THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION WITHIN THE MEANING OF THE EU MARKET ABUSE REGULATION NO.596/2014

Arix Bioscience plc

Annual Results for the year ended 31 December 2018

LONDON, 28 March, 2019: Arix Bioscience plc ("Arix", LSE: ARIX) a global venture capital company focused on investing in and building breakthrough biotech companies around cutting edge advances in life sciences, today announces its annual results for the year ended 31 December 2018.

Financial highlights

- £70m net positive revaluation of the portfolio[1]
- £52m invested across the portfolio and a further £16m post year-end[2]
- Gross portfolio value increased to £175m (2017: £54m)
- Net Asset Value increased to £270m (2017: £146m)
- £87m capital raise in March 2018
- NAV per share increased to £2.00 (2017: £1.52)

Operational highlights

- Nasdaq listing of four Arix companies[3]
- Positive portfolio progression; 26 clinical trials underway; 19 expected readouts in 2019[4]
- $555m capital raised by Arix portfolio companies in 2018
- New commercial partnerships added with Fosun, Ipsen and Fred Hutchinson Cancer Research Center

Post period end investments:

- Co-led $63m Series B for Imara, a clinical stage biopharmaceutical company focused on sickle cell disease and other hemoglobinopathies; committing $15m (£11.3m)
- Harpoon completed a successful IPO on Nasdaq, raising $81m; Arix invested $6m (£4.6m) to retain a stake of 12.1%

Joe Anderson, Chief Executive Officer of Arix Bioscience plc, commented:
"We are encouraged by progress in 2018 with a number of positive developments in our business, and a net increase of £70m in the value of our portfolio companies. Overall, we grew our Net Asset Value from £146m at the beginning of 2018 to £270m at year end which, on a per share basis, was an increase of 32% over the year.

"This performance is an early sign, I believe, of the potential in our business and the strength of the young portfolio we have built. We are well positioned for further growth and investment in 2019 and look forward to the year ahead with confidence and optimism".

ENDS

Enquiries
For more information on Arix, please contact:

Arix Bioscience plc
Charlotte Parry, Head of Investor Relations
+44 (0)20 7290 1072
charlotte@arixbioscience.com

[1] Refers to the Gross Portfolio Value
[2] Includes £4.6m into Harpoon IPO, £3.2m into AtoxBio and £7.9m into Imara
[3] Includes Harpoon IPO post year end
[4] Includes Imara added post year end

Optimum Strategic Communications
Mary Clark, Supriya Mathur, Hollie Vile
+44 203 714 1787
optimum.arix@optimumcomms.com

About Arix Bioscience plc
Arix Bioscience plc is a global venture capital company focused on investing in and building breakthrough biotech companies around cutting edge advances in life sciences.
We collaborate with exceptional entrepreneurs and provide the capital, expertise and global networks to help accelerate their ideas 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.

CHAIRMAN'S STATEMENT

Building on the momentum of 2017, I'm pleased to report that 2018 has proven to be another year of accelerated progress and growth in the size and value of our portfolio, in our operating platform, and in capital raised and deployed.

Our gross portfolio now comprises 17 innovative young companies all working on breakthroughs in the treatment of serious diseases, led by experienced and highly expert management teams. Together these companies are conducting 26 clinical trials that are expected to read out over the next 12-18 months. The value of our holdings in these companies reached £175m at the end of 2018, driven by four successful IPOs on NASDAQ and two private financing events. These events were underpinned by strong underlying progress in the development programmes of these companies.

In building our operating platform at Arix, we have paid special attention to the industry and academic partnerships that support our activities. We are certainly proud of the strong partnerships we have built with Fosun, Ipsen, Takeda and UCB, all global leaders in the biopharma world. And our academic partnerships with Fred Hutch in Seattle and Max Planck in Germany are showing great promise in enabling us to identify and create new biotech companies from their most promising therapeutic research.

Our secondary offering in March 2018 raised additional funding for the Company, bringing the total funds raised to £250m since we formed the Company in 2016. These funds are being productively deployed into new and existing portfolio companies, including two new investments into our core portfolio and a seed investment in our discovery portfolio during the year.

Most importantly, our talented investment and corporate team are the drivers of the Company's progress and will sustain its continued growth and success in the years ahead.

The governance of Arix has continued to evolve over the past year. Sir Chris Evans played a key role with Joe Anderson and I in building the company over the last three years. With the platform and the team we now have in place, it was time to establish a clearer executive leadership model and we announced these changes in February 2019. With the continued progress we have seen over the last year I feel confident in handing this executive responsibility to Joe Anderson to lead Arix in its next phase of growth.

I'm also very grateful to Meghan FitzGerald, who played an important role on our Board in supporting the Company's early development; we wish her well in her growing US endeavours. I'd also like to welcome Art Pappas and Mark Breuer to our Board. Art brings many years of experience in the biopharma industry and in building a successful venture capital firm. Mark brings important UK board and capital markets experience after a long and successful career at JP Morgan. I look forward to working with both of them.

Jonathan Peacock
Chairman

CEO STATEMENT

A year of significant progress

I am pleased to report a year of positive progress at Arix. Our Net Asset Value (NAV) at year end was £270m, a £124m (85%) increase over the year. This resulted from upward revaluations in portfolio companies, as well as a successful raise of £87m (gross) to support further investments. On a per share basis, NAV increased over the year from 152p per share to 200p per share, a 32% increase. Across our portfolio, we saw meaningful scientific and technical developments in the companies we are supporting. This, along with our strong pipeline of new opportunities, supports our confidence of further growth in 2019.

Portfolio progression

Since Arix's IPO two years ago, we have been building a portfolio of high-potential companies in the life sciences sector, in each of which we have taken an active, supportive role. As the portfolio has grown we have categorised companies into our Core Portfolio and Discovery Portfolio. The Core Portfolio comprises both clinical and pre-clinical companies that we see as material to driving Arix NAV in the near to medium term. Our Discovery Portfolio includes companies which are typically seed investments; start-ups in the initial stages of research and development. We manage these higher risk investments by investing small amounts early and reserving funds for later stage rounds, seeking to grow our investments as the businesses de-risk. After meeting key milestones, these companies have the potential to move into the Core Portfolio. We now have 12 companies in the Core Portfolio and a further five companies in the Discovery Portfolio. Four of our Core Portfolio companies have already had successful IPOs on the NASDAQ and are beginning to drive increases in Arix NAV.

At year end our Gross Portfolio Value (the combined holding value of our Core and Discovery Portfolios) was £175m, which includes a net positive revaluation of £70m. The strong performance has predominantly been driven by valuation increases in Autolus, LogicBio and Harpoon (and offset by a decline in value of Iterum). The most substantial of these uplifts, Autolus, delivered an increase of £56m over the year, following the successful completion of an IPO on NASDAQ and subsequent positive share price momentum. Autolus continued to make clinical progress in the period, initiating further clinical trials and reporting initial Phase 1 safety and efficacy data in its AUTO3 programmes in paediatric Acute Lymphoblastic Leukaemia (pALL) and Diffuse Large B-cell Lymphoma (DLBCL).

Five other companies (Iterum, AtoxBio, Amplyx, Harpoon and Verona) initiated new clinical trials, taking our total number of live trials across the portfolio to 23 at year end. Additionally, Aura, Verona and Pharmaxis reported positive Phase 1/2 data and LogicBio, Harpoon and Artios completed financing rounds at valuation uplifts. These are significant milestones for our companies as they advance towards important valuation inflection points and delivery of important new treatments to patients.

New investments

In March 2018 we raised £87m (gross) from new and existing investors, bringing the total equity raised to over £250m since Arix was founded three years ago. The additional capital has allowed us to invest larger amounts in new and existing companies, building our positions in the fastest growing and most exciting opportunities.

In the period, we increased our position in Artios, a leading DNA Damage Response (DDR) company, becoming the largest shareholder following the Series B investment round, which attracted interest from leading venture groups, as well as new pharmaceutical investors Pfizer Ventures and Novartis Venture Fund.

Our focus continues to be on investing in high-impact science and partnering with disruptive, fast-growing companies which have the potential to improve outcomes for patients. In 2018 we provided new capital amounting to £52m ($68m) across the gross portfolio, including follow-on funds to existing companies and investments into new portfolio companies. In addition, these companies have raised another $487m through syndication with expert global life sciences investors, creating a well financed group of companies at the cutting edge of life sciences. Over the reporting period, we added two new companies into our core portfolio, including our first VIPE (Venture Investment in Public Equity) in Pharmaxis (a small public company in Australia, focused on fibrosis) and VelosBio (a private company focused on armed antibody therapies, which we co-invested in with our pharmaceutical partner, Takeda). We also co-founded our first company. This is based on novel discoveries in the innate immune system emerging from the Max Planck Lead Discovery Center, one of our key academic partnerships.

Our Core Portfolio continues to make good clinical and development progress and we are excited by the potential for growth within these companies.

Venture investing in a listed vehicle

As a listed venture-capital company, owners of our shares gain exposure to a diverse portfolio of innovative life science companies.

Our global network and transatlantic team provide us with access to a large pool of opportunities, wide scientific networks and a deep understanding of the industries and markets in which we invest. Through these networks we can provide portfolio companies with access to potential acquirers and commercial partners, as well as the long-term capital, expertise and networks they need to bring innovative new treatments to market.

Pharmaceutical companies are one of our key partners as they continue to focus on sourcing medical innovation outside of their own laboratories. At the beginning of 2018, we added two new partners: Ipsen, a global specialty-driven biopharmaceutical, and Fosun International, a large Chinese group with global reach. These, alongside existing partners UCB and Takeda, give us access to broad scientific knowledge, R&D capabilities, market intelligence and commercial due diligence. Our new investment in VelosBio, sourced through our pharmaceutical partner Takeda, illustrates the potential of these partnerships, as not only future acquirers and partners of our companies, but also as a further source of investment opportunities.

We take a hands-on approach, providing more than just capital when we invest. We take board seats and play an active role supporting our companies' growth. From developing a business strategy, recruiting experienced management, securing additional funding, shaping drug development, navigating the regulatory process and helping with the ultimate exit, we strive to be collaborative and supportive partners.

Outlook

The year ahead will be important for a number of our portfolio companies as they reach significant clinical and development milestones during the year. We also continue to see a strong pipeline of opportunities through our global networks and partnerships, and expect to invest in new and existing portfolio companies over the course of the year. New investments will continue to be guided by the quality of the science, the commercial opportunity and, importantly, the potential benefits for patients.

Following on from the management changes announced in February 2019, we will create a leaner organization, with reduced overheads, while continuing to focus on the core of our business: backing the best entrepreneurs and helping them to build their companies.

We are encouraged by progress in 2018, with a number of positive developments in our business and a healthy increase in the value of our portfolio companies. This performance is an early sign, I believe, of the potential in our business and the strength of the portfolio we have built. We are well positioned for further growth and investment in 2019 and look forward to the year ahead with confidence and optimism.

Joe Anderson, PhD
Chief Executive Officer

OPERATIONAL AND FINANCIAL REVIEW
CFO Statement

Overview
The year to December 2018 has been one of significant financial progress, particularly in driving growth in our Gross Portfolio Value, which has increased to £175.5m (2017 £53.9m). This is reflected in the increased strength of the Group balance sheet, where the Net Asset Value (NAV) of the Arix Group has grown by over £100m to £270.2m (2017: £146.4m).

This growth in Group NAV has been supported by a strong net revaluation gain for the year of £51.2m (2017: £5.5m) which has helped deliver a profit before tax of £42.8m (2017: £9.5m loss).

The Gross Portfolio Value (GPV), comprising our Core Portfolio, and Discovery Portfolio, is shown at fair value at £175.5m (2017: £53.9m) at the year-end, representing an increase of 225% over the last 12 months.

The remaining component of Investments is our Other Interests. At the balance sheet date these are held at a fair value of £8.5m (2017: £17.4m), the movement being predominantly due to impairments to the carried interest of The Wales Life Sciences Invesment Fund and in BioMotiv.

Core Portfolio
The Core Portfolio has grown from nine companies to 11 in 2018, with the value of these companies increasing from £50.6m to £169.3m, driven by both the investment activity in the year and the strong revaluation gains enjoyed in the period – notably by Autolus, which listed on the Nasdaq exchange in June.

Autolus was not alone, as Iterum Therapeutics and LogicBio Therapeutics also listed during 2018. In addition, Harpoon Therapeutics was in preparation for its IPO at year-end and went on to successfully list early in 2019.

All of our quoted investments are shown at the closing market price at the balance sheet date. The valuation of Harpoon reflects a portion of the uplift arising between its November 2018 funding round and its February 2019 IPO.

Discovery Portfolio
Our emerging investments are held within our Discovery Portfolio. This asset class is important to the future development of the Core Portfolio as it provides a crèche to develop emerging innovation and explore commercial opportunities.

The Discovery Portfolio is held at a fair value of £6.2m (2017: £3.3m) and includes a number of pre-clinical investments plus other seed investments made during the year.

As new projects become established they will be moved from the Discovery Portfolio to the Core Portfolio.

Portfolio Valuation Methodology
I have highlighted in previous reports the strong focus on high levels of integrity when it comes to the valuation of our investments. This is both embedded in our culture and in our governance as it is overseen by our Audit and Risk Committee. Arix follows International Private Equity and Venture Capital (IPEV) Guidelines, which are compliant with International Financial Reporting Standards. You can read the detailed accounting policy on pages 108 to 109.

In determining the valuation of its portfolio, Arix applies a valuation hierarchy; for example, a quoted market price has the highest integrity and is used as a source of valuation wherever possible.

As an alternative for unquoted stocks, Arix may use a recent arm's length market transaction as this is considered to have an acceptably high level of integrity.

A Discounted Cash Flow (DCF) methodology is considered to have the lowest level of integrity and is not used where a methodology with a higher level of integrity is available. No investments within our Core Portfolio or Discovery Portfolio have been valued using DCF methodology at December 2018.

Consolidated Profit and Loss
Strong performance in the year has delivered a Profit Before Tax (PBT) of £42.8m (2017: loss of £9.5m). The key feature of the Consolidated Statement of Comprehensive Income is the net revaluation gains of £51.2m (2017: £5.5m).

This strong PBT has created the need for a deferred tax liability of £5.9m this year.

The net revaluation gains of £51.2m were driven principally by Autolus Therapeutics, which showed a positive revaluation of £55.9m in the year, along with LogicBio Therapeutics, which also had a significant upward valuation in the period of £14.1m. These were partially offset by Iterum Therapeutics, which following its successful IPO recorded a negative revaluation of £8.4m in the period.

Revenues of £1.3m (2017: £1.9m) are predominantly management fees in Arix Capital Management; these have decreased year-on-year in line with expectations as the fully invested Wales Life Sciences Investment Fund enters the second half of its investment life. A significant exit for the fund was successfully completed early in 2019 and this will contribute to a reduced fee level going forward.

Administrative expenses for the year were £11.7m (2017: £11.0m). These costs included CEO search fees of £0.3m.

The Board changes announced on 19 February 2019 enable a leaner management team in Arix. The cost savings from these changes, along with other expected savings from a premises review which is currently under way, will reduce annual run-rate costs by approximately £1.5m going forwards; 2019 will reflect the part-year implementation of these cost reductions.

Cash Position

Cash and deposits on the balance sheet has also strengthened during the year to £91.2m (2017: £74.9m) following a successful capital raising in March 2018, which delivered net proceeds of £83.5m. This cash position will allow investment momentum to be carried into 2019.

The consolidated balance sheet shows that of the £91.2m held, £60.2m is held on long term deposit, which is defined as a term of over three months. The use of longer term deposits has contributed to improved levels of interest income earned this year.

Treasury Policy

The main objectives of the Treasury Policy are the preservation of shareholders' funds for investment purposes and the mitigation of counterparty risk. The policy achieves these twin aims by requiring that cash balances are held at a number of UK banks with strong credit ratings.

The Treasury Policy was revised and reapproved by the Board this year to allow a greater proportion of funds to be placed as term deposits, and as a result net interest income increased to £0.7m (2017: £nil).

Speculation on currency movements is specifically not permitted by the policy and foreign currency hedging transactions are also outside of the policy. Therefore, no currency hedging transactions were entered into during the year and balance sheet assets in foreign currency are not hedged against sterling.

The impact of currency exchange rates is shown on the face of the Consolidated Statement of Comprehensive Income as a gain of £4.6m; however, it should be noted that these are not realised amounts.

During the second half of 2018, due to the foreseen risk of Brexit weakening sterling particularly against US dollars, our cash balances held in non-sterling were positioned to include sufficient US dollars to allow us to match our known future dollar funding commitments to portfolio companies for 2019.

In this way we have been able to protect our investment activity against expected volatile foreign exchange rates for the coming year.

Employee Benefit Trust

During the year under review an Employee Benefits Trust (EBT) was created. This Trust is managed by an independent Board of Trustees.

The role of the Trust is to efficiently provide employment benefits to Arix employees, which is particularly important to the retention proposition for key staff such as our investment team.

In line with International Financial Reporting Standards, the results of the Trust are consolidated into the Group financials within this Annual Report.

Impact of Brexit

The Arix business model requires the sourcing and funding of biotech and life science investment opportunities and this is not expected to materially change after Brexit. This is because Arix sources investment opportunities globally and is not constrained to the UK or European markets.

There is a risk that possible reductions in research grants could affect the number of biotech investment opportunities becoming available, but this is considered unlikely to have a material impact on Arix's global pipeline of opportunities.

Future trends

The implementation of new CFIUS legislation in the US is intended to protect US technology from foreign interest and will bring increased administration and operational risk to many US investment opportunities, including those in the biotech sector.

Whilst Arix as a UK company is well positioned to continue to take part in US biotech investment opportunities going forward, we will continue to monitor this and other emerging legislation as we go through 2019.

Emerging regulation

Arix Capital Management is a subsidiary of Arix Bioscience plc and regulated by the FCA. Accordingly, it will be subject to the new Senior Management & Certification Regime (SM&CR) with effect from 9 December 2019.

The SM&CR is part of the UK regulator's drive to improve culture, governance and especially accountability across the financial services sector and preparation is under way to ensure a seamless adoption of SM&CR ahead of the implementation date later this year.

After the balance sheet date
On 14 February 2019, Harpoon Therapeutics, one of our Core Portfolio companies, successfully listed on Nasdaq at $14 per share. This is above its fair value included in these consolidated financial statements. Arix invested a further £4.6m at IPO, and now owns 12.1% of Harpoon.

On 19 February 2019, changes were announced to the membership of Arix's Board. Joe Anderson, previously Chief Investment Officer, was appointed Chief Executive Officer; Jonathan Peacock, previously Executive Chairman, became Non-Executive Chairman; and Sir Chris Evans, previously Deputy Chairman, stepped down from the Board but will remain a consultant with the Company. These changes enable a leaner management team in Arix and will bring associated cost savings.

On 15 March 2019, Arix completed an investment in Imara Therapeutics, Inc., committing £11.3m (US$15.0m) for a 9.9% stake on a fully diluted basis.

Investment summary

	31 December 2017 Value £m	Net Investment in Period £m	Change in Valuation (including FX) £m	31 December 2018 Value £m	Fully Diluted Equity Interest %	Funding Committed, Not Yet Invested £m	Fully Diluted Equity Interest When Fully Committed %
CORE							
Amplyx Pharmaceuticals	2.8	–	0.4	**3.2**	2.9%	1.9	3.7%
Artios Pharma	3.7	5.8	1.4	**10.9**	13.4%	4.3	12.4%
Atox Bio	3.0	–	0.2	**3.2**	3.7%	3.1	6.4%
Aura Biosciences	2.5	1.2	0.2	**3.9**	6.6%	–	6.6%
Autolus	20.1	5.5	55.9	**81.5**	7.9%	–	7.9%
Harpoon Therapeutics	5.1	10.3	8.5	**23.9**	11.3%	–	11.3%
Iterum Therapeutics	5.7	7.0	(8.4)	**4.3**	7.8%	–	7.8%
LogicBio Therapeutics	4.8	5.4	14.1	**24.3**	12.9%	–	12.9%
Pharmaxis	–	8.0	(1.6)	**6.4**	11.1%	–	11.1%
VelosBio	–	5.1	0.1	**5.2**	8.9%	3.4	11.3%
Verona Pharma	2.9	–	(0.4)	**2.5**	2.5%	–	2.5%
	50.6	**48.3**	**70.4**	**169.3**		**12.7**	
DISCOVERY							
Depixus	1.1	0.3	–	**1.4**	18.6%	0.1	19.2%
Mitoconix Bio	0.4	0.4	(0.6)	**0.2**	3.5%	0.8	9.0%
OptiKira	1.3	–	(0.3)	**1.0**	21.9%	–	21.9%
PreciThera	0.5	0.7	(0.1)	**1.1**	20.9%	4.6	23.4%
New SeedCo	–	2.4	0.1	**2.5**	25.6%	2.8	32.2%
	3.3	**3.8**	**(0.9)**	**6.2**		**8.3**	
GROSS PORTFOLIO VALUE	**53.9**	**52.1**	**69.5**	**175.5**		**21.0**	
Other Interests	17.4	3.2	(12.1)	**8.5**	N/A	–	N/A
TOTAL INVESTMENTS	**71.3**	**55.3**	**57.4**	**184.0**		**21.0**	

RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

Risk	Impact	Mitigation
1 **Arix's portfolio companies may not generate the financial returns that are anticipated**	Arix's net assets increasingly comprise a range of portfolio companies; below-forecast performance from a portfolio company may adversely affect Arix's profitability and ability to generate positive cash flows from future realisations.	Arix has an experienced team responsible for identifying and developing portfolio companies, resulting in a high standard of due diligence before the commitment of any money. Post-investment, Arix typically has representatives on the company's board of directors, ensuring it is fully aware of business developments, and allowing for mitigation of possible issues as they arise. Arix funds a range of portfolio companies and continues to develop its portfolio across a range of interests. As such, it will achieve a diverse portfolio, with financial performance not overly reliant on any one business. Arix deploys capital to portfolio companies at all stages of a company's life cycle. Therefore, it is exposed not only to very early-stage businesses but also holds interests in more mature companies, where risk of failure is reduced.
2 **Loss of key personnel to competitors, or from an external event**	The financial performance of Arix depends on its ability to identify and develop outstanding portfolio companies and, as such, is reliant on its key personnel. Loss of key individuals could affect Arix's financial performance and future prospects.	Arix has a market-appropriate remuneration scheme for its senior employees. This includes share incentive schemes which reward personnel for long-term service and performance. Arix has three senior management members making up the Executive Committee performing active day-to-day roles who are able to provide emergency cover for each other over a short period. The Investment team comprises five individuals who offer cross-team support in the event of an absence. Therefore, the loss of a single key member of the investment or management team would be mitigated by the stature and experience of others within the organization. Arix's Nomination Committee is responsible for appropriate succession planning.
3 **Adverse market conditions may impact Arix's operational model**	An economic downturn may reduce opportunities for Arix to realise capital from portfolio companies, affecting cash flow and financial performance if business valuations are reduced. The availability of capital for any external fundraising by Arix or its portfolio companies may also be affected.	Arix's strategy is to deploy capital into innovative businesses which have unique, high impact outcomes; Arix believes that such businesses are less susceptible to macroeconomic cycles. Arix has funded portfolio companies across a range of geographies, including the UK, USA, Europe, Canada, Israel and Australia. As such, it is not overly reliant on a downturn or market shock in a single geography. Arix monitors its availability of capital closely, ensuring sufficient balances are available for the continuing operation of the business throughout the period assessed in the viability statement.
4 **Changes to government policy or regulation in the research, healthcare**	A change in government regulation (for example CFIUS in the United States) may adversely affect the profitability of the healthcare and life	Arix's portfolio is diversified by geography, with exposure to the UK, USA, Europe, Canada, Israel and Australia. As such, the portfolio is diversified against the adverse actions of any one government.

or life sciences industries	sciences industry, reducing possibly the number of investment opportunities, availability of external funding or potential exit opportunities.	
5 **Brexit may have an impact beyond the risks described above in terms of by severity of a downturn or the nature of the impact**	Specific impacts could include: • a depressed UK capital market that does not support the raising of capital • a reduction in government-funded research in biotech, leading to reduced investment opportunities	Arix has the ability to withstand a depressed capital market, including the ability to dispose of a portion of its listed investments; withhold funds that are reserved for the existing portfolio; the ability to issue up to 10% of share capital to a new investor; and the possibility to arrange loan finance secured on its balance sheet assets. Arix also holds cash reserves to cover two years of operating costs. Arix's investment appetite is unconstrained globally resulting in a pipeline with a broad geographical spread. This means that a variation in the pipeline of opportunities coming from one country would not materially damage Arix's ability to continue its core business.

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.

The Board has carried out a rigorous assessment of the principal risks and their mitigants, noted above. The Board assessed Arix's business model, particularly its approach to future cash commitments to existing portfolio companies. One key area modelled is the ability to manage the risk of over-commitment to portfolio companies by reviewing cash flow projections, which included scenarios with differing impacts to the cash flow forecast inputs. Key judgements reflected how future cash requirements may change from restrictive regulations, and how availability of capital may be restricted from the loss of key personnel.

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

Jonathan Peacock
Chairman

28 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Change in fair value of investments	11	**51,173**	5,544
Revenue	3	**1,328**	1,857
Administrative expenses	6	**(11,698)**	(10,990)
Operating profit / (loss)		**40,803**	(3,589)
Net finance income/(expense)	7	**708**	(15)
Foreign exchange gains/(losses)	11	**4,583**	(432)
Share-based payment charge	18	**(3,333)**	(3,654)
Profit / (loss) before taxation		**42,761**	(7,690)
Taxation	9	**(5,883)**	221
Profit / (loss) for the year		**36,878**	(7,469)
Other comprehensive income			
Exchange differences on translating foreign operations		**1,269**	(1,202)
Taxation	9	**-**	59
Total comprehensive income / (loss) for the year		**38,147**	(8,612)
Attributable to			
Owners of Arix Bioscience plc		**38,147**	(8,612)

Earnings per share			
Basic earnings per share (p)	10	**32.1**	(11.0)
Diluted earnings per share (p)	10	**29.7**	(11.0)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Investments held at fair value	11	**183,981**	71,331
Intangible assets	12	**1,770**	2,057
Property, plant and equipment	13	**313**	523
		186,064	73,911
Current assets			
Cash and cash equivalents	15	**31,009**	74,938
Cash on long-term deposit	15	**60,209**	–
Trade and other receivables	14	**2,174**	1,266
		93,392	76,204
TOTAL ASSETS		**279,456**	150,115
LIABILITIES			
Current liabilities			
Trade and other payables	16	**(3,399)**	(3,670)
Deferred tax liability	9	**(5,883)**	–
		(9,282)	(3,670)
TOTAL LIABILITIES		**(9,282)**	(3,670)
NET ASSETS		**270,174**	146,445
EQUITY			
Share capital and share premium	17	**188,585**	105,125
Retained earnings		**82,018**	42,088
Other reserves		**(429)**	(768)
		270,174	146,445
TOTAL EQUITY		**270,174**	146,445

The accompanying notes form an integral part of the financial statements. The financial statements on pages 102 to 123 were approved by the Board of Directors and authorised for issue on 28 March 2019, and were signed on its behalf by

James Rawlingson
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2018

	Share Capital and Premium £'000	Other Equity £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2018	**105,125**	**–**	**(768)**	**42,088**	**146,445**
Profit for the period	**–**	**–**	**–**	**36,878**	**36,878**
Other comprehensive income	**–**	**–**	**1,550**	**(281)**	**1,269**
Contributions of equity, net of transaction costs and tax	**83,460**	**–**	**–**	**–**	**83,460**
Share-based payment charge	**–**	**–**	**–**	**3,333**	**3,333**
Acquisition of own shares	**–**	**(1,211)**	**–**	**–**	**(1,211)**
Issue of own shares to employees	**–**	**–**	**–**	**–**	**–**
As at 31 December 2018	**188,585**	**(1,211)**	**782**	**82,108**	**270,174**

For the year ended 31 December 2017

	Share Capital and Premium £'000	Other Equity £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2017	51	–	434	45,844	46,329
Loss for the year	–	–	–	(7,469)	(7,469)
Other comprehensive income	–	–	(1,202)	59	(1,143)
Contributions of equity, net of transaction costs and tax	105,074	–	–	–	105,074
Share-based payment charge	–	–	–	3,654	3,654
As at 31 December 2017	105,125	–	(768)	42,088	146,445

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Net cash from operating activities	19	**(11,018)**	(8,768)
Finance expenses paid		**(12)**	(16)
Tax paid		**(28)**	–
Net cash from operating activities		**(11,058)**	(8,784)
Cash flows from investing activities			
Purchase of equity investments		**(55,228)**	(50,239)
Purchase of property, plant and equipment		**(2)**	(5)
Net cash placed on long-term deposit		**(60,209)**	–
Net cash from investing activities		**(115,439)**	(50,244)
Cash flows from financing activities			
Net proceeds from issue of shares		**83,460**	105,074
Purchase of own shares for share schemes		**(1,211)**	–
Net cash from financing activities		**82,249**	105,074
Net (decrease)/increase in cash and cash equivalents		**(44,248)**	46,046
Cash and cash equivalents at start of period		**74,938**	28,929
Effect of exchange rate changes		**319**	(37)
Cash and cash equivalents at end of period		**31,009**	74,938

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The principal activity of Arix Bioscience plc (the 'Company') and together with its subsidiaries (the 'Arix Group' or 'the Group') is to source, finance and develop healthcare and life science businesses globally.

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

2. Accounting Policies

A. Basis of preparation

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

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

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

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

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

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

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

B. Basis of consolidation
Subsidiaries
Subsidiaries are entities over which the Arix Group has control. The Arix Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

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

Entity	Country of Incorporation	Registered Address	Ownership
Arix Bioscience Holdings Limited	England and Wales	20 Berkeley Square, London, W1J 6EQ	100%
Arix Bioscience, Inc	United States	250 West 55th Street, 33rd Floor, New York NY 10019	100%
Arix Capital Management Limited	England and Wales	3 Assembly Square, Britannia Quay, Cardiff, CF10 4PL	100%
Arthurian Life Sciences GP Limited	Scotland	16 Charlotte Square, Edinburgh, EH2 4DF	100%
ALS SPV Limited	England and Wales	20 Berkeley Square, London, W1J 6EQ	100%
Arthurian Life Sciences SPV GP Limited	England and Wales	3 Assembly Square, Britannia Quay, Cardiff, CF10 4PL	100%
Arix Bioscience plc Employee Benefit Trust	Jersey	26 New Street, St Helier, Jersey, JE2 3RA	100%
Arthurian Life Sciences Carried Interest Partner LP	Scotland	16 Charlotte Square, Edinburgh, EH2 4DF	100%
Arix Bioscience Pty Limited	Australia	Level 27, AMP Centre, 50 Bridge Street, Sydney NSW 2000	100%

All companies are involved in the sourcing, financing and development of healthcare and life science businesses, 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
Associates are entities over which the Group has significant influence, but does not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights.

No associates are presented on the Statement of Financial Position as the Group elects to hold such investments at fair value through profit and loss. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organizations to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement. Changes in fair value of associates are recognised in the Statement of Comprehensive Income in the period in which the change occurs. The Group has no interests in associates through which it carries on its business.

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

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

C. Adoption of new and revised standards

Certain new accounting standards and interpretations have been applied by the Group from 1 January 2018. The Group's assessment of the impact of these new standards and interpretations is set out below.

- IFRS 9 – 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has determined that its investments are held for long periods of time, and are not held for the benefit of any contractual cash flows. On this basis, such investments are classified as financial assets at Fair Value in Profit and Loss under IFRS 9. This is consistent with the Group's previous treatment under IAS39, so there is no change in treatment and no impact on the financial statements. The Group's cash and receivable balances are held with the expectation that these will be realised by collecting the contractual cash flows associated with them. Under IFRS 9, such financial assets are held at Amortised Cost. This is consistent with the Group's previous treatment under IAS 39, so there is no change in treatment and no material impact on the financial statements.
- IFRS 15 – 'Revenue from contracts with customers' applies to the recognition of revenue. This has replaced IAS 18, which covered contracts for goods and services, and IAS 11, which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has assessed its sources of revenue, namely fund management fees, Non-Executive Director fees receivable, and determined that there was no change in how each revenue source is recognised compared to the previous treatment under IAS18; therefore there has been no impact on the financial statements.

Certain new accounting standards and interpretations are effective for the annual period beginning on or after 1 January 2019, and have not been applied in preparing these financial statements.

- IFRS 16 – 'Leases' This standard replaces the current guidance in IAS 17 – 'Leases' and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. IFRS 16 includes an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting remains substantially unchanged. IFRS 16 provides updated guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts); under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019. The Group has carried out an assessment of the impact of the standard and concluded that there will be no significant impact on the financial statements. As such, the Group intends to apply a simplified transition approach and will not restate comparative amounts for years prior to the first application.

D. Revenue recognition

Revenue is generated from fund management fees, transaction fees and from Non-Executive Directors' fees receivable. Fund management fees are earned as a percentage of fund commitments managed and are recognised in the period in which these services are provided. Transaction fees are typically earned as a fixed percentage of funds provided and are recognised at the point of completion of the transaction. Non-Executive Directors' fees are recognised on an accruals basis.

E. Foreign currency translation

The assets and liabilities of foreign operations are translated to Group's presentational currency (British pounds sterling) at foreign exchange rates ruling at the period-end date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

F. Leases

Rents payable under operating leases are charged against income on a straight-line basis over the lease term, even if payments are not made on such a basis.

G. Exceptional items

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

H. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets:

Office equipment	Three years
Fixtures and fittings	Five years

Office furniture	Five years
Leasehold property	Five years

I. Financial assets

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

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

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

Equity investments

Those investments in the Arix Group that are held with a view to the ultimate realisation of capital gains are recognised as equity investments within the scope of IFRS 9 and are classified as financial assets at fair value through profit or loss. This includes investments in associated undertakings, as per Note 11. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. They are subsequently remeasured at their fair value if a valuation event occurs. A valuation event may include technical measures, such as product development phases, financial events, such as further injection of capital, and sales events, such as product launches.

Fair value hierarchy

The Arix Group classifies financial assets using a fair value hierarchy that reflects the significance of the inputs used in making the related fair value measurements. The level in the fair value hierarchy, within which a financial asset is classified, is determined on the basis of the lowest level input that is significant to that asset's fair value measurement. The fair value hierarchy has the following levels:

Level 1 The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price.

Level 2 The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Valuation of investments

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

The fair value of unlisted securities is established initially at cost. Subsequently, the fair value is determined using the International Private Equity and Venture Capital Valuation Guidelines December 2015 ('IPEV Guidelines'). The valuation methodology primarily used by the Arix Group is the 'price of recent investment', a 'milestone analysis' approach or the net asset value of a direct investment in a fund.

Investments made in seed, start-up and early stage companies often have no current and no short-term future earnings 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. Consequently, the most appropriate approach to determine fair value is a methodology primarily based on the price of a recent investment.

Where the Arix Group considers that the unadjusted price of investment may no longer be relevant, the Group carries out an enhanced assessment based on milestone analysis. In applying the milestone analysis approach to investments in companies in early or development stages, the Group seeks to determine whether there is an indication of change in fair value.

The following factors are considered when calculating the fair value:

- Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value, unless there is objective observable evidence that the investment has since been impaired;
- Where there has been a recent investment by a third party, the price of that investment will provide a basis of the valuation;
- If there is no readily ascertainable value or recent transaction, the Arix Group considers alternative IPEV Guidelines methodologies, principally being discounted cash flows and price-earnings multiples. In these instances, a price to earnings multiple is derived from an equivalent business that is considered a suitable proxy. An appropriate discount is applied to the price-earnings multiple for risks inherent to early stage businesses;
- Where a fair value cannot be estimated reliably, perhaps because of a lack of either revenue or earnings, the investment is reported at carrying value, unless there is evidence that the investment has been impaired or there has been a 'milestone' event. A milestone event may include technical measures, such as product development phases and patent approvals, financial measures, such as cash burn

rate and profitability expectations, and market and sales measures, such as testing phases, product launches and market introductions; indicators of impairment might include delayed progress, technical complications or financial difficulties; and

- Where the equity structure in an investment involves different class rights in a sale or liquidity event, the Arix Group takes these different rights into account when forming a view of the fair value of its investment.

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

Although the Directors use their best judgement, and cross-reference results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation 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 liquidation of investments, could be material to the financial statements.

This is particularly significant for the Arix Group's interest in the carried interest vehicle of The Wales Life Sciences Investment Fund. Carried interest is the fund manager's share of the fund's profits, once investors have received a return over a specified hurdle. Underlying companies within the fund are at an early stage of their lives and are generally held at a value equal to cost until a milestone is reached. This makes the valuation of the carried interest sensitive to the assumptions used regarding the size and timing of realisations. This information is then used to determine the carried interest valuation, using a discounted cash flow model; further assumptions are made in this calculation, with the final balance being particularly sensitive to the choice of discount rate; a liquidity discount is also applied. Any ultimate gain for the Arix Group from this holding may be materially different from the current fair value.

From 1 January 2019, the Group will adopt the International Private Equity and Venture Capital Valuation Guidelines December 2018.

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

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

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

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

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

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

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

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

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

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

M. Trade payables

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

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

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

N. Current and deferred taxation

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

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

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

O. Share-based payments

The Arix Group operates an equity incentive plan and an executive share option plan in which the Group’s founders also participate. Share options must be measured at fair value and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in equity. The fair value of the option is estimated at the date of grant using the Black-Scholes Model and is charged as an expense in the Statement of Comprehensive Income over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting. Estimation uncertainty arises with this balance as the calculation incorporates assumptions for share price, exercise price, expected volatility (based on similar quoted companies), risk-free interest rate and share option term. In addition to management share options, the Group has also provided Founders Shares, which are classed as a share-based payment. As no service conditions are attached to these shares, the incremental accounting charges have been recognised immediately.

P. Financial risk management

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

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

Market risk

Foreign exchange risk – the Arix Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and euros. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Arix Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk; at period-end the Arix Group held euro-denominated assets valued at €1.5m; Canadian dollar-denominated assets valued at C$2.0m; Australian dollar-denominated assets valued at A$11.6m; and US dollar-denominated assets valued at $200.6m. 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 permanent capital into innovative businesses which have unique, high-impact outcomes; Arix believes that such businesses are less susceptible to macroeconomic cycles. The Group monitors the availability of its capital closely, ensuring sufficient balances are available for the continuing operation of the business throughout the period assessed in the viability statement.

Interest rate risk

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

The Arix Group's income is substantially independent of changes in market interest rates. Interest-bearing assets include only cash and cash equivalents, which earn interest at variable rates. The Arix Group has a treasury policy to manage cash and cash equivalents.

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 (31 December 2018: £31,009k (2017: 74,938k)); cash on long-term deposit (£60,209k (2017: £nil)); and trade and other receivables (£2,174k (2017: £960k)).

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 2018, 100% of cash and cash equivalents and cash on long-term deposit was deposited with institutions that have a credit rating of at least category A+, according to Fitch ratings.

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

Liquidity risk

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

	Within One Year £'000	**Total £'000**
Trade, Other Payables and Accruals (excluding non-financial liabilities)	3,399	**3,399**

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

	2018 £'000	**2017 £'000**
Fund management fee income	**866**	1,695
Other income	**462**	162
	1,328	1,857

The total revenue for the Arix Group has been derived from its principal activity of sourcing, financing and developing healthcare and life science businesses globally. 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. It has therefore been determined that the Arix Group has only one reportable segment under IFRS 8 ('Operating Segments'), which is that of sourcing, financing and developing healthcare and life science businesses globally. The Arix Group's revenue, results and assets for this one reportable segment can be determined by reference to the Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position.

5. Profit/loss Before Taxation

	2018 £'000	**2017 £'000**
Amortisation	**(287)**	(287)
Depreciation	**(216)**	(218)
Operating leases	**(642)**	(598)
Auditors' remuneration		
Statutory audit services		
Fees payable for the audit of the Arix Group accounts	**135**	152
Fees payable for the audit of the accounts of subsidiaries of the Arix Group	**40**	41
Non-audit services		
Other assurance and advisory services	**195**	187
Total auditors' remuneration	**370**	380

Non-audit services in the year relate to assurance services provided in relation to the Group's 2018 follow-on capital raise (£150k), Remuneration Advice (£10k), the Arix Bioscience plc interim review (£29k) and an FCA Client Asset Report (£6k).

6. Administrative Expenses

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

	2018 £'000	2017 £'000
Employment costs	**6,537**	5,933
Recruitment costs	**563**	255
Consultancy fees	**512**	999
Research and development costs	**–**	208
Other expenses	**4,086**	3,595
	11,698	10,990

7. Net Finance Income/(Expenses)

	2018 £'000	2017 £'000
Bank interest	**720**	1
Bank charges	**(12)**	(16)
	708	(15)

8. Employee Costs

Employee costs (including Directors) comprise:

	2018 £'000	2017 £'000
Salary and bonus	**5,651**	5,236
Social security costs	**580**	541
Pension and benefits costs	**306**	156
	6,537	5,933

9. Income Tax

Current year tax charge	2018 £'000	2017 £'000
Current tax	**–**	(59)
Deferred tax - current year	**6,665**	(221)
Deferred tax - effect of change in tax rates	**(782)**	-
Total tax charge/(credit)	**5,883**	(280)

Reconciliation of tax charge		
Profit before tax	**42,761**	(7,690)
Expected tax based on 19.00% (2017: 19.25%)	**8,124**	(1,481)
Effects of:		
Expenses not deductible for tax purposes	**3,101**	378
Adjustment in respect of previous periods	**–**	(59)
Income not taxable	**(2,926)**	–
Impact of rate between deferred tax and current tax	**(777)**	(11)
Recognition of items previously not recognised	**(2,646)**	–
Employee share options	**23**	–
Deferred tax not recognised	**984**	893
Total tax charge/(credit)	**5,883**	(280)

Recognised deferred tax provisions		
Brought forward	**–**	(280)
Relating to Profit and loss	**5,883**	221
Relating to Other comprehensive income	**–**	59
Carried forward	**5,883**	–

Represented by:		
Unutilised tax losses	**(2,835)**	(1,076)
ACAs	**(17)**	(5)
Intangibles	**325**	374
Employee benefits	**(373)**	(374)
Investments	**8,784**	1,081

Other timing differences	**(1)**	–
	5,883	–

Unrecognised deferred tax provisions		
Unutilised tax losses	**(996)**	(1,868)
Employee benefits	**–**	(79)
Other timing differences	**–**	(1)
	(996)	(1,948)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of £996k in respect of losses amounting to £5,859k, which can be carried forward against future taxable income.

10. Earnings per Share

On 20 March 2018, the Group issued 38,610,928 ordinary shares, following a capital raise. On 22 June 2018, the Group issued 59,225 ordinary shares, in relation to certain share awards. As at 31 December 2018, the Group had 134,823,243 ordinary shares in issue (31 December 2017: 96,153,090). At the year-end date, 7,451,521 of the ordinary shares were subject to restrictions. These shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, restricted shares have been excluded from the calculation of the weighted average number of shares in issue.

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Arix Bioscience plc by the weighted average number of enfranchised shares (as adjusted for capital subscription in accordance with the terms of the restrictive share agreement) in issue during the period. The Arix Group has potentially dilutive ordinary shares, being those share options granted to employees. These have been included in the fully diluted earnings per share calculation.

Basic

	As at 31 December 2018 £'000	**As at 31 December 2017 £'000**
Profit/(loss) attributable to equity holders of Arix Bioscience plc	**38,147**	(8,612)
Weighted average number of shares in issue	**118,787,412**	78,725,677
Basic earnings/(loss) per share	**32.1p**	(11.0)p

Diluted

	As at 31 December 2018 £'000	**As at 31 December 2017 £'000**
Profit/(loss) attributable to equity holders of Arix Bioscience plc	**38,147**	(8,612)
Fully diluted weighted average number of shares in issue	**128,521,402**	78,725,677
Diluted earnings/(loss) per share	**29.7p**	(11.0)p

11. Investments

Equity Investments

	Level 1- Quoted Investments £'000	**Level 3 - Unquoted Investments £'000**	**Total £'000**
At 1 January 2018	2,846	68,485	71,331
Additions	22,416	32,812	55,228
Transfers	29,312	(29,312)	–
Capitalisations	–	234	234
Unrealised gain/(loss) on investments	55,154	(3,981)	51,173
Foreign exchange gains	3,955	2,060	6,015
At 31 December 2018	**113,683**	**70,298**	**183,981**

Transfers from Level 3 to Level 1 reflects companies which have listed during the year. Level 3 investments are valued with reference to either price of recent investment (£33.4m, 2017: £58.8m); net asset value (£4.5m, 2017: £5.9m); marked-based write-up (£23.8m, 2017: £nil); discretionary write-down (£3.2m, 2017: £nil); or by discounted cash flow (£nil, 2017: £3.8m); the latter used a discount rate of 33.5%, a discount for marketability (16.0%) and other assumptions relating to exit values and exit dates (see Note 2(i) for further details).

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 2018, the Arix Group is deemed to have significant influence over the following entities:

Company	Country of Incorporation	Registered Address	% of Issued Share Capital Held	Net Assets/(Liabilities) of Company £'000	Profit/(Loss) of Company £'000	Date of Financial Information
Depixus SAS (EUR)	France	3-5 Impasse Reille, 75014 Paris	18.6%	1,948	(1,439)	31 December 2017
OptiKira, LLC	USA	20600 Chagrin Boulevard, Suite 210, Cleveland, OH 44122	26.0%	N/A	N/A	Not publicly available
PreciThera, Inc	Canada	1010 Sherbrooke St West, Suite 408, Montreal QC	20.9%	N/A	N/A	Not publicly available
Quench Bio, Inc	USA	400 Technology Square, Cambridge, MA 02139	25.6%	N/A	N/A	Not publicly available

In addition, at 31 December 2018, the Group held the following investments in companies where it is not considered to have significant influence:

Company	% of Issued Share Capital Held
Amplyx Pharmaceuticals, Inc.	2.9%
Artios Pharma Limited	13.4%
Atox Bio, Inc.	3.7%
Autolus Therapeutics plc	7.9%
BioMotiv, LLC	17.8%
Harpoon Therapeutics, Inc.	11.3%
Iterum Therapeutics Limited	12.9%
LogicBio Therapeutics, Inc.	12.9%
Mitoconix Bio Limited	3.4%
Pharmaxis Limited	11.1%
VelosBio, Inc.	8.9%
Verona Pharma plc	2.5%

The Arix Group has an interest in one structured entity, The Wales Life Sciences Investment Fund (registered address: Life Sciences Hub Wales, 3 Assembly Square, Britannia Quay, 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 recognised within Investments, and totals £4.5m at year-end (2017: £9.6m); the Group's exposure is limited to the carrying value within Investments.

12. Intangible Assets

	Year Ended 31 December 2018	Year Ended 31 December 2017
Brought forward	**2,057**	2,344
Amortisation	**(287)**	(287)
	1,770	2,057

An intangible asset arose on Arix Bioscience plc's acquisition of ALS, relating to management fees due to Arix Capital Management Limited as a result of managing The Wales Life Sciences Investment Fund. These fees are amortised over a nine-year period, being the expected remaining life of the fund at the time of acquisition.

13. Property, Plant and Equipment

Year ended 31 December 2018

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

Year ended 31 December 2017

	Fixtures and Fittings £'000	Leasehold Improvements £'000	Office Equipment £'000	Total £'000
As at 1 January 2017	577	44	129	750
Exchange translation adjustments	(10)	(1)	(3)	(14)
Additions	–	–	5	5
Depreciation charge	(157)	(9)	(52)	(218)
At 31 December 2017	410	34	79	523

14. Trade and Other Receivables

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Trade receivables	**1,734**	275
Other receivables	**–**	571
Prepayments	**359**	306
VAT receivable	**81**	114
	2,174	1,266

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

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

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Cash at bank and in hand	**31,009**	74,938
Cash on long-term deposit	**60,209**	–

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

16. Trade and Other Payables

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

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Trade payables	**228**	544
Accruals and other payables	**3,171**	3,098
Current tax liabilities	**–**	28
	3,399	3,670

17. Share Capital

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Allotted and called up		
134,823,243 ordinary shares of £0.00001 each (2017: 96,153,090 shares)	**1**	1
49,671 Series C shares of £1 each	**50**	50

On 20 March 2018, the Group issued 38,610,928 ordinary shares, following a capital raise. The shares were issued at a price of £2.25 per share, raising gross proceeds of £86.9m. On 22 June 2018, the Group issued 59,225 ordinary shares, in relation to certain share awards. These shares were issued at par. As at 31 December 2018, the Group had 134,823,243 ordinary shares in issue (31 December 2017: 96,153,090).

At the year-end date, 7,451,521 of the ordinary shares were subject to restrictions. These shares are not entitled to vote, attend meetings or to receive dividends or other distributions. Consequently, restricted shares have been excluded from the calculation of the weighted average number of shares in issue. There are no Treasury Shares in issue.

18. Share Options

During 2018, share-based payment expenses have been recognised relating to a range of share schemes operated by the Arix Group.

Executive Share Option Plan

Arix Group operates an Executive Share Option Plan, in which two Directors participate. Options were granted on 8 February 2016 with an exercise price of £1.80 per ordinary share. The number of ordinary shares subject to the options totals 5,520,559. The options vest 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 2018, a share-based payment charge of £582k (2017: £985k) was recognised in relation to the Executive Share Option Plan, calculated using the Black–Scholes model. Assumptions used in the model relating to the risk free interest rate and expected volatility were unchanged from those used in the prior period.

Restricted shares with identical terms, including a £1.80 price for the lifting of restrictions, were offered to the founders of the Company, totalling 5,080,582 shares. In the year ended 31 December 2018, a share-based payment charge of £348k (2017: £606k) was recognised in relation to these Founder Incentive Shares, 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.

Executive Incentive Plan

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

IPO Award

In February 2017, the Executive Directors and certain employees were awarded one-off nil cost options or conditional awards in recognition of their contribution to the Company's initial public offering. The options were granted on 22 February 2017; all options vest after two years, on 22 February 2019. Options are conditional upon remaining in employment with the Arix Group during the vesting period. In the year ended 31 December 2018, a share-based payment charge of £1,470k (2017: £1,261k) was recognised in relation to the IPO Awards. The charge was calculated as the total number of options granted, at the IPO share price of £2.07, recognised across the two-year vesting period.

Employee Share Plan

In May 2017, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options will become exercisable and in the case of the conditional share awards, will vest on the third anniversary of their grant, on 26 May 2020, subject to performance criteria. This requires the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth. In the year ended 31 December 2018, a share-based payment charge of £430k (2017: £259k) was recognised in relation to the Employee Share Plan.

In May 2018, the Executive Directors and certain employees were awarded options or conditional awards which, in case of options, will become exercisable and, in the case of the conditional share awards, will vest on the third anniversary of their grant, on 17 May 2021, subject to performance criteria. This requires the share price to have grown by a set percentage over the assessment period, with the quantum of shares vesting dependent on the level of share price growth. In the year ended 31 December 2018, a share-based payment charge of £427k (2017: £nil) was recognised in relation to the Employee Share Plan. The charge was calculated using a Monte Carlo simulation model, using the following assumptions:

Share price at grant	£2.09
Risk free interest rate	0.93%
Time to vesting	3 years
Expected volatility	37%

Non-Executive Director Awards

Pursuant to their respective letters of appointment, the Non-Executive Directors agreed that 50% of their fees will be satisfied by the issue of ordinary shares. Shares were awarded in June 2018 for the year to 30 June 2018; as such, a share-based payment charge of £75k (2017: £73k) has been recognised in the year. It has been determined that from 1 July 2018 Non-Executive Directors will no longer receive ordinary shares in satisfaction of their fees.

19. Note to the Statement of Cash Flows

	Year Ended 31 December 2018 £'000	**Year Ended 31 December 2017 £'000**
Profit/(loss) before income tax	**42,761**	(7,690)
Adjustments for:		
Change in fair value of investments	**(51,173)**	(5,544)
Foreign exchange (gains)/losses	**(4,583)**	432
Share-based payment charge	**3,333**	3,654
Depreciation and amortisation	**503**	506
Finance income	**(708)**	(1)
Changes in working capital		
(Increase)/decrease in trade and other receivables	**(908)**	1,996
Decrease in trade and other payables	**(243)**	(2,121)
Cash used in operations	**(11,018)**	(8,768)

20. Financial Commitments

Operating Leases

At 31 December 2018, operating leases represent short-term leases for office space.

Future aggregate minimum lease payments under non-cancellable operating lease agreements are as follows:

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
No later than one year	**681**	637
Later than one year but no later than five years	**865**	1,492
Later than five years	**–**	–
	1,546	2,129

The Group also has amounts committed to portfolio companies but not yet invested; at 31 December 2018 these totalled £21.0m (2017: £28.6m).

21. Financial Instruments

Financial Assets

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

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Financial assets at fair value through profit or loss		
Equity investments	**183,981**	71,331
Loans and receivables		
Other receivables (excluding prepayments)	**1,734**	846
Long-term cash on deposit	**60,209**	–
Cash and cash equivalents	**31,009**	74,938

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

Financial Liabilities

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

	As at 31 December 2018 £'000	As at 31 December 2017 £'000
Trade, other payables and accruals (excluding non-financial liabilities)	**3,399**	3,670

22. Guarantees

The Company has provided a rent deposit guarantee in respect of its US office for an amount of $261,657, (£205,474), unchanged from 2017.

23. Related Party Transactions

Consultancy fees plus expenses amounting to £544,336 (inclusive of VAT) (2017: £520,165) were payable to Merlin Scientific LLP during the period, a partnership controlled by Sir Chris Evans, a Director and substantial shareholder of the Company. At 31 December 2018, £nil (inclusive of VAT) (2017: £841) was owed to Merlin Scientific LLP by the Company.

Key management comprises solely the Directors of the Arix Group, the emoluments of which are disclosed in the Directors' Remuneration Report.

24. Events After the Reporting Date

On 8 February 2019, Arix portfolio company Harpoon Therapeutics, Inc. began trading on the Nasdaq Global Select Market following the completion of its Initial Public Offering (IPO), priced at US$14 per share. This resulted in an increase in the value of Arix's existing holding in Harpoon to £26.7m; a £2.8m uplift to the 31 December 2018 value of £23.9m. Additionally, Arix has agreed to invest £4.6m (US$6.0m) in the IPO (amounting to 2,892,119 shares of common stock), giving a total new valuation of £31.3m and a new ownership stake in Harpoon of 12.1%.

On 27 February 2019, a further $4.2m (£3.2m) was invested in Atox Bio, Inc. The Arix Group's fully diluted shareholding in the company now stands at 6.4%.

On 15 March 2019, Arix completed its investment in Imara, Inc. Arix committed £11.3m (US$15.0m) for a 9.9% stake on a fully diluted basis. To date, Arix has invested £7.9m, and currently holds an 8.1% stake (fully diluted).