

**Arix Bioscience Holdings Limited**  
**Annual Report and Financial Statements**  
**Year ended 31 December 2022**  
**Registered Number 09790902**

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**Arix Bioscience Holdings Limited**  
**Corporate Information**

**Directors**

Robert Lyne  
Peregrine Moncreiffe (appointed 24 February 2022)

**Independent Auditors**

BDO LLP  
55 Baker Street  
London  
W1U 7EU  
United Kingdom

**Registered Office**

Duke Street House,  
50 Duke Street,  
London,  
England,  
W1K 6JL

Arix Bioscience Holdings Limited  
**Strategic Report for the year ended 31 December 2022**

**Principal Activity**

The principal activity of Arix Bioscience Holdings Limited ("Arix" or the "Company") is to invest in breakthrough biotechnology companies ("Portfolio Companies").

**Results and Performance**

The Company reported a loss for the year of £33.2m (2021: loss £59.1m) due to the change in value of investments. This has primarily been driven by volatility in the public markets. However, the core portfolio of investments has made good clinical progress during 2022, with several companies announcing positive data from Phase 1 and Phase 2 trials. In addition, one portfolio company listed on Nasdaq at the end of the period and a second portfolio company completed a successful reverse merger, in both cases raising fresh funding for these businesses.

The Company is encouraged by progress in 2022 and with continued support from its parent, the Company is well placed to continue to support and develop current Portfolio Companies, as well as identifying significant opportunities for further acquisitions.

**Strategy**

The Company's business plan is to continue supporting and developing current Portfolio Companies, as well as identifying and executing acquisitions of additional innovative healthcare and life science businesses with the potential to generate significant value.

**Key Performance Indicators**

The Directors of Arix Bioscience plc, the Company's parent, manage operations on a consolidated basis. As such, the Company's Directors believes that KPI analysis is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of Arix Bioscience plc, which includes the Company, is discussed in Arix Bioscience plc's 31 December 2022 annual report, which does not form part of this report. The Arix Bioscience plc annual report is publicly available and can also be inspected at the Company's office.

**Principal Risks and Uncertainties**

The key business risks and uncertainties affecting the Company are considered to relate to market risk in respect of the development of Portfolio Companies, loss of key personnel and regulatory risk. The principal risks and uncertainties are integrated with the principal risks and uncertainties of the wider Arix group and are not managed separately. Further discussion on these risks and uncertainties, in the context of the wider Arix group as a whole, is provided within Arix Bioscience plc's 31 December 2022 annual report (publicly available as above), which does not form part of this report.

**s172 Companies Act 2006**

The Directors are cognisant of his duties under s172 of the Companies Act and has worked throughout the year to promote the success of the Company for the benefit of its members as a whole. In doing so, it has regard to those stakeholders identified under s172. These stakeholders include shareholders Pharmaceutical Partners, Employees and Portfolio Companies. Interaction with stakeholders is integrated within the wider Arix group and are not managed separately. Further discussion of s172 is provided within Arix Bioscience plc's 31 December 2022 annual report (publicly available as above).

The Strategic Report, as set out above, is signed on behalf of the Board.



Robert Lyne  
Director  
25 September 2023

## **Directors' Report for the year ended 31 December 2022**

### **Registered Number 09790902**

The Directors presents their report for the year ended 31 December 2022.

### **Directors of the Company**

The Directors are shown on page 3.

### **Business Review and Future Developments**

The Directors' Report should be read in conjunction with the Strategic Report on page 4 (which is incorporated in this Directors' Report by reference), which together include information about the Company's business, its financial performance during the year and developments in the future.

### **Going Concern**

As a subsidiary of Arix Bioscience plc, the Company is supported by a parent with considerable financial resources, which has assessed its prospects over a period greater than 12 months including a robust assessment of principal risks, mitigants and expected costs over a three year period. 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 support and 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 auditors were proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

Signed on behalf of the Board



Robert Lyne

Director

25 September 2023

## **Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for 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.

### **Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARIX BIOSCIENCE HOLDINGS LIMITED**

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Arix Bioscience Holdings Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

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

*Independence*

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

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, Strategic Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Other Companies Act 2006 reporting**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors have taken advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

## Arix Bioscience Holdings Limited

### **Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for assessing the 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.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We focused on laws and regulations that could give rise to a material misstatement in the financial statements. These included but were not limited to compliance with Companies Act 2006, the accounting standards and relevant tax legislation.

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

- Discussions with management regarding known or suspected instances of non-compliance with laws and regulations.
- Communicating identified laws and regulations throughout our team and remaining alert to any indications of non-compliance.
- Evaluating that the Group's control environment is adequate for its size and is designed appropriately.
- Assessing journal entries as part of our planned audit approach.

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

We held a discussion among the engagement team how and where fraud might occur in the financial statements and any potential indicators of fraud. Furthermore, we communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our procedures included reviewing the financial statement disclosures and accounting policies to identify instances of management bias and agreeing to underlying supporting documentation where necessary.

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

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



## Arix Bioscience Holdings Limited

### Use of our report

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

DocuSigned by:

*Vanessa Bradley*

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Vanessa-Jayne Bradley (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
25 September 2023

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

## Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Change in fair value of investments	8	(29,751)	(55,674)
Revenue		16	19
Administrative Expenses	4	(2,904)	(3,587)
Foreign exchange gains / (losses)		(556)	45
<b>Operating (Loss) / Profit</b>		<b>(33,195)</b>	<b>(59,197)</b>
Finance income		32	-
<b>(Loss) / Profit before taxation</b>		<b>(33,163)</b>	<b>(59,197)</b>
Income tax	7	4	-
<b>(Loss) / Profit for the financial year</b>		<b>(33,159)</b>	<b>(59,197)</b>

All amounts relate to continuing operations.

The Company has no items of Other Comprehensive Income.

The notes on pages 13 to 25 form part of these financial statements.

**Statement of Financial Position**

As at 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investments held at fair value	8	98,394	117,071
Property, plant and equipment	9	55	82
Right of use assets	10	72	121
		<b>98,521</b>	<b>117,274</b>
<b>Current Assets</b>			
Cash and cash equivalents		9,238	3,388
Trade and other receivables	11	149	321
		<b>9,387</b>	<b>3,709</b>
<b>TOTAL ASSETS</b>		<b>107,908</b>	<b>120,983</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	(74,211)	(54,076)
Lease Liability		(59)	-
		<b>(74,270)</b>	<b>(54,076)</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease Liability		(11)	(121)
		<b>(11)</b>	<b>(121)</b>
<b>TOTAL LIABILITIES</b>		<b>(74,281)</b>	<b>(54,197)</b>
<b>NET ASSETS</b>		<b>33,627</b>	<b>66,786</b>
<b>EQUITY</b>			
Share capital and share premium	14	-	-
Retained earnings/(Accumulated losses)		33,627	66,786
		<b>33,627</b>	<b>66,786</b>
<b>TOTAL EQUITY</b>		<b>33,627</b>	<b>66,786</b>

Registered number 09790902

The financial statements on pages 10 to 25 were approved by the Board of Directors on 21 September 2023 and signed on its behalf by:



Robert Lyne  
Director  
25 September 2023

The notes on pages 13 to 25 form part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2022

	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
<b>As at 1 January 2022</b>	-	-	66,786	66,786
Loss for the year	-	-	(33,159)	(33,159)
<b>As at 31 December 2022</b>	-	-	<b>33,627</b>	<b>33,627</b>

For the year ended 31 December 2021

	Share Capital £'000	Share Premium £'000	(Accumulated losses) / Retained Earnings £'000	Total £'000
<b>As at 1 January 2021</b>	-	-	125,983	125,983
Loss for the year	-	-	(59,197)	(59,197)
<b>As at 31 December 2021</b>	-	-	<b>66,786</b>	<b>66,786</b>

The notes on pages 13 to 25 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 Arix Bioscience Holdings Limited (the "Company") for the year ended 31 December 2022 were authorised for issue by the board of Directors on 21 September 2023 and the Balance Sheet was signed on the Board's behalf by Robert Lyne. The Company is a private limited company, incorporated and domiciled in the United Kingdom.

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 as applicable to companies using FRS 101. 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 results of Arix Bioscience plc are available from Duke Street House, 50 Duke Street, London W1K 6JL.

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').

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; 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.

#### *Going concern*

The financial statements have been prepared on a going concern basis, which is considered appropriate due to the Company's strong net asset position, which includes a significant proportion of Level 1 financial assets in listed entities which are liquid; the Company also has an agreement in place with Arix Bioscience plc, the Company's parent, whereby Arix Bioscience plc has agreed that it will not demand repayment of any intercompany loan, in whole or in part, for at least 12 months after signing of the Company's 2022 financial statements. The Company's parent has assessed the cash flow requirements of the wider Group over a period of greater than 12 months taking into consideration portfolio funding requirements and cash operating expenses.

#### *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 is disclosed in Note 3.

#### b. Revenue Recognition

Following an acquisition, the Company may charge the Portfolio Companies 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 and are shown exclusive of VAT.

## Notes to the Financial Statements (continued)

### 2. Accounting Policies (continued)

#### a. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Fixture and fittings:	5 years
Office equipment:	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

#### b. Right-of-use asset

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

#### c. Financial Assets

##### *Classification*

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

Amortised cost assets are non-derivative financial assets with fixed or determinable payments that are not 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 amortised cost assets comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company 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 Company 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 16. When financial assets are initially recognised they are measured at fair value. They are subsequently remeasured at their fair value if a valuation event occurs.

##### *Valuation of investments*

The fair value of the Group's investments is determined using International Private Equity and Venture Capital Valuation Guidelines December 2022 ('IPEV Guidelines').

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

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

## Notes to the Financial Statements (continued)

### 2. Accounting Policies (continued)

#### d. Financial Assets (continued)

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

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

The valuation metrics used in these financial statements are discussed in Note 8.

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

#### *Treatment of gains and losses arising on fair value*

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

#### *Recognition of financial assets*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Company 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 Company 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 Company assesses whether there is objective evidence that its trade 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 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 Company's financial assets that are subject to IFRS 9's expected credit loss model are its loans and receivables, cash and cash equivalents and cash on long term deposit. The identified impairment loss is considered immaterial.

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

## Notes to the Financial Statements (continued)

### 2. Accounting Policies (continued)

#### d. Associates

Associates are entities over which the Company 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 Company elects to hold such investments at fair value through profit and loss. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology requirements where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 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 Company 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 16 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 16 to the financial statements.

#### e. Adoption of new and revised standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### f. Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

#### g. 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.

#### h. 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.

#### i. 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.

#### j. Current and Deferred Taxation

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

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheets, using the liability method. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business



## Notes to the Financial Statements (continued)

### 2. Accounting Policies (continued)

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.

#### k. Employee Benefits

During the year, 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.

#### l. Leases

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

### 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. The key 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 relate to the valuation of unquoted investments, which do not have readily determinable prices. The valuation methodology primarily used by the Company is described in Note 2(D), which further explains the use of estimates and assumptions.

The Company primarily seeks to generate capital gains from its portfolio company investments, which would ordinarily be subject to UK corporation tax. However, where the Company holds or has held in excess of 10% of the share capital of a portfolio company, and those companies are themselves trading or preparing to carry on a trade, the Directors continues to believe that these holdings will qualify for the UK's Substantial Shareholdings Exemption ("SSE"), which exempts taxable gains or losses from corporation tax. For unrealised gains and losses that are expected to meet the qualifying criteria, no deferred tax provision will be made in the Group's financial statements. Where investment gains or losses are unrealised and are not expected to qualify for SSE, the anticipated tax due based on the current valuation of the underlying investment is reflected in a deferred tax balance, to the extent that these exceed the Company's historical operating losses from time to time.

**Notes to the Financial Statements (continued)****4. Administrative Expenses**

The administrative expenses charged by nature are as follows:

	Year Ended 31 Dec 2022 £'000	Year Ended 31 Dec 2021 £'000
Employment costs	590	1,634
Recruitment costs	67	169
Consultancy fees	211	25
Other Expenses	2,036	1,759
<b>Total administrative expenses</b>	<b>2,904</b>	<b>3,587</b>

**5. Auditors' Remuneration**

The Company obtained services from the auditors as detailed below:

	Year Ended 31 Dec 2022 £'000	Year Ended 31 Dec 2021 £'000
<i>Statutory audit services</i>		
Fees payable for the audit of the Company's financial statements	12	11
<b>Total auditors' remuneration</b>	<b>12</b>	<b>11</b>

**6. Employee Costs**

Employee costs (including Directors) comprise:

	Year Ended 31 Dec 2022 £'000	Year Ended 31 Dec 2021 £'000
Wages and salaries	491	1,403
Social security costs	70	150
Other pension costs	29	81
	<b>590</b>	<b>1,634</b>

The average number of Directors who were employees during the year was nil (2021:1) and the average number of staff during the year was 4 (2021: 6).

Directors' emoluments for the year ended 31 December 2022 was £nil (2021: £nil).

**Notes to the Financial Statements (continued)****7. Income Tax Expense**

The income tax charge for the year is £nil (2021: £nil)

The tax on the Company's (loss) / profit before tax differs (2020: differs) from the theoretical amount that would arise using the standard tax rate applicable to the (losses) / profits of the Company as follows:

<b>Current year tax charge</b>	<b>Year Ended 31 Dec 2022 £'000</b>	<b>Year Ended 31 Dec 2021 £'000</b>
Current tax on profits for the year	-	-
Adjustment in respect of prior years	(4)	-
<b>Current Tax</b>	-	-
<b>Deferred tax</b>	-	-
<b>Total tax charge</b>	<b>(4)</b>	-
<b>Factors affecting the tax charge for the year</b>		
Loss before taxation	(33,163)	(59,197)
Total tax at 19% (2021: 19%)	(6,301)	(11,247)
Effects of:		
Adjustments made in respect of prior years	(4)	-
Non-deductible expenses	6,379	10,577
Non-taxable income	(727)	(4)
Amounts not recognised	270	674
Recognition of items previously unrecognised	379	-
<b>Total tax charge</b>	<b>(4)</b>	-
<b>Deferred Tax Liabilities</b>		
Brought forward	-	-
Adjustment in respect of prior years	-	-
Relating to profit and loss	-	-
<b>Carried forward</b>	-	-
<b>Represented by:</b>		
Temporary trading differences	-	(1)
Losses	(1,488)	(3,461)
Investments	1,488	3,462

**Arix Bioscience Holdings Limited**  
**Notes to the Financial Statements (continued)**

The corporation tax rate for the year was 19%. The UK corporation tax rate will increase from 19% to 25% from 1 April 2023 for companies with annual profits exceeding £250k but remain at 19% for annual profits below £50k whilst companies with profits between £50k and £250k will pay tax at the main rate of 25% reduced by marginal relief. This change has been enacted at the balance sheet date and therefore the deferred tax assets and liabilities as at 31 December 2022 have been measured using the rates that would be expected to apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

**8. Investments held at fair value**

	<b>Level 1 - Quoted Investments £'000</b>	<b>Level 3 - Unquoted Investments £'000</b>	<b>Total £'000</b>
As at 1 January 2022	63,697	53,374	117,071
Additions	23,270	11,098	34,368
Transfers*	8,964	(8,964)	-
Disposals	(23,294)	-	(23,294)
Change in Fair Value	(31,007)	(2,567)	(33,574)
Foreign exchange losses	3,140	683	3,823
<b>As at 31 December 2022</b>	<b>44,770</b>	<b>53,624</b>	<b>98,394</b>

\*Transfers: Disc Medicine became listed on 29 December 2022.

	<b>Level 1- Quoted Investments £'000</b>	<b>Level 3 - Unquoted Investments £'000</b>	<b>Total £'000</b>
At 1 January 2021	95,712	51,641	147,353
Additions	15,277	43,944	59,221
Transfers	26,908	(26,908)	-
Disposals	(30,530)	(3,299)	(33,829)
Change in Fair Value	(43,059)	(11,056)	(54,115)
Foreign exchange losses	(611)	(948)	(1,559)
<b>At 31 December 2021</b>	<b>63,697</b>	<b>53,374</b>	<b>117,071</b>

See Note 2(D) for further details on the valuation of Level 3 investments.

As permitted by IAS 28 'Investment in Associates' and in accordance with the Company's accounting policy, investments are held at fair value even though the Company may have significant influence over the companies. Accounting for Associates' is discussed in Note 2(D).

Arix Bioscience Holdings Limited  
**Notes to the Financial Statements (continued)**

**9. Property, Plant and Equipment**

<b>Cost</b>	<b>Fixtures and Fittings £'000</b>	<b>Leasehold Improvements £'000</b>	<b>Office Equipment £'000</b>	<b>Total £'000</b>
As at 1 January 2022	167	-	36	203
Additions in the year	-	-	8	8
Disposals	-	-	-	-
<b>At 31 December 2022</b>	<b>167</b>	<b>-</b>	<b>44</b>	<b>211</b>

<b>Depreciation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 January 2022	92	-	29	121
Depreciation in the year	31	-	4	35
Disposals	-	-	-	-
<b>At 31 December 2022</b>	<b>123</b>	<b>-</b>	<b>33</b>	<b>156</b>

<b>Net Book value</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 January 2022	75	-	7	82
At 31 December 2022	44	-	11	55

Arix Bioscience Holdings Limited  
**Notes to the Financial Statements (continued)**

**9 Property, Plant and Equipment (continued)**

<b>Cost</b>	<b>Fixtures and Fittings £'000</b>	<b>Leasehold Improvements £'000</b>	<b>Office Equipment £'000</b>	<b>Total £'000</b>
As at 1 January 2021	484	47	74	605
Additions in the year	97	-	3	100
Disposals	(414)	(47)	(41)	(502)
<b>At 31 December 2021</b>	<b>167</b>	<b>-</b>	<b>36</b>	<b>203</b>

<b>Depreciation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 January 2021	452	42	64	558
Depreciation in the year	54	5	3	62
Disposals	(414)	(47)	(38)	(499)
<b>At 31 December 2021</b>	<b>92</b>	<b>-</b>	<b>29</b>	<b>121</b>

<b>Net Book value</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 January 2021	32	5	10	47
At 31 December 2021	75	-	7	82

**10. Right of use-asset**

	<b>As at 31 Dec 2022 £'000</b>	<b>As at 31 Dec 2021 £'000</b>
<b>Cost</b>	<b>160</b>	<b>160</b>
<b>Depreciation</b>		
As at 1 January	39	0
Depreciation in year	49	39
<b>As at 31 December</b>	<b>88</b>	<b>39</b>
<b>Net book value</b>	<b>72</b>	<b>121</b>

The right-of-use asset is a lease for the London office with a term of 3 years which terminates in April 2024

**Arix Bioscience Holdings Limited**  
**Notes to the Financial Statements (continued)**

**11 Trade and Other Receivables**

	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Trade receivables	34	226
Prepayments	58	73
VAT receivable	57	22
	<b>149</b>	<b>321</b>

The fair value of other receivables approximates to their book value. Other receivables do not contain impaired assets. All other receivables balances are denominated in British pound sterling.

**12 Trade and Other Payables**

	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Trade payables	65	61
Accruals and other payables	251	302
Amounts due to group undertakings	73,895	53,713
	<b>74,211</b>	<b>54,076</b>

The Directors consider that the carrying amount of trade and other payables approximates to their book value. Intercompany balances are interest free and repayable on demand.

**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 £20k (2021: £46k). Of the contributions payable, £nil (2021: £nil) is included in trade and other payables.

Arix Bioscience Holdings Limited  
**Notes to the Financial Statements (continued)**

**14.Share Capital**

	<b>As at 31 Dec 2022</b>	<b>As at 31 Dec 2021</b>
<hr/>		
<b>Authorised, Allotted and Called Up</b>		
100 (2020: 100) ordinary shares of £1 each	£100	£100

**15.Related Party Relationships and Transactions**

During the year, the Company received net funding of £19,996k from Arix Bioscience plc (2021: £38,012k net funding), the Company's ultimate controlling party, resulting in a balance outstanding as at 31 December 2022 of £73,444k (2021: £53,448k). This amount is unsecured, interest free and repayable on demand.

The company has outstanding fees owed to Arix Bioscience Inc in respect of services received of £451k (2021: £265k).

**16.Ultimate Controlling Party**

The Company's immediate and ultimate controlling party is Arix Bioscience plc, a public company registered in England and Wales. The smallest and largest group into which these financial statements are consolidated is Arix Bioscience plc. Copies of the ultimate parent company's financial statements are available at Duke Street House, 50 Duke Street, London W1K 6JL.



**Notes to the Financial Statements (continued)****17. Related Undertakings**

The below entities are considered to be related undertakings of the Company.

Company	Country of Incorporation	Registered Address	% of Issued Share Capital Held
Artios Pharma Limited	England	B940 Babraham Research Campus, Cambridge, CB22 3AT	9.9%
Aura Biosciences, Inc	USA	85 Bolton Street, Cambridge, MA	4.1%
Depixus SAS	France	3-5 Impasse Reille, 75014 Paris	21.4%
Disc Medicine Inc	USA	150 Cambridgepark Dr Ste 103, Cambridge MA, 02140 US	4.2%
Harpoon Therapeutics, Inc	USA	131 Oyster Point Blvd Ste 300, South San Francisco, CA 94080 US	6.7%
Imara, Inc.	USA	116 Huntington Ave Fl 6, Boston, MA 02116 US	6.1%
Iterum Therapeutics Limited	Ireland	Block 2 Floor 3, Harcourt Centre Harcourt Street, Dublin	0.1%
Sorisso Pharmaceuticals Inc	USA	6 Northridge Way, Sandy, UT 84092 US	26.0%
Stipe Therapeutics Aps	Denmark	Inge Lehmanns Gade 10 Aarhus C 8000 Midtjylland DK	19.8%
Twelve Bio Aps	Denmark	Ole Maaloos Vej 3, 2200, Copenhagen, Denmark	49.0%

**18. Events After the Reporting Year**

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

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

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

On 29 March 2023, the Company invested £6.6m (\$8.1m) into Evommune Inc. as part of an equity transaction.