

Investing in life changing science

Annual report and accounts 2022



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.

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)	NAV per share	Gross Portfolio net revaluation*
£226m 2021: £255m	175p 2021: 198p	(£19m) 2021: (£54m)

Business highlights

Realised capital	Capital pool	Capital raised by portfolio companies in 2022
£21m 2021: £39m	£123m 2021: £134m	\$134m 2021: \$776m

Operational highlights

- > Agreement to acquire Twelve Bio by Ensoma in an all share transaction with concurrent financing which was completed in February 2023
- > Reverse merger of Disc Medicine onto Nasdaq completed in December 2022, 15 months after first Arix investment
- > Cost run rate below 2% of Net Asset Value

*Year on year net movement includes investments, FX, and impairment.

At a glance

Who we are:

Arx 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.

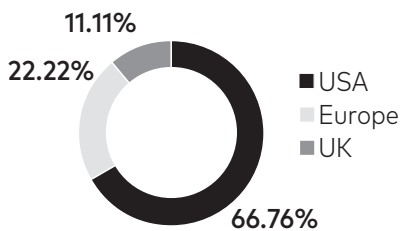
We are here for two key reasons. To generate superior returns for our investors and to make a tangible difference to patients' lives.

Investment strategy providing resilience through market cycles

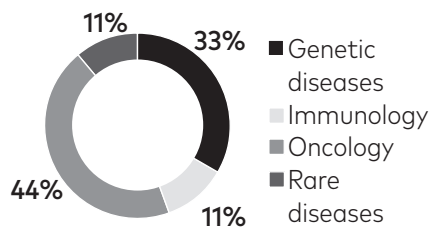
We focus on innovation and partner with highly experienced entrepreneurs to create companies that can significantly improve patients' lives.

Diverse portfolio

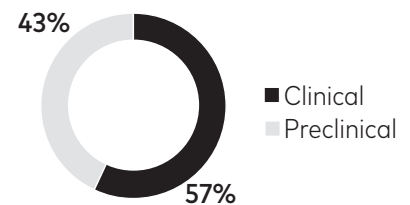
Geographic split



Therapeutic split



Development stage split



At a glance continued

NAV per share

175p 2021: 198p

Capital Pool

£123m 2021: £134m

Rolling 36 month goals

Double Digit NAV per share Growth

-9% annualised in 2020-2022
BELOW TARGET
(11% 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 11 clinical trials at 31 December 2022, with a further 9 in preclinical development.

Clinical trials

11 (2021: 22)

Read more on our Pipeline on page 18.

*NAV Per Share = NAV / Total Number of Issued Shares less those held in treasury.

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 and potential for IPOs and M&A.

Read more in the portfolio review on page 16.

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 24.

To see how our investment case works in practice, please see our Business Model on page 13.

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.

Chairman's Statement

Introduction

At the start of 2022, we had grave concerns about financial market conditions. I am pleased to report that, post year end, the outlook is more positive. We have always held the view that our particular area of the market is not as subject to the cyclical impact of consumer demand as other areas of the economy. As such, we believe that as the cost of capital starts to decline, the sector will recover. We are already seeing signs of funds coming back into the market and a pick-up in M&A, albeit modest, by large pharmaceutical companies.

Our NAV during 2022, continued to be affected by the protracted weakness in public markets that began in late 2021. Our response to those challenging conditions was to adopt a judicious approach to the deployment of cash and pause our core investing activity of taking large positions in unlisted companies.

Instead, with a significant disconnect between depressed public valuations and elevated private valuations, we created a "public opportunities" portfolio of between 5% and 10% of NAV to invest in undervalued listed companies, many of which we had assessed when they were still private. Across the entirety of the portfolio, we took decisive action to exit positions that we felt no longer offered compelling prospects, either for their growth potential or as M&A targets.

We also strengthened the Board with new additions which, as well as improving corporate governance, brought deep and complementary life sciences sector expertise from which we continue to benefit.

Performance

Compared to the prior year end, the net asset value fell from £255 million to £226 million (from 198p to 175p per share). The reduction was predominantly driven by share price declines in some of our legacy Nasdaq-listed holdings.

Our decision to conserve cash has served us well. While the market price and discount to NAV of our shares reflect considerable risk aversion with regards to venture investments in biopharmaceutical companies, our strategy has helped to protect the downside on our shares. We ended the year with £122.8 million in cash compared to £134.2 million in the prior year.

In view of the considerable market uncertainties, we continued to focus on the optimised management of our existing portfolio. This was borne out by our participation in the Disc Medicine fundraising in support of its merger with Gemini Therapeutics, and the merger of Imara with Enliven which we continue to hold. The maturation of the portfolio enables us to demonstrate our strategy in action, along with our ability to identify and support businesses with products and technologies that are attractive to large pharmaceutical company buyers.

Corporate Governance

We continue to benefit from improved governance on the Board, having introduced new skills and balance with the additions of Dr Debra Barker and Andrew Smith as Senior Independent Director and Non-Executive Director respectively. Debra is a seasoned international life sciences executive with more than 25 years' senior and board experience from start-up biotech to big pharma companies, while Andrew is an internationally experienced CFO and COO with strong financial and operational experience in US, Swiss and UK-based biotech and pharmaceutical companies.

The appointments were coincidental with the resignation of Sir Michael Bunbury. I am thankful to Sir Michael for the stewardship he provided and for his contribution to improving corporate governance at Arix during his tenure.

Together with Maureen O'Connell and Isaac Kohlberg, Non-Executive directors proposed by Acacia Research Corporation, we have a Board that encompasses a breadth and depth of investment and sector expertise, and a collegiate group of highly experienced and competent individuals who are all aligned on achieving success for Arix.

Progress on key targets

Our key performance indicators exist to ensure that our core value-creating portfolio companies receive the appropriate level of strategic and financial support to maximise the company's risk-adjusted investment return. While they are helpful markers of success, the dynamic environment in which we operate necessitates an agile approach, which is why we take a long-term view with targets set over a rolling 36-month period.

- Following IPOs from Aura and Pyxis Oncology in 2021, Disc Medicine completed a reverse merger in 2022, exceeding our target of achieving two IPOs over a 36-month period.
- We have maintained costs to within 2% of NAV (under normal market conditions) and anticipate that we will continue to do so.
- Having already achieved two strategic exits ahead of our 2023 target, there were no exits in 2022 beyond the sale of legacy positions in some of our listed company holdings.

We are attuned to the vagaries of market sentiment and its impact on sector activity, and we will not seek to achieve exits where they compromise our ability to generate a return in order to achieve an arbitrary, short-term target. As ever, we are focused on one over-arching objective: to deliver significant returns to shareholders through double-digit Net Asset Value growth over the long term. We believe that this can be achieved through a range of different portfolio events, the timing of which may vary.

Chairman's Statement continued

Market overview

The market correction that began in 2021 continued in 2022. The major sell-off in small and micro-cap biotech stocks took the XBI, an equal-weighted biotechnology index and indicator of the general health of the sector, from \$112 on 31 December 2021 to \$83 per share at the end of 2022, a 26% decline after bottoming out at around 63% twice in May. A confluence of macro-economic and political events drove up the cost of capital creating a challenging environment for the biotech sector. Investors took flight to safety as capital dried up, financing costs soared and equity markets declined. The sell off has been broad, with many new and non-specialist investors reducing their exposure to the biotech sector.

Inevitably smaller biotech companies felt the effects more acutely. Even those companies with positive clinical trial data often failed to impress investors. The number of biotech companies trading below cash remains far in excess of the pre-COVID normal. It is indicative of how the industry has reset valuations and is positioned for a recovery.

The IPO window remained mainly shut, with *Evaluate Vantage* reporting only 19 flotations over the year. The closing of the IPO window also hit the biotech venture world, with sums deployed markedly lower than in 2021. While many private companies seized the opportunity to raise capital prior to the slow-down, ongoing economic and geopolitical concerns will impact the timing of a recovery in 2023, affecting both private and public financings. This has created an environment of 'haves' and 'have nots'; those companies with clinical data will have an easier time raising capital and doing strategic deals while those without such data will find fundraising increasingly difficult, requiring other avenues such as mergers to stay afloat.

The result has been a forced consolidation in the market, where companies with cash combine with those in need of capital. In recent months we have seen some signs of interest in those companies at the larger, late-stage development end of the scale, notably Amgen's \$28.3 billion acquisition of Horizon Therapeutics and Pfizer's agreement to acquire Seagen for \$43 billion. Inevitably, the proceeds from these large deals will be recycled in the market, and we anticipate a trickle-down effect in time. We have already seen two meaningful mid-cap M&A deals in CinCor Pharma (acquired by AstraZeneca) and Amryt (acquired by Chiesi) since the start of 2023 and expect more to come.

Following the banking crisis that resulted in the collapse of Silicon Valley Bank, and the subsequent Federal Reserve announcements about interest rates, it seems likely that we will have a sustained period of stable interest rates without further, major, increases which will allow valuations to settle and some confidence to return to parts of the equity market during this year. After the incontinence of monetary policy during the years 2019 through 2021, the Fed has for historic reasons been reluctant to halt rate increases while US employment statistics remain strong, in spite of declines in money supply measures M1 and M2 over the past 15 months. With total US bank deposits continuing to fall week by week, it is likely that inflation will drop further, creating improved market conditions for our sector.

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. In terms of our policy last year, the Board considered the importance of conserving cash to ensure that our investors were protected against the downside during a period of significant market uncertainty. We anticipated a correction in private company valuations, which tend to lag the public market and pivoted towards public company investing.

While we continue to see value in the public markets, we are beginning to see some attractive valuations for high quality companies in the private market and expect to add to this part of our portfolio very selectively. Our support of Ensoma at the beginning of 2023 is one such example. While in previous years, we have sought to take a lead or co-lead position on private company financings, we now prefer to take smaller positions to increase our number of potential successful outcomes and overall portfolio liquidity. This strategy has become more viable now that the market has become increasingly selective and that we are being given access to a wide-ranging number of opportunities.

While we anticipate that 2023 will be a more propitious environment for exits, we also note that unlisted company valuations have come down. We are seeing a number of compelling opportunities to make smaller private equity investments, with smaller follow-on commitments, where we will have the ability to exit in a relatively short time period without having to commit a substantial portion of NAV. The Board considers the importance of diversifying risk by ensuring we have a greater spread of opportunities within the portfolio, giving us more 'shots on goal' and introducing more liquidity into the Core Portfolio.

Chairman's Statement continued

We will also continue to invest in listed companies through our Public Opportunities Portfolio, being approximately 5-10% of NAV. While initially we looked at this strategy as being defensive in case of a speedier reversion to more normal valuation metrics, our positioning has become more aggressive in seeking stakes in companies with attractive M&A potential in the near term.

Overall, we will take a very balanced view of capital deployment. We will be led by our perception not only of pharma interest in general but also of the level of pharma interest in our holdings in particular.

Share Repurchases

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 2023 but considers that buybacks are an attractive mechanism to improve liquidity for sellers while potentially generating a substantial uplift in NAV for ongoing shareholders.

Outlook

The current discount to NAV which our share price currently trades at is partly a consequence of increased investor risk aversion, as well as a reflection of the widening in the bid-ask spread, particularly in unlisted securities. While "risk-off" sentiment in response to macroeconomic and geopolitical drivers is likely to persist for some time, we are seeing a broadening of our shareholder base, which should be of benefit when there is a change in the cost of capital cycle. We are, however, currently maintaining a cautious approach to capital deployment, with significant cash and short-term treasury balances continuing to provide some downside protection, while we work on achieving significant exits.

We are navigating the headwinds facing the bio-pharmaceutical sector with careful adjustments to our portfolio, based on expected risk and return. With signs that M&A activity is returning to the sector, we are well placed to achieve our goal of generating superior returns with our portfolio of diverse companies developing innovative treatments which will make a tangible difference to patients' lives.

Peregrine Moncreiffe

Chairman
24 April 2023

Chief Executive Officer's Review

Introduction

As it was for many, 2022 proved more challenging than we had hoped at the start of the year. Markets were performing worse in the fourth quarter than in the same period in 2021 when life sciences stocks first began a steep fall. In the ensuing market correction, we are seeing a more conservative environment and a flight to quality, with the market oriented more towards value, from which Arix has been a beneficiary. Through testing times our Listed Portfolio navigated tough conditions, with some having taken the opportunity to raise capital in 2020-2021 when markets were more receptive, leaving them well-funded through 2023.

Our decision to be selective with capital deployment proved well-judged. During the Period, we committed £11.1 million to the Core Portfolio and ended the year with a £13.5 million exposure in our Public Opportunities Portfolio. We began 2023 in a strong position to be able to support our existing portfolio and invest in new opportunities that can improve outcomes for millions of patients and achieve healthy returns for shareholders.

We welcomed the Government's intervention in the rapidly evolving situation at Silicon Valley Bank (SVB) in the UK in March 2023 which resulted in its rescue by HSBC and demonstrated the strategic importance of the life sciences sector to the UK economy.

At Arix, we had a *de minimis* exposure to SVB, through brokerage accounts at SVB Leerink. While we have no direct exposure to SVB, the swift action by the US authorities ensured that none of our investee companies encountered any banking problems. Our portfolio companies have a range of banking relationships, some of which include SVB. We worked closely with affected portfolio companies through the period to support them in their efforts to mitigate any risk from SVB. We were pleased that the situation was resolved with no disruption to the trading or prospects of Arix or our portfolio companies.

Performance

After a modest fall early in the year, NAV remained steady during 2022 with small fluctuations led by developments in the portfolio including market movements for listed investments, continued cost control and movement in foreign exchange rates.

At the year end, we reported a decline in NAV to £226 million (31 December 2021: £255 million), or 175p per share (31 December 2021: 198p per share) representing a reduction of 11%. The decline was driven by a reduction in the valuation of the Gross Portfolio of £18.6 million to £99.6 million predominantly as a result of downward movement in our Core Portfolio public company holdings.

In common with many of our listed peers, risk aversion in the market affected our share price, which also came under pressure. While the discount to NAV was stable during the year, this is an area of focus for us as we seek to ensure that shareholders benefit from the value of our assets.

In a year when public markets were markedly subdued it is unsurprising that both the NAV and the share price did not perform as hoped. Weak public markets have limited the funding opportunities for many biotech companies and in turn reduced the competitive tension which drives the M&A market. This combination impacted the performance of the Core Portfolio.

Within the Core Portfolio, the most significant movement was Harpoon, where the value of our holding reduced from £12.2m at the start of the year to £1.3m at year end. Clearly this was a very disappointing performance reflecting a significant downrating of the company by public investors. Harpoon began significant action in November 2022 to restructure and refocus the business, which we expect to bear fruit in 2023 as important data read-outs are announced.

Aura is another public holding which suffered from the challenges of the public biotech markets in 2022, despite the impressive clinical progress it made. The valuation of our holding in Aura fell over the period from £20.0m to £13.2m. We feel that this downrating is unwarranted and look forward to an improved appreciation of Aura's progress as confidence returns to the sector.

By contrast, Imara saw a doubling of valuation during 2022, rising from £3.9m to £7.8m at year-end. Although this holding value is still below the original cost, the improvement over the period is testament to the management team's handling of the clinical failures suffered in April 2022. After these setbacks, and to preserve capital, Imara diligently cut costs and positioned itself as a prime merger candidate, executing a successful reverse merger with Enliven at the end of 2022. This has been well received by the market and provides us with an interesting new prospect for value creation and realisation in the Core Portfolio.

In the unlisted portfolio, a write down of STipe Therapeutics of £3.7 million was partially offset by a write up of our holding in Twelve Bio of £1.2 million following its acquisition by Ensoma.

We began our Public Opportunities Portfolio in February 2022, investing in a range of undervalued public biotech companies. This is a dynamic portfolio of liquid positions which we actively manage in response to market conditions and individual company performance. By the end of 2022, the value of the Public Opportunities Portfolio was broadly flat at £13.5m against a cost of £13.6m. This compares favourably with the XBI which had fallen 9.6% from when

Chief Executive Officer's Review continued

we began the Public Opportunities Portfolio, to 2022 year-end. As of 13 April 2023, we had maintained this out performance with the Public Opportunities Portfolio recording only a marginal fall in value of 0.4% against a drop in the XBI of 13.5% over the same period. The Public Opportunities Portfolio is well placed to benefit from the individual progress of the companies we have selected and a future change in sentiment towards these public stocks more generally.

Since the beginning of 2023, NAV performance has decreased by approximately 2%, to £222m, primarily as a result of weak public equity markets impacting our listed investments.

At year end we held cash of £122.8 million, slightly down from £134.2 million at the end of 2021, with new investments of £11.1 million deployed into new and existing portfolio companies during the year. This healthy cash balance, which can be attributed to previous realisations, leaves us well placed to make new investments to refresh the portfolio while we separately exit legacy positions.

Portfolio Overview

Throughout 2022 we continued our efforts to generate value for shareholders through important portfolio developments. We ended the year with nine companies across various therapeutic areas in the Core Portfolio, five of which were private and four of which were public, all having floated following previous private investment by Arix.

While we adopted a highly selective approach to capital deployment during the period, we demonstrated our commitment to developing the portfolio with our investment in Ensoma at the end of the year, alongside two important public mergers in the portfolio, Disc Medicine and Imara Inc. The former of these two was a validation of our capital commitment, occurring within 15 months of our initial investment. Disc now holds enough cash to advance its clinical programmes well into 2025 and beyond. Our \$9 million investment in Ensoma as part of a financing we co-led with 5AM Ventures coincided with the acquisition of portfolio company Twelve Bio for a modest uplift. These types of transactions demonstrate our readiness to pursue the right deals at the right time.

Portfolio progress

Overall, the portfolio made good progress in 2022, with several companies reaching important clinical milestones and securing financing.

Disc Medicine announced positive Phase 1 data of DISC-0974 in healthy volunteers, thus de-risking further clinical development and paving the way for Phase 2 studies. Based on the successful Phase 1 trial, Disc initiated a Phase 1b/2 clinical trial of DISC-0974 in myelofibrosis patients with severe anaemia. In addition, Disc started two Phase

2 studies of bitopertin in patients with erythropoietic protoporphyria and X-linked protoporphyria, respectively. Disc completed a merger with Gemini Therapeutics to create a NASDAQ-listed company with sufficient financing through all upcoming clinical data readouts and well into 2025.

Artios Pharma advanced its two clinical-stage assets through clinical trials and entered Phase 2 clinical development. For the first time Artios announced clinical data from human studies, highlighting encouraging safety and early signs of clinical activity. Notably, one of the initiated clinical trials is a Phase 2 study with PolØ inhibitor, ART4215, in combination with Pfizer's PARP inhibitor talazoparib in patients with BRCA deficient breast cancer.

Aura Biosciences presented positive interim data from its ongoing Phase 2 trial evaluating suprachoroidal administration of AU-011 for the first-line treatment of patients with early-stage choroidal melanoma. The data showed encouraging efficacy as well as safety. Based on this data, Aura aligned with regulatory agencies and finalised the design of the planned global Phase 3 trial. The trial will evaluate the efficacy and safety of AU-011 with suprachoroidal administration, for the first-line treatment of early-stage choroidal melanoma. In addition, Aura received FDA Fast Track Designation for AU-011 for the treatment of non-muscle invasive bladder cancer and announced the first patient dosed in its Phase 1 study. To support the ongoing clinical development of AU-011 in bladder cancer as well as the pivotal Phase 3 study, Aura raised \$80 million through a public offering at \$12 a share, to finance the company through these clinical milestones. Arix chose not participate given our significant existing position.

Harpoon Therapeutics presented interim data from the ongoing clinical trial of HPN328 demonstrating clinical activity and a favourable safety profile in patients with solid tumours. Harpoon also announced revised strategic priorities for its pipeline, shifting focus to ongoing clinical programs, HPN217, HPN328, and HPN601, to reduce operating expense and to extend cash runway through the end of 2023. Post-period end, we participated in a \$25m private placement round with a \$3.5m (£2.8m) investment to continue to support Harpoon with its ongoing clinical trials.

Following its acquisition by Ensoma, Twelve Bio's novel gene editing technology is now well placed to progress as part of the wider Ensoma platform. This is a testament for the outstanding efforts by the Twelve Bio team. We are excited to welcome Ensoma to the Arix portfolio and looking forward to working together with the Ensoma team and investors.

Chief Executive Officer's Review continued

Depixus has made good progress since raising the Series A in 2021 and the technology for developing their platform for fast, accurate and straightforward extraction of multiomic information from DNA, RNA and proteins, continues to progress well as they approach significant milestones, including prototype development and early preparation for commercialisation.

Sorriso continued to advance its pipeline of anti-inflammatory therapies through preclinical development and is on track to start first-in-human trials over the course of 2023.

Post period end we have been pleased to add another company to the Core Portfolio with an \$8.1m investment into Evommune, a clinical stage company developing treatments for chronic inflammatory disease. As I outlined in my statement last year, we deliberately took a selective approach to new private investments in 2022. We have been following the Evommune story since inception and were impressed at the progress the company made to reach the high bar we set for new investments. Together with the \$3.5m (£2.8m) we invested in Harpoon's March 2023 financing, this investment demonstrates our commitment to continuing to support and develop the portfolio where we see risk-adjusted opportunities for significant capital growth.

The year ahead will be significant for a number of our portfolio companies as they reach important clinical and development milestones throughout 2023. Our portfolio companies are collectively running 11 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 on the horizon, we see substantial growth potential across this portfolio in the near future. In addition to clinical milestones, there is potential for M&A activity, strategic partnerships as well as other financing events across the portfolio, which could greatly increase the value of our companies, and in turn our NAV.

Active management of the portfolio

We 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 companies that have become less compelling. During the period under review, we sold our positions in Pyxis Oncology, LogicBio and Autolus, generating £7.7m of aggregate proceeds. Outside of the Core Portfolio, we also closed our position in GenSight.

Investment expertise

New additions to the Board in 2022 brought strength and depth to our investment expertise, and we are fortunate to benefit from a highly skilled investment committee to complement our investment team. As we continue with the resumption of our core investing activities, we will continue to evolve our human resources to fit the needs of the business. As part of this, I am delighted to welcome Tassos Konstantinou to the Arix investment team as Managing Director, following the departure of Mark Chin.

Outlook

As we move through 2023, we remain cautious about the public markets and their appetite to support listed biotech valuations and further fundraisings. This is likely to be determined by the broader macro-outlook this year and will require markets to see the peak of inflation and interest rates before generalist investors will be comfortable pricing risk for assets in our sector.

Despite these uncertain times, the factors driving growth in the pharmaceutical industry remain unchanged: an ageing population, a rising prevalence of chronic conditions, and an increasing per capita spend on healthcare in developed and emerging markets underscore the inherent value that the sector has to offer. All of these factors serve to support our founding purpose: to provide public market investors with access to the abundant opportunities that exist within the healthcare and life sciences industries through a liquid, evergreen vehicle. For investors such as Arix, unlocking this value requires recovery in the biotechnology sector markets and an increase in licensing and M&A activity. We are confident that the fundamentals will play through when the macro challenges are no longer weighing as heavily on the markets.

Robert Lyne

Chief Executive Officer
24 April 2023

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 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 38,000 new trials initiated in 2022. Therapeutic approaches are making new treatments possible and transforming lives across therapeutic areas, from oncology and inflammatory to infectious diseases.

2 The increased number of ongoing clinical trials is likely to result in the development of breakthrough medicines addressing high unmet needs and underserved disease areas. Amongst new 2022 drug approvals was UK-based ImmunoCore's Kimmtrak, a bispecific T cell engager protein, that was approved for unresectable or metastatic uveal melanoma. Moreover, in August 2022 bluebird bio's Zynteglo became the first FDA-approved stem cell-based gene therapy for patients with β -thalassemia. The year 2022 also saw emerging developments in the radiopharmaceutical space. Novartis's Pluvicto was approved in March for prostate-specific membrane antigen-positive metastatic castration-resistant prostate cancer. 2022 also saw a number of approvals in the metabolic space, an area of increasingly high medical need. The first new drug to slow the onset of type 1 diabetes, Provention Bio's Tzield, was approved in November 2022. This anti-CD3 monoclonal antibody binds to T lymphocytes and dampens their attack on insulin-producing pancreatic beta cells.

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

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. However, between 2012 and 2021 the FDA approved on average 44 drugs per year. In 2022, 37 new drugs were approved, which marks a 26% decrease from the 50 drug approvals in 2021, but notably this temporary decrease may be a result of trial delays as well as trials discontinuations that were a result of the Covid-19 pandemic in 2020 and 2021. Notably, taking into account a number of impactful FDA approvals post period end in early 2023, it becomes apparent that the biotech industry remains strong to deliver new medicines and we remain highly optimistic that the number of drug approvals will increase again.

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.

37

New drugs approved by the FDA in 2022

55%

Novel drug approvals originated by smaller biopharma companies between 2011-2021

38,035

Increase in the number of clinical trials in 2022

\$78bn

Value of Biotech companies acquired in 2022

Sources: FDA, clinicaltrials.gov, SVB Leerink, Nature Publishing.

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.

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



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 shareholders

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

For employees

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

Diversity, equity and inclusion

At Arix we take great pride in our small team of employees and our Board who work tirelessly to deliver value for our shareholders. As we expand the team, we continue to deepen our commitment to Diversity & Inclusion by ensuring we have a diverse selection of candidates to choose from with a focus on building a diverse culture and gender balance. At the end of the reporting period, two of our Board members were female and five members were male, and the Board keep our Board Diversity policy under regular review. The Company had nine employees (including contractors) at the end of the reporting period, of which four were female and five were male. One male holds a managerial position within the Company.

Underpinned by our values

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

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 2022

- Provided £11.1m new capital to Core Portfolio companies.
- Up to £22.5m available for a new strategy of diversified investments in undervalued public companies.

£33.6m

capital deployed



Develop

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

Performance in 2022

- \$134m of capital raised by portfolio companies.
- New clinical trials initiated by Artios and Disc Medicine in the period.
- Twelve Bio acquired by Ensoma alongside concurrent financing in which Arix participated.

\$134m

capital raised by portfolio companies



Deliver

double digit NAV growth

Performance in 2022

- NAV decreased by 11% to £226m (175p per share).
- £30.8m cash realised from Core Portfolio during the year.
- Share price decreased by 11.9%.
- Cost base run-rate below 2% NAV.

£20.8m

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 2022	Links to strategic goals	Link to risks
1 NAV growth	Includes performance of portfolio companies and capital pool.	<ul style="list-style-type: none"> • 11% decline in NAV in 2022 (22% decline in 2021) 	<p>DISCOVER high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients</p> <p>DEVELOP and build the value of these companies through hands-on support</p> <p>DELIVER attractive returns to shareholders</p>	1 2 3 4 5 6
2 Total Shareholder Return	Measures performance of delivering value to shareholders. As no dividend were declared during the period, TSR is calculated solely on change in share price.	<ul style="list-style-type: none"> • Share price decreased from 122p to 107.5p in 2022 • TSR decrease of 11.9% 	<p>DELIVER attractive returns to shareholders</p>	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.	<ul style="list-style-type: none"> • £122.8m of cash and cash equivalents 	<p>DISCOVER high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients</p> <p>DEVELOP and build the value of these companies through hands-on support</p> <p>DELIVER attractive returns to shareholders</p>	1 2 3 4 5 6
Non-financial KPI	Description/rationale	Performance 2022	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.	<ul style="list-style-type: none"> • 11 clinical programmes 	<p>DISCOVER high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients</p> <p>DEVELOP and build the value of these companies through hands-on support</p>	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.	<ul style="list-style-type: none"> • 9 companies in Arix's Core Portfolio 	<p>DISCOVER high impact innovation in areas of unmet need, with the potential to deliver transformative treatments to patients</p>	1 2 4 6

KEY

1 Clinical trial risks	4 Personnel
2 Unlisted investments	5 Macroeconomic conditions
3 Taxation	6 Legislation and Regulation

Portfolio review

At year end, our portfolio companies were collectively running 11 clinical trials and conducting 9 pre-clinical studies, providing Arix with multiple shots on goal for value creation.

Overall, the portfolio made good progress in 2022, with several companies reaching important clinical milestones and securing financing, as detailed below.

Operationally, there was continued progress across the portfolio. Disc Medicine announced positive Phase 1 data of DISC-0974 in healthy volunteers, thus de-risking further clinical development and paving the way for Phase 2 studies. Based on the successful Phase 1 trial, Disc initiated a Phase 1b/2 clinical trial of DISC-0974 in myelofibrosis patients with severe anemia. In addition, Disc started two Phase 2 studies of bitopertin in patients with erythropoietic protoporphyria and X-linked protoporphyria, respectively.

Disc completed a merger with Gemini Therapeutics to create a NASDAQ-listed company with sufficient financing through all upcoming clinical data readouts.

Our portfolio company Artios Pharma advanced its two clinical-stage assets through clinical trials and entered Phase 2 clinical development. For the first time Artios announced clinical data from human studies, highlighting encouraging safety and early signs of clinical activity. Notably, one of the initiated clinical trials is a Phase 2 study with Polo inhibitor, ART4215, in combination with Pfizer's PARP inhibitor talazoparib in patients with BRCA deficient breast cancer.

Aura Biosciences presented positive interim data from its ongoing Phase 2 trial evaluating suprachoroidal administration of AU-011 for the first-line treatment of patients with early-stage choroidal melanoma. The data showed encouraging efficacy as well as safety. Based on this data, Aura aligned with regulatory agencies and finalized the design of the planned global Phase 3 trial. The trial will evaluate the efficacy and safety of AU-011 with suprachoroidal administration, for the first-line treatment of early-stage choroidal melanoma. In addition, Aura received FDA Fast Track Designation for AU-011 for the treatment of non-muscle invasive bladder cancer and announced the first patient dosed in its Phase 1 study. To support the ongoing clinical development of AU-011 in bladder cancer as well as the pivotal Phase 3 study Aura did a public offering to finance the company through these clinical milestones.

Harpoon Therapeutics presented interim data from the ongoing clinical trial of HPN328 demonstrating clinical activity and a favourable safety profile in patients with solid tumours. Harpoon announced revised strategic priorities for its pipeline, shifting focus to ongoing clinical programs, HPN217, HPN328, and HPN601, to reduce operating expense and to extend cash runway through the end of 2023. Post period end, Arix participated in a \$25m private placement round with a £2.8m (\$3.5m) investment in redeemable preferred stock to continue to support Harpoon with its ongoing clinical trials within the current subdued markets.

Following period end, Twelve Bio announced that it entered into a definitive agreement to be acquired by Ensoma, a Boston-based genomic medicines company developing one-time *in vivo* treatments that precisely engineer any cell of the hematopoietic system. A concurrent Series B financing for Ensoma was announced on the same day and included Arix Bioscience as a co-lead investor. The Twelve Bio team had made continuous progress to advance its novel gene editing technology and the acquisition by Ensoma is a testament for the outstanding efforts by the Twelve Bio team. We are also excited to welcome Ensoma to the Arix portfolio and looking forward to working together with the Ensoma team and investors.

Another deal completed post period end was Evommune, a clinical stage company developing therapeutics for the treatment of chronic inflammatory disease. Evommune has four programmes under development, one of which is already in the clinic and targeting patients with atopic dermatitis, a common form of eczema with a large potential patient population. The company is led by Luis Pena, who cofounded Dermira and served as Chief Development Officer before it was acquired by Eli Lilly. Arix contributed £6.6m (\$8.1m) to the round which will see the funds progress their programs through the clinic.

The year ahead will be significant for a number of our portfolio companies as they reach important clinical and development milestones throughout 2023. Our portfolio companies are collectively running 11 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 on the horizon, we see significant growth potential across this portfolio in the near future. In addition to clinical milestones, there is potential for M&A activity, strategic partnerships, and other financing events across the portfolio, which could greatly increase the value of our companies, and in turn our NAV.

Portfolio review continued

An overview of 2022 in numbers

\$134m

raised by portfolio companies in the year

11

clinical trials across the portfolio at year end

1

new addition to the portfolio

1

portfolio company acquisition

1

Reverse merger by a portfolio company on NASDAQ

Broad and rich clinical pipeline

Across our portfolio at year-end we have 11 studies in the clinic, focusing on areas of high unmet medical need.

Company	Programme	Indication	Clinical Stage	Expected next steps in 2023
Aura	AU-011	Choroidal melanoma (IVT*)	Phase 2	Completion
Aura	AU-011	Choroidal melanoma (SC**)	Phase 2	Phase 3 initiation
Artios	ART4215 + talazoparib	Breast cancer	Phase 2	Ph2 data in 2024
Disc Medicine	Bitopertin	Erythropoietic porphyria	Phase 2	Phase 2 data
Disc Medicine	Bitopertin	X-linked Protoporphyrin	Phase 2	Phase 2 data
Harpoon	HPN328	Small cell lung cancer	Phase 1	Phase 1/2 data
Harpoon	HPN217	Multiple myeloma	Phase 1	Phase 1/2 data
Artios	ART0380	Advanced or metastatic solid tumours	Phase 1	Phase 1 data
Artios	ART4215	Advanced or metastatic solid tumours	Phase 1	Phase 1 data
Disc Medicine	DISC-0974	Myelofibrosis	Phase 1	Phase 1/2 data
Aura	AU-011	Non-muscle invasive bladder cancer	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

Core Portfolio

Artios Pharma Limited

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 2
Original cost: £20.2m	
Holding value: £24.9m	
% of Gross Portfolio: 24.9%	

The year of 2022 was a successful year for Artios as it advanced its two clinical-stage assets through clinical trials and entered Phase 2 clinical development. Artios announced initial positive data from the Phase 1a study with its small molecule ATR inhibitor, ART0380, in patients with advanced or metastatic solid tumours in April 2022. The Phase 1a data demonstrated a predictable safety profile, preliminary clinical activity, and supported the initiation of a Phase 1b dose expansion study targeting ATM deficient tumours.

Based on the encouraging initial Phase 1b data, Artios announced, post period end, in February 2023 the initiation of a Phase 2 randomised trial for ART0380 in combination with gemcitabine in patients with platinum resistant ovarian cancer. Preliminary Phase 2 data will become available in 1H 2025.

The company initiated a Phase 2 study of its Polo inhibitor, ART4215, in combination with the PARP inhibitor talazoparib in patients with BRCA deficient breast cancer. Phase 1 safety and tolerability data for ART4215 in advanced solid tumours is expected in 1H 2023 and Phase 2 data in BRCA deficient breast cancer patients is expected in 2024.

Artios further expanded its board with the appointment of Samantha Truex, a seasoned biotechnology executive, in June 2022.

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
Original cost: £11.5m	
Holding value: £13.1m	
Realised to date: £2.7m	
% of Gross Portfolio: 13.2%	

Aura's drug binds to malignant tumour cells with high specificity and once the dye is activated by a short laser treatment there is an acute tumour cell necrosis. 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 positive interim data from its ongoing Phase 2 trial evaluating suprachoroidal administration of AU-011 for the first-line treatment of patients with early-stage choroidal melanoma. The data showed encouraging efficacy as well as safety. Based on this data, Aura aligned with regulatory agencies and finalised the design of the planned global Phase 3 trial. The trial will evaluate the efficacy and safety of AU-011 with suprachoroidal administration, for the first-line treatment of early-stage choroidal melanoma.

The company also reported topline data from a retrospective study of AU-011 versus plaque radiotherapy supporting the value of a vision preserving therapy for the treatment of patients with early-stage choroidal melanoma. AU-011 demonstrated statistically significant vision preservation compared to the current standard of care, which highlights the potential clinical benefit of Aura's therapy for patients. Aura also announced that the European Commission granted Orphan Drug Designation to AU-011 for the treatment of uveal melanoma, which includes choroidal melanoma.

In addition, Aura received FDA Fast Track Designation for AU-011 for the treatment of non-muscle invasive bladder cancer and announced the first patient dosed in its Phase 1 study.

Notably, Aura announced the pricing of a public offering of Common Stock in November 2022, sufficient to finance the company through the global Phase 3 study in choroidal melanoma.

Core Portfolio continued

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 2
Original cost: £8.1m	
Holding value: £9.0m	
% of Gross Portfolio: 9.0%	

In mid-2022, Disc announced positive Phase 1 data of DISC-0974 in healthy volunteers. The clinical trial demonstrated good safety, pharmacokinetics and encouraging effects on hepcidin levels as well as iron metabolism. Importantly, DISC-0974 achieved robust increases in serum iron and hemoglobin. Based on the successful Phase 1 trial, Disc initiated a Phase 1b/2 clinical trial of DISC-0974 in myelofibrosis patients with severe anemia in June 2022. In August 2022, Disc initiated two Phase 2 studies of bitopertin in patients with erythropoietic protoporphyria (EPP) and X-linked protoporphyria (XLP), respectively.

During the period, Disc announced a merger agreement with Gemini Therapeutics to create a NASDAQ-listed company focused on advancing Disc's clinical pipeline. A concurrent financing of \$53.5m restricted to Disc's existing investors was announced alongside the merger. The combined cash provides Disc with financial runway into 2025. The completion of the merger was announced in December 2022, when Disc started to trade on the Nasdaq Global Market under the ticker symbol IRON.

Disc appointed Jay Backstrom to its board of directors and Rahul Khara as General Counsel.

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	
Original cost: £4.6m	
Holding value: £8.2m	
% of Gross Portfolio: 8.3%	

Having closed the Series A financing in December 2021, during the period, the company has continued to make good progress and plans to provide further updates in 2023.

Imara (NASDAQ: IMRA)

In April 2022, Imara announced interim results of IMR-687 Phase 2b clinical trials in SCD and beta-thalassemia. Interim results in the Ardent trial for SCD showed no significant difference in median annualized rate of vaso-occlusive crises in high-dose groups versus placebo in an intent-to-treat population. Interim results in the Forte trial for beta-thalassemia demonstrated no significant benefit in transfusion burden or improvement in most disease-related biomarkers. IMR-687 was generally well tolerated across studies. Based on results from both Phase 2b clinical trials, further development of IMR-687 in SCD and beta-thalassemia was discontinued. To preserve cash, the company reduced staff by >80% and a minimal core management team decided to evaluate, together with the Board of Directors the best way forward to maximise returns for existing shareholders.

Therapeutic area: Genetic diseases	Phase 2
Original cost: £19.6m	
Holding value: £7.8m	
Realised to date: £7.3m	
% of Gross Portfolio: 7.8%	

In October 2022, Imara and Enliven Therapeutics announced a merger agreement to create a Nasdaq-listed, clinical-stage biopharmaceutical company focused on advancing Enliven's portfolio of precision oncology programs. Enliven is advancing two parallel lead product candidates: ELVN-001, a highly selective small molecule BCR-ABL inhibitor for the treatment of chronic myeloid leukemia, and ELVN-002, a potent, selective and irreversible HER2 and pan-HER2 mutant kinase inhibitor for the treatment of HER2 mutant lung cancer and other HER2-driven tumor types. Upon completion of the merger, which is subject to approval by Imara's and Enliven's stockholders, the combined company is expected to operate under the name Enliven Therapeutics, Inc. and trade on the Nasdaq Global Select Market under the ticker symbol ELVN. In support of the merger, Enliven also intends to raise approximately \$165m in a concurrent private financing. The combined company is expected to have a cash balance of approximately \$300m at close, which is expected to provide cash runway through multiple clinical milestones and into early 2026.

Core Portfolio continued

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	Preclinical
Original cost: £6.0m	
Holding value: £6.6m	
% of Gross Portfolio: 6.62%	

During the period the company has made good progress preparing for initiation of Phase 1 clinical development in 2023. The company remains on track to enter clinical trials in 2023.

Sorriso has made key additions to its team to strengthen its leadership. The company appointed Jeffrey W. Sherman, Chief Medical Officer and Executive Vice President at Horizon Therapeutics, to its board of directors. In addition, Jackie Benson, former Vice President of Immunology Scientific Innovation at Johnson & Johnson, joined Sorriso as Chief Scientific Officer.

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	Discovery
Original cost: £3.5m	
Holding value: £5.0m	
% of Gross Portfolio: 4.8%	

During the period, Twelve Bio has made continuous progress to advance its CRISPR-Cas12a toolbox. Following period end, on 5 January 2023, Twelve Bio announced that it entered into a definitive agreement to be acquired by Ensoma, a Boston-based genomic medicines company developing one-time *in vivo* treatments that precisely engineer any cell of the hematopoietic system. A concurrent Series B financing for Ensoma was announced on the same day, and included Arix Bioscience as a co-lead investor. Closing of the acquisition of Twelve Bio by Ensoma was announced on 9 February 2023.

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	Preclinical
Original cost: £5.0m	
Holding value: £1.3m	
% of Gross Portfolio: 1.3%	

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 continues its preclinical work on the lead program, however based upon the challenging funding environment for preclinical companies such as STipe, we have taken a view to further adjust the holding of value of STipe following the write down at the half year, as at year-end the holding value is £1.3m.

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 1/2
Original cost: £20.5m	
Holding value: £1.3m	
Realised to date: £12.5m	
% of Gross Portfolio: 1.33%	

During the period, Harpoon received FDA Fast Track Designation for HPN217 for the treatment of patients with relapsed, refractory multiple myeloma. In November and December 2022, Harpoon presented interim results from the Phase 1 trial of HPN217 in heavily pretreated patients with relapsed/refractory multiple myeloma. This data established a clinical proof of concept, demonstrating strong as well as durable efficacy and favorable safety.

Core Portfolio continued

Moreover, Harpoon was granted Orphan Drug Designation for HPN328 for the treatment of small cell lung cancer. Notably, Harpoon and Roche announced a collaboration on clinical trials to study HPN328 in combination with the anti-PD-L1 antibody atezolizumab in patients with small cell lung cancer. In May 2022 Harpoon presented interim data from the ongoing dose escalation of HPN328. The data showed clinical activity and a favourable safety profile in patients with solid tumours.

In November 2022, Harpoon announced revised strategic priorities for its pipeline. The company noted its strategic realignment to focus resources on ongoing clinical programs, HPN217, HPN328, and HPN601. This step involved a restructuring in workforce to support prioritized clinical development and resulted in reduced operating expense, and an extended cash runway through the end of 2023.

On a corporate level, Harpoon announced the departure of Chief Medical Officer Natalie Sacks and later in the period announced the expansion of its leadership team with the appointment of Wendy Chang to SVP HR, Banmeet Anand to SVP Translational Medicine, and Luke Walker to Chief Medical Officer. In addition, Harpoon appointed Lauren Silvernail, a highly experienced industry veteran, to its board of directors.

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	
Original cost: £14.5m	
Holding value: £0.0m	
% of Gross Portfolio: 0%	

Arix fully exited its position in Pyxis Oncology in 2022 at a loss of £10.3m against original cost.

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
Original cost: £13.3m	
Holding value: £0.0m	
Realised to date: £2.1m	
% of Gross Portfolio: 0.0%	

Arix fully exited its position in LogicBio in 2022.

Autolus (NASDAQ: AUTL)

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

Therapeutic area: Oncology	
Original cost: £24.6m	
Holding value: £0.0m	
Realised to date: £1.6m	
% of Gross Portfolio: 0.0%	

Arix fully exited its position in Autolus in 2022.

Public Opportunities Portfolio

Public Opportunities Portfolio

2022 continued to see a significant disconnect between public and private valuations for biotechnology companies. This led Arix to deploy capital into a range of public market investments which met the same criteria as our private investments, but offered significant value given the unwarranted shift in sentiment against these companies.

Original cost: £13.6m	
Holding value: £13.5m	
% of Gross Portfolio: 13.6%	

Each of the companies selected for the Public Opportunities Portfolio (POP) is a clinical stage drug development company with near-term clinical trial read-outs and the potential for acquisition by big pharma. Whilst this is consistent with our investment philosophy for private companies, the liquid nature of public market investments allows for dynamic trading of these positions which are deliberately kept at a size which allows for rapid liquidation. By comparison, our Core Portfolio public holdings are inevitably prone to illiquidity due to the significant percentage holdings we have as a legacy of being a pre-IPO investor. Whilst these Core Portfolio positions provide significant exposure to potential big wins, the Public Opportunities Portfolio provides a more balanced opportunity for us to generate value from volatile markets.

A successful example of one of our POP selections has been Ventyx Biosciences which we first invested in during July 2022. At the time of first investing, Ventyx's pipeline included three clinical-stage programs targeting TYK2, S1P1R and NLRP3, all of which are clinically validated targets that have strong prospect of becoming impactful oral therapies in the immunology space. It was the TYK2 program as well as the strong cash position and experienced Ventyx team that attracted Arix to this investment. We viewed the wholly owned TYK2 inhibitor as a potential best-in-class agent that could differentiate from Bristol-Myers Squibb (BMY) and others. Therefore, we viewed BMY's imminently expected deucravacitinib approval by the FDA as well as Ventyx's near-term Phase 1 safety/tolerability and PK/PD data in early Q3 2022 as potential positive catalysts. In August 2022, Ventyx presented highly encouraging Phase 1 data for its TYK2 inhibitor and in September 2022, the FDA approved BMY's deucravacitinib without a black box warning. Given the significant return that resulted from this positive news, we decided to partially sell down our position in Q4 2022, however, we remain excited about the return prospect of the stock.

Financial review

Year ended 31 December 2022

2022 highlights

Net Asset Value (NAV)

£226m

2021: £255m

Read more on our NAV growth, TSR and capital pool KPIs on page 15.

At year end, NAV totalled £226 million, a decrease of £29.5 million, or 11%, compared to 2021's £255.4 million. The loss for the year was £27.6 million (2021: loss of £61.1 million), while cash decreased by 8.5% to £122.8 million (2021: £134.2 million) per note 16, following net investments made of £12.8 million, and operational cash movements.

2022 saw a more challenging macro-economic environment than we had hoped for at the start of the year. The war in Ukraine has exacerbated inflationary pressures leading central banks to tighten monetary policy and increase the cost of capital. This has contributed to the challenges facing biotech companies seeking funding during the period and has kept pressure on public valuations. Nonetheless, the portfolio is well funded as we enter 2023, with Core Portfolio companies Aura Bioscience and Disc Medicine having collectively raised \$133.9m on the public markets in the second half of 2022.

Portfolio revaluations

The value of Gross Portfolio (see table below), including investments and realisations in the year, reduced by £18.6 million to £99.6 million predominantly as a result of downward movement in the public assets. This was driven by a further decrease in the value of Harpoon by £10.9 million.

In the private portfolio, a further write down of STipe Therapeutics (£1.3 million) was partially offset by a 20% increase in our holding in Twelve Bio to £1.2 million. This was as a result of Twelve Bio's all share transaction-acquisition by Ensoma and the resultant conversion of an outstanding Twelve Bio convertible loan to 20%.

Portfolio realisations

During the year we continued to exit certain legacy public positions. This resulted in the complete exit from Autolus, LogicBio and Pyxis generating £7.7 million of aggregate proceeds. There was also a modest realisation from Aura in the first half of 2022 when the stock was trading well, generating £1.2m of proceeds and leaving a significant remaining position for Arix.

Portfolio investment

As outlined at the start of 2022, we expected capital deployment to be reduced and refocused on the Public Opportunities Portfolio. This was reflected in only one new company being added to the portfolio with the financing

of £7.5m into Ensoma alongside its acquisition of existing portfolio company Twelve Bio.

The focus of new capital deployment was into the Public Opportunities Portfolio which began in February 2022. This is a dynamic portfolio which adjusts to conditions in the market as well as individual opportunities. At its peak there was £22.5 million invested in this portfolio. By year end, the value of the holdings in the Public Opportunities Portfolio was £13.5 million.

Foreign exchange

The GBP/USD exchange rate fell during 2022. Starting at \$1.35 it declined to \$1.11 in September 2022, before recovering to \$1.21 by the year end. This resulted in a modest net negative impact of £3.45 million on portfolio valuations with the majority of Arix's investments being denominated in US dollars.

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

Cash and deposits

With a cash balance of £122.8 million per note 16 at 31 December 2022, Arix has a very strong capital pool to support both the current portfolio and new biotech opportunities.

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

2022 saw continued control of costs which have been reduced significantly in recent years. Net operating costs were £8m in 2019, £6.9m in 2020 and £6.6m in 2021. Cost reduction began in 2021 following management changes, with £1.49m of exceptional changes taken that year in relation to shareholder engagement and restructuring. For 2022, net operating costs were £3.5 million, representing 1.5% of 2022 NAV, below the 2% target.

Fund management fee income of £0.01 million, (2021: £0.3m) received from managing The Wales Life Sciences Investment Fund, continues to reduce in line with expectation as the fund reached the end of its tenure in February 2023.

Finance income of £1.6 million was generated in the year reflecting the significantly increased interest rate environment compared to £0.1m last year when interest rates were considerably lower.

Financial review continued

The share-based payment was a charge in the year of £0.3m compared to the credit in the previous year (£0.3 million).

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 2022 was £nil (2021: £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, and comparable valuations. 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 84.

Post Year End

In March 2023, Arix contributed £2.8m to Harpoon's private placement financing. In April 2023, Arix invested £6.6m in Evommune Inc. For further details after the reporting date please see note 24 of the financial statements on page 103.

Financial review continued

Investment summary

Investment	1 Jan 2022 £m	Investments in period £m	Realisations in period £m	Change in valuation £m	FX movement £m	31 Dec 2022 £m	Equity interest %	Not invested £m	Fully funded %
Core portfolio									
Listed on NASDAQ									
Aura	20.0	0.0	(1.2)	(4.2)	(1.5)	13.1	4.1%	–	4.1%
Pyxis Oncology	14.1	0.0	(4.2)	(9.9)	0.0	0.0	0.0%	–	0.0%
Disc Medicine	8.1	1.7	0.0	0.0	(0.8)	9.0	4.2%	–	4.2%
Harpoon	12.2	0.0	0.0	(14.6)	3.7	1.3	6.7%	–	6.7%
LogicBio	4.9	0.0	(1.9)	(3.1)	0.1	0.0	–	–	0.0%
Imara	3.9	0.0	0.0	3.9	0.0	7.8	6.1%	–	6.1%
Autolus	1.9	0.0	(1.6)	(0.3)	0.0	0.0	0.0%	–	0.0%
Nasdaq listed total	65.1	1.7	(8.8)	(28.3)	1.5	31.2			
Unlisted									
Artios	24.9	0.0	0.0	0.0	0.0	24.9	9.9%	–	9.9%
Depixus	7.8	0.0	0.0	0.1	0.3	8.2	21.4%	–	21.4%
Sorriso	5.9	0.0	0.0	0.0	0.7	6.6	26.0%	3.7	26.0%
Twelve Bio	3.8	0.0	0.0	1.0	0.2	5.0	49.0%	–	49.0%
STipe	2.9	2.0	0.0	(3.7)	0.2	1.3	19.8%	–	19.8%
Amplyx	1.2	0.0	0.0	0.0	0.1	1.3	–	–	–
Ensoma	0.0	7.5	0.0	0.0	0.0	7.5	–	–	–
Unlisted total	46.4	9.4	0.0	(2.6)	1.6	54.8			
Public opportunities portfolio total	0.0	22.5	(7.8)	(0.8)	(0.4)	13.5			
Other public market investments									
GenSight	6.3	0.0	(4.2)	(2.6)	0.5	0.0	0.0%	–	0.0%
Legacy assets	0.4	0.0	0.0	(0.3)	0.0	0.1	–	–	–
Gross Portfolio	118.2	33.6	(20.8)	(34.5)	3.1	99.6			
Other interests	2.4	0.0	0.0	(0.7)	1.4	3.0		–	
Total investments	120.6	33.6	(20.8)	(35.3)	4.5	102.6			

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.

Internal knowledge	The Board Sets the tone for corporate governance			
	Key committees Four committees oversee the effectiveness; they ensure balance and are responsible for succession			
	Audit & Risk Committee	Nomination Committee	Remuneration Committee	Strategy & Investment Committee
External assurance	Executive management			
	Portfolio company boards and independent assurance			

Risk Management continued

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. 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. Post year-end the solvency concerns at Silicon Valley Bank (SVB) became a potential risk to those portfolio companies with deposits at the bank. Although Arix had no direct relationship with SVB, it did utilize SVB Leerink, a subsidiary of SVB, as a broker for US listed securities. Whilst SVB Leerink has continued to operate unaffected by actions at SVB, and the public securities were not at risk, instructions were given to transfer all holdings from SVB Leerink before FDIC intervened with SVB. Given the actions taken by the US Government we do not foresee a liquidity risk from SVB to any of our portfolio companies. 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	<p>Arix's portfolio typically comprises companies that are engaged in clinical trials.</p> <p>There is a risk that the trials may produce negative or inconclusive results.</p>	<p>Negative clinical trial read outs may reduce the value of the portfolio company, potentially to nil. This would therefore result in a decrease in Arix's profitability, and reduce Arix's ability to generate positive cash flows from future realisations.</p> <p>Inconclusive read outs may both reduce the value of the portfolio company, impacting Arix's profitability, and require further capital to fund additional trials to seek further clarity in the results, adversely impacting Arix's cash flow.</p> <p>Portfolio companies are usually not revenue-generating and are typically only funded through to an anticipated subsequent clinical milestone. Negative or inconclusive clinical trial readouts might impact the portfolio company's ability to attract further capital and therefore may be unable to continue in operation.</p>	<p>Arix has an experienced team responsible for identifying and developing portfolio companies, resulting in a high standard of due diligence before the commitment of any capital. Post-investment, Arix typically has representatives on the company's board of directors, ensuring it is fully aware of business developments, and allowing for mitigation of possible issues as they arise.</p> <p>Arix's commitments to investments are typically tranching, such that capital is not overly committed to a company at a single stage, with further funds only invested once pre-agreed milestones have been reached.</p> <p>Arix funds a range of portfolio companies and continues to develop its portfolio across a range of therapeutic areas. Its diverse portfolio means that Arix's financial performance is not overly reliant on any one business.</p>

Risk Management continued

Area	Risk	Impact	Mitigation
2 Unlisted investments	<p>Arix's portfolio comprises certain investments which are not listed on a recognised stock exchange, making them both harder to value and more difficult to liquidate.</p> <p>There is a risk that ultimate cash proceeds from an investment may be significantly below an investment's current fair value.</p>	<p>Arix may be unable to realise returns on its unlisted investments at prevailing fair values. This may result in a reduction in the carrying value of investments, reducing Arix's profitability.</p> <p>If investments cannot ultimately be realised, this will reduce Arix's ability to generate positive cash flows and reduce Arix's ability to continue to fund new investment opportunities.</p>	<p>Arix has an experienced team responsible for identifying and developing portfolio companies, resulting in a high standard of due diligence before the commitment of any capital. Post-investment, Arix typically has representatives on the company's board of directors, ensuring it is fully aware of business developments, and allowing for mitigation of possible issues as they arise.</p> <p>This should therefore improve the likelihood of the investment being a desirable acquisition target, and therefore Arix's investment being monetised.</p> <p>Arix funds a range of portfolio companies and continues to develop its portfolio across a range of therapeutic areas. Its diverse portfolio means that Arix's financial performance is not overly reliant on any one business.</p>
	<p>Arix aims to generate significant gains on its investments, which can result in potentially large corporation tax charges.</p> <p>Where possible, Arix aims to take advantage of available exemptions to reduce its tax liabilities.</p> <p>There is a risk that tax authorities challenge the use of these exemptions.</p>	<p>Where Arix believes it has met the appropriate qualifying criteria, Arix claims the UK's Substantial Shareholding Exemption which reduces the tax on such gains and losses to nil.</p> <p>If the use of this exemption were rejected by HMRC, this would increase Arix's tax liabilities, reducing Arix's profit after tax. It would also reduce Arix's cash reserves, resulting in fewer funds being available to fund Arix's operations and future investment opportunities.</p>	<p>Arix's finance team comprises chartered accountants who are experienced with the tax treatments and exemptions.</p> <p>Arix employs the use of a 'Big Four' professional services firm to assist with all tax disclosures, returns and regulatory correspondence.</p> <p>For areas of significant judgement in relation to tax, Arix seeks further advice from eminent professionals in the field, such as a Queen's Counsel Barrister, to support the tax treatment adopted.</p>

Risk Management continued

Area	Risk	Impact	Mitigation
4 Personnel	<p>Arix's success is predicated on the quality of its investment decisions, which in turn is a product of the calibre of its investment team.</p>	<p>The financial performance of Arix depends on its ability to identify and develop outstanding portfolio companies and, as such, is reliant on its key personnel.</p>	<p>Arix's Board and investment team have strong scientific and commercial backgrounds.</p>
	<p>There is a risk of Arix being unable to attract or retain staff of sufficient calibre.</p>	<p>Loss of key individuals could reduce the quality of Arix's investment decision-making and therefore negatively affect Arix's financial performance and future prospects.</p>	<p>Arix is implementing competitive long-term incentives for its investment team. Corporate staff and executive directors are incentivised with a share option scheme which aligns with Arix's performance and shareholder experience.</p> <p>Arix's Nomination Committee is responsible for appropriate succession planning.</p>
5 Macroeconomic and geopolitical conditions	<p>Adverse macroeconomic and geopolitical market conditions may impact Arix's operational model.</p>	<p>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.</p>	<p>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.</p>
	<p>In particular, the current conflict in Ukraine, including sanctions imposed on Russia.</p>	<p>The same conditions may also negatively impact the availability of capital for any external fundraising by Arix or its portfolio companies.</p>	<p>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.</p> <p>Arix monitors its availability of capital closely, ensuring sufficient funds are available for the investment and operational needs of the business.</p>

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.	<p>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.</p> <p>Arix's corporate team actively monitors changes to laws and regulation, and where necessary enlists the advice of relevant experts to consider any company or portfolio impacts.</p>

Viability statement

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

A robust assessment of the principal and emerging risks and their mitigants has been carried out. The Board assessed Arix's business model, particularly its approach to capital which is legally committed to, and provisionally reserved for further investment into 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 ability to raise further capital on the public markets.

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

Based on its review, and the consideration of any changes that had occurred post year-end, 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

Engagement and Decision-Making

The views and interests of our Stakeholders remain of paramount importance to the Board and continue to inform Board discussions and decision-making.

Stakeholder Engagement

The Board maintains an open and productive dialogue with all our Stakeholders throughout the year as discussed below and 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 our business and remains effective.

Statement by the Board in accordance with s172 Companies Act 2006

We believe that considering our stakeholders in key business decisions is not only the right thing to do, but is fundamental to our ability to drive value creation over the longer term. During this financial year, in the midst of the War in Ukraine, balancing the needs and expectations of our stakeholders has never been a more important or challenging task.

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 consider, 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

Securing our shareholders' trust through continuous engagement ensures their ongoing investment and support and the Board 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 2022. Whilst physical meetings were restricted for the first half of the year, virtual meetings have continued to be held and with a return to physical meetings there has been the opportunity to engage with shareholders throughout the year. The results of this Investor Engagement are reported to the Board to help inform our communications and strategy.

Colleagues

We cannot operate and achieve our strategic goals without an engaged colleague base that feels appreciated and is motivated to deliver for our investors and the business' success. Key priorities for the Board in respect to employee engagement include promoting an inclusive and diverse place to work with a respectful corporate culture where

colleagues are encouraged to share their views and have their voices heard in decision-making and we strive to make our colleagues feel valued and appropriately rewarded.

The Board are proud of the small team of employees which work collaboratively and continuously to deliver for our investors. As a result of the culture at Arix, and the small number of employees, each colleague has open and continuous access to engage with our Board of Directors and they meet with the Board throughout the year both virtually and face to face to discuss any matters arising.

2022 saw further evolution of the management team which enabled internal progression for some employees, whilst strengthening the Company's ability to deliver on its strategy. The Board, in collaboration with the Remuneration Committee, have had particular regard to employees as they have considered the Company's long-term incentive arrangements as part of its strategy to attract, retain and motivate colleagues 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.

Service Providers

The Board regularly evaluates the performance of its key panel of third-party professional service providers which includes the Company's external accounting team, remuneration advisors and company secretary.

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 supporting Disc Medicine's reverse merger with Gemini Therapeutics and new investment into Ensoma alongside its acquisition of existing portfolio company Twelve Bio. 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.

Our stakeholders continued

Cost control: 2022 saw a continued focus on managing the run-rate net operating costs of the business. In ensuring that costs are kept low, 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.

Imara: The Board was engaged and supportive of Imara's merger with Enliven Therapeutics. Following the disappointing clinical failure at Imara in early 2022, the successful reverse merger with Enliven will not only provide liquidity for Arix as an investor in due course, but also allows Imara's capital to support Enliven's important clinical programs. This transaction is consistent with Arix's goal of maximizing return on investment, even after a disappointing clinical outcome, and delivering new treatments for patients.

Environment, Employees, Human Rights and Social Matters

Due to Arix's status as a life sciences investment company with minimal full time employees the direct impact on environmental matters, social, community and human rights issues is minimal. No further disclosures are to be made in respect of these matters beyond those set out in the Streamlined Energy & Carbon Reporting section which follows on page 34.

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 2022 to 31 December 2022.

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 2022 are:

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

All carbon dioxide emissions and energy consumption figures relate to emissions in the United Kingdom (UK), accounting for 73% of total emissions, and the United States of America (USA), accounting for 27% of total emissions.

Methodology

For the Group's reporting, the Group has employed the services of a specialist adviser, Verco Limited, 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; and
- 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 2022 were:

- 8.1 tonnes of CO₂ equivalent (tCO₂e) using a 'location-based' emission factor methodology for Scope 2 emissions; and
- 8.9 tonnes of CO₂ equivalent (tCO₂e) using a 'market-based' emission factor methodology for Scope 2 emissions.

The Group's GHG emissions have been separated by those generated inside of the UK and those generated outside of the UK - the USA in this case. The breakdown is as follows:

- 61% of emissions were generated in the UK and 39% were generated in the USA using the 'location-based' emissions factor methodology for Scope 2 emissions;
- 71% of emissions were generated in the UK and 29% were generated in the USA using the 'market-based' emissions factor methodology for Scope 2 emissions.

Total Energy Use

The total energy use for the Group for FY2022 was 36,334 kWh.

	Electricity/Fuel		Total Energy Use (kWh)
	Electricity (kWh)	Gas (kWh)	
2022	16,142	20,192	36,334
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.

Sustainability continued

The intensity metrics for FY2022 were as follows:

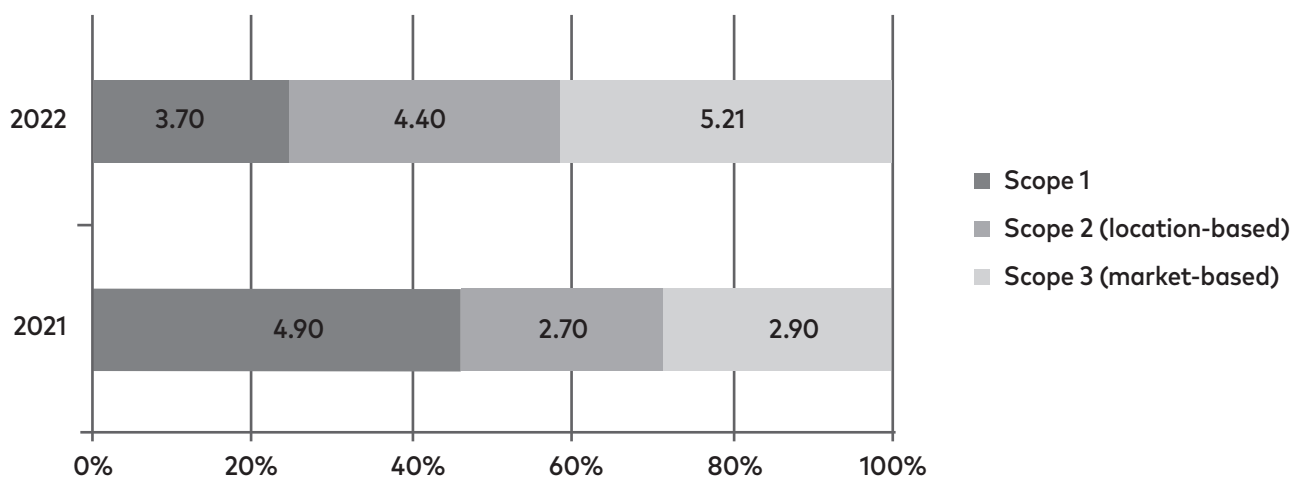
- 1.01 tonnes (2021: 1.29 tonnes) of CO₂e per employee (location-based method) and 1.11 tonnes (2021: 0.55 tonnes) of CO₂e per employee (market-based method); and
- 0.004 tonnes (2021: 0.004 tonnes) of CO₂e per square foot of occupied space (location-based method) and 0.004 tonnes (2021: 0.002 tonnes) of CO₂e per square foot of occupied space (market-based method).

Change in Emissions

There has been an increase in emissions for both location-based of 8.0% and an increase in emissions market-based methods of 14%. The market based emissions in 2022 have increased due to increased office occupancy and resultant energy and facilities usage per head in comparison to that of 2021 when post Covid-19 events and working from home arrangements were more frequent.

Key Figures

Arix Bioscience plc – Breakdown of emissions by scope



GHG emissions	2022			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	Tonnes CO ₂ e	tCO ₂ e / emp. ⁴	tCO ₂ e / sq. ft. ⁵
Scope 1 ¹	3.68	0.46	0.002	4.86	–	–	5.02	0.55	0.002
Scope 2 ²	4.41	0.55	0.002	2.67	–	–	6.77	0.74	0.002
Scope 2 ³	5.21	0.65	0.003	2.94	–	–	0.09	0.00	0.00
Total GHG emissions (Location-based Scope 2)	8.10	1.01	0.004	7.53	–	–	11.80	1.29	0.004
Total GHG emissions (Market-based Scope 2)	8.89	1.11	0.004	7.80	–	–	5.11	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: 8 (FY2022); varies throughout FY2021: 9.9 (FY2020). Intensity ratio not calculated for 2021 due to an office move and absolute figures not being obtained.

⁵ Occupied office space: 2,077 ft² (FY2022; varies throughout FY2021 due to office move; 2,844 ft² (FY2020). Intensity ratio not calculated for FY2021 due to an office move and absolute figures not being obtained.

⁶ Location based emissions are UK only.

Energy Efficiency Actions

The Group offers fully remote working twice a week to all employees, with the aim of reducing emissions related to commuting.

Corporate Governance Report

Chairman's Governance Overview

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.

Turbulent Times

The Board has delivered a heightened degree of oversight and scrutiny throughout 2022 to ensure the long-term sustainable success of the Company in light of the impacts of unstable markets and the War in Ukraine on our business and on the markets more generally.

New Leadership

There were a number of changes to the Arix Board this year. Shareholders will have noted our announcement last August confirming the appointments of Dr Debra Barker, Dr Benny Soffer, and Andrew Smith as independent, Non-Executive Directors. At the same time, Sir Michael Bunbury resigned from the Board as Senior Independent Director ("SID"). Debra Barker was subsequently appointed as SID and Chair of the Remuneration Committee and we are very pleased that Andrew Smith has since accepted the role of Chair of the Audit and Risk Committee. Benny Soffer resigned from the Board on 31 January 2023, post year-end.

On behalf of the Board, I would like to thank Sir Michael Bunbury personally for his contributions to the Board and Committees of the Company and his significant contribution to improving corporate governance at Arix throughout 2022.

Peregrine Moncreiffe

Chairman
24 April 2023

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, a copy of which is available at www.frc.org.uk. For the year ended 31 December 2022, the Board considers it has made valiant efforts to comply in full with all applicable principles and provisions of the Code. Where the Company has deviated from the Code, an explanation is set out below: 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 9 employees across Europe and the USA (at 31 December 2022); 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 and Direct contact with its employees as discussed on page 32 of this report.

Provision 11 – During the year, the Non-Executive Director Appointments of Debra Barker, Benny Soffer and Andrew meant that the Company were compliant with this provision as over 50% of the NEDs were independent upon appointment (excluding the Chair), however Benny Soffer's departure on 31 January this year meant that only one third of the Board is currently comprised of independent non-executive directors. The Board is looking to add a further independent non-executive director in 2023 to address this balance.

Key areas of Board Focus and Consideration during the year under review are set out in the table below

Focus	Operation
Leadership, strategy and management	<ul style="list-style-type: none"> • Providing leadership and setting values and standards. • Approving the Company's strategic aims and objectives. • Overseeing operations.
Structure and capital	<ul style="list-style-type: none"> • Changes to the Group's capital or corporate structure. • Changes to the Group's management and control structure.
Financial reporting	<ul style="list-style-type: none"> • Approval of financial statements. • Review of the dividend policy. • Approval of material changes in accounting policies. • Approval of major capital expenditure.
Risk management and internal controls	<ul style="list-style-type: none"> • Ensuring maintenance of a sound system of internal control and risk management. • Determining the principal risks of the Company and how they are managed and mitigated. • Reviewing the effectiveness of the risk and controls processes.
Board membership	<ul style="list-style-type: none"> • Changes to the structure, size and composition of the Board. • Ensuring adequate succession planning. • Appointment or removal of the Chairman, CEO, SID and Company Secretary.
Corporate governance	<ul style="list-style-type: none"> • Review of Group's overall governance framework. • Determining the independence of Directors. • Considering the balance of interests between shareholders and other stakeholders. • Authorising any conflicts of interest.

Corporate Governance Report continued

Focus	Operation
Remuneration	<ul style="list-style-type: none">• Determining the policy for remuneration of the Chairman, the Chief Executive Officer (CEO), the Company Secretary and senior investment team members.• Ensuring that the pension contribution rates for the CEO, or payments in lieu, are aligned with those available to the workforce.• Ensuring that workforce remuneration and related policies are taken into account when setting Directors' remuneration.• Ensuring that employee engagement has taken place to explain how executive remuneration aligns with wider company pay policy.• Determining the remuneration of the Non-Executive Directors.• Introducing new share incentive plans or major changes to existing plans.
Other	<ul style="list-style-type: none">• Approval and monitoring of the share dealing code.• Keeping the Company's ESG Strategy and mandatory reporting obligations under review.• Approving policies and political and charitable donations.• Approval of the overall levels of insurance for the Group.

Board leadership and company purpose

Our governance framework facilitates responsive and effective decision-making, ensuring that the Board and its Committees, senior management and the Company's professional service providers are able to collaborate proactively, consider issues and respond accordingly.

An effective Board

The role of the Board is to define the company's purpose and provide entrepreneurial leadership to the Group to set a strategy underpinned by the values and behaviours that shape its culture. An effective board monitor's performance and ensures that the necessary financial and human resources are in place to enable the Group to meet its objectives. It will be able to explain the main trends and factors affecting the long-term success and future viability of the company and how these and the company's principal risks and uncertainties have been addressed. 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 schedule of matters reserved for Board decision-making. The Board has established a number of committees, each with its own defined terms of reference, which are reviewed at least annually and are publicly available on the Company's website at: www.arixbioscience.com/investorrelations

Assessing and monitoring culture

The Board is keen to ensure that the culture of the Company is aligned to Arix's Purpose, Goal and Values (as set out on the inside front cover to this report). 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 32.

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 low employee numbers it is possible for the Board to have regular and direct interaction with a large proportion of the Company's employees, and management team, many of whom participate at meetings of the Board and its Committees.

A full description of the Company's engagement with its stakeholders is set out on page 32 with specific description of engagement with employees on remuneration on page 54 of the Remuneration Report. As described on page 51 of the Audit and Risk Committee Report, the Company has kept its Whistleblowing Policy and arrangements under review during 2022.

Corporate Governance Report continued

External relationships

Due to the nature of our business, we have very few suppliers and direct customers, however the Board recognises that to deliver our strategy requires strong, mutual and beneficial relationships with our professional service providers. The Board carefully considers the need to foster its business relationships with its key stakeholders of which an explanation is set out on page 32 outlining how this is achieved.

Conflicts of interest

Each Director has a duty under the Companies Act 2006 to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. 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 authorising resolution. 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 by the company secretary 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 & Risk	Remuneration	Nomination	Strategy & Investment
Peregrine Moncreiffe	8/8		3/3	2/2	3/3
Debra Baker*	3/3		2/2	1/1	
Isaac Kohlberg	7/8			1/2	3/3
Maureen O'Connell**	7/8	3/3	1/1	1/1	3/3
Robert Lyne	8/8				3/3
Andrew Smith*	3/3	1/1		1/1	
Benny Soffer*	3/3	1/1	2/2		
Sir Michael Bunbury*	5/5	5/5		1/1	

* Sir Michael Bunbury resigned from the Board of Directors on 9 August 2022. Debra Barker, Andrew Smith and Benny Soffer were appointed to the Company's Board and its Committees on 10 August 2022.

**Maureen O'Connell stepped down as Chair of the Remuneration Committee and resigned from the Company's Board Committees during the year.

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

Independent

Current directors

Peregrine Moncreiffe, appointed 29 April 2021

Dr. Debra Barker, appointed 10 August 2022

Andrew Smith, appointed 10 August 2022

Dr. Benny Soffer, appointed 10 August 2022 and resigned on 31 January 2023, after the reporting date.

Sir Michael Bunbury, appointed 6 October 2021 and resigned on 9 August 2022.

Read more on the Board of Directors on page 42.

Board process

The Board meets formally at least once per quarter 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 of which they have been appointed 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.

Corporate Governance Report continued

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. In December 2022, the Board transitioned to utilising a reputable Board portal to securely disseminate and review all confidential Board and Committee meeting materials.

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 unrestricted access to the services of the Company Secretary.

Division of responsibilities

Key Board roles and responsibilities

The Board is ultimately responsible to shareholders for the direction, management, performance and long-term sustainable success of the Company. It sets the Group's strategy and objectives and oversees and monitors internal controls, risk management, principal risks, governance and viability of the Company. In doing so, the Directors comply with their duties under section 172 of the Companies Act 2006.

The Board has established certain principal committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas as described in the reports of the Nomination, Remuneration, Strategy & Investment and Audit & Risk Committee reports incorporated in this Annual Report. The Chair of each committee reports to the Board on the committee's activities after each meeting.

Role of the Chairman

The Chairman is responsible for the leadership and effectiveness of the Board:

- In particular, the formulation of strategy and its alignment with culture, governance (having regard to best practice); Board changes and succession planning.

- Ensuring constructive relations between Non-Executive Directors and the Chief Executive Officer and senior management.

- Ensuring that new Directors receive a full, formal and tailored induction on joining the Board.

- Monitoring and actively participating in stakeholder 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

Dr. Debra Barker was appointed as Senior Independent Director (SID) on 10 August 2022 following the resignation of Sir Michael Bunbury on 9 August 2022. The 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

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 Company's strategy.

- Chairing the Strategy and 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 management 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.

Corporate Governance Report continued

- 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.

Board Composition

The Board currently consists of six Directors (including the Chief Executive Officer), three of whom are considered to be independent (including the Chair). We clearly define the roles of the Chair and the Chief Executive and fully support the separation of the two roles. Furthermore, the Board believes it operates effectively with the appropriate balance of independent Non-Executive Directors and Executive Directors (see page 44).

Commitment

The Board regularly considers the time commitments of our Directors. 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.

The quality of information and resources available to the Board has enabled us to operate effectively and efficiently throughout the year.

Peregrine Moncreiffe

Chairman
24 April 2023

Board of Directors

Peregrine Moncreiffe

Peregrine Moncreiffe has extensive experience in investment management and banking. In his previous career, Peregrine 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. Peregrine also 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 from the Chair after more than 9 years in the role. Peregrine remains 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.

Peregrine received an undergraduate degree from the University of Oxford.

Peregrine is a member of the Strategy & Investment, Audit, Nomination and Remuneration Committees for Arix.

Debra Barker, MD

Dr Debra Barker is a seasoned International Life Sciences executive with more than 25 years' senior experience in major pharmaceutical companies Roche, SmithKline Beecham and most extensively Novartis where she held several senior scientific, operational and commercial roles over 17 years, including Development Head for Infectious Diseases, Immunology and Transplantation, Global Programme Head in Oncology and Head of Clinical and Medical Services. Biotech experience was gained in Chief Medical Officer & Head of Development roles and Debra was also the medical lead for the Swiss-based Biotech Polyphor's highly successful IPO on the SIX Swiss Exchange.

Debra is currently serving as a Non-Executive Director for three public Biotechnology companies listed in UK, EU & USA namely Destiny Pharma PLC, BergenBio ASA and CureVac NV.

Debra has a Diploma in Pharmaceutical Medicine and received a MSc in Immunology from the King's College in London and a Medical Degree from the Queens' College, Cambridge, UK.

Debra joined the Arix Board in August 2022 as Senior Independent Director and is Chair of the Remuneration Committee, a member of the Audit & Risk Committee, the Nomination Committee and the Strategy & Investment Committee.

Robert Lyne

Robert Lyne has 15 years' experience working with high growth technology companies having spent several years working in listed venture capital. He joined Arix 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 being 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.

Isaac Kohlberg

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 is responsible for the strategic management and commercial development of all technologies and intellectual property (IP) arising from Harvard's research enterprise. Isaac'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.

Isaac currently serves as a non-executive director of Acacia, Arix's largest shareholder, and received his M.B.A. from INSEAD and LL.B. from Tel Aviv University.

Isaac joined the Arix Board in April 2021 and is a member of the Strategy & Investment Committee.

Maureen O'Connell

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, Maureen 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, where she 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, Maureen 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 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.

Maureen 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, Maureen 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 currently serves as a Director of Acacia, Arix'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.

Maureen joined the Arix Board in April 2021 and is a member of the Strategy & Investment Committee.

Board of Directors continued

Andrew Smith

Andrew Smith is an accomplished executive leader with over 30 years' international experience within the medical device and bio-pharma sectors. He currently serves as Chief Financial Officer for Santhera Pharmaceuticals AG, a public company listed on SIX under SANN, a global specialty pharmaceutical company focused on developing medicines for rare diseases. Before joining Santhera he held the roles of CFO and COO at Allegra Therapeutics GmbH and CFO at Sucampo Pharmaceuticals Inc, listed on NASDAQ under SCMP, until 2017, it was subsequently acquired by Mallinckrodt in February 2018.

Together with previous senior financial and operations roles focusing on business improvement and transformation he has gained significant exposure to European and US markets working in public and private organizations with a focus on start-ups, spinoffs and growth and has been involved in a number of capital market transactions in excess of \$800 million.

Andrew is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant. He studied Business and Accounting at Liverpool John Moores University and Durham University Business School.

Andrew joined the Arix Board in August 2022 and is Chair of the Audit Committee and a member of the Nomination Committee.

Sir Michael Bunbury

Sir Michael Bunbury stepped down from the Board of Directors and associated Board Committees on 9 August 2022.

Benny Soffer

Benny Soffer resigned from the Board of Directors and associated Board Committees on 31 January 2023, after the reporting date.

Report of the Nomination Committee

Peregrine Moncreiffe

Chairman of the Nomination Committee

Composition

Peregrine Moncreiffe (Chairman)

Dr. Debra Barker

Andrew Smith

Dear Shareholders,

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 December 2022.

Key areas of focus for the committee in 2022 included:

- Non-Executive Director appointments.
- Executive Team succession planning.
- Diversity & inclusion.

Key areas of focus for 2023

- Diversity & inclusion.
- Management Team diversity and succession planning.

Role and responsibilities

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

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).

Key areas of focus for the committee in 2022 included:

Effectiveness and succession planning

- The committee reviewed the results of the Board performance evaluation process and agreed actionable items arising to take forward to 2023.

- The committee reviewed the time commitments of all Non-Executive Directors to ensure all members of the Board are devoting sufficient time to fulfil their duties.
- The committee met to discuss and assist with succession planning, advised by the CEO about any strategic and commercial changes affecting the Company and satisfied itself that appropriate processes and plans are in place for succession planning.

Appointments

- The committee actively participated in the recruitment process, and actively contributed to the onboarding and induction of each of the newly appointed Non-Executive Directors assisted by the Company Secretary.
- The committee made recommendations to the Board regarding the re-election of Directors by shareholders at the company's Annual General Meeting.

Board and Committee composition

- The committee reviewed the structure, size and composition of the Board and its committees and made recommendations for changes to the membership of the committees.
- The committee evaluated the balance of skills, knowledge, experience and diversity of the Board.
- The committee reviewed suitable candidates for the role of the Senior Independent Director and recommended the appointment of Dr. Debra Barker as SID with her appointment effective as at 10 August 2022.
- The committee reviewed the appropriateness of the Board's policy on diversity and expanded it accordingly.

Meetings

The number of meetings of the Nomination Committee and attendance is set out on page 39 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 [on page 36. Three new independent, Non-Executive Directors were appointed in August 2022 which coincided with the resignation and retirement of Sir Michael Bunbury as Senior Independent Director.

Report of the Nomination Committee continued

Debra Barker is a seasoned international life sciences executive with more than 25 years' senior and board experience from start-up biotech to big pharma companies, having held a number of senior drug development, strategic and operational roles in Novartis, Roche, SmithKline Beecham and Knoll. Debra is currently Non-Executive Director of three publicly listed biotechnology companies: Destiny Pharma plc, BergenBio in Norway and most recently, CureVac AG in Germany. Debra has a Diploma in Pharmaceutical Medicine and received a MSc in Immunology from the King's College in London and a Medical Degree from the Queens' College, Cambridge, UK.

Benny Soffer, MD is Co-Founder and Chief Investment Officer of Consonance Capital Management, a healthcare-focused public equity investment management firm. He previously completed a residency in internal medicine at Yale and served in a variety of managerial roles at Yale-New Haven Hospital. Dr Soffer is a Clinical Assistant Professor of Medicine at Weill Cornell Medicine, receiving his MD at Emory University and his MBA at Yale University. Benny Soffer resigned from the Board on 31 January 2023 in order to spend more time on his other business interests.

Andrew Smith is an internationally experienced chief financial officer with strong financial and operational experience in US, Swiss and UK-based biotech and pharmaceutical companies. Andrew is currently Chief Financial Officer of Santhera Pharmaceuticals, the Swiss-based speciality pharmaceutical company, having previously held a number of senior operational and financial roles in companies including Allegra Therapeutics, Sucampo Pharmaceuticals Inc., and Retroscreen Virology (Now HVIVO Ltd). He is a Fellow of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant. He studied business and accounting at Liverpool John Moores University and Durham University Business School.

The range of skills and experience of the newly appointed NEDs are a welcomed change to the Arix Board and serve to further reinforce and focus our investment strategy, particularly following the creation of the Public Opportunities Portfolio earlier this year, and we look forward to benefitting from their international industry, financial and operational expertise.

The Nomination Committee has worked throughout 2022 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.

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

Diversity Policy

A comprehensive review of the Board's Diversity Policy was reviewed in December 2022. 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 13 and is looking to improve the Board's diversity with future appointments.

During the period under review, The Committee consulted with a number of reputable external search consultants before selecting Nurole to carry out a search for new Non-Executive Directors. This process resulted in the appointment of Debra Baker as a Non-executive director and Senior independent Director of the Company.

Annual Effectiveness Evaluation

The performance of the Board, its Committees, the Chairman and individual Directors were internally evaluated in 2022, the outcomes of which are set out in more detail on page 44.

Peregrine Moncreiffe

Chairman of the Nomination Committee

24 April 2023

Report of the Nomination Committee continued

BOARD EFFECTIVENESS

Provision 21 of the Financial Reporting Council's UK Corporate Governance Code provides that Boards should conduct a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. Provision 22 of the Code provides that the Chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board. Accordingly, in 2022, the Board conducted an annual evaluation to consider its composition, diversity and how effectively members work together to achieve objectives.

Review of Board and Committees

This year we decided to carry out an internal review of our Board's effectiveness, supported by Kin Company Secretarial (Kin) which provided the platform and some input for the basis of our questionnaire-based approach.

Having onboarded three new Non-Executive Directors in the latter half of 2022, we decided that it would be appropriate to carry out an internal review to set a new baseline.

The effectiveness of each of the Board's committees were taken into account as part of the evaluation and the output will assist the Nomination Committee in its thinking as it develops and keeps under review the composition of the Board Committees in 2023. The review took the form of an online questionnaire, designed with assistance from Kin with input from the Chairman and Senior Independent Director. Kin provided an anonymised report following the evaluation and the Chairman, in discussion with the Board, have agreed an action plan for 2023.

In addition to this review, during a private meeting of the Non-Executive Directors, the Senior Independent Director led an initial review of the Chairman's performance, by way of an additional questionnaire. Assisted by the company secretary, the NEDS together with the SID discussed and agreed the Chairman's objectives for 2023.

Each Committee chair considers feedback for the Committees for which they are responsible. Each reviewed the effectiveness and processes to support their Committees and introduced a number of changes for how those Committees operate.

Stages of the Board Effectiveness Evaluation



Report of the Nomination Committee continued

Key outcomes

The evaluation reviewed key areas of Board performance which included:

- boardroom dynamics and processes;
- leadership Succession;
- strategy and Purpose; and
- board Diversity and Committee Composition.

Overall, the Board have a collaborative working relationship and the recently appointed Directors have been contributing positively to the overall effectiveness of the Board. The key emerging themes from the evaluation have highlighted a few key areas of focus which require the Board's attention and which the Board, together with the Committee Chairs have agreed an action plan for 2023.

The broad areas in which the Board will continue to focus on during 2023 will include:

- Determining the Company's core purpose and setting and agreeing an appropriate strategy to align with these values.
- Determining the Company's Investment Strategy and rationale for Board-Level decision-making on Investments and communicating this strategy to the Investment Team.
- With input from the Nomination Committee, establishing a sufficient succession plan for the Board, Executive and senior management team.
- Keeping the Board's Diversity Policy under review to ensure it remains appropriate and evolves with the legislation in this area.

Report of the Audit and Risk Committee

Andrew Smith

Chairman of the Audit and Risk Committee

Composition

Andrew Smith (Chair)
Peregrine Moncreiffe
Debra Barker

Dear Shareholders,

On behalf of the Board, I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2022.

The Committee is chaired by an independent non-executive director and including the Committee chair, it is comprised solely 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 in review the Committee has met once during my chairmanship and five times in 2022 prior to my appointment on 10 August. Further details on the activities of the Committee during the year and how it has discharged its responsibilities are provided in the report below.

Andrew Smith

Chairman of the Audit and Risk Committee
24 April 2023

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.

Report of the Audit and Risk Committee continued

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 six 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 and risk management processes and procedures and assessing and keeping under review their appropriateness.
- 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 2022 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 27 to 31.

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 and following the most recent review, the Committee has determined that due to the small size of the Group, it does not warrant having an internal Audit function at this time.

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 the Company's 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 statutory audit partner for BDO is therefore in their third 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 retained 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

Report of the Audit and Risk Committee continued

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 2022, BDO provided non-audit services in relation to reviewing the Group's Interim financial statements (£18,400); and performing an FCA CASS Audit of Arix Capital Management Limited, a 100% subsidiary of Arix Bioscience plc (£5,050). The fees paid to BDO for non-audit services during the year totalled £23,400 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 2022 – and it was considered that they were still appropriate in their current form.

Andrew Smith

Chairman of the Audit and Risk Committee

24 April 2023

Directors' Remuneration Report

Debra Barker

Chair of the Remuneration Committee

Composition

Debra Barker (Chair from 10 August 2022)

Peregrine Moncreiffe

Benny Soffer (from 10 August 2022)

Maureen O'Connell (Chair up to 10 August 2022)

Sir Michael Bunbury (member up to 10 August 2022)

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 2022 Directors' Remuneration Report.

This is my first report as Chair of the Committee having joined the Board as Senior Independent Director and succeeding Maureen O'Connell on 10 August 2022. I would like to thank Maureen for her support over the course of the year.

Board changes

During the year, there were a number of Non-Executive Director changes, as set out below:

- Andrew Smith and Benny Soffer joined the Board as Non-Executive Directors on 10 August 2022. Benny Soffer subsequently stepped down effective 31 January 2023.
- I joined the Board as the Senior Independent Director on 10 August 2022.
- Sir Michael Bunbury stepped down from the Board and from the role of Senior Independent Director on 9 August 2022.

No payments for loss of office were made to Non-Executive Directors that stepped down from the board.

Pay for performance

2022 saw a decline in NAV from £255 million at the end of 2021 to £226 million at 31 December 2022. The Gross Portfolio declined in value to £99.6 million, driven largely by a decline in valuation in our listed holdings. Whilst recognizing this disappointing financial performance, the year saw continued progress on an operational basis with the acquisition of TwelveBio by Ensoma, concurrent with Ensoma's Series B financing, the reverse merger of Disc Medicine with Gemini Therapeutics and Imara's reverse merger with Enliven Therapeutics.

2022 Annual bonus

Bonus awards for 2022 reflect performance delivered in the year as outlined above, with the Remuneration Committee determining that no bonus pay-out was due in respect of financial performance of the year (weighted at 50% of the bonus opportunity), with a bonus of 80% of maximum due in respect of the non-financial element, reflecting the continued progress being made on an operational basis, as noted above. This resulted in an overall bonus of 40% of maximum for the CEO, with further details shown on page 58. The Committee considers the level of pay-out is reflective of the individual performance of Robert Lyne and the overall performance of the Company in the year and therefore determined that no discretion should be exercised to reduce the formulaic outcome.

2020 EIP awards

The 2020 EIP award was based on compound share price growth (60%) and NAV per share growth (40%) targets to 31 December 2022. Performance against the original targets set, which were set under the leadership of the previous Executive Chair and a significantly different point in the economic cycle, resulted in a formulaic outcome of 23.2% of maximum.

Whilst conscious of the formulaic out-turn of the 2020 EIP awards, following extensive discussion with the Board (excluding Robert Lyne), which unanimously supported the approach, the Committee determined that it would be appropriate to exercise its discretion to increase the vesting under this award to 43.2% of maximum, based on the following three key principles:

1. To reward the CEO for his performance in the role to date.
2. To increase the alignment of the CEO with shareholders.
3. To support in the retention of the CEO.

Further details of the Committee's considerations under each of the three principles noted above are set out below.

1. To reward the CEO for his performance in the role to date

Robert Lyne joined Arix in 2017 and was appointed to the Board in April 2021. Since stepping up as CEO, Robert has been a constant stabilizing force for the Company delivering strong operational performance through a period of significant change for the company, with a material change in the shareholder base, and a rapidly evolving macro-economic environment. Highlights of Robert's key achievements since his appointment to the Board include:

- Strengthening the reputation of the Company with key stakeholders, including through a re-organisation of key internal functions related to investor and public relations.

Directors' Remuneration Report continued

- Leading a successful investor outreach, resulting in two new significant investors into the business over the course of FY22.
- Completing a successful cost reduction exercise following appointment, resulting in the cost base being lowered by 25%.
- Playing a pivotal role in ensuring the retention and successful recruitment of key personnel to the business, including (i) a pivotal role in the recruitment and retention of members of the investment team that are considered key talent for the future; and (ii) developing staff in the back office and multi-skilling them to cover wider responsibilities, including investor relations.
- Managing the company through a period of significant change in Director composition, with 10 changes in Directors over the past 22 months.

2. To increase the alignment of the CEO with shareholders

Since joining Arix in 2017, there has not been any vesting under EIP awards granted to Robert Lyne, with historic awards severely impacted by the share price growth targets being set by reference to the IPO / fund raising prices. Whilst there has been no vesting under the long-term incentive scheme, Robert as CEO acknowledges the importance of alignment with shareholders and has personally purchased approximately 65,000 shares in the Company.

The Committee believes alignment to shareholders, through the building of a shareholding, is an important factor in successfully motivating management and as such has sought to reward the CEO's performance in a way that further aligns the CEO with shareholders, both on the upside and on the downside.

In order to further support this principle, the Committee has determined that a two-year holding period will apply to any shares vesting under the 2020 EIP, a feature not originally attached to the award made to Robert on account of it having been granted prior to his appointment to the Board. Robert will therefore not be able to sell any shares vesting from the award (subject to settling any taxes due) until 30 June 2025.

3. To support in the retention of the CEO

At the time Robert Lyne was appointed to the Board, his salary was set below that of his predecessor in recognition

that this was his first CEO role. Over the course of the last 22 months, the CEO has enhanced his reputation both with shareholders and across industry.

Whilst the Board is confident that Robert is both committed to and is best placed to deliver Arix's long-term strategic goals, it is acutely aware that Robert has gained invaluable experience as the CEO of Arix and if the remuneration arrangements in place do not continue to motivate and align Robert with shareholders over the longer-term, there is a risk that he could move to a role within an alternative asset management firm that would benefit from significantly increased upside potential through mechanisms such as carried interest that are not generally accepted in the listed market, but are a common feature of competitor firms.

Reflecting on the above principles, the Committee considered that increasing the vesting under the EIP was the most effective route to recognising the CEO's performance since appointment while still ensuring alignment with shareholders on the basis the EIP is paid in Company shares.

The Committee has been in dialogue with the Company's largest shareholders, who have expressed support for the proposal set out above. I would like to place on record my thanks to shareholders for engaging proactively with the Committee on this issue.

2022 EIP awards

As set out in the 2021 Annual Report and Accounts, reflecting external uncertainty at the time of writing that report, the Remuneration Committee were still in the process of discussing the performance measures and targets to be attached to the 2022 EIP award. During the year the Committee conducted a thorough review of the performance measures used for the EIP and determined that TSR and NAV growth continue to be the best metrics available to measure long-term performance at Arix. However, reflecting the current significant cash balance of the total portfolio, the Committee split the NAV metric, such that 40% of the metric is based on invested NAV per share growth (driving performance across the invested portfolio), with the balance, 20%, based on overall NAV per share growth (which measures NAV performance across the portfolio, including incentivising the right investments in the future portfolio). The table below sets out the performance measures and targets that apply to the 2022 EIP award:

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Absolute TSR growth	40%	5% p.a.	15% p.a.
NAV per share growth	20%	5% p.a.	12% p.a.
Invested NAV per share growth	40%	7% p.a.	15% p.a.

Directors' Remuneration Report continued

In determining the performance targets, the Committee sought to ensure that the award would be both stretching and achievable to ensure that participants are appropriately incentivised to achieve the Company's strategic goals.

The Committee is mindful of windfall gains and as such, the Committee will review the 2022 EIP award on vesting to ensure against windfall gains. The Committee will disclose the factors considered in determining whether any windfall gains have arisen at the time of vesting.

Implementation in 2023

For 2023, Robert Lyne's salary will be increased by 5% to £315,000. The increase is below the average increase for the wider workforce, albeit noting the relative limited size of the workforce at Arix.

He will remain eligible for an annual bonus, with the maximum opportunity unchanged at 125% of salary. The 2023 annual bonus will be based on the achievement of specific financial, strategic and personal goals, which will be disclosed retrospectively as part of the 2023 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. Details of the performance targets attached to the 2023 EIP award is set on page 66.

Alignment of executive and employee pay

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

Arix has a small number of employees and as a result is not required to publish the ratio of 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.

Looking ahead

Our new Remuneration Policy ("Policy") was approved by shareholders at the 2022 Annual General Meeting ("AGM") with 99.9% votes cast in favour. While the Policy may apply for a period of up to three years, the Committee regularly reviews the appropriateness of the pay arrangements to ensure it continues to support the Company in meeting its key strategic goals.

Given the uniqueness of Arix's business, where we compete with firms that are typically private and operate a very different remuneration structure (often driven through carried interest arrangements), over the course of the year, the Committee intends to review the current Policy, and in particular the use of an EIP which requires setting of long-term performance targets which are not fully aligned to the Group's investment life cycle, to ensure that it remains fit for purpose. Where any changes are considered appropriate, the Committee will consult with key shareholders prior to implementing the proposed approach.

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

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

Debra Barker

Chair of the Remuneration Committee

24 April 2023

Directors' Remuneration Report continued

Remuneration snapshot

The following table sets out how the Remuneration Policy will be implemented in 2023 for the CEO.

Element of pay	Implementation for the year ending 31 December 2023																
Base salary	£315,000 (5% increase from prior year, below the average increase for the wider workforce)																
Benefits	Eligible to receive private health cover, life assurance, income protection and a company car or car allowance																
Pension contribution	7.5% of salary, in line with the wider workforce																
Annual bonus	<p>Maximum annual bonus opportunity of 125% of salary.</p> <p>Bonus for 2023 will be based on a range of challenging financial, strategic and personal measures aligned with the Company's KPIs, as set out in the table below. 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.</p> <table border="1"> <thead> <tr> <th>Performance measure</th> <th>Weighting</th> </tr> </thead> <tbody> <tr> <td>Financial (NAV per share and share price growth)</td> <td>50%</td> </tr> <tr> <td>Strategic/personal measures</td> <td>50%</td> </tr> </tbody> </table> <p>Up to 50% of the annual bonus will be deferred and invested into shares which must be held for a period of three years.</p>	Performance measure	Weighting	Financial (NAV per share and share price growth)	50%	Strategic/personal measures	50%										
Performance measure	Weighting																
Financial (NAV per share and share price growth)	50%																
Strategic/personal measures	50%																
Long-term incentive	<p>Maximum EIP opportunity of 225% of salary.</p> <p>EIP awards for 2023 will be based upon share price growth, NAV growth and Invested NAV per share growth, as set out below.</p> <table border="1"> <thead> <tr> <th>Performance measure</th> <th>Weighting</th> <th>Threshold (25% of maximum)</th> <th>Maximum (100% of maximum)</th> </tr> </thead> <tbody> <tr> <td>Absolute TSR growth</td> <td>40%</td> <td>5% p.a. growth</td> <td>15% p.a. growth</td> </tr> <tr> <td>NAV per share growth</td> <td>20%</td> <td>5% p.a. growth</td> <td>12% p.a. growth</td> </tr> <tr> <td>Invested NAV per share growth</td> <td>40%</td> <td>7% p.a. growth</td> <td>15% p.a. growth</td> </tr> </tbody> </table> <p>Any shares which vest will be subject to a two-year post-vesting holding period.</p>	Performance measure	Weighting	Threshold (25% of maximum)	Maximum (100% of maximum)	Absolute TSR growth	40%	5% p.a. growth	15% p.a. growth	NAV per share growth	20%	5% p.a. growth	12% p.a. growth	Invested NAV per share growth	40%	7% p.a. growth	15% p.a. growth
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NAV per share growth	20%	5% p.a. growth	12% p.a. growth														
Invested NAV per share growth	40%	7% p.a. growth	15% p.a. growth														
Shareholding requirements	<p>The CEO is required to build a shareholding equivalent to 225% of basic salary.</p> <p>A post-cessation shareholding requirement also applies such that the CEO will normally be required to hold shares with a value of 225% of basic salary (or actual shareholding, excluding personal investment, on cessation if lower) for two years post cessation.</p>																
NED Fees	<p>Fees for 2023 will be as follows (no change):</p> <ul style="list-style-type: none"> • 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 Report continued

Annual Report on Remuneration

This section sets out details of the remuneration of the Executive and Non-Executive Directors received during the financial year ended 31 December 2022 and also describes the operation of the Remuneration Committee.

Remuneration Committee

Membership

Debra Barker is currently the Chair of the Committee, succeeding Maureen O'Connell on 10 August 2022. Debra has several years' experience of serving on remuneration committees. The other members of the Committee are Peregrine Moncreiffe and Benny Soffer (from 10 August 2022). During the year, Sir Michael Bunbury and Maureen O'Connell (both until 10 August 2022) also served on the Remuneration Committee.

The Committee met 3 times during the year under review. Meeting attendance is shown on page 39 in the Corporate Governance Report.

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 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 long-term 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; invested NAV per share growth; 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 of the 2021 Directors' Remuneration Report. The ultimate value of any vested EIP award will depend on the share price at the time which cannot be predicted but is simple to calculate;
- **Proportionality:** there is a clear link between the delivery of strategy and individual awards through the annual bonus scheme. The EIP rewards the successful delivery of long-term outperformance. If there is little or no growth in share price or NAV, awards will not vest; and
- **Alignment to culture:** Arix's high performance culture and the awareness within the Company of what ultimately drives shareholder value are reflected in the incentive schemes operated and the choice of performance metrics.

Directors' Remuneration Report continued

Key matters considered by the Remuneration Committee

Key issues reviewed and discussed by the Remuneration Committee during 2022 included:

- Review and approval of the 2022 Directors' Remuneration Report.
- Review of Executive Director and senior manager salaries for 2023.
- Review of Executive Director and senior manager bonuses and equity incentive awards for 2022.

- Pay benchmarking for key roles within the organisation and a review of alternative incentive structures.

Advisers to the Committee

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

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 £85,700 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		
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Robert Lyne ¹	300	188	11	7	150	143	218	–	22	14	–	–	702	352	333	209	368	143	

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

- 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		Other		Total		Total fixed pay		Total variable pay	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Non-Executive Directors												
Peregrine Moncreiffe ¹	150	101	–	–	–	–	150	101	150	101	–	–
Isaac Kohlberg ¹	85	44	–	–	–	–	85	44	85	44	–	–
Maureen O'Connell ¹	85	44	–	–	–	–	85	44	85	44	–	–
Debra Barker ²	38	–	–	–	–	–	38	–	38	–	–	–
Andrew Smith ²	33	–	–	–	–	–	33	–	33	–	–	–
Benny Soffer ²	30	–	–	–	–	–	30	–	30	–	–	–
Former Non-Executive Directors												
Sir Michael Bunbury ³	82	20	–	–	–	1	82	21	82	21	–	–

¹ Joined the Board on 29 April 2021. 2021 remuneration relates to fees received between 29 April 2021 and 31 December 2021.

² Joined the Board on 10 August 2022. 2022 remuneration relates to fees received between 10 August 2022 and 31 December 2022.

³ Joined the Board on 6 October 2021 and stepped down from the Board on 10 August 2022. 2021 remuneration relates to fees received between 6 October 2021 and 31 December 2021 and 2022 remuneration relates to fees received between 1 January 2022 to 10 August 2022. Other relates to use of office.

Directors' Remuneration Report continued

Annual bonus payout table (audited)

The CEO was eligible for a bonus of up to 125% of base salary. The annual bonus for 2022 was based on a range of challenging financial, strategic and personal measures aligned with the Company's KPIs. The table below sets out performance against the targets set by the Committee.

Metric	Key factors / achievements considered by the Remuneration Committee	Outcome
Financial (50%)	<p>In considering the financial element of the bonus (weighted at 50%) the Committee took into account:</p> <ul style="list-style-type: none"> • Net Asset Value per share performance; • Total shareholder returns and share price over the year; • Operational costs. 	Notwithstanding the operational costs being delivered within the approved target, the Committee agreed that due to the 9.5% decline in NAV and 11.9% decline in share price over the year, this element of the bonus should lapse in full.
Non-financial (50%)	<ul style="list-style-type: none"> • 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. • Pivotal in ensuring the retention and continued development of key personnel. • Undertook successful investor outreach, further developing the reputation of the Company with both new and existing shareholders. Key achievements include bringing new shareholders into the Company who have been strong buyers in the market. • Supporting the successful IPO of Disc Medicine in December 2022. 	<p>The Committee considers that Robert Lyne has been instrumental in ensuring operational stability within the business and continuing to develop the relationship of the Company with external stakeholders.</p> <p>The Committee considered that achievement against the non-financial element of the business should be 80% of maximum.</p>
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.

LTIPs vesting in the year (audited)

Awards were made to previous executive directors in 2020 under the EIP. Robert Lyne received a grant as part of the 2020 EIP award, although he was not an executive director at that time. The performance against the targets is set out in the table below.

Metric	Weighting	Threshold	Maximum	Actual	Level of vesting (% of elements)
Compound share price growth	60%	7% p.a. growth	21% p.a. growth	9	38.6%
NAV per share growth	40%	7% p.a. growth	17% p.a. growth	Below threshold	0%
Formulaic outcome	100%				23.2%

As set out in further detail in the Chair's statement, the Committee, with the full Board's support, determined that it would be appropriate to exercise its discretion as provided for in the Directors' Remuneration Policy to increase the vesting under this award to 43.2% of maximum, based on the following three principles:

1. To reward the CEO for his performance in the role to date.
2. To increase the alignment of the CEO with shareholders.
3. To support in the retention of the CEO.

Directors' Remuneration Report continued

As the award was granted to Robert Lyne prior to being appointed to the Board, the 2020 EIP would ordinarily not be subject to a post-vesting holding period. However, in order to further support the alignment and retention principles noted above, the Committee determined that a two year holding period will apply to vested awards.

Further details in relation to the rationale are set out in the Chair's statement.

The award value shown in the single figure is based on the average share price over the last three months of the financial year ended 31 December 2022 of £1.07. 24% of the value of this award is attributable to the growth in share price since grant.

Scheme interests awarded in 2022 (audited)

During the year ended 31 December 2022, the following Directors were awarded nil-cost options under the EIP, details of which are summarised below.

Name	Date of grant	Basis of award	Number of shares	Award price ¹	Vesting date
Robert Lyne	30 November 2022	225% of salary	636,792	£1.27	1 December 2025

Performance measure	Weighting	Threshold (25% of maximum)	Maximum (100% of maximum)	Performance period
Absolute TSR growth	40%	5% p.a. growth	15% p.a. growth	1 January 2022 to 31 December 2024
NAV per share growth	20%	5% p.a. growth	12% p.a. growth	
Invested NAV per share growth	40%	7% p.a. growth	15% p.a. growth	

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

The Committee is mindful of windfall gains and as such, the Committee will review the 2022 EIP award on vesting to ensure against windfall gains. The Committee will disclose the factors considered in determining whether any windfall gains have arisen at the time of vesting.

Any awards vesting will be subject to a two-year holding period.

Payments for loss of office/payments to past Directors (audited)

During the year no payments for loss of office or payments to past Directors were made.

Executive Directors' shareholdings and share interests (audited)

The interests of Executive Directors' in the Company as at 31 December 2022 (or, if earlier, the date of stepping down from the Board) are shown in the table below. 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.

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.

Name	Ordinary shares held	2020 EIP Awards (no longer subject to performance conditions)	2021 EIP Awards (unvested) ¹	2022 EIP Awards (unvested) ¹	Shareholding as % of basic salary ²
Robert Lyne	65,221	203,764	352,335	636,792	62.1%

¹ Awards are nil-cost options. The 2021 and 2022 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, as well as value of 2020 EIP awards no longer subject to performance conditions on a net of tax basis, calculated at closing share price on 31 December 2022 (£1.075).

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

Directors' Remuneration Report continued

Non-Executive Directors' shareholdings (audited)

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

Name	Shareholding as at 31 December 2022
Peregrine Moncreiffe	259,000
Isaac Kohlberg	0
Maureen O'Connell	0
Debra Barker	0
Andrew Smith	0
Benny Soffer	0
Sir Michael Bunbury ¹	40,000

¹ Reflects position as at the date of his departure from the Board (10 August 2022).

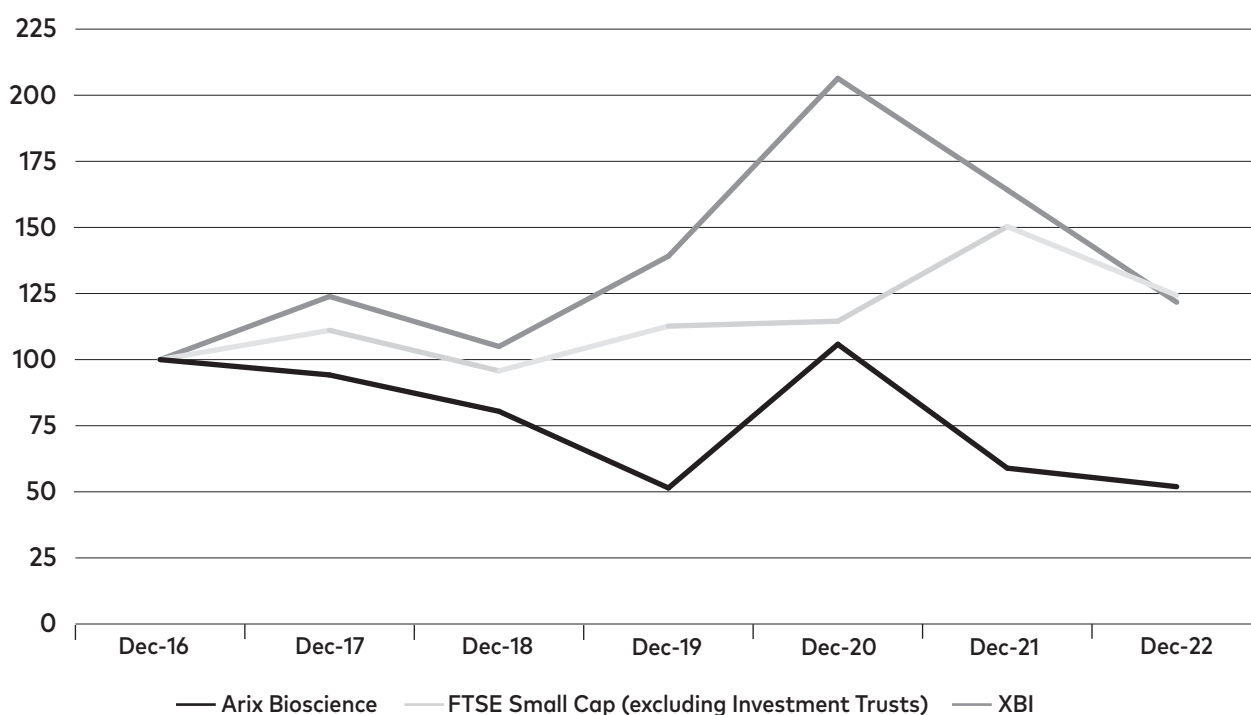
Since the Balance Sheet Date, Peregrine Moncreiffe's holdings have increase from 259,000 to 459,000 following the purchase of 200,000 shares on 6 February 2023.

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 XBI. 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 XBI has been chosen as this is reflective of the industry in which we operate.

Comparison of overall performance and pay

Source: Datastream (Thomson Reuters)



Directors' Remuneration Report continued

CEO – historic remuneration information (audited)

	Robert Lyne 2022 £'000	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	701	352	97	266	417	737	633	1,726
Annual variable against maximum opportunity	40%	40%	N/A	100%	0%	50%	75%	80%
EIP vesting rates against maximum opportunity	43%	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 annual percentage change in each Director's salary/fees, benefits and annual bonus between the year ended 31 December 2022 and the year ended 31 December 2020, and 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.

Debra Barker, Andrew Smith and Benny Soffer were appointed to the Board and Sir Michael Bunbury stepped down from the Board during the year ended 31 December 2022. Accordingly, they have been excluded from the table below.

Peregrine Moncreiffe, Sir Michael Bunbury, Isaac Kohlberg and Maureen O'Connell were appointed in 2021.

		Average employee	Robert Lyne ¹	Peregrine Moncreiffe ²	Isaac Kohlberg ²	Maureen O'Connell ²
Salary / fees	2022	13%	6%	0%	29%	29%
	2021	4%	N/A	N/A	N/A	N/A
	2020	5%	N/A	N/A	N/A	N/A
Benefits	2022	59%	5%	N/A	N/A	N/A
	2021	3%	N/A	N/A	N/A	N/A
	2020	2%	N/A	N/A	N/A	N/A
Annual incentive	2022	48%	5%	N/A	N/A	N/A
	2021	–	N/A	N/A	N/A	N/A
	2020	32%	N/A	N/A	N/A	N/A

¹ Robert Lyne was appointed to the Board on 29 April 2021 as interim CEO and was appointed as Chief Executive Officer on 6 October 2021. To enable comparison and to provide meaningful reflection of the annual percentage change, his fees for the year ended 31 December 2021 have been annualised.

² Peregrine Moncreiffe, Isaac Kphlberg and Maureen O'Connell were appointed to the Board on 29 April 2021. To enable comparison and to provide meaningful reflection of the annual percentage change, their fees for the year ended 31 December 2021 have been annualised.

Directors' Remuneration Report continued

Relative importance of spend on pay

The table below shows the relative importance of total spend on pay in the 2022 and 2021 financial years compared with distributions to shareholders. The Company did not pay a dividend in either 2022 or 2021 and only undertook a share buyback programme in 2021 and not 2022. 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:

	2022 £'000	2021 £'000	% change
Underlying operating (loss)/profit	(29,160)	(58,647)	(50%)
Dividends/share buybacks	–	11,593	N/A
Total Company spend on remuneration	2,482	3,529	(30%)
Total Company spend on remuneration excluding exceptional costs	2,482	3,070	(19%)

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 7 June 2022 are set out below:

	Votes for #	Votes for %	Votes against #	Votes against %	Votes withheld #
To approve the Directors' Remuneration Policy	63,589,770	99.90%	65,188	0.10%	31,126
To approve the Annual Report on Remuneration	60,232,861	94.62%	3,422,747	5.83%	30,476

Directors' Remuneration Report continued

Directors' Remuneration Policy (summary)

Introduction

The Directors' Remuneration Policy ("Policy") was approved by shareholders at the AGM held on 7 June 2022 and applies for a period of up to three years from the date of approval. A summary of the Policy is set out on the following pages. The full Policy is included on pages 55 to 63 within the 2021 Annual Report, available in the Investor Relations section of Arix's website, www.arixbioscience.com.

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.	<p>An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility.</p> <p>When determining an appropriate level of salary, the Committee considers:</p> <ul style="list-style-type: none"> • individual degree of responsibility; • the general operational performance of the Group and individual performance (if applicable); • the economic environment and the sustainable development of the Group; • remuneration structures in companies that are comparable in terms of business activities, complexity and size; • any change in scope, role and responsibilities; and • remuneration practices within the Group. 	<p>The Committee ensures that maximum salary levels are positioned with consideration for:</p> <ul style="list-style-type: none"> • the need to acquire and retain Executives with the skills and experience to develop and implement the Company's strategy; • companies that are comparable in terms of business activities, complexity and size to Arix, which we would compete for talent against. <p>In general, increases for Executive Directors will be in line with the increase for employees. 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.</p>

Directors' Remuneration Report continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Benefits	Provides a benefits package in line with standard market practice to enable the Group to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	<p>The Executive Directors are eligible to receive private health cover, life assurance, income protection and a company car or car allowance.</p> <p>The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy.</p> <p>Additional benefits may therefore be offered, such as relocation allowances on recruitment and reasonable tax advice and filing support.</p>	The maximum will be set at the cost of providing the benefits described.
Pensions	Provides a pension provision in line with standard market practice to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.	The Group contributes to defined contribution (DC) pensions schemes for UK employees and US employees contribute into the Arix 401(k) pension scheme (which is open to all employees) with a contribution made by Arix alongside an employee's contribution. 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.

Directors' Remuneration Report continued

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

Directors' Remuneration Report continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Long-Term Incentive Plan ("EIP")	<p>The purpose of the EIP is to incentivise and reward Executive Directors in relation to long-term performance and achievement of Group strategy.</p> <p>This will better align Executive Directors' interests with the long-term interests of the Group and will also act as a retention mechanism.</p> <p>The award is designed to incentivise Executive Directors to grow the investment portfolio and value creation by successfully delivering the Group's strategy.</p>	<p>Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. Awards are normally subject to a three-year performance period, with a subsequent two-year holding period.</p> <p>Performance targets are normally set annually for each three-year cycle by the Remuneration Committee.</p> <p>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.</p> <p>The Committee may award dividend equivalents on awards in either shares or cash to the extent that these vest.</p> <p>The Remuneration Committee may adjust and amend awards in accordance with the EIP rules.</p> <p>Awards are subject to malus and clawback.</p>	<p>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.</p> <p>In exceptional circumstances the Committee may grant an award with a maximum of 300% of salary.</p> <p>The amount payable for threshold performance is up to 25% of maximum of the award.</p> <p>EIP awards will be subject to the achievement of challenging performance conditions set by the Remuneration Committee prior to each grant linked to the achievement of the Company's long-term strategic priorities and the creation of long-term shareholder value.</p> <p>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.</p>

Directors' Remuneration Report continued

Element of remuneration	How it supports the Company's short and long-term strategic objectives	Operation	Opportunity and performance metrics
Minimum shareholding requirement	<p>The Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up and then subsequently hold a shareholding equivalent to a percentage of 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.</p> <p>The Committee will determine the relevant shareholding guideline on an annual basis.</p> <p>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.</p>		
Non-Executive Director fees	<p>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.</p>	<p>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).</p> <p>The Board is responsible for setting the pay of the Chairman. The Chairman receives an all-inclusive fee.</p> <p>Fees are normally paid in cash.</p> <p>In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and workload.</p>	<p>Non-Executive Directors (including a Non-Executive Chairman) are not eligible to participate in any incentive arrangements.</p> <p>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.</p> <p>The Company will pay reasonable business-related expenses incurred by the Non-Executive Directors and may settle any tax incurred in relation to these.</p>

Directors' Remuneration Report continued

Service agreements and letters of appointment

The Executive Director's service agreement is on a rolling term basis. The details of the Executive Director's term is set out below:

Name	Date of appointment	Notice periods by Company (months)	Notice periods by Director (months)
Robert Lyne	29 April 2021	12	6

The Non-Executive Directors of the Company do not have service contracts but are appointed by letters of appointment. Each Non-Executive Director's term of office runs for an initial 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	1	3	3
Isaac Kohlberg	29 April 2021	1	3	3
Maureen O'Connell	29 April 2021	1	3	3
Debra Barker	10 August 2022	0	3	3
Andrew Smith	10 August 2022	0	3	3
Benny Soffer	10 August 2022	0	3	3

Director's Report

For the year ended 31 December 2022

The Directors present their report for the year ended 31 December 2022. 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 1 to 36
Financial risk management objectives and policies (including hedging policy and use of financial instruments)	• Notes to the financial statements pages • to •
Going concern	• Strategic Report page 31
Statement of Directors' responsibilities	• Page 72
Diversity Policy	• Report of the Nomination Committee page 45
Details of long-term incentive schemes	• Note 19 to the financial statements pages 100 to 101
Significant Interests	• Directors' Report page 71
Waiver of emoluments by a Director	• Directors' Remuneration Report pages • to •
Compensation for loss of office arrangements	• Directors' Remuneration Report pages 52 to 59

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 58 to 59
Waiver of emoluments by a Director	• Directors' Remuneration Report pages • to •
Waiver of future emoluments by a Director	• Directors' Remuneration Report pages • to •
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 52 to 59

The Strategic Report on pages 1 to 36 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

Resigned 9 August 2022

Isaac Kohlberg

Appointed 29 April 2021

Robert Lyne

Appointed 29 April 2021

Maureen O'Connell

Appointed 29 April 2021

Dr Debra Barker

Appointed 10 August 2022

Dr. Benny Soffer

Appointed 10 August 2022

Resigned 31 January 2023

Andrew Smith

Appointed 10 August 2022

Results and dividend

The results for the year ended 31 December 2022 are set out in the Consolidated Statement of Comprehensive Income on page 80.

The Board is not recommending a dividend for the year ended 31 December 2022.

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 • to the financial statements. As at 31 December 2022, the Company's share capital consisted of:

- 135,609,653 Ordinary Shares of £0.00001 each of which 6,428,853 are held in Treasury; and
- 49,671 C Shares of £1.00 each.

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 7 June 2022, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the

Director's Report continued

Companies Act 2006) of up to a maximum of 12,918,080 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 2023.

Directors' interests

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 31 December 2022, is set out in the Directors' Remuneration Report on page 60.

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 5 April 2023		As at 31 December 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	33,023,210	25.6	27,182,317	20.05%
Fosun International	11,309,849	8.7	11,189,403	8.25%
Christopher Chipperton (including restricted shares)	6,862,889	5.3	6,862,889	5.06%
Ruffer	6,815,000	5.3	9,163,000	6.76%
Ipsen	6,666,666	5.2	6,666,666	4.92%
Hargreaves Lansdown, stockbrokers (EO)	5,678,780	4.4	5,718,958	4.07%
UCB	5,647,679	4.4	5,647,679	4.17%
Polygon Investment Partners	4,500,000	3.5	5,511,258	3.32%

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 Tuesday 23 May 2023 at 13.00 BST at the offices of Brown Rudnick LLP, 8 Clifford Street, London W1S 2LQ. Further details can be found in the Notice of Annual General meeting which will be published shortly.

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; and
- 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
24 April 2023

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 2022 and of the Group's loss 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 2022 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 3 years, covering the years ending 2020 to 2022. 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.
- Challenging the Board about the implications of the ongoing conflict in Ukraine, current economic climate and inflation 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.

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% (2021: 100%) of Group revenue 100% (2021: 100%) of Group investments		
Key audit matters	Valuation of Unquoted Investments	2022 Yes	2021 Yes
Materiality	Group financial statements as a whole £3.5m (2021: £3.8m) based on 1.5% (2021: 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, three of which are significant, five 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.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in Note 21 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment.

We also assessed the consistency of managements disclosures included as 'Other Information' on page 28 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

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.

Independent Auditors' report continued

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Valuation of Unquoted Investments</p> <p>Refer to page 89 (accounting policies) and page 96 (Note 12).</p>	<p>There is a high level of estimation uncertainty involved in determining the valuation of the unquoted investments in the portfolio.</p> <p>Investments are also the most significant balance contributing to the Net Asset Value (NAV) of the fund, and therefore may be subject to management bias. We therefore determined the valuation of investments to be a key audit matter.</p>	<p>We tested the valuations of a sample of unquoted investments.</p> <p>For all investments in our sample we:</p> <ul style="list-style-type: none"> • Considered whether the valuation methodology chosen was in accordance with accounting standards and was the most appropriate in the circumstances under the International Private Equity and Venture Capital (IPEV) Guidelines; • Held meetings with management to understand the recent performance of the investee companies in the context of their "milestones", and corroborated information obtained in these meetings to board papers, management information and publicly available industry articles, reports and press releases; • Where a valuation had been amended based on the price of a recent funding round, we obtained associated Sale Purchase Agreements for the funding round in order to corroborate the price of the round, and considered whether the funding round had been carried out on an arm's length basis; • Where a valuation had been amended based on an investee company achieving or failing to meet certain key milestones, we challenged the basis of the change in value and obtained third party evidence. We assessed this by enquiries with management and corroborated this by inspecting board packs and financial performance of the investee companies. <p>Key observations:</p> <p>Based on the procedures performed, we consider the estimates made by management in valuing the unquoted investments to be reasonable.</p>

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	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	3.5	3.8	2.8	2.8
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	2.7	2.8	2.1	2.1
Basis for determining performance materiality	75% materiality	75% materiality	75% materiality	75% 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.			

Component materiality

We set materiality for each component of the Group based on a percentage of 62% (2021: 49%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £2.1m (2021: £1.7m) to £2.2m (2021: £2.8m). In the audit of each component, we further applied performance materiality levels of 75% (2021: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £71k (2021: £76k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Independent Auditors' report continued

Corporate governance statement

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

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

Going concern and longer-term viability	<ul style="list-style-type: none">• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 31; 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 31.
Other Code provisions	<ul style="list-style-type: none">• Directors' statement on fair, balanced and understandable set out on page 72;• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 27 to 31;• The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 48 to 51; and• The section describing the work of the audit committee set out on pages 48 to 51.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">• the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and• the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
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Independent Auditors' report continued

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be 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.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;

Independent Auditors' report continued

- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be valuation of unquoted investments and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias in relation to valuation of unquoted 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; and

- Agreement of the financial statements disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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: 24 April 2023

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

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Change in fair value of investments	12	(30,768)	(47,975)
Impairment of investments	12	–	(5,943)
Revenue	3	112	340
Administrative expenses	6, 19	(5,405)	(5,069)
Foreign exchange gain/(loss)		6,901	–
Operating loss before exceptional costs		(29,160)	(58,647)
Exceptional costs	8	–	(1,490)
Operating loss after exceptional costs		(29,160)	(60,137)
Finance income	7	1,581	156
Foreign exchange loss*		–	(1,369)
Share-based payment*		–	266
Loss before taxation		(27,579)	(61,084)
Taxation	10	4	–
Loss for the year		(27,575)	(61,084)
Other comprehensive income			
Items that have been/may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(2,050)	91
Taxation	10	–	–
Total comprehensive expense for the year		(29,625)	(60,993)
Attributable to			
Owners of Arix Bioscience plc		(29,625)	(60,993)
Loss per share			
Basic loss per share (p)	11	(23.9)	(48.0)

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

* In the current year the foreign exchange gain has been moved to be included within operating expenses and the share-based payment is now included within Administrative expenses.

Consolidated statement of financial position

As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments held at fair value	12	102,694	120,635
Intangible assets	13	24	168
Property, plant and equipment	14A	57	85
Right of use asset	14B	72	121
		102,847	121,009
Current assets			
Cash and cash equivalents	16	122,782	134,230
Other assets	15	2,218	1,839
		125,000	136,069
TOTAL ASSETS		227,847	257,078
LIABILITIES			
Current liabilities			
Trade and other payables	17	(1,864)	(1,600)
Lease Liability		(59)	-
		(1,923)	(1,600)
Non-current liabilities			
Lease liability		(11)	(121)
TOTAL LIABILITIES		(1,934)	(1,721)
NET ASSETS		225,913	255,357
EQUITY			
Share capital and share premium	18	188,585	188,585
Retained earnings		51,250	80,694
Other reserves		(13,922)	(13,922)
TOTAL EQUITY		225,913	255,357

The accompanying notes form an integral part of the financial statements. The financial statements on pages 80 to 83 were approved by the Board of Directors and authorised for issue on 24 April 2023, and were signed on its behalf by

Peregrine Moncreiffe
Chairman

Consolidated statement of changes in equity

For the year 31 December 2022

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2022	188,585	(1,216)	(1,113)	(11,593)	80,694	255,357
Loss for the year	-	-	-	-	(27,575)	(27,575)
Other comprehensive income	-	-	-	-	(2,050)	(2,050)
Share-based payment charge	-	-	-	-	181	181
As at 31 December 2022	188,585	(1,216)	(1,113)	(11,593)	51,250	225,913

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 credit	-	-	-	-	(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

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities	20	(6,221)	(7,294)
Finance income		1,582	156
Finance expenses		(1)	-
Tax received		4	-
Net cash used in operating activities		(4,636)	(7,138)
Cash flows from investing activities			
Purchase of equity investments	12	(33,623)	(59,221)
Disposal of equity and loan investments	12	20,796	39,084
Purchase of property, plant and equipment	14A	(8)	(101)
Cash received from/(placed on) long-term deposit		-	62,276
Net cash (used in)/from investing activities		(12,835)	42,038
Cash flows from financing activities			
Purchase of own shares		-	(11,593)
Principal elements of lease payments		(63)	-
Net cash used in financing activities		(63)	(11,593)
Net (decrease)/increase in cash and cash equivalents		(17,534)	23,307
Cash and cash equivalents at start of year		134,230	112,085
Effect of exchange rate changes		6,086	(1,162)
Cash and cash equivalents at end of year		122,782	134,230

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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 through profit or loss. 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 and endorsed by the UKEB 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 applying the appropriate methodology for valuing investments (see Note 2(I)), share-based payments (see Note 2(P) and Note 19). Sensitivity of the investment portfolio is disclosed in Note 12.

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. These risks include an increase in operating costs of 50%, a reduction in or absence of any realisations, and an increase in new investment commitments. Given the substantial free cash available to the business and the proportionately small cost base and legal funding commitments of the group, the Directors have concluded that no material uncertainty exists around the Company or the Group's ability to continue as a going concern. As disclosed in the Corporate Governance statement the Board considers it appropriate to adopt the going concern basis.

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.

Notes to the financial statements continued

2. Accounting Policies continued

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

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

Entity	Country of Incorporation	Registered Address	Ownership
Arix Bioscience Holdings Limited	England and Wales	Duke Street House, 50 Duke Street, London, W1K 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, W1K 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.

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 is considered to have significant influence.

Notes to the financial statements continued

2. Accounting Policies continued

In preparing these financial statements, the Directors have considered the relationship that the Group has with The Wales Life Sciences Investment Fund LP (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. Accordingly, WLSIF has not been consolidated into these financial statements.

C. Adoption of new and revised standards

Management have considered changes/amendments to the standards and concluded no impact to the figures.

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 at a point of time.

E. Foreign currency translation

The assets and liabilities of foreign operations are translated to the 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 the Change in Fair Value of Investments on the face of the Consolidated Statement of Comprehensive Income. Foreign exchange differences arising from other items are disclosed separately on face of the Consolidated Statement of Comprehensive Income.

F. Leases

Lessees are required to recognise lease obligations as a liability and a right-of-use asset. The cost of the lease is subsequently recognised in the consolidated statement of comprehensive income as interest charged on the liability and as depreciation charged on the right-of-use asset.

G. Exceptional items

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

H. Property, plant and equipment

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

Office equipment	Three years
Fixtures and fittings	Five years

I. Right-of-use asset

Right-of-use asset is stated at cost less accumulated depreciation and any accumulated impairment losses and is depreciated over the lower of the lease and the useful life of the right-of-use asset. The depreciation period is 3 years.

J. 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.

Notes to the financial statements continued

2. Accounting Policies continued

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 periodically at board meetings or if a valuation event occurs, such as merger, reverse merger, or fund raise.

Valuation of investments

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

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

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

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

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

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

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

Treatment of gains and losses arising on fair value

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

Recognition of financial assets

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

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

Notes to the financial statements continued

2. Accounting Policies continued

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 as a separate line item. 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.

K. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and call deposits.

L. 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.

M. 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.

N. 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.

Notes to the financial statements continued

2. Accounting Policies continued

O. 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.

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 (2021: £nil). The Directors have taken what they consider to be all necessary steps to support the determination that the gains in 2022 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.

P. 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. Further detail on Share-based Payments is available in Note 19.

Q. 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.

R. Treasury share reserve

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

S. 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.

Notes to the financial statements continued

2. Accounting Policies continued

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

Market risk

Foreign exchange risk – the Arix Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Arix Group has certain investments whose net assets are exposed to foreign currency translation risk; at period-end the Arix Group held US dollar-denominated assets valued at \$108.7m (2021: \$131.0m) and euro-denominated assets valued at €18.0m (2021: €24.7m). A 10% appreciation in each currency would have a £9.6m positive impact (2021: £11.8m positive impact) on Arix's Income Statement; a 10% depreciation would have a £9.6m negative impact (2021: £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 2022, a 10% change in underlying interest rates would have impacted Arix's finance income by £158k (2021: £16k).

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 (£122.8m (2021: £134m)); and trade and other receivables (£2.0m (2021: £1.6m)).

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 2022, 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:

	2022 Within one year £'000	2022 Total £'000
Trade, Other Payables and Accruals (excluding non-financial liabilities)	1,864	1,864

Notes to the financial statements continued

2. Accounting Policies continued

	2021 Within one year £'000	2021 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.

3. Revenue

	2022 £'000	2021 £'000
Fund management fee income	96	321
Other income	16	19
	112	340

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 Before Taxation

	2022 £'000	2021 £'000
Amortisation	(144)	(144)
Depreciation	(36)	(65)
Right of Use Depreciation	(49)	–
Auditors' remuneration		
Statutory audit services		
Fees payable for the audit of the Arix Group accounts	112	97
Fees payable for the audit of the accounts of subsidiaries of the Arix Group	50	43
Non-audit services		
Other assurance and advisory services	23	20
Total auditors' remuneration	185	160

Non-audit services in the year relate to the Arix Bioscience plc interim review (£18k) and an FCA Client Asset Report (£5k) (2021: interim review £16k; FCA Client Asset Report £4k).

Notes to the financial statements continued

6. Administrative Expenses

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

	2022 £'000	2021 £'000
Employment costs	2,482	3,070
Recruitment costs	114	169
Consultancy fees	233	25
Other expenses	2,576	1,805
	5,405	5,069

7. Finance Income

	2022 £'000	2021 £'000
Bank interest	1,581	156
	1,581	156

8. Exceptional costs

	2022 £'000	2021 £'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:

	2022 £'000	2021 £'000
Salary and bonus	2,186	2,735
Social security costs	184	200
Pension and benefits costs	112	135
Employee costs excluding share-based payments	2,482	3,070
Share-based payments (Note 19)	181	(266)
	2,663	2,804

The average number of employees during the year was 7 (2021: 11) (investment team: 3 (2021: 5); non-investment team: 4 (2021: 6)).

Notes to the financial statements continued

10. Income Tax

	2022 £'000	2021 £'000
Current year tax charge		
Current tax	(4)	–
Deferred tax – current year	–	–
Deferred tax – effect of change in tax rates	–	–
Adjustment in respect of previous periods	–	–
Total tax charge	(4)	–
Reconciliation of tax charge		
Loss before tax	(27,579)	(61,084)
Expected tax based on 19.00% (2021: 19.00%)	(5,240)	(11,606)
Effects of:		
Expenses not deductible for tax purposes	6,142	10,765
Adjustment made in respect of prior years	(4)	–
Income not taxable	(47)	(434)
Employee share options	–	(51)
Deferred tax not recognised	856	1,326
Total tax charge	(4)	–
Recognised deferred tax provisions		
Brought forward	–	–
Adjustments in respect of prior year	–	–
Relating to profit and loss	–	–
Carried forward	–	–
Represented by:		
Unutilised tax losses	(1,941)	(3,461)
ACAs	–	–
Intangibles	–	–
Employee benefits	–	–
Investments	1,941	3,462
Other timing differences	–	(1)
	–	–
Unrecognised deferred tax provisions		
Unutilised tax losses	(15,459)	(11,390)
Priority profit share outstanding	(9,249)	363
Other timing differences	(565)	(8,565)
	(25,273)	(19,592)

Notes to the financial statements continued

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 for companies with annual profits exceeding £250k but remain at 19% for annual profits below £50k whilst companies with profits between £50k and £250k will pay tax at the main rate of 25% reduced by marginal relief. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2022 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 per Share

During 2022, the Group did not undertake a share buyback programme and there remains 6,428,853 shares being held in treasury. In the prior year 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 2022 the Group had 129,180,800 ordinary shares in issue (2021: 129,180,800).

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 3,181,859; 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 2022 £'000	As at 31 December 2021 £'000
Loss attributable to equity holders of Arix Bioscience plc	(29,625)	(60,993)
Weighted average number of shares in issue for the purposes of basic earnings per share	124,100,217	126,950,904
Weighted average number of shares in issue for the purposes of diluted earnings per share	132,362,659	136,430,200
Basic loss per share	(23.9)p	(48.0)p
Diluted loss per share	n/a*	n/a*

* n/a as anti-dilutive.

Notes to the financial statements continued

12. Investments Held at Fair Value

Equity Investments – 2022

	Level 1 – Listed Investments £'000	Level 3 – Unlisted Investments £'000	Total £'000
At 1 January 2022	63,698	56,937	120,635
Additions	22,525	11,098	33,623
Disposals	(20,796)	–	(20,796)
Transfers*	8,964	(8,964)	–
Change in fair value	(32,036)	(3,301)	(35,337)
Foreign exchange (losses)/profits	2,416	2,153	4,569
At 31 December 2022	44,771	57,923	102,694

*Disc Medicine listed on 29 December 2022

Level 3 investments are valued with reference to either the most recent funding round (£47.2m, 2021: £53.3m); net asset value (£3.1m, 2021: £1.0m); market-based write-up (£5.0m, 2021: £nil); discretionary write-down (£1.3m, 2021: £1.4m) or deferred consideration £1.3m (£1.2m). See Note 2(l) for further details on the valuation of Level 3 investments.

The Group's milestone valuation approach cannot be readily sensitised and therefore the Group has not disclosed sensitivity analysis for Level 3 inputs. A 10% movement in the share price of Level 1 inputs would result in a £4.5m (2021: £6.4m) movement in the investment portfolio value.

Equity investments – 2021

	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)	–
Change in fair value	(43,210)	(9,251)	(52,461)
Foreign exchange losses	(459)	(998)	(1,457)
At 31 December 2021	63,698	56,937	120,635

Notes to the financial statements continued

12. Investments Held at Fair Value 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 2022, 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%	€25,216k	€(5,409)k	31 December 2021
Sorriso Pharmaceuticals Inc (USD)	United States	9295 S 1300 Unit 3 Sandy, UT 84092 USA	26.0%	N/A	N/A	Not publicly available
STipe Therapeutics Aps (EUR)	Denmark	Inge Lehmans Gade 10, Aarhus Centrum, 8000 Aarhus, Denmark	19.8%	€1,356k	€(8,903)k	31 December 2022
Twelve Bio ApS (EUR)	Denmark	Ole Maaloes Vej 3, 2200 Copenhagen, Denmark	49.0%	€2,379k	€(1,784)k	31 December 2021

In addition, at 31 December 2022, 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%
Aura Biosciences, Inc.	N	N	4.1%
Disc Medicine Inc.	N	Y	4.2%
Ensoma	Y	Y	4.1%
Harpoon Therapeutics, Inc.	N	Y	6.7%
Imara, Inc.	N	Y	6.1%
Iterum Therapeutics Limited	N	Y	0.1%

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, CF10 4PL). 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 £0.2m (2021: £1.0m).

Notes to the financial statements continued

13. Intangible Assets

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cost		
As at 1 January and 31 December	1,534	1,534
Amortisation		
As at 1 January	(1,366)	(1,222)
Amortisation in the year	(144)	(144)
Impairment in the year		
As at 31 December	(1,510)	(1,366)
Net book value 1 January	168	312
Net book value 31 December	24	168

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.

14. Property, Plant and Equipment

Year ended 31 December 2022

	Fixtures and Fittings £'000	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
Cost				
As at 1 January 2022	166	–	39	205
Additions	–	–	8	8
Disposals	–	–	–	–
At 31 December 2022	166	–	47	213
Accumulated Depreciation				
As at 1 January 2022	(89)	–	(31)	(120)
Depreciation charge	(32)	–	(4)	(36)
Disposals	–	–	–	–
Foreign Exchange differences	–	–	–	–
At 31 December 2022	(121)	–	(35)	(156)
Net Book Value				
As at 1 January 2022	77	–	8	85
At 31 December 2022	45	–	12	57

Notes to the financial statements continued

14. Property, Plant and Equipment continued

Year ended 31 December 2021

	Fixtures and Fittings £'000	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
Cost				
As at 1 January 2021	504	50	77	631
Additions	97	-	8	105
Disposals	(434)	(50)	(46)	(530)
Foreign Exchange differences	(1)	-	-	(1)
At 31 December 2021	166	-	39	205
Accumulated Depreciation				
As at 1 January 2021	(468)	(45)	(69)	(582)
Disposals	433	49	43	525
Depreciation charge	(54)	(4)	(6)	(64)
Foreign Exchange differences	-	-	1	1
At 31 December 2021	(89)	-	(31)	(120)
Net Book Value				
As at 1 January 2021	36	5	8	49
At 31 December 2021	77	-	8	85

14b. Right Of Use Asset

	Right of use Asset 2022 £'000	Right of use Asset 2021 £'000
Cost		
As at 1 January	160	-
Additions	-	160
At 31 December	160	160
Accumulated Depreciation		
As at 1 January	(39)	-
Depreciation charge	(10)	(39)
At 31 December	(49)	(39)
Net Book Value		
As at 31 December	72	121

Notes to the financial statements continued

15. Other Assets

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Trade receivables	1,980	1,656
Prepayments	130	148
VAT receivable	108	35
	2,218	1,839

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

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Cash at bank and in hand	122,782	134,230

The carrying value of cash and cash equivalents 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 2022 £'000	As at 31 December 2021 £'000
Trade payables	173	77
Accruals and other payables	1,691	1,523
	1,864	1,600

18. Share Capital and Share Premium

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Allotted and called up		
135,609,653 Ordinary Shares of £0.00001 each (2021: 135, 609, 653 shares)	1	1
49,671 Series C Shares of £1 each (2021: 49,671 shares)	50	50
Share Premium	188,534	188,534

6,428,853 shares were held in Treasury at 31 December 2022 (2021: 6,428,853 shares).

The maximum number of Treasury Shares in the year was 6,428,853 and this represents 4.7% of Ordinary Share Capital.

Notes to the financial statements continued

19. Share Options

During 2022, share-based payment (credits)/expenses have been recognised relating to a range of share schemes operated by the Arix Group.

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Executive Incentive Plan 2018	–	(186)
Executive Incentive Plan 2019	–	(108)
Executive Incentive Plan 2020	97	(14)
Executive Incentive Plan 2021	68	42
Executive Incentive Plan 2022	16	–
Executive Share Option Plan	–	–
Non-Executive Director Awards	–	–
	181	(266)

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 2021. In the year ended 31 December 2022, £nil (2021: credit £186k) 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 2022, £nil (2021: credit £108k) 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, up to 21% pa compound to achieve 100% of the award. 1,658,441 are unvested at year end (2021: unvested 1,658,441) £97k (2021: £14k) 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 options were issued in 2021, all of which are unvested at year-end. In the year ended 31 December 2022, a share-based payment charge of £68k (2021: £42k) 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 50% reducing to 10% from July 2022 onwards (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%.

In November 2022, the Executive Director and certain employees were awarded options which will become exercisable at nil cost at the end of the three-year performance period, subject to performance criteria. The scheme in three part relates to growth of net asset value, invested net asset value and share price growth.

Notes to the financial statements continued

19. Share Options continued

Net asset value and separately the invested net asset value must grow by a minimum of 5% pa (for Nav) and 7% pa (for invested NAV) compound over the assessment period to 1 January 2024, and up to 12% pa (NAV) , 15% pa (invested NAV) compound to achieve 100% of the award. Additionally, a third element relating to share price growth from start point of £1.27 must grow by minimum of 5% pa compound over the performance period and up to 15% pa compound to achieve 100% of the award.

648,584 options were issued in 2022, all of which are unvested at year-end. In the year ended 31 December 2022, a share-based payment charge of £16k 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 £1.27, with an assessed likelihood of vesting of 50%. The charge relating to share price growth was calculated using a Monte Carlo simulation model, using assumptions relating to share price at grant (£1.27); risk-free interest rate (-2.4%); time to vesting (2 years and 4 months); and expected volatility based on comparable listed investments 23.5%).

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 2022, a share-based payment charge of £nil (2021: £nil) was recognised in relation to the Executive Share Option Plan, calculated using the Black-Scholes model. Assumptions used in the model relating to the risk-free interest rate and expected volatility were unchanged from those used in the prior period.

Restricted shares with identical terms, including a £1.80 price for the lifting of restrictions, were offered to the founders of the Company, totalling 5,080,582 shares. A charge of £nil was recognised in the year ended 31 December 2022 (2021: £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 current year and prior year no awards were given. A share-based payment charge of £nil (2021: £nil) was recognised during the period.

Notes to the financial statements continued

20. Net Cash From Operating Activities

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Loss before income tax	(27,579)	(61,084)
Adjustments for:		
Change in fair value of investments	30,768	47,975
Impairment of investments	–	5,943
Foreign exchange (gains)/losses	(8,120)	1,328
Share-based payment charge/(credit)	181	(266)
Depreciation and amortisation	229	209
Impairment of assets	–	–
Finance expenses	1	–
Finance income	(1,582)	(156)
Income Tax	(4)	–
Changes in working capital		
Increase in trade and other receivables	(379)	(461)
Increase/(decrease) in trade and other payables	264	(782)
Cash used in operations	(6,221)	(7,294)

21. Financial Commitments

The Group has amounts committed to portfolio companies but not yet invested; at 31 December 2022 these totalled £4.1m (2021: £5.6m).

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 (J) and disclosed in Note 12.

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Financial assets at fair value through profit or loss		
Equity investments	102,694	120,635
Other receivables (excluding prepayments)	1,980	1,656
Cash and cash equivalents	122,782	134,230

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.

Notes to the financial statements continued

22. Financial Instruments continued

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 2022 £'000	As at 31 December 2021 £'000
Trade, other payables and accruals (excluding non-financial liabilities)	1,864	1,600
Lease liability	70	121

23. Related Party Transactions

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

24. Events After the Reporting Date

On Friday 10 March 2023, the US Federal Deposit Insurance Corporation (FDIC) took control of the deposits of Silicon Valley Bank (SVB), later announcing on Monday 13 March 2023 that it would guarantee all insured and uninsured deposits at the bank. Whilst Arix had no deposits at SVB, the group-maintained brokerage accounts at SVB Leerink, which is part of SVB Financial Group. Whilst the integrity of these securities was not at risk, given the dynamic situation, instructions were given to move all securities at SVB Leerink to other brokerage accounts out of an abundance of caution. Arix also worked with those portfolio companies which had deposits at SVB to ensure that they had access to their capital. Following the announcement of FDIC's guarantee of all SVB deposits, we do not foresee any disruption to the trading of capital reserves of any portfolio companies.

On 8 February 2023, Ensoma completed its acquisition of Twelve Bio. This had been agreed prior to year-end but was subject to routine foreign direct investment clearance in Denmark. The acquisition resulted in a £1.2m uplift in our previous holding value of Twelve Bio, which was exchanged for shares in Ensoma at the Series B round price. 90% of this uplift was reflected in the 31 December 2022 valuation of Twelve Bio.

On 28 March 2023, Harpoon announced it closed a private placement to raise \$25 million from redeemable preferred stock and warrants for the purchase of common stock. Arix participated with a \$3.5 million (£2.8m) investment in redeemable preferred stock which is not convertible into common stock but is redeemable on the occurrence of certain events, including the receipt of proceeds in connection with certain strategic transactions.

On 28 March 2023, Arix invested £6.6m (\$8.1m) into Evommune Inc. as part of an equity transaction.

Company statement of financial position

As at 31 December 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments in subsidiary undertakings	2	891	891
Amounts due from subsidiary undertakings	4	79,543	57,164
		80,434	58,055
Current assets			
Cash and cash equivalents	3	112,147	130,232
Trade and other receivables		383	72
		112,530	130,304
TOTAL ASSETS		192,964	188,359
LIABILITIES			
Current liabilities			
Trade and other payables		(472)	(566)
TOTAL LIABILITIES		(472)	(566)
NET ASSETS		192,492	187,793
EQUITY			
Share capital and share premium		188,585	188,585
Profit/(Loss) for the period		4,518	(3,586)
Retained earnings		13,179	16,584
Other reserves		(13,790)	(13,790)
TOTAL EQUITY		192,492	187,793

Company statement of changes in equity

For the year 31 December 2022

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Treasury Share Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2022	188,585	(1,216)	(981)	(11,593)	12,998	187,793
Profit for the year	-	-	-	-	4,518	4,518
Share-based payment charge	-	-	-	-	181	181
As at 31 December 2022	188,585	(1,216)	(981)	(11,593)	17,697	192,492

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 credit	-	-	-	-	(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

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 FRS 101. 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. Investments in Subsidiary Undertakings

	2022 £'000	2021 £'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

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Cash at bank and in hand	112,147	130,232

The carrying value of cash and cash equivalents approximates to its fair value.

Notes to the Company financial statements continued

4. Amounts Due from Subsidiary Undertakings

	As at 31 December 2022 £'000	As at 31 December 2021 £'000
Opening balance	57,164	29,927
Net additions/(repayments) during the year	22,379	27,237
Impairments during the year	-	-
At 31 December	79,543	57,164

The amounts due from subsidiary undertakings are interest free 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 (2021: 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. Arix Bioscience plc shareholders are advised to be extremely wary of such approaches and are advised to only deal with firms authorised by the FCA. You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/scams (where you can also review the latest scams) or by calling the FCA Consumer Helpline: 0800 111 6768.

If you have already paid money to share fraudsters then contact Action Fraud on 0300 123 2040.

Registrar

The Company's register of shareholders is maintained by our Registrar, Equiniti Limited. All enquiries regarding shareholder administration, including lost share certificates or changes of address, should be communicated in writing or by calling +44 (0)371 384 2030 (lines are open 8.30am to 5.30pm Mondays to Fridays, excluding Bank Holidays in England and Wales). Please use the country code when calling 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 Arix Bioscience plc ("the Company") as a body, and for no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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Glossary

anti-PD-L1 antibody

Monoclonal antibody directed against programmed cell death-1 ligand 1 (PD-L1). The antibody binds to PD-L1, blocking its binding to and activation of its receptor programmed death 1 (PD-1), the activation of which normally dampens anticancer immune responses.

ATR inhibitor

A molecule that inhibits ataxia telangiectasia and Rad3 related (ATR) kinase, an enzyme frequently overexpressed in cancer contributing to cancer cell survival and growth by contributing towards DNA repair and cell cycle progression.

BCR-ABL

A gene formed due to the fusion of the BCR and ABL genes from different chromosomes which is often a driver of certain types of leukaemia.

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.

CRISPR-Cas12a

RNA-guided endonuclease which can be used to make highly specific modifications to DNA or RNA.

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.

Hematopoietic system

The system in the body that produces blood cells.

HER2

Acronym for human epidermal growth factor receptor 2. This is a receptor found on the surface of all breast cells and is involved in the control of cell growth.

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.

NSTI

Necrotising Soft Tissue Infections; serious bacterial infections that cause inflammation and damage to the soft tissue layers underneath the surface of the skin.

PARP inhibitor

A molecule that inhibits the enzyme poly ADP ribose polymerase (PARP) which is important in repairing DNA single-strand breaks.

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.

Polθ inhibitor

A molecule that inhibits DNA polymerase theta (Polθ) which is a DNA repair enzyme. Polθ has limited expression in normal tissues but is frequently over expressed in cancer cells.

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.

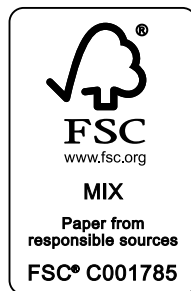
Solid Tumour

A cancer comprising solid tissue (i.e. not a blood cancer).

TriTAC

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

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