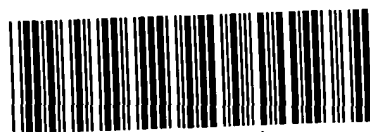


**Arthurian Life Sciences Limited**  
**Annual Report and Financial Statements**  
**Year Ended 31 December 2017**

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Arthurian Life Sciences Limited

## **Corporate Information**

**The directors of the company who were in office during the year and up to the date of signing the financial statements were:**

Robert Michael Roland Arnold (resigned 13 October 2017)  
Sir John Michael Middlecott Banham (resigned 13 October 2017)  
Professor Robert Marc Clement (resigned 13 October 2017)  
Professor Christopher Thomas Evans (resigned 13 October 2017)  
Lord John Matthew Patrick Hutton (resigned 13 October 2017)  
Professor Trevor Mervyn Jones (resigned 13 October 2017)  
Robert William Henry Lyne (appointed 13 October 2017)  
James Hedley Rawlingson (appointed 13 October 2017)  
Edward John Rayner (appointed 13 October 2017)  
Martin Charles Walton (resigned 13 October 2017)  
Shafia Zahoor (resigned 13 October 2017)

## **Independent Auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London  
SE1 2RT  
United Kingdom

## **Registered Office**

Life Sciences Hub Wales  
3 Assembly Square  
Britannia Quay  
Cardiff  
CF10 4PL

## **Directors' Report**

**Registered Number 08111748**

The directors present their report for the year ended 31 December 2017.

### **Directors of the Company**

The directors are shown on page 3.

### **Principal Activity**

The principal activity of Arthurian Life Sciences Limited (the "Company") is to provide fund management and advisory services. The Company is authorised to provide investment advice and investment management services by the Financial Conduct Authority.

### **Review of Business**

The Company currently manages one fund, The Wales Life Sciences Investment Fund LP ("WLSIF"), a £55m Welsh government-backed fund committed to boosting the life sciences industry in Wales.

### **Future Developments**

The Company intends to continue to provide fund management services as part of the Arix Bioscience plc group.

### **Going Concern**

The Company is able to operate profitably. Furthermore, as a subsidiary of Arix Bioscience plc, the Company is supported by a parent with considerable financial resources. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### **Independent Auditors**

The Company's independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

### **Exemptions**

The Company qualifies as a small company under Section 382 of the Companies Act 2006. Therefore, the Directors have taken advantage of the Small Companies' exemption (Companies Act 2006, section 414b) in not preparing a Strategic Report. In preparing the Directors' Report, the directors have taken advantage of the Small Companies' exemptions provided by Section 415a of the Companies Act 2006.

### **Directors' statement as to disclosure of information to auditors**

The directors who were members of the board at the time of approving the Directors' Report are listed on page 3. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

## Directors' Report (continued)

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK law and regulations.


Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accepted Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify the Company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board

  
James Rawlingson  
Director  
24 April 2018

## ***Independent Auditor's Report to the members of Arthurian Life Sciences Limited***

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Arthurian Life Sciences Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements ("the Annual Report"), which comprise: the Balance Sheet as at 31 December 2017; the Statement of Comprehensive Income, the statement of Changes in Equity for the year then ended 31 December 2017; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

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

#### **Independence**

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

## Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

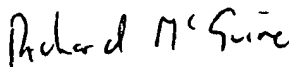
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption in preparing the Director's Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Richard McGuire (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

24 April 2018

**Statement of Comprehensive Income**

For the year ended 31 December 2017

	Note	Year Ended Dec 2017 £'000	9m to 31 Dec 2016 £'000
Revenue	4	1,673	963
Administrative Expenses	5	(361)	(483)
<b>Operating Profit</b>		<b>1,312</b>	<b>480</b>
Change in fair value of investments	9	40	500
Provision for impairment of receivables	10	(174)	-
<b>Profit before taxation</b>		<b>1,178</b>	<b>980</b>
Tax on profit	8	(33)	(31)
<b>Profit for the financial year / period</b>		<b>1,145</b>	<b>949</b>

All amounts relate to continuing operations.

The company has no items of Other Comprehensive Income.

The notes on pages 11 to 20 form part of these financial statements.



Arthurian Life Sciences Limited

**Balance Sheet**

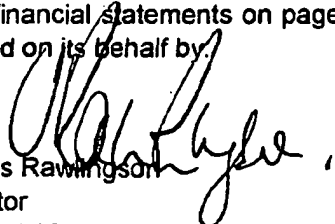
As at 31 December 2017

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investments held at fair value	9	9,651	4,300
		<b>9,651</b>	<b>4,300</b>
<b>Current Assets</b>			
Cash and cash equivalents	11	2,126	47
Trade and other receivables	10	80	224
		<b>2,206</b>	<b>271</b>
<b>TOTAL ASSETS</b>		<b>11,857</b>	<b>4,571</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	(6,477)	(333)
Deferred revenue		-	(3)
Current income tax liabilities		(31)	(31)
		<b>(6,508)</b>	<b>(367)</b>
<b>TOTAL LIABILITIES</b>		<b>(6,508)</b>	<b>(367)</b>
<b>NET ASSETS</b>		<b>5,349</b>	<b>4,204</b>
<b>EQUITY</b>			
Share capital and share premium	14	250	250
Retained earnings		2,190	1,045
Capital reserve		2,909	2,909
		<b>5,349</b>	<b>4,204</b>
<b>TOTAL EQUITY</b>		<b>5,349</b>	<b>4,204</b>

Registered number 08111748

The financial statements on pages 8 to 20 were approved by the Board of Directors on 24 April 2018 and signed on its behalf by:

James Rawlingson  
Director  
24 April 2018



The notes on pages 11 to 20 form part of these financial statements.

**Statement of Changes in Equity**

For the year ended 31 December 2017

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Capital Reserve £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
<b>As at 1 January 2017</b>	-	250	2,909	1,045	4,204
Profit for the year	-	-	-	1,145	1,145
<b>As at 31 December 2017</b>	-	250	2,909	2,190	5,349

For the nine months ended 31 December 2016

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Capital Reserve £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
<b>As at 1 April 2016</b>	-	250	2,909	96	3,255
Profit for the period	-	-	-	949	949
<b>As at 31 December 2016</b>	-	250	2,909	1,045	4,204

The notes on pages 11 to 20 form part of these financial statements.

## Notes to the Financial Statements

### 1. Authorisation of Financial Statements and statement of compliance with FRS 101

The financial statements of Arthurian Life Sciences Limited (the "Company") for the year ended 31 December 2017 were authorised for issue by the board of directors on 24 April 2018 and the balance sheet was signed on the board's behalf by James Rawlingson. The Company is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the Companies Act 2006. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Arix Bioscience plc.

The results of Arix Bioscience plc are available from 20 Berkeley Square, London, W1J 6EQ.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. Accounting Policies

#### a. Basis of Preparation

These financial statements have been prepared on a going concern basis, in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The amendments to FRS 101 (2016/17 Cycle) issued in July 2017 have been applied. The financial statements have been prepared under the historical cost convention except for certain financial assets which have been measured at fair value. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures: a Statement of Cash Flows and related notes; disclosures in respect of transactions with wholly owned subsidiaries; disclosures in respect of capital management; the effects of new but not yet effective IFRSs; and disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the Arix Bioscience plc financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements. The accounting policies set out below have been applied consistently.

#### *Critical accounting estimates*

The preparation of these financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these financial statements are disclosed in note 3.

#### b. Revenue Recognition

Revenue comprises of amounts receivable in respect of investment advisory services in the normal course of business and is shown exclusive of VAT. Investment advisory services comprises three key elements, which are recognised as follows:

##### (i) Fund management fees

Fund management fees are invoiced quarterly in advance, resulting in the recognition of deferred revenue, which is released to the income statement over the period to which it relates. The actual value of fees receivable from the WLSIF is not determined until after the end of the accounting period and can be reduced if impairments to investment values are recognised in the WLSIF. As such, an estimate is made (if required) of the potential reduction in fee and an adjustment to revenue is made accordingly. Further information in respect of this estimate is given in note 3.

##### (ii) Transaction fees

On the completion of an investment, the Company may charge the investee company fees in connection with the transaction. These are only recognised on completion of the transaction.

## Notes to the Financial Statements (continued)

### Accounting Policies (continued)

#### (iii) Ongoing monitoring fees

Following an investment, the Company may charge the investee company fees in respect of ongoing monitoring requirements including, potentially, the provision of non-executive director services. These fees are accrued and recognised over the period to which they relate.

#### c. Financial Assets

##### *Classification*

The Company classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company currently only has financial assets classified as at fair value through profit or loss and loans and receivables.

Loans and receivables 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 Company's loans and receivables comprise other receivables and cash and cash equivalents in the Balance Sheet.

##### *Recognition and measurement*

Financial assets are derecognised when the rights to receive cash flows from the instruments have expired or have been transferred and the Company has transferred substantially all 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 Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired, and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- Indications of significant financial difficulties of the borrower, obligator or customer;
- A breach of contract, such as default or delinquency in payment by the borrower, obligator or customer;
- For economic or legal reasons relating to the borrower, obligator or customer's financial position, granting to the borrower, obligator or customer a concession that it would otherwise not consider; or
- If it becomes probable that the borrower, obligator or customer will enter bankruptcy or other financial reorganisation.

For loans and other receivables, 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 Income Statement 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 Income Statement within Administrative Expenses.

#### d. Investments

The Company classifies all its equity investments as financial assets at fair value through profit or loss. The financial assets carried at fair value through profit or loss are initially recognised at fair value and subsequently re-measured at their fair value if there is objective evidence that a valuation event has occurred.

#### e. Trade Receivables

Trade receivables are amounts due from customers for sales performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

## Notes to the Financial Statements (continued)

### Accounting Policies (continued)

#### f. Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, short term bank deposits and bank overdrafts to the extent that there is a right to offset against other cash balances.

#### g. Share Capital

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### h. 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.

#### i. Current and Deferred Taxation

The tax expense for the period comprises current tax only. Tax is recognised in the Income Statement, 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. 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 Sheet. However, 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 either 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 Balance Sheet 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.

#### j. Employee Benefits

During the period, the Company operated defined contribution retirement plans for its employees. The costs of defined contribution plans are recognised as an employee benefit expense as and when employees have rendered service entitling them to the contributions. The Company has no further payment obligations once the contributions have been paid.

#### k. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Income Statement on a straight-line basis over the lease period.

### 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## Notes to the Financial Statements (continued)

### Critical accounting estimates and judgements (continued)

#### *Fund management fees recognisable*

As disclosed in accounting policy b(i), the level of the fund management fee receivable is dependent on the underlying performance of the WLSIF to which it relates. Specifically, the fee is calculated annually as a percentage of the total funds invested and available for investment, less any write downs of costs of investments made.

At the end of each financial period, the amount (if any) of write down in costs of investments made may not have been finalised, resulting in the requirement of an estimate of any potential write down in cost; this will also impact the fee receivable by the Company.

At the end of the financial periods ended 31 December 2016 and 31 December 2017, it was estimated that there had been a write down in investment costs.

#### *Valuation of Carried Interest Investment*

The valuation of the Company's investment in Arthurian Life Sciences Carried Interest Partner LP, the carried interest vehicle of The Wales Life Sciences Investment Fund LP ("WLSIF"), is dependent on a number of estimates and assumptions. 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 Company from this holding may be materially different from the current fair value.

#### *Valuation of Investment in WLSIF*

The valuation of the Company's investment in WLSIF is dependent on a number of estimates and assumptions. Underlying companies within the fund are valued using the most appropriate valuation technique for each; these include milestone analysis discounted cash flow and, in the case of options and warrants, a Black Scholes valuation model. As such, the fund valuation is sensitive to the assumptions used. Any ultimate gain for ALS, as a limited partner within WLSIF, may be materially different from the current fair value.

#### *Critical judgements in applying the entity's accounting policies*

In preparing these financial statements, the directors have considered the relationship that the Company has with WLSIF and specifically as to whether the company controls WLSIF. The directors note that while the Company, in its role as fund manager to WLSIF, exercises power over the activities of WLSIF and although these have increased due to direct investment, the Company still does not have sufficient exposure to variability of returns from WLSIF to meet the definition of control and therefore acts as an agent, rather than principal of WLSIF. Accordingly, WLSIF has not been consolidated into these financial statements and the financial statements reflect the performance of the Company only.

## 4. Revenue

	Year Ended 31 Dec 2017 £'000	9m to 31 Dec 2016 £'000
Fund management fee income	1,620	922
Other income	53	41
<b>Total revenue</b>	<b>1,673</b>	<b>963</b>

## Notes to the Financial Statements (continued)

### 5. Administrative Expenses

The administrative expenses charged by nature are as follows:

	Year Ended 31 Dec 2017 £'000	9m to 31 Dec 2016 £'000
Wages and salaries	43	92
Social security costs	10	1
Other pension costs	4	7
Consultancy fees	129	185
Auditors' remuneration	24	20
Other professional fees	78	-
Operating lease payments	4	49
Other expenses	69	129
<b>Total administrative expenses</b>	<b>361</b>	<b>483</b>

### 6. Auditors' Remuneration

The Company obtained services from the auditor as detailed below:

	Year Ended 31 Dec 2017 £'000	9m to 31 Dec 2016 £'000
<i>Statutory audit services</i>		
Fees payable for the audit of the Company's annual financial statements	24	20
<i>Fees payable to company's auditor for other services</i>		
Tax compliance services	-	-
Other services	-	-
<b>Total auditors' remuneration</b>	<b>24</b>	<b>20</b>

### 7. Average Number of Employees (Including directors)

The average number of executive directors and staff during the period was 1 (period ended 31 December 2016: 1); the average number of non-executive directors was 6 (period ended 31 December 2016: 9).

## Notes to the Financial Statements (continued)

### 8. Tax on profit

The major components of the income tax expense are:

	Year Ended 31 Dec 2017 £'000	9m to 31 Dec 2016 £'000
Current income tax charge for the year / period	33	35
Adjustments in respect of previous years / period	-	(4)
<b>Total tax charge in year / period</b>	<b>33</b>	<b>31</b>

The tax on the company's profit before tax differs from (2016: differs from) the theoretical amount that would arise using the standard tax rate applicable to the profits of the company as follows:

	Year Ended 31 Dec 2017 £'000	9m to 31 Dec 2016 £'000
<b>Factors affecting the tax charge for the period / year</b>		
Profit before taxation	1,178	980
Expected tax at 19.25% (2016: 20%)	227	196
Effects of:		
Non-taxable income	-	(100)
Provision for impairment of receivables	33	-
Group relief available	(260)	(61)
Adjustment in respect of previous years	33	(4)
<b>Total tax charge</b>	<b>33</b>	<b>31</b>

#### Factors that may affect future tax charges

Changes to the UK corporation tax rates were enacted in 2015 which reduced the main rate of corporation tax to 19% from 1 April 2017. Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016 to reduce the rate to 17% from 1 April 2020.



## Notes to the Financial Statements (continued)

### 9. Investments held at fair value

	Year Ended 31 Dec 2017 £'000	9m to 31 Dec 2016 £'000
Opening Balance	4,300	3,800
Additions in the year/period	5,311	-
Unrealised gain on investments	40	500
<b>Closing Balance</b>	<b>9,651</b>	<b>4,300</b>

The Company is the sole limited partner of Arthurian Life Sciences Carried Interest Partner LP (the "LP"). The LP is entitled to receive a 20% share of any future profits arising from the WLSIF, over an 8% hurdle rate. At the year-end date, the WLSIF has not made any realisations and, accordingly, the Company has not recognised any related income. The directors consider that the carrying value of the investment approximates to fair value. The Company's position is valued at £3.8m (2016: £4.3m).

During the year, the Company became a limited partner of the WLSIF. A commitment of £5.0m was made; total investment to date totals £5.3m, the additional £0.3m relating to equalisation payments made. At the year-end, the investment was valued at £5.9m.

The Company also holds 100% of the share capital of Aris Bioscience Pty Limited, dormant company with net assets of £nil.

#### *Unconsolidated structured entities*

Both the WLSIF and the LP are considered to be structured entities, which are designed to achieve a specific purpose. A structured entity is one that has been set up so that any voting or similar rights are not the dominant factor in determining who controls the entity.

In particular, although the Company has power over the WLSIF, it does not have sufficient exposure to variable returns which would require it to consolidate WLSIF, as it is an agent of the fund and as such does not exhibit control.

The Company owns the right to the carried interest by way of its position as sole limited partner of the LP. There is a separate general partner, which is outside the control of the Company. The general partner controls the relevant activities of the LP, but its income interest is fixed at 0%. As such, the Company does not control the LP.

The Company provides fund management and advisory services to WLSIF, which has been set up to accommodate client requirements to hold investments in specific assets.

#### *Income derived from involvement with the unconsolidated structured entities*

The Company earns revenue through its involvement in the WLSIF as follows:

- Fund management fees – via Arthurian Life Sciences SPV GP Limited;
- Transaction fees – upon completion of an investment (payable by the fund portfolio company); and
- Ongoing monitoring fees – related to the provision of non-executive director services to portfolio companies.

As noted above, the Company can earn a 20% profit share, over an 8% hurdle rate, from future WLSIF realisations, via the LP.

#### *Interest in the unconsolidated structured entities*

The Company's interest in the unconsolidated structured entities relate to the contractual involvement with the WLSIF, via its direct investment, and via its carried interest investment, which expose it to variability of returns from the performance of the WLSIF.

#### *Maximum exposure to unconsolidated structured entity*

The Company's maximum exposure to the unconsolidated structured entities relates to its £5.9m direct investment in WLSIF, its £3.8m investment in the LP; and the fund management fees it receives from the WLSIF via Arthurian Life Sciences SPV GP Limited.

#### *Financial support*

The Company did not provide financial support to the WLSIF or the LP during the year. The direct investment into the WLSIF is for the purposes of financial return for the Company, and not considered financial support for the WLSIF.

**Notes to the Financial Statements (continued)**

**10. Trade and Other Receivables**

	<b>As at 31 Dec 2017 £'000</b>	<b>As at 31 Dec 2016 £'000</b>
Trade receivables	224	192
Provision for impairment of receivables	(174)	-
Other receivables	5	10
Prepayments	20	14
VAT receivable	5	8
	<b>80</b>	<b>224</b>

The fair value of other receivables approximates to their fair value. Other receivables do not contain impaired assets.

All other receivables balances are denominated in British pound sterling.

**11. Cash and Cash Equivalents**

	<b>As at 31 Dec 2017 £'000</b>	<b>As at 31 Dec 2016 £'000</b>
Cash at bank and in hand	2,126	47

Cash and cash equivalent are all denominated in British pound sterling and are deposited with AA- rated institutions.

The fair value of cash and cash equivalents approximate to their carrying value.

**12. Trade and Other Payables**

	<b>As at 31 Dec 2017 £'000</b>	<b>As at 31 Dec 2016 £'000</b>
Trade payables	20	39
Accruals and other payables	179	206
Intercompany	6,278	88
	<b>6,477</b>	<b>333</b>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Intercompany balances are interest free and repayable on demand.

## Notes to the Financial Statements (continued)

### 13. Pension and Other Post-Retirement Benefit Commitments

The Company operates a defined contribution pension scheme. The pension cost charge represents contributions made to employee personal pension arrangements, totalling £2k (year ended 31 December 2017: £7k). Of the contributions payable, no amounts are included in trade and other payables (31 December 2016: £nil).

### 14. Share Capital

	As at 31 Dec 2017 £	As at 31 Dec 2016 £
<b>Authorised</b>		
100 (2016: 100) ordinary shares of £1 each	100	100
<b>Allotted and Called Up</b>		
At beginning of year / period	100	100
Proceeds from shares issued	-	-
<b>At end of year / period</b>	<b>100</b>	<b>100</b>

### 15. Related Party Relationships and Transactions

During the year, the Company received funding of £6,234,030 from Arix Bioscience plc, the Company's ultimate controlling party, all of which was outstanding at 31 December 2017 (31 December 2016: Nil). This amount is unsecured, interest free and repayable on demand.

During the year, the Company received management fee income totalling £1,619,707 (period ended 31 December 2016: £922,152) from Arthurian Life Sciences SPV GP Limited, an entity under common control. At 31 December 2017, £44,850 was owed by the Company in respect of the advance of these fees (31 December 2016: £393,806 owed to the Company but displayed net of other intercompany amounts, see below).

During the year, the Company settled all amounts due to Arix Bioscience Holdings Limited, a company 100% owned by Arix Bioscience plc (31 December 2016: £481,746, displayed net of the amounts due from Arthurian Life Sciences SPV GP Limited of £393,806 (above) as they relate to entities within the same group, thus totalling £87,940 within the prior period's Trade and Other Payables).

At 31 December 2017, Excalibur Fund Managers Limited, a business which C Evans, a former director, and director of the Company's ultimate controlling party, owed the Company £174,000 (31 December 2016: £174,000).

Consultancy fees amounting to £128,639 (2016: Nil) were payable to Martin Walton, a director until 13 October 2017. At 31 December 2017, no amounts were due to Martin Walton (31 December 2016: £nil).

Consultancy fees amounting to £nil (2016: £91,521) were payable to Bradshaw Consulting Limited during the year ended 31 December 2017, a company owned by Martin Walton, a former director of the Company. At 31 December 2017, no amounts were owed to Bradshaw Consulting Limited (2016: £nil).

**Notes to the Financial Statements (continued)**

**16. Ultimate Controlling Party**

The Company's ultimate controlling party is Arix Bioscience plc.

**17. Related Undertakings**

The Company has a 100% subsidiary, Arix Bioscience Pty Limited, which is incorporated in Australia and has a registered address of Level 27, AMP Centre, 50 Bridge Street, Sydney NSW 2000. The Company is the sole limited partner of Arthurian Life Sciences Carried Interest Partner LP, registered in Scotland with an address of 16 Charlotte Square, Edinburgh, EH2 4DF. The WLSIF (registered address: Life Sciences Hub Wales, 3 Assembly Square, Britannia Quay, Cardiff, Wales, CF10 4PL) is considered neither a subsidiary nor an associate.

**18. Events After the Reporting Period**

There are no events to report occurring after the end of the reporting period.