



PORT ERIN BIOPHARMA INVESTMENTS LIMITED

INTERIM REPORT AND CONDENSED FINANCIAL STATEMENTS

For the period ended 31 December 2018

Registration number: Isle of Man 006874V

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PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Chairman's statement

Introduction

I am pleased to present the Interim Results for Port Erin Biopharma Investments Limited (the "Company") for the six-month period ending 31 December 2018.

Financial Review

The Company recorded a net loss of £16,357 for the period (2017: loss of £74,631). During the six months, our investment income, including loan interest, and net unrealised gains, reflected a gain of £53,307 (2017: loss of £1,596). Operating expenses were £82,740 (2017: £80,093). The prior period included no performance fee and no performance fee has been accrued during the period under review. The basic and diluted loss per share was 0.07 pence (2017: loss of 0.32 pence).

Our invested assets at fair value increased by 22.2% to £1,382,177 (Year-end 2018: £1,131,164), and cash and equivalents were £523,584 (Year-end 2018: £555,293). Our total net assets, including receivables of £13,761 (Year-end 2018: £14,480) less payables of £32,117 (Year-end 2018: £23,759), stood at £1,887,405 (Year-end 2018: £1,903,762). As a result, the net asset value per share at 31 December 2018 was 8.14 pence (Year-end 2018: 8.21 pence). There were no exceptional costs during the period.

Approach to Risk and Corporate Governance

As part of the adoption of the Quoted Companies Alliance Corporate Governance code subsequent to 30 June 2018, the Board has completed an assessment of the risks inherent in the business and has defined and adopted a statement of risk appetite, being the amount and type of risk, it is prepared to seek, accept or tolerate in pursuit of value. This being: -

"The Company's general risk appetite is a moderate, balanced one that allows it to maintain appropriate growth, profitability and scalability, whilst ensuring full corporate compliance."

The Group's primary risk drivers include: -

Strategic, Reputational, Credit, Operational, Market, Liquidity, Foreign Exchange, Capital and Funding, Compliance and Conduct.

Our risk appetite has been classified under an "impact" matrix defined as Zero, Low, Medium and High. Appropriate steps are underway to ensure the prudential control monitoring of risks to the Company and a suitable committee and reporting structure, under the Chairmanship of the Chairman, will be formed to undertake this essential requirement. Further details of the Corporate Governance Statement, including the role and responsibilities of the Chairman and an explanation as to how the QCA Code has been applied, will be found on pages 7 to 9 of this report.

Following the completion of the strategic review, the Board has determined that the Company will seek shareholder approval to amend the current investing policy to focus upon the "clean food" sector and this is set out in the accompanying Circular which details the proposed transformation, including changing the Company's name to better reflect the new strategy and the appointment of two new Independent Non-Executive Directors.

Investment Review

Of our quoted investments, HKSE-listed **Regent Pacific Group Limited** ("RPG") continues to be our most significant holding. RPG's principal investment is in Plethora Solutions Holdings plc ("Plethora"), a wholly-owned subsidiary. Plethora is focussed on the commercialisation of its product Fortacin™ - the first EU-approved topical prescription treatment for premature ejaculation. The first commercial sales of Fortacin™ took place in Italy, France, Spain, Germany and Portugal and in 2018, a total of US\$4.72 million was received by RPG from Recordati, the international pharmaceutical group, listed on the Italian Stock Exchange with whom RPG has entered into a commercialisation agreement. RPG will receive further payments under its licence agreement with Recordati, pursuant to which RPG is eligible to receive remaining payments of up to EUR 33 million (or approximately US\$37.56 million) plus royalties after hitting certain milestones. In December 2018, Recordati launched Fortacin™ in the UK and RPG is continuing to work closely with Recordati towards the planned commercialisation of Fortacin™ with launches happening in Romania and Greece during 2019. RPG also entered into a licence agreement with Wanbang Pharmaceutical, to sell and distribute Fortacin™ in China. Additionally, RPG was also able to make positive progress with the Hong Kong Department of Health Drug Office and the Macau Government Health Bureau having registered Fortacin™ in both Hong Kong and Macau with the relevant authorities allowing for its distribution and sale in these territories. This paves the way for the drug to be distributed and sold by Orient EuroPharma in 2019.

Chairman's statement (continued)

Investment review (continued)

Of our other quoted holdings, London AIM and NASDAQ-listed **Summit Therapeutics plc** ("Summit") is building a new type of antibiotic company with innovative science focussed on developing new drugs. Summit aims to design clinical trials to show its antibiotic candidates have significant advantages over current standards of care and offer a compelling value proposition to payors. A key example is Ridinilazole, a Phase 3-ready potential front-line antibiotic to combat *C. difficile* Infection ("CDI"). The drug is designed to selectively target *C. difficile* bacteria without causing collateral damage to the gut microbiome, and therefore has the potential to be a front-line therapy that treats not only the initial CDI infection, but importantly reduces the rate of CDI recurrence. The ongoing development of Ridinilazole is being supported by a contract with Biomedical Advanced Research and Development Authority ("BARDA") that potentially provides up to \$62 million in non-dilutive funding. To date, total committed BARDA funding under this contract is \$44 million, including a \$12 million option that was exercised by BARDA in August 2018. Behind Ridinilazole, Summit is advancing a growing portfolio of earlier stage antibiotic programmes which have emerged from its proprietary Discuva Platform, including SMT-571 for the treatment of gonorrhoea and a programme focussed on the ESKAPE pathogens, the leading cause of hospital-acquired infections throughout the world. Summit's antibiotic research and development activities have received significant funding support from third party organisations including BARDA, CARB-X, the Wellcome Trust and Innovate UK.

In January 2019, London AIM-listed **SalvaRx Group PLC** ("SalvaRx") disposed its of subsidiary SalvaRx Limited to **Portage Biotech Inc.** ("Portage"), a biotechnology company focussed on developing early to mid-stage products quoted on the Canadian Stock Exchange, for a consideration of US\$67.5 million satisfied by the issue of new shares in Portage. Following the disposal, SalvaRx ceased to own all of its existing trading business activities or assets. Now classified as an AIM Rule 15 cash shell and, as such, is required to make an acquisition which constitutes a reverse takeover or seek re-admission as an investing company by 9 July 2019, failing which SalvaRx would then be suspended from trading on AIM. Both Jim Mellon and Denham Eke are directors of SalvaRx. As a result of this transaction, the Company received 333,330 shares in Portage. Jim Mellon is a director of Portage.

CSE-listed **RISE Life Science Corp** ("RISE") is a Canadian company pioneering new and innovative medical and adult-use products in the emerging category of cannabis-based health and wellness made possible by the legalization of cannabis in the United States pursuant to the Agricultural Improvement Act of 2018. RISE launched its cannabidiol-based ("CBD") sexual wellness products in June 2018. The acquisition of Life Bloom Organics in July 2018 expanded RISE's portfolio of CBD products from sexual health and wellness products to include general wellness and sleep products and provides access to Life Bloom's existing channels of distribution and production in the United States and California in particular. RISE also leverages Life Bloom's proprietary process of nanotizing CBD for increased bioavailability (without psychoactivity) in future products created under the RISE umbrella including the Karezza brand.

Of our unquoted holdings, the **Diabetic Boot Company Limited** ("DBC") continues to commercialise its ground breaking PulseFlowDF™ device for the treatment of diabetic foot ulcers. Negotiations are in hand with distribution partners in the US, UK, Germany, Turkey, Serbia and Malta – where over 50% of the latter's adult population suffer from diabetes. PulseFlowDF™ is being repositioned as a front-line device which is generating considerable interest from podiatrists and clinicians. We retain a small shareholding in DBC and, as previously announced, a loan note for £200,000 was repaid on 21 December 2018, generating £238,606 cash, including accrued interest, for the Company.

Unquoted **Insilico Medicine, Inc.** ("Insilico"), based in Baltimore, Maryland, develops artificial intelligence (AI) solutions for drug discovery, biomarker development, and aging research, providing services to academia, pharmaceutical, and cosmetic companies as an alternative to animal testing. Insilico's projects include Pharma.AI, offering advanced machine learning services to biotechnology companies, pharmaceutical companies, skin care companies, foundations, and national governments; Young.AI, a platform integrating predictors of age; Chemistry.AI, a platform for medicinal chemists to look at classes of molecules and measure the brain activity and physiological parameters; Embryonic.AI, a classifier designed to identify the embryonic score of a sample; Nutriomi, a platform for nutrition and longevity; Aging.AI 2.0, a predictor of age with deep neural network; and Mortality.AI. Recently WuXi AppTec, a Chinese integrated R&D services platform, BOLD Capital and Pavilion Capital have become investors.

Finally, unquoted **Blue Nalu, Inc.** ("BlueNalu"), a cellular aquaculture company with a mission to create and provide clean seafood to the world. Global demand for seafood is at an all-time high, and supply cannot keep pace with demand, as populations of many marine species have halved since 1970. BlueNalu will supplement current fishing efforts and produce seafood directly from fish cells, in a way that is healthy for people, humane for animals, and sustainable for our planet. Following a successful fund raise, BlueNalu announced in January 2019 the formation of its world-class, interdisciplinary advisory board, including leaders at the forefront of ocean health, the culinary industry, and food commercialization.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Chairman's statement (continued)

Investment review (continued)

Additional Directors

I am pleased to announce that both David Giampaolo and Richard Reed will shortly be joining the board of the Company as Independent Non-Executive Directors, subject to regulatory approval. Both David and Richard have considerable experience in the consumer health and nutrition sector.

David Giampaolo is a major shareholder and chief executive of Pi Capital, a London-based investor club. He is also a noted entrepreneur in the global health and fitness sector. David previously founded, built up and sold several businesses and health club chains in the US and Europe. He has been involved as an investor, advisor and board member of some of the largest and most successful health and fitness companies in the world including Fitness First, 24 Hour Fitness and Zumba Fitness.

Richard Reed, CBE is a businessman, investor and entrepreneur. He is the co-founder of Innocent Drinks, an international company producing fresh fruit smoothies and vegetable pots sold in various outlets around the world, the majority of which was sold to Coca-Cola for more than US\$ 500 million. Richard is also a co-founder and partner of JamJar Investments, a venture capital investment fund based in London UK, specialising in early stage, high growth consumer technology and offline companies. Richard is an alumnus of St John's College, Cambridge.

Strategy and Outlook

As previously mentioned, the Board has finalised its strategic review. As a result, shareholder approval will be sought to change the existing investing policy to a new investing policy focussing on opportunities within the Life Sciences sector, concentrating on, but not being limited to, environmentally friendly alternatives to the traditional production of meat and plant-based nutrition sources ("Clean Food"). Full details of the changes, to include a name change and the appointment of two new Independent Non-Executive Directors, are set out in the accompanying Circular, together with the date of the Extraordinary General Meeting. Following this, the Company will consider ways of increasing the capital available for investing under the new investing policy.

Jim Mellon

Chairman

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of comprehensive income

For the period ended 31 December 2018

	<i>Notes</i>	Period ended 31/12/2018 (unaudited) £	<i>Period ended 31/12/2017 (unaudited) £</i>
Investment gain/(loss)	2	53,307	(1,596)
Operating expenses			
Performance fee	3	-	-
Other costs	4	(82,740)	(79,956)
Foreign exchange gains/(loss)		54	(137)
Operating loss		(29,379)	(81,689)
Interest received		12,022	7,058
Loss before taxation		(17,357)	(74,631)
Taxation		-	-
Loss for the period		(17,357)	(74,631)
Other comprehensive income		1,000	-
Total comprehensive loss for the period		(16,357)	(74,631)
Basic and diluted loss per share for loss attributable to the equity holders of the Company during the period (pence)	5	(0.07)	(0.32)

The Directors consider that the Company's activities are continuing.

The notes on pages 8 to 10 form part of these interim financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of financial position

As at 31 December 2018

	<i>Notes</i>	31/12/2018 (unaudited) £	30/06/2018 (audited) £
Current assets			
Financial assets at fair value through profit or loss	6	1,382,177	1,131,164
Loan receivable	7	-	226,584
Trade and other receivables		13,761	14,480
Cash and cash equivalents		523,584	555,293
Total assets		1,919,522	1,927,521
Equity			
Called up share capital		23	23
Share premium		1,890,142	1,890,142
Distributable reserves		(2,760)	13,597
Total equity		1,887,405	1,903,762
Current liabilities			
Trade and other payables	8	32,117	23,759
Total liabilities		32,117	23,759
Total equity and liabilities		1,919,522	1,927,521

The notes on pages 8 to 10 form part of these interim financial statements.

These interim financial statements were approved by the Board of Directors on xx March 2019 and were signed on their behalf by:

Denham Eke

Director

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of changes in equity

For the period ended 31 December 2018

<i>Notes</i>	Share capital £	Share premium £	Distributable reserves £	Total £
Balance at 01 July 2017 (audited)	23	1,890,142	225,003	2,115,168
Total comprehensive income for the period:				
Loss for the period	-	-	(74,631)	(74,631)
Other comprehensive income	-	-	-	-
Balance at 31 December 2017 (unaudited)	23	1,890,142	150,372	2,040,537

<i>Notes</i>	Share capital £	Share premium £	Distributable reserves £	Total £
Balance at 01 July 2018 (audited)	23	1,890,142	13,597	1,903,762
Total comprehensive income for the period:				
Loss for the period	-	-	(16,357)	(16,357)
Other comprehensive income	-	-	-	-
Balance at 31 December 2018 (unaudited)	23	1,890,142	(2,760)	1,887,405

The notes on pages 8 to 10 form part of these interim financial statements.

PORT ERIN BIOPHARMA INVESTMENTS LIMITED

Condensed statement of cash flows

For the period ended 31 December 2018

	<i>Notes</i>	Period ended 31/12/2018 (unaudited) £	<i>Period ended 31/12/2017 (unaudited) £</i>
Cash flows from operating activities			
Loss for the period		(16,357)	(74,631)
Adjusted for:			
Interest received		(12,022)	(7,058)
Realised and unrealised (gain)/loss	2	(53,307)	1,596
Changes in working capital:			
Decrease/(increase) in receivables		719	(5,795)
Increase in payables		8,358	2,856
Cash flows used in operations		(72,609)	(83,032)
Cash flows from investing activities			
Purchase of investments		(197,707)	(196,788)
Investment loans repaid		226,584	-
Interest received		12,022	7,058
Net cash generated/(used in) from investing activities		40,899	(189,730)
Decrease in cash and cash equivalents		(31,709)	(272,762)
Cash and cash equivalents at beginning of period		555,293	875,885
Cash and cash equivalents at the end of period		523,583	603,123

The notes on pages 8 to 10 form part of these interim financial statements.

Notes to the condensed interim financial statements

1 Significant accounting policies

Port Erin Biopharma Investments Limited (the “Company”) is a company domiciled in the Isle of Man. The address of the Company’s registered office is 18 Athol Street, Douglas, Isle of Man, IM1 1JA.

The unaudited condensed financial statements of the Company (the “Financial Information”) are prepared in accordance with Isle of Man law and International Financial Reporting Standards (“IFRS”) and their interpretations issued by the International Accounting Standards Board (“IASB”) and adopted by the European Union (“EU”). The financial information in this report has been prepared in accordance with the Company’s accounting policies. Full details of the accounting policies adopted by the Company are contained in the financial statements included in the Company’s annual report for the year ended 30 June 2018 which is available on the Group’s website: www.porterinbiopharma.com.

The accounting policies and methods of computation and presentation adopted in the preparation of the Financial Information are consistent with those described and applied in the financial statements for the year ended 30 June 2018. There are no new IFRSs or interpretations effective from 1 July 2018 which have had a material effect on the financial information included in this report.

The unaudited condensed financial statements do not constitute statutory financial statements. The statutory financial statements for the year ended 30 June 2018, extracts of which are included in these unaudited condensed financial statements, were prepared under IFRS as adopted by the EU. The auditors’ report on those financial statements was unmodified and contained emphasis of matter paragraphs relating to the valuation of unquoted investments and loan receivable.

The preparation of the Financial Information requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates. In preparing the Financial Information, the critical judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2018 as set out in those financial statements.

The Financial Information is presented in Great British Pounds, rounded to the nearest pound, which is the functional currency and also the presentation currency of the Company.

2 Investment income

	31/12/2018 (unaudited) £	<i>31/12/2017</i> <i>(unaudited)</i> £
Net realised gains on sale of investments	-	-
Net unrealised gain/(loss) on investments	53,307	<i>(1,596)</i>
Other income	1,000	-
Total investment income	54,307	<i>(1,596)</i>

3 Performance fee

	31/12/2018 (unaudited) £	<i>31/12/2017</i> <i>(unaudited)</i> £
Performance fee	-	-

Shellbay Investments Limited receives performance fees for the provision of Mr James Mellon as Non-Executive Chairman of the Company. The fees are calculated at 15 per cent. of any increase in the net asset value of the Company over each quarterly period, subject to a high watermark (High-Watermark being defined as “the highest fully diluted NAV per shares recorded at any quarter day end to date provided the fully diluted NAV exceeds the offer price per share in the AIM listing”). The performance fee is payable in shares issued at the mid-price on the day of the quarterly net asset value announcement. No fees were payable for the current period (31 December 2017: £nil).

Notes to the condensed interim financial statements (continued)

4 Other costs

	31/12/2018 (unaudited) £	31/12/2017 (unaudited) £
Directors' fees	5,000	5,000
Auditors' remuneration for the current period	9,005	8,694
Bank charges	134	94
Insurance	3,282	3,327
Marketing	870	-
Professional fees	64,449	62,841
Sundry expenses	-	-
Total other costs	82,740	79,956

The Company has no employees other than the Directors.

5 Basic and diluted earnings per share

The calculation of basic earnings per share of the Company is based on the loss for the period of £16,357 (31 December 2017: loss of £74,631) and the weighted average number of shares of 23,195,558 (31 December 2017: 23,195,558) in issue during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares such as warrants and options. There is no dilutive effect in the current or prior period as there were no outstanding warrants or options.

6 Financial assets at fair value through profit or loss

	31/12/2018 (unaudited) £	30/06/2018 (audited) £
Quoted	840,255	576,846
Unquoted	541,922	554,318
Total financial assets at fair value	1,382,177	1,131,164
Equities	1,357,095	1,131,164
Warrants	25,082	-
Total financial assets at fair value	1,382,177	1,131,164

7 Loan receivable

On 13 October 2016, the company entered into a loan agreement with the Diabetic Boot Company Limited to provide it with a short-term loan of £200,000 less expenses, for working capital purposes. This loan paid a coupon of 7 per cent, is unsecured and is fully repayable on the earlier of 31 March 2018 or the date on which DBC secures additional equity funding of £1,000,000, after which time the coupon rate was 11 per cent. In December 2017, the loan repayment date was extended to 31 March 2018. The loan plus accrued interest was repaid in full on 21 December 2018.

8 Trade and other payables

	31/12/2018 (unaudited) £	30/06/2018 (audited) £
Provision for audit fee	27,013	18,009
Shellbay Investments Limited	-	-
Other	5,104	5,750
Total trade and other payables	32,117	23,759

Notes to the condensed interim financial statements (continued)

9 Related party transactions

Under an agreement dated 1 December 2011, Burnbrae Limited, a company related to both Jim Mellon and Denham Eke, provide certain services, principally accounting and administration, to the Company. This agreement may be terminated by either party on three months' notice. The Company incurred a total cost of £18,000 (31 December 2017: £18,000) during the period under this agreement of which £nil was outstanding as at the period end (30 June 2018: £Nil).

Under an agreement dated 6 May 2011, Shellbay Investments Limited, a company related to both Jim Mellon and Denham Eke, provide the services of Jim Mellon as Non-Executive Chairman of the Company (see note 3). The charge for services provided in the period was £Nil (31 December 2017: £Nil). No amount was outstanding at the period-end (30 June 2018: £Nil).

In accordance with the Company's published investment strategy, Mr Mellon may co-invest alongside the Company in certain investments and, accordingly, he has direct and indirect interests in other investments held by the Company.

10 Commitments and contingent liabilities

There are no known commitments or contingent liabilities as at the period end.

11 Events after the reporting date

To the knowledge of the Directors, there have been no material events since the end of the reporting period that require disclosure in the condensed interim financial statements.