Company is aligned to Aris'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 page 35.

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 page 35 with specific description of engagement with employees on remuneration on page 51 of the Remuneration Report. As described on page 49 of the Audit and Risk Committee Report, the Company has kept its Whistleblowing Policy and arrangements under review during 2021.

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 page 35 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 on the resolution to authorise. All Directors declare any potential conflicts of interest before their appointment, such that the Board can consider how to address any pre-existing potential conflicts before an appointment is confirmed. A record of Directors' interests is kept and Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest, in accordance with Sections 175, 177 and 182 of the Companies Act 2006.

Board attendance

	Board	Audit	Remuneration	Nomination	Strategy & Investment
Peregrine Moncreiffe	5/5	1/1	3/3		2/2
Sir Michael Bunbury	2/2	1/1			
Isaac Kohlberg	5/5		3/3		2/2
Maureen O'Connell	5/5	2/2	3/3		2/2
Robert Lyne	6/6				2/2
Giles Kerr	5/7	2/2	5/5	1/1	
Professor Trevor Jones	5/5		2/2	1/1	
Naseem Amin	3/3				
Mark Breuer	3/3	1/1	1/1		

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

Board independence**Non-Independent****Current directors**

Robert Lyne (being an executive director), appointed 29 April 2021

Isaac Kohlberg (having been proposed by and a non-executive director of the Company's largest shareholder, Acacia), appointed 29 April 2021

Maureen O'Connell (having been proposed by and the non-executive Chair of the Company's largest shareholder, Acacia), appointed 29 April 2021

Former director

Naseem Amin (being an executive director), resigned 29 April 2021

Independent**Current directors**

Peregrine Moncreiffe, appointed 29 April 2021

Sir Michael Bunbury, appointed 6 October 2021

Former directors

Giles Kerr, resigned 15 October 2021

Professor Trevor Jones, resigned 14 June 2021

Mark Breuer, resigned 1 April 2021

Read more on the Board of Directors on page 43.

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 above 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 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 meet at least once per year without the Chairman present and on such additional times as are required.

Training and development of Board Directors

The Company Secretary regularly provides the Board with updates on Corporate Governance and regulatory matters at Board meetings. All Directors are provided with an introduction to the Company and relevant background materials. 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 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.

Corporate Governance Report continued

Division of responsibilities

Key Board roles and responsibilities

The Board currently consists of five Directors (including the Chief Executive Officer), two of whom are considered to be independent.

Role of the Chairman

The Chairman 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.
- Ensuring 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

Sir Michael Bunbury has acted as the Senior Independent Director (SID) since October 2021. His role as SID is to act as a sounding board for the Chairman and serve as an intermediary for the other Directors when necessary. In order to fulfil this role:

- The SID will meet other Non-Executive Directors without the Chairman present at least once a year, to appraise the Chairman's performance, taking into account the views of 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 Chairman or any Executive Director or for which such contact is inappropriate.

Role of the Chief Executive Officer

Robert Lyne was appointed as the permanent Chief Executive Officer in October 2021, having previously held the role on an Interim basis. The Chief Executive 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.

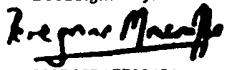
Commitment

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.

Peregrine Moncreiffe

Chairman

4 May 2022

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Board of Directors

Peregrine Moncreiffe

Chairman

Peregrine Moncreiffe has extensive experience in investment management and investment banking. In his past career, Mr Moncreiffe held various corporate finance and trading positions in New York, London and East Asia within the Credit Suisse First Boston (CSFB) group over a ten year period, ending up as an Executive Director of CSFB in London in 1982. He held a number of trading management roles at Lehman Brothers as a Managing Director in New York and London until 1986 when he joined E F Hutton as Managing Director of International Capital Markets before it was acquired by Shearson Lehman in 1988. From 1990 to 2000 he was Chief Executive Officer of Buchanan Partners Ltd, a proprietary investment company which he co-founded. In 1998 he became Chairman of UA Group, the agricultural services and property investment business sold to Elphinstone in 2005. He remains a director of North Atlantic Investment Trust plc after stepping down this year from the Chair after more than 9 years in that role. Peregrine received an undergraduate degree from the University of Oxford. He is a director of Metage Funds Limited and of a Jersey holding company through which Acacia, alongside other shareholders, hold an interest in Viamet Pharmaceuticals, Inc.

Sir Michael Bunbury

Senior Independent Director

Sir Michael Bunbury is an experienced director of listed and private investment and financial services companies. He was formerly the Chairman of HarbourVest Global Private Equity Limited, BH Global Ltd and of JP Morgan Claverhouse Investment Trust plc. He was a director of Invesco Perpetual Select Trust plc, and of Foreign & Colonial Investment Trust plc. Sir Michael began his career in 1968 at Buckmaster & Moore, before joining Smith & Williamson, Investment Managers and Chartered Accountants, in 1974 as a Partner. He later served as director and chairman and was a consultant to the firm until 2017. Sir Michael received an undergraduate degree from Trinity College, University of Cambridge.

Isaac Kohlberg

Non-Executive Director, Cambridge, US

Isaac Kohlberg has had a distinguished career protecting and commercializing IP for leading universities and research institutions. He currently is a Senior Associate Provost and Chief Technology Development Officer at Harvard University, where he responsible for the strategic management and commercial development of all technologies and intellectual property (IP) arising from Harvard's research enterprise. Mr. Kohlberg's role at Harvard University includes industry liaising and outreach, IP management, business development, technology commercialization and the formation of startup companies and new ventures around Harvard technology platforms. In tandem, he is also responsible for generating, structuring, and negotiating research alliances and collaborations with industry and generating industry-sponsored research funding for Harvard faculty.

Mr. Kohlberg has served as a Director at Anchiano Therapeutics Ltd (TLV: ANCN, NASDAQ: ANCN), a pivotal-stage biopharmaceutical company, since 2017 and as a Director at Clal Biotechnology Industries Ltd. (TLV: CBI), a life sciences investment company, since 2015. Mr. Kohlberg currently serves as a non-executive director of Acacia, Aris's largest shareholder, and received his M.B.A. from INSEAD and LL.B. from Tel Aviv University.

Maureen O'Connell

Non-Executive Director, New York, US

Maureen O'Connell is a global business executive, Chief Financial Officer and corporate director recognized for significant value creation through strategic initiatives in a variety of industries including media, education, digital, retail, technology, professional services, biotech, pharma, homebuilding, real estate and insurance.

From 2007 to 2017, Ms. O'Connell, served as the Chief Financial Officer of Scholastic Corporation, the world's largest publisher and distributor of children's books. In her role as Chief Financial Officer, Ms. O'Connell had significant experience licensing rights, partnering with trademark and copyright owners and overseeing the protection and assertion of rights on a world basis. Earlier in her career, Ms. O'Connell served as President and Chief Operating Officer of the Gartner Group the world's leading research and advisory company which has developed more than 300,000 business case studies of intellectual property since 1979.

Maureen O'Connell has received numerous and diverse awards including CFO Studio's CFO World Class Award in 2017, Treasury and Risk magazine's 30 Outstanding Women in Business in 2012 and Irish Voice's Top 75 Influential Women in 2009.

Ms. O'Connell also served as an independent director, audit committee chair and transaction committee chair at Sucampo Pharmaceuticals, a biopharmaceutical company focused on the development and commercialization of highly specialized medicines, from 2013 to 2018 when it was acquired by Mallinckrodt in a \$1.2 billion transaction. At Sucampo, Ms. O'Connell played a key role in evaluating the acquisition of highly specialized medicines in development resulting in the acquisition of two companies. She was previously an independent director at Harte-Hanks Inc. and previously served on the board of directors of Beazer Homes USA Inc. Maureen O'Connell currently serves as non-executive Chair of Acacia, Aris's largest shareholder.

Maureen graduated Magna Cum Laude with a B.S. in Accounting and Economics (dual major) from New York University Stern School of Business in 1985 and is a Certified Public Accountant.

Robert Lyne

Chief Executive Officer, London, UK

Robert Lyne has 15 years' experience working with high growth technology companies having spent several years working in listed venture capital. He joined Aris in 2017 as General Counsel and Company Secretary before being promoted to Chief Operating Officer in 2019. He joined the Board in April 2021 and was appointed Interim Chief Executive Officer before subsequently appointed to the role on a permanent basis. He began his career as a lawyer at international law firm Bird & Bird LLP in London. He has worked on over 80 venture capital financings in Europe and North America as well as multiple trade exits and IPOs, working with both company boards and investors to successfully execute complex cross-border transactions. As an experienced plc Company Secretary, Robert has broad experience of public company governance.

Robert has a BA from the University of Oxford and an LLB from Oxford Brookes University.

Report of the Nomination Committee

Peregrine Moncreiffe

Chairman of the Nomination Committee

Composition

Peregrine Moncreiffe (Chairman)

Isaac Kohlberg

Sir Michael Bunbury

Dear Shareholders,

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2021.

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:

- 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).

Meetings

The number of meetings of the Nomination Committee and attendance is set out on page 41 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.

Board changes

There were a number of Board changes during the year as explained in the Corporate Governance Report. Two appointments were made following nomination by Arix's largest shareholder, with two further appointments being made following a review of available candidates by the Board. The fifth appointment during the year was an executive appointment. The Nomination Committee has worked throughout 2021 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 Nomination Committee in conjunction with the rest of the Board also keeps the

necessary balance of skills amongst management under regular review to inform succession plans for executive roles.

The Committee has not engaged an independent external search consultant during 2021.

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 last 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 16 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. Due to the significant change in the composition of the Board during 2021, the Board has not yet conducted a written evaluation. However, this will be considered during 2022.

Peregrine Moncreiffe

Chairman of the Nomination Committee

4 May 2022

Key responsibilities

Effectiveness and succession planning

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

Appointments

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

Board and Committee composition

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

Report of the Audit and Risk Committee

Sir Michael Bunbury

Chairman of the Audit and Risk Committee

Composition

Sir Michael Bunbury (Chair)
Peregrine Moncreiffe
Maureen O'Connell

Dear Shareholders,

On behalf of the Board, I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2021.

The Committee is chaired by an independent non-executive director and including the Committee chair, it is comprised of a majority of 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.

During the year, the Committee has met once during my chairmanship and twice in the year prior to my appointment. Further details on the activities of the Committee during the year and how it has discharged its responsibilities are provided in the report below.

Sir Michael Bunbury

Chairman of the Audit and Risk Committee

4 May 2022

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Michael Bunbury

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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.

Internal controls and risk management

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

Whistleblowing, fraud, bribery and other compliance

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

Financial and narrative reporting

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

External audit

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

Internal audit

To review the need for an internal audit function

- If an internal audit function is appointed:
 - Approve the appointment or termination of the head of internal audit
 - Consider and approve the Terms of Reference for the internal audit
 - Monitor and review the operation and the effectiveness
 - Review and assess the internal audit plan and reports

Meetings and attendees

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

The external auditors are invited to attend the majority of the meetings. Outside of the formal meeting programme, the Audit and Risk Committee chairman maintains a dialogue with key individuals involved in the Company's governance, including the Chairman, the Group Head of Finance 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
- Reviewing the significant issues in the external audit report
- Reviewing the Annual Report and Accounts and recommending their approval by the Board
- Reviewing the need for an internal audit function and concluding that it is not required.

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 2021 are set out in the table below:

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

Report of the Audit and Risk Committee continued

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 30 to 34.

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 December 2021 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

The Board appointed BDO LLP (BDO) as new external auditors in June 2020. 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 is therefore in their second 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 2021, BDO provided non-audit services in relation to reviewing the Group's Interim financial statements (£16,000); and performing an FCA CASS Audit of Arix Capital Management Limited, a 100% subsidiary of Arix Bioscience plc (£4,000). The fees paid to BDO for non-audit services during the year totalled £20,000 representing 14% of the total audit fee.

Whistleblowing

The Group has adopted procedures where employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The whistleblowing policy applies to all Group employees. The Audit and Risk Committee is responsible for monitoring the Group's whistleblowing arrangements and the Board reviews the policy periodically. The Audit and Risk Committee, on behalf of the Board, reviewed the Group's whistleblowing arrangements in December 2021 and it was considered that they were still appropriate in their current form.

Sir Michael Bunbury

Chairman of the Audit and Risk Committee

4 May 2022

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Michael Bunbury

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Directors' Remuneration Report

Maureen O'Connell

Chair of the Remuneration Committee

Composition

Maureen O'Connell (Chair)

Peregrine Moncreiffe

Sir Michael Bunbury

Annual Statement by the Chair of the Remuneration Committee

Dear Shareholders,

As the Chair of the Remuneration Committee (the "Committee") I am delighted to introduce our 2021 Directors' Remuneration Report.

This is my first report as Chair of the Committee having joined the Board on 29 April 2021 and having succeeded Professor Trevor Jones with effect from 14 June 2021.

2021 was a year of significant change and progress in the business. Amplyx was acquired by Pfizer in April 2021, marking the second M&A exit from the portfolio. A total of £59.2m was deployed into the existing portfolio and our two new portfolio companies, Disc Medicine and Sorriso. However, the key target of NAV growth was not achieved, with a decline in NAV of 22% over the period. The year also saw a number of changes to the Board, including the appointment of Robert Lyne as CEO on 6 October 2021, having been appointed in an interim capacity effective from 29 April 2021. Further details of the changes to the Board are set out below. This leaves Arix well placed to continue to build a compelling portfolio of innovative life science companies.

Board changes

Executive Director changes

As part of the wider strategic change at Arix, Naseem Amin stepped down as Executive Chairman of the Board on 29 April 2021. In line with his contractual arrangements, Naseem Amin received a payment in lieu of his six months notice period, which included base salary only. On stepping down from the Board, Naseem forfeited his entitlement to any bonus in respect of the 2021 financial year. Reflecting on service provided by Naseem as Executive Chair, the Remuneration Committee treated him as a good leaver for the purpose of the 2020 EIP award, with the number of shares under award pro-rated for time in employment. The 2020 EIP award will vest at the normal time, subject to performance over the performance period ending 31 December 2022. Full details of the remuneration provided to Naseem Amin on stepping down from the Board are provided on page 64.

Robert Lyne was appointed as interim CEO and General Counsel on 29 April 2021. On 6 October, following a comprehensive process, Robert Lyne was appointed as CEO. His remuneration package following appointment as CEO remained unchanged from his time as interim CEO, as set out below:

- Base salary: £285,000
- Pension: 7.5% of salary (in line with the wider workforce)
- Annual bonus opportunity: 125% of salary
- EIP opportunity: 225% of salary

The proposed remuneration package for Robert was structured to ensure that there was a clear focus on performance related pay, and in particular long-term performance through the EIP award. The Committee is conscious that the base salary for Robert, and as a result the total remuneration package, has been set towards the lower end of market to reflect that this is his first role as the CEO of a listed business. As Robert progresses in role, the Remuneration Committee intends to keep this positioning under review.

Non-executive Director changes

During the year, there were also a number of non-Executive Director changes, including my appointment to the Board on 29 April 2021, as set out below:

- Peregrine Moncreiffe joined the Board as Non-Executive Chairman on 29 April 2021
- Isaac Kohlberg joined the Board as a non-Executive Director on 29 April 2021
- Sir Michael Bunbury joined the Board as the Senior Independent Director on 6 October 2021
- Mark Breuer stepped down from the Board on 1 April 2021
- Professor Trevor Jones stepped down from the Board on 14 June 2021
- Giles Kerr stepped down from the Board on 15 October 2021.

I would like to give my personal thanks and gratitude to all the Board members that stepped down during the year for their help and support provided to the Company during their respective tenures. No payments for loss of office were made to non-executive directors that stepped down from the board.

Pay for performance

As noted above, 2021 saw a decline in NAV from £328 million at the end of 2020 to £255 million at 31 December 2021. The Gross Portfolio declined in value to £118.2 million, driven largely by a significant fall in the value of the listed holdings. Against this disappointing financial performance,

the year saw progress on an operational basis with a significant restructuring of the business further reducing operating costs. We also completed our second M&A exit with the sale of Amplyx in April 2021 and continued to refresh the portfolio by reducing our exposure to companies in which we did not see significant upside potential and adding two new private investments to the portfolio.

Annual bonus

Given the level of corporate change through the year, the Remuneration Committee determined that the 2021 annual bonus for the CEO should be based 50% on financial performance of the company and 50% on non-financial targets.

Given the level of uncertainty at the outset of the year, including the strategic review of the business that was to be undertaken due to the changes in the Board, the Remuneration Committee agreed that it would not be appropriate to set formulaic financial targets for the bonus, but performance against financial and non-financial metrics would be assessed based on a rounded assessment of performance in the year.

As detailed later in this report, the Committee determined that there should be no pay-out under the financial element of the bonus. Given the key achievements of the CEO since appointment, including in managing the Company's relationship with shareholders and corporate partners during the course of extensive shareholder and wider stakeholder engagement; and the successful cost reduction exercise (reducing the cost base of the Company by 25%) further improving the financial position of the Company, the Committee determined that the outcome of the non-financial element of the annual bonus should be 80% - therefore equating to an overall bonus of 40% of the maximum opportunity.

The Committee considered that this outcome was reflective of the individual performance of Robert Lyne as well as the overall business performance and therefore determined that no discretion should be exercised to reduce the formulaic outcome.

EIP

The 2019 EIP award was based on compound share price growth and NAV per share growth targets to 31 December 2021. Performance against these targets resulted in a vesting outcome of 0%.

New Remuneration Policy and implementation in 2022

The Remuneration Policy was last approved by shareholders at the 2019 AGM and therefore the Company is required to submit a revised Remuneration Policy to shareholders at the 2022 AGM.

The Committee undertook a full review of the Policy during the course of 2021. Following this review, the Committee determined that the Policy remains fit for purpose and therefore the structure should remain broadly the same. However, in recognition of recent corporate governance developments, we have made a number of best practice changes, as set out below:

- The maximum pension contribution rate has been adjusted such that it is in line with the wider workforce rate.
- The discretion the Committee has to adjust incentive outturns, taking into account all relevant factors including underlying business performance, has been formalised in the Policy.
- Formal post-cessation shareholding guidelines have been introduced.

Other minor changes have been made to clarify the intention of the Policy and to improve its operation over its lifetime.

Implementation in 2022

For 2022, Robert Lyne's salary will be increased by 5% to £300,000, which is in line with the range of increases awarded to the wider workforce at Aris. The proposed increase is below the average increase for the wider workforce, albeit noting the relative limited size of the workforce at Aris.

He will remain eligible for an annual bonus, with the maximum opportunity unchanged at 125% of salary. The 2022 annual bonus will be based on the achievement of specific financial, strategic and personal goals, which will be disclosed retrospectively as part of the 2022 annual report due to targets being considered commercially sensitive.

An award of up to 225% 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.

Non-executive Director fees have been set by reference to the elevated time commitments of the Non-executive Directors. Due to the small size of the Board, the Non-Executive Directors all serve on at least two Board committees and are closely involved in the operation of the business.

Alignment of executive and employee pay

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

Directors' Remuneration Report continued

Arix has a small number of employees and as a result is not required to publish the ratio of the CEO remuneration relative to that of employees more widely. The Committee is confident that there is considerable alignment between the structure of the CEO pay and the arrangements in place for other employees, with all employees participating in a similar bonus structure.

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 CEO on his discussions and reviews with senior management and employees.

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 as well as a binding vote on the revised Remuneration Policy. I hope the Committee can count on your continued support for these resolutions.

Maureen O'Connell

Chair of the Remuneration Committee

4 May 2022

Remuneration snapshot

The following table sets out how the Remuneration Policy will be implemented in 2022.

Topic	Description
CEO Base salary	£300,000 (c.5% increase from prior year, which is in line with the range of increases for the wider workforce)
Benefits	Eligible to receive private health cover, life assurance, income protection and a company car or car allowance
Pension contribution	A maximum contribution of 7.5% of salary, in line with the wider workforce
Annual bonus	- Annual Bonus maximum of 125% of salary - Bonus for 2022 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	- EIP maximum of 225% of salary - The current intention is for awards to be based upon share price and NAV growth targets (in line with the 2021 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 2022 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

Topic	Description
NED Fees	With effect from the 2022 AGM, Fees for 2022 will be as follows: • Non-Executive Chairman: £150,000 • Senior Independent Director: £10,000 • Non-Executive Director: £65,000 • Chairs of Audit and Risk, Remuneration and Nomination Committees: £10,000 • Chair of Board Investment Committee: £20,000 • Member of the Audit Committee: £10,000

Directors' Remuneration Policy

Introduction

The Directors' Remuneration Policy as set out below will be put to a binding shareholder vote at the 2022 AGM and will apply for up to three years from the date of approval. Subject to shareholder approval, the policy replaces the policy approved at the AGM on 3 June 2019.

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 Director, 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 a company operating in the listed environment;
- Strategic alignment, having regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals;
- Encourage and support a high performance culture with appropriate reward for superior performance; and
- Avoid creating incentives that will encourage excessive risk-taking or unsustainable Company performance.

The Remuneration Committee will review annually the remuneration arrangements for the Executive Directors and key senior management, 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.

Changes to the policy

The Committee reviewed the Policy during the course of 2021 and early 2022. As part of this, the Committee followed a robust process which included discussions on the content of the Remuneration Policy, taking into account input received from the CEO, while ensuring that conflicts of interest were suitably mitigated, and our independent advisors. Following our review, the Committee determined that the Policy remains fit for purpose and therefore the structure should remain broadly the same. In recognition of recent corporate governance developments, we have made the following changes to the Policy:

- The maximum pension contribution rate has been adjusted such that it is in line with the wider workforce rate.
- Committee discretion on incentive outturns, taking into account all relevant factors including the underlying business performance, has been formalised.
- Formal post-cessation shareholding guidelines have been introduced.
- Other minor changes have been made to clarify the intention of the Policy and to improve its operation over its lifetime.

Directors' Remuneration Report continued

Remuneration policy table (executive directors)

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Salary	Provide salaries that support the Company to acquire and retain the highly qualified Executive Directors who are needed to develop and implement the Group's strategy.	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • individual degree of responsibility; • the general operational performance of the Group and individual performance (if applicable); • the economic environment and the sustainable development of the Group; • remuneration structures in companies that are comparable in terms of business activities, complexity and size; • any change in scope, role and responsibilities; and • remuneration practices within the Group.	The Committee ensures that maximum salary levels are positioned with consideration for: • the need to acquire and retain Executives with the skills and experience to develop and implement the Company's strategy; • companies that are comparable in terms of business activities, complexity and size to Arix, which we would compete for talent against. In general, increases for Executive Directors will be in line with the increase for employees. Increases above this level may be considered in certain circumstances such as where there is a significant change in responsibility or where the salary for a new hire is deliberately set below market levels with the intention to implement larger increases in subsequent years.
Benefits	Provides a benefits package in line with standard market practice to enable the Group to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The Executive Directors are eligible to receive private health cover, life assurance, income protection and a company car, or car allowance. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered, such as relocation allowances on recruitment and reasonable tax advice and filing support.	The maximum will be set at the cost of providing the benefits described.

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
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. An equivalent cash allowance may be paid where appropriate.	The maximum contribution will be in line with the rates available to the workforce in the Executive Director's local jurisdiction. The maximum contribution for UK employees is currently 7.5% of salary.
Annual bonus	The bonus plan provides an 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. The plan supports the Company's objectives, allowing the setting of annual targets based on the business strategy at the time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	The Committee will normally determine the bonus to be delivered following the end of the relevant financial year, taking into account all relevant factors including performance against any targets set and the underlying performance of the business. The Committee retains the discretion to adjust the formulaic outcome if considered appropriate in the context of overall company and individual performance. The Committee can require part of any bonus (up to 50% of the maximum bonus earned) to be deferred on a post-tax basis and invested into shares. These shares must be held for a minimum period, normally, three years. The Group will set out in the Remuneration Report in the following financial year the decisions taken around any requirement to invest in shares. The bonus plan includes malus and clawback provisions. The Remuneration Committee may adjust and amend awards in accordance with the relevant plan rules.	The maximum bonus deliverable in respect of any financial year under the plan will not exceed 125% of a participant's annual basic salary. Bonus targets and weightings are set each year and will take into account the strategic priorities of the business at the time. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. Percentage of bonus maximum earned for levels of performance (with straight line pay-outs between these points): Threshold: 0% On target: 50% Maximum: 100%

Directors' Remuneration Report continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Long-Term Incentive Plan ("EIP")	The purpose of the EIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group strategy. This will better align Executive Directors' interests with the long-term interests of the Group and will also act as a retention mechanism. The award is designed to incentivise Executive Directors to grow the investment portfolio and value creation by successfully delivering the Group's strategy.	Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. Awards are normally subject to a three-year performance period, with a subsequent two-year holding period. Performance targets are normally set annually for each three-year cycle by the Remuneration Committee. The Committee retains the discretion to adjust the formulaic outcome, if considered appropriate, taking into account all relevant factors including the underlying performance of the business. The Committee may award dividend equivalents on awards in either shares or cash to the extent that these vest. The Remuneration Committee may adjust and amend awards in accordance with the EIP rules. Awards are subject to malus and clawback.	Normal maximum value of 225% of salary in respect of any financial year, based on the market value at the date of grant set in accordance with the rules of the Plan. In exceptional circumstances the Committee may grant an award with a maximum of 300% of salary. The amount payable for threshold performance is up to 25% of maximum of the award. EIP awards will be subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant linked to the achievement of the Company's long-term strategic priorities and the creation of long-term shareholder value. The Remuneration Committee retains discretion 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 circumstances for such a change will be clearly disclosed to shareholders in the Annual Report on Remuneration.

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Minimum shareholding requirement	The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned. The Committee will determine the relevant shareholding guideline on an annual basis. Post-cessation of employment, Executive Directors are also expected to remain aligned with the interests of shareholders for an extended period after leaving the Company, other than in exceptional circumstances. Details of the application of this policy are set out in the Annual Report on Remuneration.		

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 53. The Committee takes into account a range of factors including business forecasts; degree of stretch against the performance targets in the business plan, the economic environment and market expectations when setting performance targets for incentive awards. Full details of the performance conditions and applicable performance targets applying to any year's awards are set out in the appropriate Annual Report on Remuneration.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed:

- (i) before 5 June 2017 (the date the Company's first shareholder-approved Directors' Remuneration Policy came into effect);
- (ii) at a time when a previous policy, approved by shareholders, was in place provided the payment is in line with the terms of that policy or
- (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' includes the Committee satisfying variable remuneration awards and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

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, including (but not limited to): change of control, variation of share capital, demerger, special dividend, winding up or similar events. 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.

Malus and Clawback

The annual bonus plan and the EIP include malus and clawback provisions. Malus is the adjustment of unpaid bonus awards under the bonus plan and outstanding EIP awards as a result of the occurrence of one or more specific circumstances. The adjustment may result in the value being reduced to nil. Clawback is the recovery of payments or vested awards under the bonus plan and vested EIP awards as a result of the occurrence of one or more specific circumstances. Clawback may apply to all or part of a participant's award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are set out in the Annual Report on Remuneration. The table below indicates the timeframe over which malus and clawback are applicable.

Directors' Remuneration Report continued

	Annual Bonus	EIP
Malus	Up to the date of payment of a bonus	To the end of the three-year vesting-period
Clawback	Three years following determination of bonus	Two years post vesting

The Committee believes that the rules of the Plans provide sufficient powers to enforce malus and clawback where required.

Recruitment Policy

The Group's principle is that the remuneration of any new recruit will be assessed in line with the same principles, set out in the respective Remuneration policy tables above. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role.

In setting the remuneration for new recruits, the

Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award.

The Group's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below.

Area	Recruitment policy
Salary, Benefits and Pension	These will be set in line with the policy for existing Executive Directors.
Variable remuneration – Annual Bonus and EIP	The remuneration package offered to new appointments may include any element of remuneration included in the remuneration policy set out in this report, or any other element which the Remuneration Committee considers is appropriate given the particular circumstances but not exceeding the maximum level of variable remuneration set out below. Maximum variable remuneration will not exceed 350% of salary in normal circumstances (excluding "buyouts"), in line with the total incentive opportunity available for existing Executive Directors. In exceptional circumstances, the maximum variable remuneration will not exceed 425% of salary (excluding "buyouts"), in line with the total incentive opportunity available for existing Executive Directors in exceptional circumstances.
"Buy Out" of remuneration terms forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any remuneration terms that will be forfeited on cessation of an Executive Director's previous employment will be calculated. This will take into account, among other things, the performance conditions attached to the vesting of such awards, the likelihood of vesting and the value of awards. The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Internal promotions	In the case of internal promotions, the Remuneration Committee will honour existing commitments entered into before promotion.

Payment for Loss of Office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement

between the Company and its Executive Directors providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Committee reserves the right to make additional payments where such payments are made in good faith

in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in

connection with the termination of an Executive Director's office or employment.

Remuneration element	Treatment on Cessation of Employment
Salary, Benefits and Pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.
Annual Bonus	Good Leaver Reason - Performance conditions will be measured at the bonus measurement date. Bonus will normally be prorated for the period worked during the financial year. Other Reason: - No bonus payable for year of cessation. Discretion: The Committee has the following elements of discretion: - To determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate rationale which will be explained to shareholders; and - To determine whether to prorate the bonus for time served. The Remuneration Committee's policy is that it will prorate bonus for time. It is the Remuneration Committee's intention to use discretion to not prorate in circumstances where there is an appropriate rationale which will be explained in full to shareholders. - To determine whether the bonus will be measured at the date of cessation (e.g. in exceptional circumstances, such as death).
EIP	Good Leaver: - Prorated to time in respect of each subsisting EIP award and will be released at the scheduled vesting date, subject to performance. Subsequent holdings periods will also normally apply. Other Reason: - Lapse of any unvested EIP awards. Discretion: The Committee has the following elements of discretion: - To determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate rationale which will be explained in full to shareholders; - To measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and - To determine whether to prorate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's policy is that it will prorate awards for time. It is the Remuneration Committee's intention to use discretion to not prorate in circumstances where there is an appropriate rationale which will be explained in full to shareholders.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012, the date at which the new regime of Directors' Remuneration Report obligations applies.

Directors' Remuneration Report continued

A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill health;
- injury or disability;
- retirement;
- employing company ceasing to be a Group company;

- transfer of employment to a company which is not a Group company; and

- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of Control

Name of Incentive Plan	Change of Control	Discretion
Annual Bonus	Normally prorated for time to the date of the change of control and taking into account performance.	The Committee has discretion regarding whether to prorate the bonus to time. The Committee's policy is that it will prorate the bonus for time. It is the Committee's intention to use its discretion to not prorate in circumstances only where there is an appropriate rationale with appropriate context provided to shareholders as required.
EIP	The number of shares subject to subsisting EIP awards will normally vest on a change of control taking into account time served as a proportion of the performance period and performance.	The Committee will determine the proportion of the EIP Award which vests taking into account, among other factors, the period of time the EIP Award has been held by the participant and the extent to which any applicable performance conditions have been satisfied at that time. The Committee has discretion regarding whether to prorate the EIP Award for time. The Committee's policy is that will prorate the EIP Award for time. It is the Committee's intention to use its discretion to not prorate in circumstances only where there is a rationale with appropriate context provided to shareholders as required.

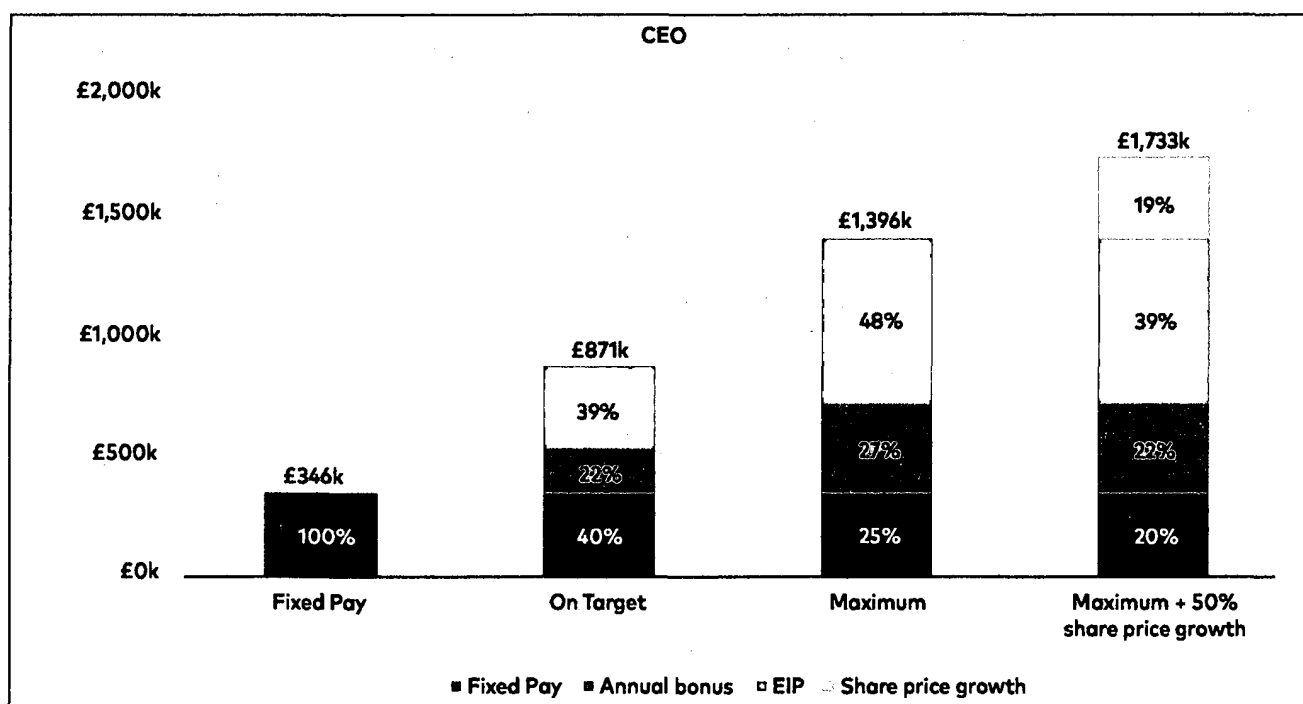
Service agreements and letters of appointment

The Executive Director'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)
Robert Lyne	29 April 2021	12	6

Illustrations of the application of the Remuneration Policy

The charts above illustrate the potential remuneration payable to the CEO under different performance scenarios. The scenarios exclude the impact of any dividend equivalents. The basis of the calculation for each scenario is set out in the table below.



	Minimum	Target	Maximum	Maximum plus 50% share price growth
Fixed pay	- Salary effective 1 January 2022 - Full year equivalent of benefits provided in FY21 - Pension of 7.5% of salary (in line with wider workforce)			
Annual bonus	n/a	50% of maximum	100% of maximum	100% of maximum
EIP	n/a	50% of maximum	100% of maximum	100% of maximum plus 50% share price growth

Directors' Remuneration Report continued

Remuneration policy table (non-executive directors)

Approach to fees	Operation	Other items
Provide a level of fees to support recruitment and retention of high-calibre Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors. Non-Executive Directors are paid an annual fee and additional fees for additional responsibilities, such as chairmanship and membership of committees or being appointed the Senior Independent Director. Additional fees may be paid for other responsibilities or time commitments (including committee membership or for substantial additional time requirements above those expected for the role). The Board is responsible for setting the pay of the Chairman. The Chairman receives an all-inclusive fee. Fees are normally paid in cash. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and workload.	Non Executive Directors (including a Non-Executive Chairman) are not eligible to participate in any incentive arrangements. The Chairman and 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 including travel allowances, if considered appropriate. The Company will pay reasonable business-related expenses incurred by the Non-Executive Directors and may settle any tax incurred in relation to these.

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 term of up to and including the next AGM after their appointment 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 2022 AGM and to re-election at any subsequent AGM at which the Non-Executive Directors stand for re-election.

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

Name	Date of appointment	Current term (full years)	Notice periods by Company (months)	Notice periods by Director (months)
Peregrine Moncreiffe	29 April 2021	0	3	3
Sir Michael Bunbury	6 October 2021	0	3	3
Isaac Kohlberg	29 April 2021	0	3	3
Maureen O'Connell	29 April 2021	0	3	3

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non Executive Directors.

Statement of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee considers the range of base pay increases

across the Group. The key components of pay for the Executive Directors are similar to those available to other employees, although the levels of pay for the Directors and their maximum variable opportunity are higher in light of their role and level of responsibilities. While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy set out in this report, the Company does receive updates from the Executive Director on their discussions and reviews with senior management and

employees.

Consideration of shareholder views

The Company welcomes dialogue with its shareholders; shareholder views are considered when evaluating and setting the remuneration strategy and the Remuneration Committee will consult with key shareholders prior to any significant changes to its Remuneration Policy.

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 2021 and also describes the operation of the Remuneration Committee.

Remuneration Committee

Membership

Maureen O'Connell is currently the Chair of the Committee, and has several years' experience of serving on remuneration committees. The other members of the Committee are Peregrine Moncreiffe and Sir Michael Bunbury. During the year, Professor Trevor Jones (until 14 June 2021); Giles Kerr (until 15 October 2021); and Mark Breuer (until 1 April 2021) also served on the Remuneration Committee.

The Committee met 5 times during the year under review. Meeting attendance is shown on page 41.

The Board considers a majority of the members of the Committee to be independent when considered against the UK Corporate Governance Code ("the Code"). The CEO attended meetings of the Committee by invitation, but was not be present when matters relating to his remuneration were 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 the CEO, where appropriate, determining the total individual remuneration package of the CEO, 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.
- 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, and is well understood by both participants and shareholders. 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. Malus and Clawback provisions apply to both the Annual Bonus and EIP;
 - **Predictability:** annual participation in the bonus scheme and the EIP is capped (as a percentage of basic salary), and awards cannot exceed these levels. Our Remuneration Policy contains details of threshold, target and maximum opportunity levels under the Annual Bonus and EIP, with potential outcomes in different performance scenarios illustrated by the charts on page 61. 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

Directors' Remuneration Report continued

- 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 2021 included:

- Review of the Directors' remuneration policy, ahead of the presentation of a new policy for shareholder approval at the 2022 AGM;
- The appointment terms for the CEO;
- The leaver terms for the previous Executive Chairman;
- Review of Executive Director and senior manager bonuses and equity incentive awards for 2021;

- Pay benchmarking for key roles within the organisation and a review of alternative incentive structures;
- Development of an appropriate incentive plan for the investment team within the organisation reflecting the nature of the business, whilst reflecting the group's ownership profile.

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.

The Committee is satisfied that the advice received during the year was objective and independent. Deloitte is a founding member of the Remuneration Consultants Group. Deloitte received fees of £57,450 for its advice during the year (fees charged on a costs incurred basis). Deloitte also provided Group tax advice during the year.

Single figure table – Executive Directors (audited)

	Basic salary		Benefits		Annual bonus		EIP		Pension		Other		Total		Total fixed pay		Total variable pay	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Robert Lyne ¹	188	–	7	–	143	–	–	–	14	–	–	–	352	–	209	–	143	–
Former Executive Director																		
Naseem Amin ²	88	148	3	7	–	100	–	–	6	11	–	–	97	266	97	166	–	100

¹ Joined the Board on 29 April 2021 as interim CEO and was appointed as permanent Chief Executive Officer on 6 October 2021. Values shown above relate to remuneration received since appointment to the Board.

² Stepped down from the Board on 29 April 2021. Remuneration shown in 2020 is his remuneration received as Executive Chairman from 6 April 2020 to 31 December 2020 while remuneration shown in 2021 is remuneration received between 1 January 2021 and 29 April 2021.

- 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. Robert Lyne did not hold any external directorships during the year.

Single Figure Table – Non-Executive Directors (audited)

	Fees		Benefits		Pension		Annual bonus		LTIP		Other*		Total		Total fixed pay		Total variable pay	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Directors																		
Peregrine Moncreiffe ¹	101	-	-	-	-	-	-	-	-	-	-	-	101	-	101	-	-	-
Sir Michael Bunbury ²	20	-	-	-	-	-	-	-	-	-	1	-	21	-	21	-	-	-
Isaac Kohlberg ¹	44	-	-	-	-	-	-	-	-	-	-	-	44	-	44	-	-	-
Maureen O'Connell ¹	44	-	-	-	-	-	-	-	-	-	-	-	44	-	44	-	-	-
Former Directors																		
Naseem Amin ³	-	13	-	-	-	-	-	-	-	-	-	94	-	107	-	107	-	-
Professor Trevor Jones ⁴	27	60	-	-	-	-	-	-	-	-	-	-	27	60	27	60	-	-
Giles Kerr ⁵	66	60	-	-	-	-	-	-	-	-	-	-	66	60	66	60	-	-
Mark Breuer ⁶	13	50	-	-	-	-	-	-	-	-	-	30	13	80	13	80	-	-

* Other amounts in 2020 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 Joined the Board on 29 April 2021. Remuneration relates to fees received between 29 April 2021 and 31 December 2021.

² Joined the Board on 6 October 2021. Remuneration relates to fees received between 6 October 2021 and 31 December 2021. Other relates to use of office.

³ 2020 figures relate to service as Non-Executive Director until his appointment as Executive Chair on 6 April 2020.

⁴ Stepped down from the Board on 14 June 2021. 2021 remuneration relates to fees received between 1 January 2021 to 14 June 2021.

⁵ Stepped down from the Board on 15 October 2021. 2021 remuneration relates to fees received between 1 January 2021 and 15 October 2021.

⁶ Stepped down from the Board on 1 April 2021. 2021 remuneration relates to fees received between 1 January 2021 and 1 April 2021.

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Directors' Remuneration Report continued

Annual bonus payout table (audited)

Given the level of corporate change through the year, the Remuneration Committee determined that the 2021 annual bonus for the CEO and General Counsel should be based 50% on financial performance of the company and 50% on non-financial targets.

Given the level of uncertainty at the outset of the year, including the strategic review of the business that was to be undertaken due to the change in the Board, the Remuneration Committee agreed that it would not be

appropriate to set formulaic financial targets for the bonus, but performance against financial and non-financial metrics would be assessed based on a rounded assessment of performance in the year. In determining the outcome of the non-financial element of the annual bonus, the Committee took into account the significant change that had taken place within the business over the course of the year and considered Robert Lyne's key achievements since his appointment to the Board. Details of key factors considered in relation to both elements are set out in the table below.

Element of bonus (weighting)	Key factors / achievements considered by the Remuneration Committee	Outcome
Financial (50%)	In considering the financial element of the bonus (weighted at 50%) the Committee took into account • Net Asset Value per share performance; • The Group's capital position pool position; • Total shareholder returns over the year; • Performance against KPIs related to the clinical pipeline; • Performance against KPIs related to creating a diverse and broad portfolio.	Notwithstanding progress made against the pipeline and wider portfolio KPIs, the Committee agreed that due to the 22% decline in NAV and 44% decline in share price over the period, this element of the bonus should lapse in full.
Non-financial (50%)	• Key role, as the sole full-time executive on the Board, in managing the Company's relationship with shareholders and corporate partners during the course of extensive shareholder and wider stakeholder engagement. • Stabilised the operations of the Company during a time of significant change. • Pivotal in ensuring the retention of key personnel to the business during a challenging time. • Orchestrated a key senior hire to increase the capabilities of the Company. • Undertook a successful cost reduction exercise (reducing the cost base of the Company by 25%) further improving the financial position of the Company. • Re-organised key internal functions related to investor and public relations to further strengthen the reputation of the Company with key stakeholders.	The Committee considers that Robert Lyne has been instrumental in navigating the business during a challenging time. Based on his key achievements since appointment to the role of CEO, including restructuring the headcount from 12 to 6 permanent employees resulting in an increased workload, the Committee considered that achievement against the non-financial element of the business should be 80% of maximum. The Committee considered awarding a full bonus against this element given the achievements in a period of such significant corporate change, however, felt that 80% of maximum was a more balanced outcome.
Outcome (percentage of maximum annual bonus)		40%

The Committee considered the appropriateness of the annual bonus outcome for Robert Lyne in the context of the overall Company performance and his individual performance and determined that the bonus outcome was appropriate.

Naseem Amin, the former Executive Chairman stepped down from the Board on 29 April 2021 and was not eligible to receive a 2021 annual bonus.

LTIPs vesting in the year (audited)

Awards were made to previous executive directors in 2019 under the EIP. Robert Lyne received a grant as part of the 2019 EIP award. The performance against the targets is set out in the table below.

Metric	Weighting	Threshold	Maximum	Actual	Level of vesting
Compound share price growth	60%	7% p.a. growth	15% p.a. growth	Decline in share price	0%
NAV per share growth	40%	7% p.a. growth	15% p.a. growth	Decline in NAV per share	0%
Overall	100%				0%

Scheme interests awarded in 2021 (audited)

During the year ended 31 December 2021, the following Directors were awarded nil-cost options under the EIP, details of which are summarised below.

Metric	Date of grant	Number of shares awarded	Award price £ ¹	Face value £	% of base salary	Vesting date
Robert Lyne	13/08/2021	352,335	1.97	694,010	225%	1/08/2024

Performance measure	Weighting	Performance period	Performance	% vesting
Compound share price growth	60%	1 January 2021 to 31 December 2023	<7% per annum	0%
			7% per annum	25%
			>7% < 15% per annum	25%-100%
			≥15% per annum	100%
NAV per share growth	40%	1 January 2021 to 31 December 2023	<7% per annum	0%
			7% per annum	25%
			>7% < 15% per annum	25%-100%
			≥15% per annum	100%

¹ Starting price based on the 30 day rolling average to the start of the performance period.

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.

Naseem Amin

Naseem Amin stepped down from the Board on 29 April 2021.

Mr Amin was paid a payment in lieu of notice for a six month period in line with his service agreement, covering his base salary only, with a value of £100,000, and £8,462 in lieu of accrued but untaken holiday.

Mr Amin forfeited his entitlement to a 2021 annual bonus payment.

In line with the Remuneration Policy and EIP plan rules, Mr Amin retained his entitlement to the 2020 EIP award, subject to time pro-rating from the date of grant to the date he stepped down from the Board. The award may vest at the normal time, subject to the achievement of the performance conditions. The maximum number of shares that are capable of vesting, subject to performance and dividend equivalents, is 154,142. Awards will continue to be subject to the performance conditions set out on page 74 of the Annual Report 2020.

Mr Amin retains no interest in any other incentive scheme.

During the year, no payments were made to past Directors.

Directors' Remuneration Report continued

Executive Directors' shareholdings and share interests (audited)

The interests of Executive Directors' in the Company as at 31 December 2021 (or, if earlier, the date of stepping down from the Board) are shown in the table below. Only the EIP Awards (2019, 2020 and 2021) are subject to performance conditions. Robert Lyne is required to build a shareholding equivalent to 225% of basic salary. This shareholding requirement was not met at the end of the financial year given his recent appointment to the Board.

Under the new post-cessation shareholding requirements introduced this year, and being implemented from the date

of the 2022 AGM (subject to shareholder approval of the new Remuneration Policy), departing Executive Directors will normally be required to hold shares with a value of 100% of their incumbent shareholding requirement (or their actual shareholding, excluding personal investment, on cessation if lower) for two years post cessation as an Executive Director. The Committee retains the discretion to operate this policy flexibly and waive part or all of the policy, for example in compassionate circumstances.

No options were exercised during the year.

Metric	Ordinary Shares held	2020 EIP Awards ¹ (unvested)	2021 EIP Awards ¹ (unvested)	Shareholding as % of basic salary ²
Robert Lyne	41,666	471,676	352,335	18%
Former Executive Director				
Naseem Amin ³	240,803	154,142	–	–

¹ Awards are nil-cost options. The 2019, 2020 and 2021 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 Reflects value of ordinary shares calculated at closing share price on 31 December 2021.

³ Reflects the position as at the date of his departure (29 April 2021).

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

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 2021
Current Directors	
Peregrine Moncreiffe	84,000
Sir Michael Bunbury	40,000
Isaac Kohlberg ¹	–
Maureen O'Connell ¹	–
Former Directors	
Professor Trevor Jones ²	37,312
Giles Kerr ³	35,746
Mark Breuer ⁴	36,630

¹ Opportunity to purchase Company shares is restricted by potential conflict of interest, due to directorship of Acacia which is a significant shareholder in the Company.

² Reflects the position as at the date of his departure from the Board (14 June 2021).

³ Reflects the position as at the date of his departure from the Board (15 October 2021).

⁴ Reflects the position as at the date of his departure from the Board (1 April 2021).

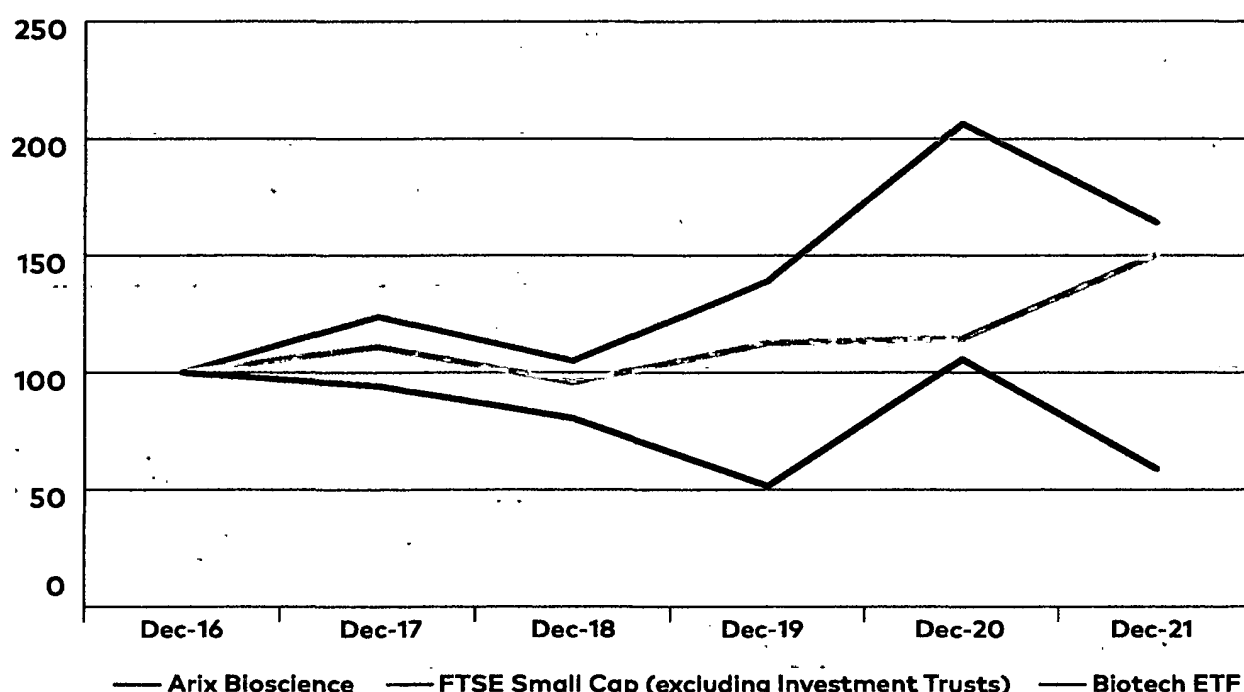
There has been no change in the Non-Executive Directors' shareholdings since the balance sheet date.

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 (excluding investment trusts) and the Biotech ETF. 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. The Biotech ETF has been chosen as this is reflective of the industry in which we operate.

Total Shareholder Return.

Source: Datastream (Thomson Reuters)



CEO – historic remuneration information (audited)

	Robert Lyne 2021 £'000	Naseem Amin 2021 £'000	Naseem Amin 2020 £'000	Joe Anderson 2020 £'000	2019 £'000	2018 £'000	2017 £'000
Single figure total	352	97	266	417	737	633	1,726
Annual variable against maximum opportunity	40%	N/A	100%	0%	50%	75%	80%
EIP vesting rates against maximum opportunity	0%	N/A	N/A	N/A	N/A	N/A	N/A

Comparison of Directors' and employees' pay

The table below sets out the percentage change in each Director's salary/fees, benefits and annual bonus between the year ended 31 December 2021 and the year ended 31 December 2020 and between 31 December 2020 and 31 December 2019. The table also shows the average percentage change in the same remuneration over the same periods 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. Peregrine Moncreiffe, Sir Michael Bunbury, Isaac Kohlberg and Maureen O'Connell were appointed in 2021, while Naseem Amin (Executive Chair), Professor Trevor Jones, Giles Kerr and Mark Breuer stepped down from the Board during the year ended 31 December 2021.

Directors' Remuneration Report continued

	2021			2020		
	Base salary/fees	Benefits	Annual incentive	Base salary/fees	Benefits	Annual incentive
Current CEO/Former Executive Chair ¹	23%	8%	(29%)	(66%)	(70%)	(60%)
Current Directors						
Peregrine Moncreiffe ²	N/A	N/A	N/A	N/A	N/A	N/A
Sir Michael Bunbury ²	N/A	N/A	N/A	N/A	N/A	N/A
Isaac Kohlberg ²	N/A	N/A	N/A	N/A	N/A	N/A
Maureen O'Connell ²	N/A	N/A	N/A	N/A	N/A	N/A
Former Directors						
Professor Trevor Jones	(55%)	N/A	N/A	20%	N/A	N/A
Giles Kerr	10%	N/A	N/A	0%	N/A	N/A
Mark Breuer	(74%)	N/A	N/A	47%	N/A	N/A
Employee Group ³	4%	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 on a full-time equivalent basis, has been used in accordance with disclosure requirements.

² Non-executive directors that joined during the year – therefore a comparison to 2020 is not available.

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

	2021 £'000	2020 £'000
Underlying operating (loss)/profit	(58,647)	128,011
Dividends/share buybacks	11,593	–
Total Company spend on remuneration	3,529	5,066
Total Company spend on remuneration excluding exceptional costs	3,070	5,066

The table above shows the relative importance of total spend on pay in the 2021 and 2020 financial years compared with distributions to shareholders. The Company did not pay a dividend in either 2021 or 2020 and only undertook a share buyback programme in 2021 and not 2020. Underlying operating (loss)/profit is considered the most appropriate metric given the current stage of the Group.

Total Group spend on remuneration decreased by 30% 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 14 June 2021 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 (2021 AGM)	58,196,535	92.34%	4,825,953	7.66%	3,298,154

Director's Report

For the year ended 31 December 2021

The Directors present their report for the year ended 31 December 2021. 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 37
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	• Notes to the financial statements pages 92 to 93
Going concern	• Strategic Report page 34
Statement of Directors' responsibilities	• Page 74
Diversity Policy	• Report of the Nomination Committee page 44
Details of long-term incentive schemes	• Note 19 to the financial statements pages 102 to 103
Significant Interests	• Directors' Report page 73
Waiver of emoluments by a Director	• Directors' Remuneration Report pages 50 to 70
Compensation for loss of office arrangements	• Directors' Remuneration Report pages 50 to 70

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 50 to 70
Waiver of emoluments by a Director	• Directors' Remuneration Report pages 50 to 70
Waiver of future emoluments by a Director	• Directors' Remuneration Report pages 50 to 70
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 50 to 70

The Strategic Report on pages 2 to 37 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.

Director's Report continued

Directors

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

Peregrine Moncreiffe

Appointed 29 April 2021

Sir Michael Bunbury

Appointed 6 October 2021

Isaac Kohlberg

Appointed 29 April 2021

Robert Lyne

Appointed 29 April 2021

Maureen O'Connell

Appointed 29 April 2021

Past Directors

Giles Kerr

Resigned 15 October 2021

Professor Trevor Jones

Resigned 14 June 2021

Naseem Amin

Resigned 29 April 2021

Mark Breuer

Resigned 1 April 2021

Results and dividend

The results for the year ended 31 December 2021 are set out in the Consolidated Statement of Comprehensive Income on page 83.

The Board is not recommending a dividend for the year ended 31 December 2021.

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 issued capital, including changes during the year, are set out in Note 18 to the financial statements. As at 31 December 2021, the Company's share capital consisted of:

- 129,180,800 Ordinary Shares of £0.00001 each (99.96% of total share capital by number, 2.66% by nominal value) of which 6,428,853 are held in Treasury

- 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.

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 14 June 2021, 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 13,289,380 of its Ordinary Shares. The Company repurchased 6,428,853 of its Ordinary Shares under this authority before the programme was suspended on 18 October 2021. The authority is due to expire on the earlier of the date of this year's AGM or 30 June 2022.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 31 December 2021, is set out in the Directors' Remuneration Report on pages 68.

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 2021		As at 4 May 2022	
	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	20.0%*	27,182,317	21.0%
Fosun International	11,189,403	8.7%	11,189,403	8.7%
Ruffer	9,163,000	7.1%	9,163,000	7.1%
Christopher Chipperton (including restricted shares)	6,862,889	5.3%	6,862,889	5.3%
Ipsen	6,666,666	5.2%	6,666,666	5.2%
UCB	5,647,679	4.4%	5,647,679	4.4%
Hargreaves Lansdown, stockbrokers (EO)	5,511,258	4.3%	5,511,258	4.3%
Takeda Ventures	4,787,638	3.7%	4,787,638	3.7%
Polygon Investment Partners	4,500,000	3.5%	4,500,000	3.5%

* Actual percentage 19.99%

Director's Report continued

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 7 June 2022 in central London. Details of the time, venue and access will be announced in the Notice of Annual General Meeting to be published in due course and will be subject to any applicable Covid-related regulations and guidance on attendance at AGMs.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with UK adopted international accounting standards and applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements and have elected to prepare the company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- prepare a directors' report, a strategic report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

The financial statements have been prepared in accordance with the applicable set of accounting standards, 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 company, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Kin Company Secretarial Limited

Company Secretary

4 May 2022

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 2021 and of the Group's losses for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

Following the recommendation of the audit committee, we were appointed by the board in May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ending 2020 to 2021. We remain independent of the Group and the Parent Company in accordance with the ethical

requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

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

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

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

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

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

Independent Auditors' report continued

Overview

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

An overview of the scope of our audit

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

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

Key audit matters

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

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of Unquoted Investments Refer to page 90 (accounting policies) and page 98 (note 12).	There is a high level of estimation uncertainty involved in determining the valuation of the unquoted investments in the portfolio. Investments are also the most significant balance contributing to the Net Asset Value (NAV) of the fund, and therefore may be subject to management bias. We therefore determined the valuation of investments to be a key audit matter. We tested the valuations of a sample of unquoted investments. For all investments in our sample we: • Considered whether the valuation methodology chosen was in accordance with accounting standards and was the most appropriate in the circumstances under the International Private Equity and Venture Capital (IPEV) Guidelines; • Held meetings with management to understand the recent performance of the investee companies in the context of their "milestones", and corroborated information obtained in these meetings to board papers, management information and publicly available industry articles, reports and press releases; • Where a valuation had been amended based on the price of a recent funding round, we obtained associated Sale Purchase Agreements for the funding round in order to corroborate the price of the round, and considered whether the funding round had been carried out on an arm's length basis; • Where a valuation had been amended based on an investee company achieving or failing to meet certain key milestones, we challenged the basis of the change in value and obtained third party evidence. We assessed this by enquiries with management and corroborated this by inspecting board packs and financial performance of the investee companies. Key observations: Based on the procedures performed, we consider the estimates made by management in valuing the unquoted investments to be reasonable.

Independent Auditors' report continued

Our application of materiality

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

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality,

to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	3.8	4.8	2.8	3.0
Basis for determining materiality	1.5% net assets	1.5% net assets	1.5% net assets	1.5% net assets
Rationale for the benchmark applied	Given the activities of the Group as a venture capital group and the needs of the users of the financial statements, we determined that Net Assets was the most appropriate benchmark.		The nature of the parent company as a holding company and therefore being an asset based entity.	
Performance materiality	2.8	3.1	2.1	2.0
Basis for determining performance materiality	75% materiality	65% materiality	75% materiality	65% materiality
	On the basis of our risk assessment together with our assessment of the overall control environment and expected total value of known and likely misstatements, based on past experience, our judgement was that overall performance materiality for the Group and Parent should be 75% of materiality. Given the previous financial year was our first year audit, performance materiality was set at 65%.			

Component materiality

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

Reporting threshold

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

Other information

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

We have nothing to report in this regard.

Corporate governance statement

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

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

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 34; and
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 34.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 74;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 30;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 46; and
- The section describing the work of the audit committee set out on page 46.

Independent Auditors' report continued

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • 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. 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.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Corporate governance statement	In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information. In our opinion, based on the work undertaken in the course of the audit information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules. We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.

Matters on which we are required to report by exception

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:

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of

irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

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

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

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

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

Independent Auditors' report continued

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

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

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

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

Use of our report

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

Vanessa-Jayne Bradley (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

Date: 4 May 2022

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

DocuSigned by:

Vanessa Bradley

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Consolidated statement of comprehensive income

For the year ended 31 December 2021

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

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

* n/a as anti-dilutive.

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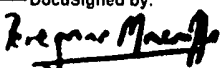
Consolidated statement of financial position

As at 31 December 2021

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

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

Peregrine Moncreiffe
Chairman

DocuSigned by:

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Consolidated statement of changes in equity

For the year 31 December 2021

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

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

For the year 31 December 2020

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

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Consolidated statement of cash flows

For the year ended 31 December 2021

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

Notes to the financial statements

1. General Information

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

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

2. Accounting Policies

A. Basis of preparation

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

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

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

Use of judgements and estimates

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

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

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

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

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

Notes to the financial statements continued

2. Accounting Policies continued

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

Going concern

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

B. Basis of consolidation

Subsidiaries

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

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

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

Entity	Country of Incorporation	Registered Address	Ownership
Arix Bioscience Holdings Limited	England and Wales	Duke Street House, 50 Duke Street, London, W1J 6JL	100%
Arix Bioscience, Inc	United States	401 Park Avenue South, New York, NY 10016	100%
Arix Capital Management Limited	England and Wales	Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ	100%
Arthurian Life Sciences GP Limited	Scotland	101 Rose Street South Lane, Edinburgh, Scotland, EH2 3JG	100%
ALS SPV Limited	England and Wales	Duke Street House, 50 Duke Street, London, W1J 6JL	100%
Arthurian Life Sciences SPV GP Limited	England and Wales	Sophia House, 28 Cathedral Road, Cardiff, CF11 9LJ	100%
Arix Bioscience plc Employee Benefit Trust	Jersey	26 New Street, St Helier, Jersey, JE2 3RA	100%
Arthurian Life Sciences Carried Interest Partner LP	Scotland	101 Rose Street South Lane, Edinburgh, Scotland, EH2 3JG	100%

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

2. Accounting Policies continued

Associates

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

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

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

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

C. Adoption of new and revised standards

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

D. Revenue recognition

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

E. Foreign currency translation

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

F. Leases

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

G. Exceptional items

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

Notes to the financial statements continued

2. Accounting Policies continued

H. Property, plant and equipment

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

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

I. Financial assets

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

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

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

Equity investments

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

Valuation of investments

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

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

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

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

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 12.

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

Treatment of gains and losses arising on fair value

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

Recognition of financial assets

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

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

Impairment of financial assets

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

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

J. Cash and cash equivalents

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

K. Goodwill and intangible assets

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

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

L. Share capital

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

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

Notes to the financial statements continued

2. Accounting Policies continued

M. Trade payables

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

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

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

N. Current and deferred taxation

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

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

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

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

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

O. Share-based payments

The Arix Group operates an equity incentive plan and an executive share option plan in which the Group's founders also participate. Share options must be measured at fair value and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity. The fair value of the option is estimated at the date of grant using a Black-Scholes Model or Monte Carlo simulation and is charged as an expense in the Statement of Comprehensive Income over the vesting period. Where relevant, the charge is adjusted each year to reflect the expected and actual level of vesting. Estimation uncertainty arises with this balance as the calculation incorporates assumptions for share price, exercise price, expected volatility (based on similar listed companies), risk-free interest rate and share option term. Further detail on Share-based Payments is available in Note 19.

P. Other reserves

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

Q. Treasury share reserve

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

R. Financial risk management

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

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

2. Accounting Policies continued

Market risk

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

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

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

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

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

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

Capital risk management

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

Notes to the financial statements continued

3. Revenue

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

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

4. Segmental Information

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

5. (Loss)/Profit Before Taxation

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

Auditors' remuneration

Statutory audit services

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

Non-audit services

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

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

6. Administrative Expenses

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

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

7. Net Finance Income

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

8. Exceptional costs

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

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

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

9. Employee Costs

Employee costs (including Directors) comprise:

	2021 £'000	2020 £'000
Salary and bonus	2,735	4,445
Social security costs	200	418
Pension and benefits costs	135	203
Employee costs excluding share-based payments	3,070	5,066
Share-based payments (Note 19)	(266)	25
	2,804	5,091

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

Notes to the financial statements continued

10. Income Tax

	2021 £'000	2020 £'000
Current year tax charge		
Current tax	-	-
Deferred tax – current year	-	207
Deferred tax – effect of change in tax rates	-	(185)
Adjustment in respect of previous periods	-	(22)
Total tax charge	-	-
Reconciliation of tax charge		
(Loss)/profit before tax	(61,084)	126,301
Expected tax based on 19.00% (2020: 19.00%)	(11,606)	23,997
Effects of:		
Expenses not deductible for tax purposes	10,765	2,489
Adjustment in respect of previous periods	-	(185)
Income not taxable	(434)	(26,706)
Tax rate changes	-	(22)
Employee share options	(51)	(789)
Deferred tax not recognised	1,326	1,216
Total tax charge	-	-
Recognised deferred tax provisions		
Brought forward	-	-
Adjustments in respect of prior year	-	(185)
Relating to profit and loss	-	185
Carried forward	-	-
Represented by:		
Unutilised tax losses	(3,461)	(925)
ACAs	-	-
Intangibles	-	-
Employee benefits	-	-
Investments	3,462	926
Other timing differences	(1)	(1)
	-	-
Unrecognised deferred tax provisions		
Unutilised tax losses	(11,390)	(6,443)
Priority profit share outstanding	363	95
Other timing differences	(8,565)	(1,179)
	(19,592)	(7,527)

10. Income Tax continued

The corporation tax rate for the year was 19%. The UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2021 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind. The Group is subject to UK corporation tax on the majority of its activities, which can include gains arising on investments. However, where possible the Group aims to take advantage of the UK's Substantial Shareholding Exemption ("SSE"), which exempts taxable gains or losses arising from the disposal of shares, where certain conditions are met. Where SSE has been applied in prior years, the Directors have taken what they consider to be all necessary steps to support the determination that these gains and losses in the Arix portfolio qualify for SSE, including close collaboration with their appointed tax advisers and further consultation and receipt of written opinion from a Queen's Counsel Barrister at a leading tax chambers. The Directors continue to believe that the application of SSE to the tax computation remains appropriate.

11. (Loss)/Earnings per Share

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

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

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

	As at 31 December 2021 £'000	As at 31 December 2020 £'000
(Loss)/profit attributable to equity holders of Arix Bioscience plc	(60,993)	126,076
Weighted average number of shares in issue for the purposes of basic earnings per share	126,950,904	130,499,853
Weighted average number of shares in issue for the purposes of diluted earnings per share	136,430,200	142,340,844
Basic (loss)/earnings per share	(48.0)p	96.6p
Diluted earnings per share	n/a*	88.6p

* n/a as anti-dilutive.

Notes to the financial statements continued

12. Investments

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

Transfers from Level 3 to Level 1 reflects companies which have listed during the year, being Aura Biosciences Inc and Pyxis Oncology Inc during 2021. Level 3 investments are valued with reference to either the most recent funding round (£53.3m, 2020: £22.9m); net asset value (£1.0m, 2020: £1.1m); market-based write-up (£nil, 2020: £31.2m); discretionary write-down (£1.4m, 2020: £1.3m) or deferred consideration (£1.2m, 2020: £2.2m). See Note 2(I) 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 result in a £6.4m (2020: £9.5m) movement in the investment portfolio value.

Equity investments – 2020

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

12. 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 2021, the Arix Group is deemed to have significant influence over the following entities:

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

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

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

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

Notes to the financial statements continued

13. Intangible Assets

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

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 were reduced during 2020, resulting in an impairment to the asset in that year.

14. Property, Plant and Equipment

Year ended 31 December 2021

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

Year ended 31 December 2020

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

15. Other Assets

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

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

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

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

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

17. Trade and Other Payables

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

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

18. Share Capital and Share Premium

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

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

Notes to the financial statements continued

19. Share Options

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

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

Executive Incentive Plan

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

In May 2018, the former Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, were scheduled to vest at nil cost on the third anniversary of their grant, on 17 May 2021, subject to performance criteria. This required the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth; all options lapsed during the year due to performance conditions not being met (2020: unvested 769,515). In the year ended 31 December 2021, a share-based payment credit of £186k (2020: credit £415k) was recognised in relation to the Executive Incentive Plan.

In May 2019, the former Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This required the net asset value and the share price to have grown a minimum of 7% pa compound over the assessment period to 1 January 2022, and up to 15% pa compound to achieve 100% of the award. All options lapsed during the year due to performance conditions not being met. In the year ended 31 December 2021, a share-based payment credit of £108k (2020: credit £143k) was recognised in relation to the Executive Incentive Plan.

In June 2020, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the net asset value and the share price to have grown by a minimum of 7% pa compound over the assessment period to 1 January 2023, and up to 21% pa compound to achieve 100% of the award. 1,658,441 are unvested at year end (2020: unvested 3,414,241) £14k (2020: charge £334k) was recognised in relation to the Executive Incentive Plan.

In August 2021, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable at nil cost and, in the case of the conditional share awards, will vest at nil cost at the end of the three year performance period, subject to performance criteria. This requires the net asset value and the share price to have grown by a minimum of 7% pa compound over the assessment period to 1 January 2024, and up to 15% pa compound to achieve 100% of the award. 408,460 were issued in the period, all of which are unvested at year-end. In the year ended 31 December 2021, a share-based payment charge of £42k (2020: £nil) was recognised in relation to the Executive Incentive Plan. The charge relating to net asset value growth was calculated based upon the share price at grant of £1.82, and the assessed likelihood of vesting (2021: 50%). The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£1.82); risk free interest rate (-0.08%); time to vesting (2 years and 6 months); and expected volatility based on comparable listed investments 23.5%.

19. Share Options continued

Executive Share Option Plan and Founder Incentive Shares

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

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

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

Non-Executive Director Awards

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

20. Net Cash From Operating Activities

	Year Ended 31 December 2021 £'000	Year Ended 31 December 2020 £'000
(Loss)/profit before income tax	(61,084)	126,301
Adjustments for:		
Change in fair value of investments	47,975	(135,297)
Impairment of investments	5,943	-
Foreign exchange losses	1,328	1,619
Share-based payment	(266)	25
Depreciation and amortisation	209	335
Impairment of assets	-	167
Finance income	(156)	(101)
Changes in working capital		
Increase in trade and other receivables	(461)	(272)
(Decrease)/increase in trade and other payables	(782)	390
Cash used in operations	(7,294)	(6,833)

21. Financial Commitments

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

Notes to the financial statements continued

22. Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

23. Related Party Transactions

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

24. Events After the Reporting Date

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

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

In January 2022, \$2.1m (£1.6m) was realised from Autolus therapeutics Inc. Arix is now totally divested.

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

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

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

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

In April 2022, following a review by the Board, the investment in Pyxis Oncology was exited, realising \$5.2m (£4.1m).

Following market purchases since 31 December 2021, Arix has a new holding in each of the companies listed below:

Listed on Nasdaq	No. of shares	Cost £	Percentage ownership
Black Diamond Therapeutics Inc.	481,900	1,482,061	1.3%
Bolt Bio Therapeutics Inc.	118,500	330,367	0.3%
Cullinan Oncology Inc.	66,500	556,615	0.2%
Dyne Therapeutics Inc.	155,100	866,838	0.3%
Edgewise Therapeutics Inc.	50,200	313,732	0.1%
Inozyme Pharma Inc.	151,006	652,894	0.6%
Kinnate Biopharma Inc.	190,000	1,495,868	0.4%
Kronos Bio Inc	149,000	808,931	0.3%
Olema Pharmaceuticals Inc.	610,000	2,521,731	1.5%
Prelude Therapeutics Inc.	150,000	1,158,895	0.3%
Silverback Therapeutics Inc.	470,300	1,598,857	1.3%
TCR2 Therapeutics Inc.	465,000	1,114,384	1.2%

Company statement of financial position

As at 31 December 2021

	Note	2021 £'000	2020 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	2	891	891
Amounts due from subsidiary undertakings	4	57,164	29,927
		58,055	30,818
Current assets			
Cash and cash equivalents	3	130,232	110,581
Cash on long-term deposit	3	–	62,276
Trade and other receivables		72	38
		130,304	172,895
TOTAL ASSETS		188,359	203,713
LIABILITIES			
Current liabilities			
Trade and other payables		(566)	(475)
		(566)	(475)
TOTAL LIABILITIES		(566)	(475)
NET ASSETS		187,793	203,238
EQUITY			
Share capital and share premium		188,585	188,585
Loss for the period		(3,586)	(4,148)
Retained earnings		16,584	20,998
Other reserves		(13,790)	(2,197)
TOTAL EQUITY		187,793	203,238

Company statement of changes in equity

For the year 31 December 2021

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2021	188,585	(1,240)	(957)	–	16,850	203,238
Loss for the year	–	–	–	–	(3,586)	(3,586)
Share-based payment	–	–	–	–	(266)	(266)
Acquisition of own shares	–	–	–	(11,593)	–	(11,593)
Issue of own shares to employees	–	24	(24)	–	–	–
As at 31 December 2021	188,585	(1,216)	(981)	(11,593)	12,998	187,793

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

For the year 31 December 2020

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

Strategic report

Corporate governance

Financial statements

Other information

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 UK adopted international accounting standards. 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

	2021 £'000	2020 £'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 2021 £'000	As at 31 December 2020 £'000
Cash at bank and in hand	130,232	110,581
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 2021 £'000	As at 31 December 2020 £'000
Opening balance	29,927	157,061
Net additions/(repayments) during the year	27,237	(127,134)
Impairments during the year	–	–
At 31 December	57,164	29,927

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.

5. Employees

The average number of employees during the year was one (2020: 1).

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. Aris 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.

Forward-looking statements

This Annual Report has been prepared for, and only for, the members of Aris 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

αALL/pALL

Adult/paediatric acute lymphocytic leukaemia – a cancer of the bone marrow and blood in which the body makes abnormal white blood cells (lymphocytes).

BCMA

B cell maturation antigen is a novel treatment target for multiple myeloma.

BLA

Biologics License Application is submitted after an investigational new drug has been approved. The biologics license application is a request for permission to introduce, or deliver for introduction, a biologic product into interstate commerce.

Core Portfolio

Arix's core portfolio comprises investments in companies that are developing novel therapeutics with first or best-in-class approach in a range of therapeutics areas with high unmet need and significant market opportunity. These companies have raised significant capital, supported by a strong syndicate of leading venture investors, and have reached validating milestones.

Gross Portfolio

Arix's Core Portfolio, Listed Portfolio and Public Opportunities Portfolio.

Hematology

The branch of medicine concerned with the study of the cause, prognosis, treatment, and prevention of diseases related to blood.

IL23

Interleukin 23

Myeloma

A type of blood cancer arising from plasma cells found in the bone marrow.

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.

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.

Public Opportunities Portfolio

Arix taking advantage of low public valuations in publicly listed clinical-stage biotech companies, focusing on de-risked opportunities that are well funded, trading at negative enterprise value or close to an equivalent of cash reserves, with expected clinical milestones over the next 6 to 18 months.

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.

TNFα

Tumour necrosis factor alpha

TriTAC

Tri-specific T cell Activating Construct – Harpoon's approach for targeted penetration and destruction of solid tumours and haematologic malignancies.

β-thalassemia NTDT/TDT

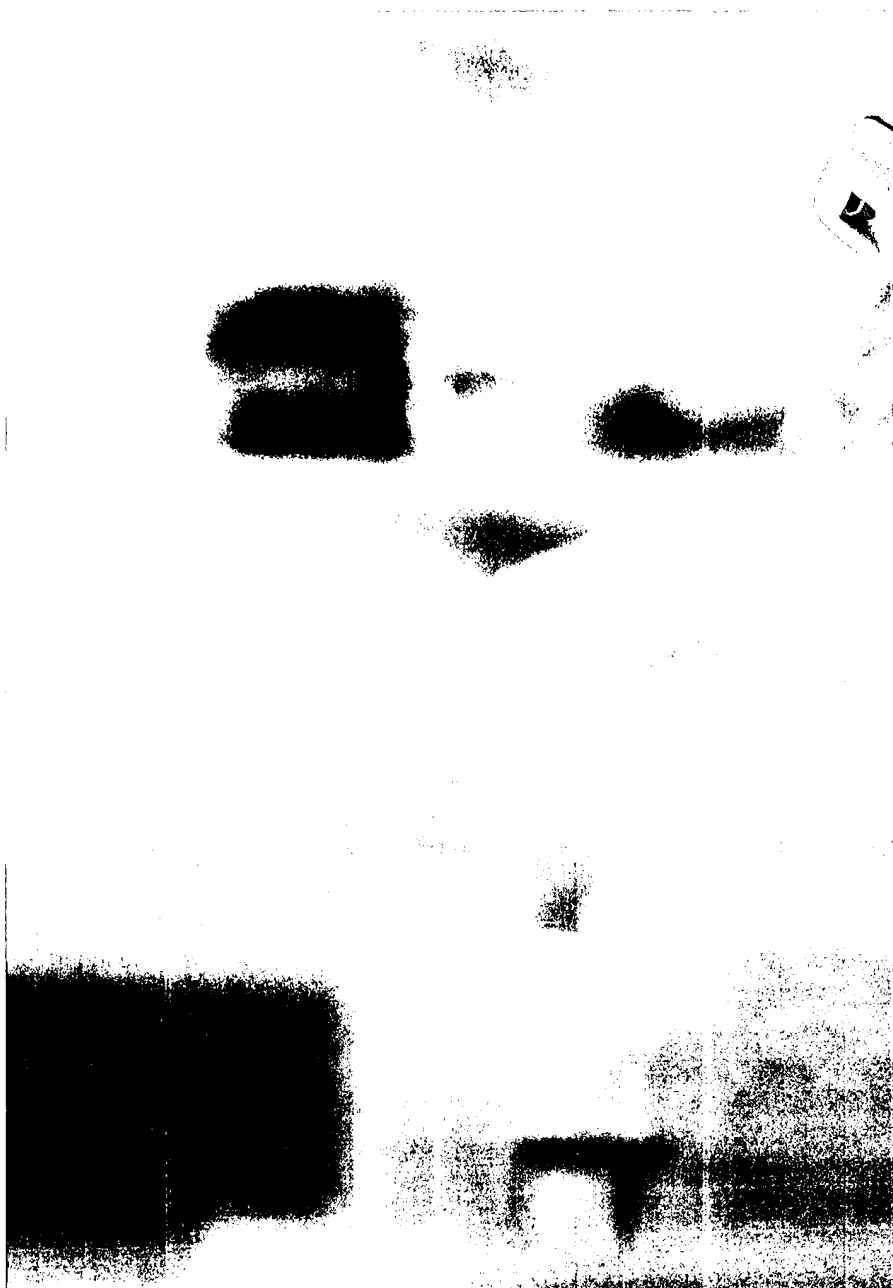
Non-transfusion-dependent thalassemia – a rare inherited disease that reduces the production of healthy haemoglobin. Severe patients often require frequent blood transfusions to ensure they have enough functional red blood cells (TDT Transfusion Dependent Thalassemia). Patients with less severe mutations may not require regular transfusions (NTDT Non-Transfusion Dependent Thalassemia).

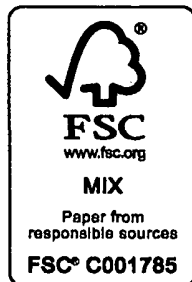
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This document is printed on Cocoon Silk; a paper made using 50% recycled fibre from genuine waste paper and 50% virgin fibre.

The unavoidable carbon emissions generated during the manufacture and delivery of this document, have been reduced to net zero through a verified, carbon offsetting project.