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Arix Bioscience plc

Interim results for the six months ended 30 June 2019

LONDON, 28 August, 2019: Arix Bioscience plc ("Arix", LSE: ARIX) a global venture capital company focused on investing in and building breakthrough biotech companies, today announces its interim results for the period ended 30 June 2019.

Operational highlights

- £11.4 million commitment to Imara, a new portfolio company focused on sickle cell disease and other hemoglobinopathies, with a novel drug candidate in human trials

- $283 million of proceeds raised by Arix portfolio companies in the first half of 2019
  - Harpoon (T cell engagers) raised net proceeds of $70.7 million in a Nasdaq IPO, in which Arix invested $6.0 million (£4.7 million)
  - Autolus (CAR-T cell immunotherapy) completed a $108.8 million follow-on financing in which Arix invested a further $5.0 million (£3.8 million)
  - Aura Biosciences (Choroidal Melanoma) completed a $40.0 million Series D financing, in which Arix committed a further $4.5 million (£3.4 million)
  - Imara (Haematology) completed a $63.0 million Series B financing, in which Arix committed $15.0 million (£11.4 million)

- Continued clinical progress in the portfolio, with 28 clinical trials live as at 30 June 2019
  - Atox Bio completed enrolment of its Phase 3 ACCUTE study for necrotising soft tissue infections (NSTI). The company has also moved the Phase 2 sepsis associated acute kidney injury (AKI) study into a Phase 3 clinical trial, following feedback from the FDA
  - Aura Biosciences presented further positive safety and efficacy data from the ongoing AU-011 Phase 1b/2 study for choroidal melanoma
  - Autolus reported encouraging initial data from its AUTO1 programme in paediatric acute lymphoblastic leukaemia (pALL) and adult acute lymphoblastic leukaemia (aALL), as well as early results from its AUTO3 programme in diffuse large B-cell lymphoma (DLBCL). In August, post period end, Autolus announced the prioritisation of AUTO1 and goal of taking this into registration trials for aALL by year end
  - Harpoon initiated the HPN536 Phase 1/2a clinical trial for the treatment of ovarian cancer and other mesothelin-expressing solid tumours
  - Imara reported encouraging initial Phase 2 data from its IMR-687 clinical study for patients with sickle cell disease
  - Pharmaxis initiated a Phase 1 clinical trial of an anti-fibrotic Lysyl Oxidase (LOX) inhibitor focused on treating myelofibrosis and/or pancreatic cancer
  - VelosBio initiated the VLS-101 Phase 1 clinical study for the treatment of haematological cancers
  - Verona initiated a Phase 2b study with nebulized ensifentrine as add-on to long-acting bronchodilator and a first Phase 2 study with metered-dose inhaler formulation. In August 2019, post-period end, Verona reported positive Phase 2 data with dry powder inhaler formulation

Financial highlights

- Net Asset Value of £231.8 million (December 2018: £270.2 million), 171 pence per share (FY 2018: 200 pence per share). Equates to 14.5% decline in NAV per share for the first six months of 2019 versus a 32% increase for in 2018
- Net downward gross portfolio revaluation of £34.0 million[1] over the period, predominantly due to a 51% decline in Autolus' share price, despite the company's strong fundamentals
- Gross Portfolio Value of £167.8 million (December 2018: £175.5 million)
- £26.3 million of capital deployed into the gross portfolio during the period (HY 2018: £12.6 million)
- Half year loss before tax: £44.8 million (HY 2018: £29.3 million profit before tax)

Key anticipated milestones

The company notes key milestones anticipated by its portfolio companies over the next 18 months:

- Artios expects to file an investigational new drug (IND) application for its lead programme Polθ by the end of 2020
- Atox Bio expects to announce results from the ACCUTE Phase 3 clinical study in necrotising soft tissue infections in the fourth quarter of 2019
- Atox Bio expects to announce results from the REAKT Phase 3 clinical study in acute kidney infections in the second half of 2020
- Aura Biosciences expects to initiate the AU-011 Phase 3 clinical study for choroidal melanoma in the first half of 2020
- Autolus expects to initiate a Phase 2 registration trial of AUTO1 in aALL in the fourth quarter of 2019 and present updated Phase 1 data at The American Society of Hematology (ASH) in December 2019
- Autolus expects to present interim Phase 1 data for the Alexander study of AUTO3 in DLBCL at ASH 2019 and initiate a Phase 2 trial in the second quarter of 2020, pending regulatory feedback
- Autolus expects to present updated Phase 1 results for the CARPALL study of AUTO1 in pALL at ASH 2019
- Autolus expects next generation (NG) programmes for AUTO1, AUTO2, AUTO3 and AUTO6 to enter the clinic in 2020
- Harpoon expects to present interim results from the HPN424 Phase 1 clinical study in metastatic castration resistant prostate cancer in the first half of 2020
- Harpoon expects to present proof of concept data from its HPN536 Phase1/2a clinical trial for ovarian and other mesothelin-expressing solid tumours in 2020
- Harpoon expects to initiate the HPN217 Phase 1 trial for the treatment of multiple myeloma and the HPN328 Phase 1 clinical study in small cell lung cancer in 2020
- Imara expects to announce updated results from its IMR-687 Phase 2 clinical study in sickle cell disease in the second half of 2019
- Imara expects to initiate a Phase 2 trial for thalassemia in the first quarter of 2020
- Iterum expects to announce results from the SURE 2 Phase 3 clinical study in complicated urinary tract Infections and the SURE 3 Phase 3 clinical study in complicated intra-abdominal infections in the second half of 2019
- Iterum expects to announce results from its SURE 1 Phase 3 clinical study in uncomplicated urinary tract infections in the first half of 2020
- LogicBio expects to initiate the LB-001 Phase 1/2 clinical study for the treatment of methylmalonic acidemia in the first half of 2020
- Pharmaxis expects to announce Phase 1 results from its Systemic LOX inhibitor for myelofibrosis and/or pancreatic cancer in the second half of 2019
- Pharmaxis partner Boehringer for AOC3 inhibitor expected to announce results of Phase 2a trials in NASH in the second half of 2019 and diabetic retinopathy in the first half of 2020
- Pharmaxis expects its Mannitol Business (Aridol and Bronchitol) to turn profitable from 2020. If Bronchitol is approved by the FDA for patients in the US, Pharmaxis will receive a US$10 million milestone payment on the commercial launch of Bronchitol in the US and mid to high teen percentage royalties on in-market net sales in the first quarter of 2020
- Verona expects to initiate a Phase 3 clinical study for nebulized ensifentrine as maintenance treatment for COPD in 2020

[1] Including FX

- Verona expects to announce Phase 2 results from a pressurized metered-dose inhaler (pMDI) formulation in the second half of 2019, with final data expected in the first quarter of 2020

Joe Anderson, Chief Executive Officer of Arix Bioscience plc, commented:

"Over the period our portfolio has continued to make good progress, with a number of companies reaching important clinical milestones and completing additional financing rounds. The portfolio is well balanced and our companies well capitalised to reach important inflection points.

"In the year ahead, we see key multiple clinical and development milestones scheduled across the portfolio and we look forward to providing regular updates on progress".

Conference Call and Presentation Information

Arix management will host a presentation and conference call today, 28 August, at 12:30 pm BST/ 7:30am EST, to discuss the company's financial results and operational update.

To listen to the webcast and view the accompanying slide presentation, please go to: https://arixbioscience.com/investor-relations/events-presentations

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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.

www.arixbioscience.com

Arix Bioscience plc

Half-Yearly Report and Condensed Consolidated Interim Financial Statements

Six months ended 30 June 2019

CEO Statement

Overview

In the first half of 2019 the portfolio continued to make good progress, with a number of companies reaching important clinical milestones and completing additional financing rounds, as detailed below.

We invested £26.3 million into the gross portfolio in the period, including co-leading a Series B financing round for new portfolio company Imara and further investments into existing portfolio companies (Aura, Autolus and Harpoon). In aggregate, our portfolio companies raised $283 million during the six month period, putting them in a strong position to execute on their important clinical development programmes.

Notwithstanding these positive developments, our Net Asset Value (NAV) declined by 14.5% over the first six months of 2019 from 200p per share (£270.2 million NAV) to 171p per share (£231.8 million NAV). This followed a strong FY 2018, when our NAV per share increased by 32% (from 152p to 200p per share). The reduction in NAV for the first half of 2019 was principally due to a reduction in the share price of our largest quoted company, Autolus.

Portfolio Performance

Portfolio companies continued to make good clinical and financial progress. Successful financing rounds with valuation uplifts were completed by Aura (+33%) and Harpoon (+30% from November 2018 Series C to February 2019 IPO). In addition, the share prices of portfolio companies that recently floated on the Nasdaq generally performed well during the period, with LogicBio up 25% and Iterum up 37%. However, the valuation increases at these companies and further investments into the portfolio were outweighed by the decline in Autolus' share price (-51%). Despite this, Autolus was still valued at 1.7 times cost at 30 June, given our early investment in this company before it was public (cost £24.6 million, value £42.8 million). This underlines a key aspect of our business model: recognising that biotech is a volatile, high risk sector, we aim to invest in promising technologies early, at relatively low valuations and manage a balanced portfolio. We also take a longer-term view, recognising that real value is driven by clinical data and that along the way individual company valuations can be highly volatile.

Operationally, there was good progress in the portfolio, with notable highlights including positive data readouts from Autolus, Aura and Imara, along with new trial initiations from VelosBio, Pharmaxis and Harpoon. The pipeline also continued to expand, with 28 clinical trials now live across the portfolio and multiple pre-clinical studies under way.

Key Portfolio Company Updates

Imara Therapeutics

During the period we co-led a $63.0 million Series B for new portfolio company Imara, acquiring a 10% stake on a fully diluted basis and committing to invest $15.0 million (£11.4 million), of which £9.3 million has been drawn to date.

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

on red and white blood cells, once daily dosing, clean safety, and potential impact on foetal haemoglobin.

Imara adds a new therapeutic area and expands the breadth of our portfolio into non-oncology haematology and also adds another later-stage clinical asset to the portfolio. Imara's lead programme, IMR-687, is at an exciting point in its clinical development and is currently being evaluated in a Phase 2a study in sickle cell patients. The company reported encouraging initial safety and efficacy data in June, which demonstrated that treatment with IMR-687 in adult patients was generally well tolerated. The data also support the dual mechanism of action of IMR-687, with activity seen across both red and white blood cell biomarkers. The company expects to report further Phase 2 data later this year and initiate a Phase 2 trial for thalassemia in the first half of 2020.

Harpoon Therapeutics

Harpoon completed a significant milestone this year, raising net proceeds of $70.7 million through a Nadsaq IPO. Arix invested a further $6.0 million (£4.7 million) in the IPO, resulting in a new ownership stake of 12.1% in Harpoon, which was valued at £29.7 million at 30 June 2019. Proceeds from the IPO will be used to advance Harpoon's pre-clinical and clinical trials.

The company continues to make good clinical progress, notably dosing the first patient with HPN536, a mesothelin-targeting T cell engager, in a Phase 1/2a clinical trial for ovarian and other mesothelin-expressing solid tumours. This is the second programme that Harpoon has brought into the clinic, following initiation of a trial in metastatic castration resistant prostate cancer last year. The study is designed to evaluate the safety, tolerability, pharmacokinetics and activity of HPN536.

Harpoon expects to report Phase 1 data from its HPN424 metastatic castration resistant prostate cancer study in the first half of 2020 and advance HPN217 into the clinic for the potential treatment of multiple myeloma in the first quarter of 2020.

Autolus Therapeutics

During the period, the company raised a further $108.8 million through a follow-on financing. Arix invested $5.0 million (£3.8 million) in this round and retains a stake of 7.6%. Autolus also reported encouraging initial data from its AUTO1 programme in paediatric acute lymphoblastic leukaemia (pALL) and adult acute lymphoblastic leukaemia (aALL), as well as positive early results from its AUTO3 programme in diffuse large B-cell lymphoma (DLBCL).

Post period end, Autolus provided an update on its pipeline and anticipated milestones, as well as confirming plans to initiate a Phase 2 registration trial of AUTO1 in adult ALL in the fourth quarter of 2019. Data so far have indicated that AUTO1 has the potential to be a best-in-class CAR T therapy in ALL, showing a potentially differentiated safety profile and high level of clinical activity, compared to the current standard of care. In pALL, Autolus reported that, while its AUTO3 product has shown good clinical activity, data suggest that AUTO1 may have greater durability in this indication, leading to higher overall Event Free Survival. As a result, Autolus is transitioning its focus in pALL to AUTO1 and AUTO1NG, a next generation version of AUTO1, but is progressing AUTO3 in DLBCL where persistence is thought to be of less importance.

Autolus has multiple upcoming milestones and will have data on several of its programmes later this year, but manufacturing delays have impacted clinical readouts on some programmes with data from these now expected in the first half of 2020. Also in 2020 the company expects to progress Next Generation programmes for AUTO1, AUTO2, AUTO3 and AUTO6 into the clinic.

Aura Biosciences

Aura completed a $40.0 million Series D financing in the period, in which Arix committed a further $4.5 million (£3.4 million), to increase our stake to 7.7%. The financing recognised a 33% uplift in the book value of Arix's Series C investment in Aura, with Arix's total interest in Aura increasing to £8.6 million from £3.9 million on a fully committed basis.

Aura plans to use the proceeds from the Series D financing to support the late stage clinical development of its lead asset, light-activated AU-011, for the treatment of primary choroidal melanoma. The currently available treatments for choroidal melanoma come with the risk of vision loss and other long-term sequelae, especially for patients with melanomas located close to the fovea or optic disk. The ongoing Phase 1b/2 study with light-activated AU-011 has shown that the drug is well-tolerated, with clear evidence of tumour control and preservation of visual acuity at long term follow up, even in high risk patients. Aura has been granted Orphan Drug and Fast Track status from the U.S. Food & Drug Administration (FDA) and expects to initiate a Phase 3 trial in 2020.

Atox Bio

Atox Bio completed enrolment of its Phase 3 ACCUTE study for necrotising soft tissue infections (NSTI). This is a rare, life threatening response to infection that results in significant tissue destruction and systemic disease leading to multiple organ dysfunction, failure and death. Data from this study is expected in the second half of this year, taking the company a step closer to a potential cure for this devastating disease. The company has also moved the Phase 2 REAKT clinical study for sepsis associated acute kidney injury (AKI) into a Phase 3 clinical trial, following feedback from the FDA. Data from this clinical study is expected in the second half of 2020.

VelosBio

VelosBio, a next-generation oncology company, developing novel antibody-drug conjugates (ADCs) to treat haematological cancers and solid tumours, has made rapid progress and dosed the first patient in its lead programme VLS-101 for haematological cancers. ADCs are highly potent drugs designed as a targeted therapy for the treatment of people with cancer. In contrast to traditional chemotherapeutic drugs, ADCs only target cancer cells so that healthy cells are less affected.

Elsewhere in the Core Portfolio, further trial initiations were seen from Pharmaxis and Verona. Pharmaxis initiated a Phase 1 clinical trial of an anti-fibrotic Lysyl Oxidase (LOX) inhibitor focused on treating myelofibrosis and pancreatic cancer and Verona initiated a Phase 2b study with nebulized ensifentrine as add-on to long-acting bronchodilator and a first Phase 2 study with metered-dose inhaler formulation.

Discovery Portfolio

Along with these promising developments in our core portfolio companies, we continue to work closely with a handful of very early stage companies in our discovery portfolio. These are smaller investments in start-up technologies and tend to be higher risk situations that we are building towards core companies. Our financial commitments are therefore more modest than with our core portfolio companies, which minimises the downside in the event that these companies do not progress as hoped. In this context we have been working with Mitoconix, which has struggled to reproduce early results in mitochondrial biology.As a consequence, the company is now in liquidation. Arix invested £0.8 million in the company and expects to receive at least £0.3 million following the decision to wind up the company and return surplus cash to shareholders. Elsewhere in the discovery portfolio, we continue to see exciting potential, which we are aiming to translate into future core portfolio companies.

Outlook

30 months on from our IPO I believe Arix is progressing well on its goal of advancing innovation in medicine for the benefit of patients and investors. We have built a promising portfolio of biotech companies developing highly innovative therapies in important areas of medical need. The portfolio is balanced and our companies well capitalised to reach important inflection points. We are working closely with all our companies to help them develop their clinical programmes, finances and options for value realisation. At the same time our flow of new ideas remains strong and we continue to evaluate new investment opportunities. We have an experienced team and Board, and close relationships with pharmaceutical and academic partners.

Our portfolio companies have made significant progress in a relatively short period of time and are moving towards key clinical and development milestones in the year ahead. We expect data from a number of important clinical studies, notably pivotal Phase 3 studies from Iterum and Atox Bio, Phase 2 data from Imara and Phase 1 data from Autolus and Harpoon. Additionally we expect a number of these companies to initiate further clinical studies, including Aura, Harpoon, Imara and LogicBio.

As a listed venture capital company we provide institutional and retail investors access to a balanced portfolio of cutting-edge life science companies, led by some of the most ambitious and brightest minds in biotech. We value the support of all of our shareholders and are working hard to ensure progress across our portfolio companies to build our Net Asset Value per share and, through this, to deliver returns for shareholders.

Joe Anderson, PhD

Condensed Consolidated Interim Statement of Comprehensive Income

	Note	Half Year to 30 June 2019 (unaudited) £'000	Half Year to 30 June 2018 (unaudited) £'000
Change in fair value of investments	7	(39,058)	34,869
Revenue		266	472
Administrative expenses		(5,343)	(5,425)
Operating (loss) / profit		**(44,135)**	**29,916**
Net finance income		480	276
Foreign exchange gains		743	682
Impairment of right-of-use asset		(485)	-
Share-based payment charge	10	(1,411)	(1,564)
(Loss) / profit before taxation		**(44,808)**	**29,310**
Taxation	8	5,883	(3,636)
(Loss) / profit for the period		**(38,925)**	**25,674**
Other Comprehensive Income			
Exchange differences on translating foreign operations		91	602
Taxation	8	-	(113)
Total comprehensive (loss) / income for the period		**(38,834)**	**26,163**
Attributable to			
Owners of Arix Bioscience plc		(38,834)	26,163
Earnings per share			
Basic earnings per share (£)	6	(0.30)	0.24
Diluted earnings per share (£)	6	(0.30)	0.22

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

Condensed Consolidated Interim Statement of Financial Position

	Note	30 June 2019 (unaudited) £'000	31 December 2018 (audited) £'000
ASSETS			
Non-Current Assets			
Investments held at fair value	7	171,082	183,981
Intangible assets		1,626	1,770
Property, plant and equipment		221	313
Right of use asset		213	-
Investment property	2	338	-
		173,480	**186,064**
Current Assets			
Cash and cash equivalents		19,647	31,009
Cash on long-term deposit		40,342	60,209
Trade and other receivables		1,037	2,174
Right of use asset		249	-
		61,275	**93,392**
TOTAL ASSETS		**234,755**	**279,456**
LIABILITIES			
Current liabilities			
Trade and other payables		(1,697)	(3,399)
Lease liability		(684)	-
Deferred tax liability	8	-	(5,883)
		(2,381)	**(9,282)**
Non-Current liabilities			
Lease liability		(601)	-
TOTAL LIABILITIES		**(2,982)**	**(9,282)**
NET ASSETS		**231,773**	**270,174**
EQUITY			
Share capital and share premium	9	188,585	188,585
Retained earnings		44,436	82,018
Other reserves		(1,248)	(429)
		231,773	**270,174**
TOTAL EQUITY		**231,773**	**270,174**

The above Condensed Consolidated Interim Statement of Financial Position should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2019

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 31 December 2018	188,585	(1,211)	782	82,018	270,174
Loss for the period	-	-	-	(38,925)	(38,925)
Other comprehensive income	-	-	159	(68)	91
Share-based payment charge	-	-	-	1,411	1,411
Acquisition of own shares	-	(978)	-	-	(978)
Issue of own shares to employees	-	14	(14)	-	-
As at 30 June 2019 (unaudited)	**188,585**	**(2,175)**	**927**	**44,436**	**231,773**

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
As at 31 December 2017	105,125	-	(768)	42,088	146,445
Profit for the period	-	-	-	25,674	25,674
Other comprehensive income	-	-	554	(65)	489
Contributions of equity, net of transaction costs and tax	83,460	-	-	-	83,460
Share-based payment charge	-	-	-	1,564	1,564
As at 30 June 2018 (unaudited)	**188,585**	-	**(214)**	**69,261**	**257,632**

The above Condensed Consolidated Interim Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2019

	Half Year to 30 June 2019 (unaudited) £'000	Half Year to 30 June 2018 (unaudited) £'000
Cash from operating activities	**(5,402)**	**(7,215)**
Tax paid	-	(28)
Net finance income received	479	275
Net cash from operating activities	**(4,923)**	**(6,968)**
Cash flows from investing activities		
Purchase of equity investments	(29,262)	(14,320)
Disposal of equity and loan investments	4,254	-
Purchase of property, plant and equipment	(5)	(4)
Net cash received from / (placed on) long-term deposit	19,867	(40,000)
Net cash from investing activities	**(5,146)**	**(54,324)**
Cash flows from financing activities		
Net proceeds from issue of shares	-	83,460
Purchase of own shares by Employee Benefit Trust	(978)	-
Net cash from financing activities	**(978)**	**83,460**
Net (decrease) / increase in cash and cash equivalents	**(11,047)**	**22,168**
Cash and cash equivalents at start of period	31,009	74,938
Effect of exchange rate changes	(315)	51
Cash and cash equivalents at end of period	**19,647**	**97,157**

The above Condensed Consolidated Interim Statement of Cash Flows should be read in conjunction with the accompanying notes.

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

These condensed consolidated interim financial statements were approved for issue on 28 August 2019.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 were approved by the board of directors on 28 March 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed, not audited.

2. Accounting policies

These condensed interim financial statements for the six months ended 30 June 2019 have been prepared on a going concern basis, in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

The accounting policies adopted are consistent with those of the previous financial year. Certain new or amended IFRSs became effective for the financial year beginning on 1 January 2019.

IFRS16 'Leases'

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

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments. Right of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application, although one right-of-use asset has subsequently been impaired, in line with IFRS 16.

Assessment for Impairment and Resulting Investment Property

The Group has assessed its right of use assets for impairment, in line with IAS 36 *Impairment of Assets*. During the period, the Group vacated its New York office at 250 West 55th Street, with the intention of sub-letting that space; all US-based staff have relocated to a more flexible and cost effective office location where it continues to run all US-based operations.

The right of use asset at 250 West 55th Street has therefore been impaired to its fair value, being the expected proceeds to the Group from sub-letting. As the property no longer contributes to the Group's core business and is able to produce its own independent cash flows it is considered its own cash generating unit, and is therefore required to be classified as an investment property in line with IAS 40 *Investment Property*. The property is held at its fair value, being the expected proceeds to the Group from sub-letting.

3. Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that are set on page 106 of the consolidated financial statements for the year ended 31 December 2018 and no retrospective adjustments were made.

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 Condensed Consolidated Interim Statement of Comprehensive Income and Condensed Consolidated Interim Statement of Financial Position.

5. Financial Risk Management and Financial Instruments

The Arix Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2018. There have been no changes in the risk management department or in any risk management policies since the year end.

6. Earnings per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of Arix Bioscience plc by the weighted average number of unrestricted shares.

Potentially dilutive ordinary shares include options and conditional share awards issued under the Company's long term incentive plans. As the Arix Group has incurred a loss in the period, the diluted loss per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

	2019 £'000	2018 £'000
(Loss)/profit attributable to equity holders of Arix Bioscience plc	(38,834)	26,163
Weighted average number of shares in issue	129,418,083	110,060,821
Fully diluted weighted average number of shares	140,864,320	118,805,702
Basic (loss)/earnings per share	(£0.30)	£0.24
Diluted (loss)/earnings per share	(£0.30)	£0.22

7. Investments

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2018	113,683	70,298	183,981
Additions	8,485	20,777	29,262

Disposals	-	(4,254)	(4,254)
Transfers	23,131	(23,131)	-
Unrealised loss on investments	(38,967)	(91)	(39,058)
Foreign exchange gains	624	527	1,151
At 30 June 2019	**106,956**	**64,126**	**171,082**

Transfers from Level 3 to Level 1 reflects companies which have listed during the period. Level 3 investments are valued with reference to milestone analysis (£62.2m); net asset value (£1.9m); or by discounted cash flow (£nil); the latter used a discount rate of 33%, a discount for marketability (16%) and other assumptions relating to exit values and exit dates; these assumptions are unchanged from those disclosed at 31 December 2018.

	Level 1- Quoted Investments £'000	Level 3 - Unquoted Investments £'000	Total £'000
At 31 December 2017	2,846	68,485	71,331
Additions	8,769	5,551	14,320
Transfers	29,620	(29,620)	-
Unrealised gain on investments	34,183	686	34,869
Foreign exchange gains	659	602	1,261
At 30 June 2018	**76,077**	**45,704**	**121,781**

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 30 June 2019, the Arix Group is deemed to have significant influence over the following entities:

Company	Country	Registered Address	Issued Share Capital Held	Net Assets / (Liabilities)	Profit / (Loss)	Date of Financial Information
Depixus SAS (EUR)	France	3-5 Impasse Reille, 75014 Paris	20.7%	€1,948k	(€1,439k)	31 Dec 2017
OptiKira, LLC	USA	20600 Chagrin Blvd., Suite 210, Cleveland, OH 44122	15.4%	N/A	N/A	Not publicly available
Quench Bio, Inc.	USA	400 Technology Sq, Cambridge, MA 02139	32.4%	N/A	N/A	Not publicly available

	31 December 2018 Value £m	Net Investment in Period £m	Change in Valuation £m	FX Movement £m	30 June 2019 Value £m	Fully Diluted Equity Interest %	*Funding Committed, Not Yet Invested £m*	*Fully Diluted Equity Interest When Fully Committed %*
Core Portfolio								
Amplyx Pharmaceuticals	3.2	-	-	-	3.2	2.8%	*1.8*	*3.7%*
Artios Pharma	10.9	-	-	-	10.9	13.4%	*4.3*	*12.4%*
Atox Bio	3.2	3.2	-	0.2	6.6	6.4%	*0.2*	*6.5%*
Aura Biosciences	3.9	1.7	1.2	0.1	6.9	7.3%	*1.7*	*7.7%*
Autolus Therapeutics	81.5	3.8	(42.7)	0.1	42.7	7.6%	-	*7.6%*
Harpoon Therapeutics	23.9	4.7	1.1	-	29.7	12.1%	-	*12.1%*
Imara	-	9.3	-	0.4	9.7	9.2%	*2.1*	*9.9%*
Iterum Therapeutics	4.3	-	1.5	0.1	5.9	7.8%	-	*7.8%*
LogicBio Therapeutics	24.3	-	6.0	0.2	30.5	12.9%	-	*12.9%*
Pharmaxis	6.4	-	(0.2)	-	6.2	11.1%	-	*11.1%*
VelosBio	5.2	-	-	-	5.2	8.9%	*3.4*	*11.3%*
Verona Pharma	2.5	-	(1.0)	-	1.5	2.5%	-	*2.5%*
CORE PORTFOLIO	**169.3**	**22.7**	**(34.1)**	**1.1**	**159.0**	-	*13.5*	-
Discovery Portfolio	6.2	3.6	(1.0)	-	8.8	N/A	-	*N/A*
GROSS PORTFOLIO VALUE	**175.5**	**26.3**	**(35.1)**	**1.1**	**167.8**			
Other Investments	8.5	(1.2)	(4.0)	-	3.3	N/A	-	*N/A*
TOTAL INVESTMENTS	**184.0**	**25.1**	**(39.1)**	**1.1**	**171.1**		*13.5*	

8. Taxation

	Half Year to 30 June 2019 (unaudited) £'000	Half Year to 30 June 2018 (unaudited) £'000
Current period tax charge		
Current Tax	-	-
Deferred tax	(6,824)	3,636
Total tax (credit)/charge	**(6,824)**	**3,636**
Statement of Other Comprehensive Income - tax charge		
Current Tax	-	-
Deferred tax	-	113
Total tax charge	**-**	**113**
Reconciliation of tax charge		
(Loss)/profit before tax	(44,808)	29,310
Expected tax based on 19.00%	(8,514)	5,568
Effects of:		
Adjustments in respect of prior years	55	-
Expenses not deductible for tax purposes	1,039	83
Income not taxable	(1,094)	69
Tax rate changes	809	(640)
Movement in share based payment deferred tax	191	
Recognition of deferred tax asset previously unrecognised	-	(1,616)
Rolled over gains	53	-
Deferred tax not recognised	1,578	172
Total tax (credit)/charge	**(5,883)**	**3,636**
Recognised deferred tax (assets)/liabilities		
Brought forward	5,883	-
Adjustment in respect of prior periods	55	
Relating to Profit and Loss	(5,938)	3,636
Relating to Other Comprehensive Income	-	113
Carried forward	**-**	**3,749**

9. Share Capital

	As at 30 June 2019	As at 31 Dec 2018
Allotted and called up		
Ordinary shares of £0.00001 each (#)	135,467,601	134,823,243
Ordinary shares of £0.00001 each (£'000)	1	1
49,671 Series C shares of £1 each (£'000)	50	50

10. Share Options

Executive Share Option Plan

On 8 February 2016, options were granted pursuant to the Executive Share Option Plan to two directors at an exercise price of £1.80 per ordinary share. The number of ordinary shares subject to the options are the requisite number of ordinary shares as represents 5.43% of the fully diluted ordinary share capital of the Company immediately following the end of the Company's stabilisation period following admission to the London Stock Exchange. Restricted shares with similar terms were awarded to the founders of the Company constituting 5.00% of the issued share capital of the Company after admission. As such, the number of options granted for both management and founders was confirmed on 20 March 2017. All conditions are unchanged from those disclosed in the 31 December 2018 financial statements.

Executive Incentive Plan

On 22 February 2017, nil cost options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vested on 22 February 2019 and may be exercised from this date until 21 February 2027. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 26 May 2017, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 26 May 2020, subject to the Company's share value growth over the three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 17 May 2018, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 17 May 2021, subject to the Company's share value growth over the three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

On 9 May 2019, options were granted pursuant to the Executive Incentive Plan to certain directors and members of staff. The options vest on 1 January 2022, subject to the Company's share value growth and the Company's net asset value growth over the three-year performance period. The options are contingent on remaining in employment with a company in the Arix Group, and are subject to malus and clawback provisions.

Share based payments

The fair value of options granted under the Executive Share Option Plan was calculated using the Black-Scholes model. The assumptions used in this calculation are unchanged from those disclosed in the 31 December 2018 financial statements.

As the 22 February 2017 options have no performance conditions, the share based payment charge is calculated by reference to the Company's share price on the grant date; the charge is recognised over the two-year vesting period.

The charge associated with the 26 May 2017 options have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (197.5p), expected volatility based on similar quoted companies (44%), risk free interest rate (0.12%) and share option term (three years). The resultant fair value is then spread over the three-year relevant vesting period.

The charge associated with the 17 May 2018 options have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (209.0p), expected volatility based on similar quoted companies (37%), risk free interest rate (0.93%) and share option term (three years). The resultant fair value is then spread over the three-year relevant vesting period.

The charge associated with the 9 May 2019 options relating to share price growth have been calculated using a Monte Carlo simulation, incorporating relevant assumptions for share price (157.5p), expected volatility based on similar quoted companies (40%), risk free interest rate (0.72%) and time to vesting (two years, eight months) rather than the performance period (three years). The resultant fair value is then spread over the vesting period. The options relating to net asset value growth have a fair value based upon the share price at grant date (157.5p) and the expected likelihood of vesting (currently considered to be 50%), spread across the vesting period, with a true-up/down as the expected likelihood of vesting changes.

For the six months to 30 June 2019, a share based payment charge of £1,411,000 (30 June 2017: £1,564,000) has been recognised for a variety of share based payment schemes offered by the Group.

Charges of £153,000 and £179,000 were recognised in relation to the management options and founder incentive options respectively, granted under the Executive Share Option Plan. A charge of £213,000 was recognised in relation to the 22 February 2017 Executive Incentive Plan award; £213,000 in relation to the 26 May 2017 award; £476,000 in relation to the 17 May 2018 award; £107,000 in relation to the 9 May 2019 award; and £70,000 in relation to shares issued to non-executive directors in accordance with the Company's Remuneration Policy and the compensation agreed at their appointments.

11. Related Party Transactions

During the period, consultancy fees amounting to £130,262 (inclusive of VAT) (30 June 2018: £374,400) were payable to Merlin Scientific LLP, a partnership controlled by Sir Christopher Evans, a former director and substantial shareholder of the Company. At 30 June 2019, no amount (inclusive of VAT) was owed to Merlin Scientific LLP by the Company in respect of these fees (30 June 2018: £nil). All consultancy arrangements with Merlin Scientific have been closed.

During the period, Arix Capital Management Limited, as manager of The Wales Life Sciences Investment Fund LP, recognised management fee income totalling £248,000 (six months to 30 June 2018: £454,000). Arix Capital Management Limited is also a limited partner of the fund. As at 30 June 2019, £71,000 was outstanding (30 June 2018: £409,000).

12. Events After the Reporting Period

On 19 August 2019, the Group concluded a renegotiation of its terms with BioMotiv, LLC. Under the new arrangement, the Group has been released from its ongoing commitment to BioMotiv, the undrawn element of which had stood at $10,625,000. As part of the agreement, the Group's holding in BioMotiv has been reduced from 2,500 units to 1,078 units. The Group retains visibility over BioMotiv's pipeline and the right to fund BioMotiv projects which are seeking third party investment.